



Office of the City Manager

Date: February 23, 2023

To: Budget and Finance Policy Committee

From: Dee Williams-Ridley, City Manager

Submitted by: Sharon Friedrichsen, Budget Manager
Henry Oyekanmi, Finance Director

Subject: FY 2023 Mid-Year Update

RECOMMENDATION

Receive a report on the City's Fiscal Year 2023 Mid-Year Budget Update.

INTRODUCTION

This report presents the Fiscal Year 2023 ("FY 2023") Mid-Year Budget Update including actual General Fund and Special Fund expenditures incurred from July 1, 2022 to December 31, 2022. It also provides an estimate of anticipated General Fund revenues and expenditures as of June 30, 2023 and projected expenditures for All Funds by department for FY 2023.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is currently in FY 2023, which covers the period of July 1, 2022 to June 30, 2023. On June 28, 2022, the City Council adopted the FY 2023 budget, which included the General Fund being balanced through several strategies including the use of the nearly \$27.38 million in FY 2022 excess property transfer tax to: (1) address operational shortfalls in FY 23 (\$12.17 million); (2) replenish reserves (\$1.50 million) and (3) augment the biennial capital budget (\$8.57 million).

As depicted in Table 1, FY 2023 Mid-Year General Budget at a Glance, on the next page, as of December 31, 2022, General Fund revenues are expected to meet initial estimates, while General Fund expenses are at 42.23% halfway through the fiscal year compared to the expected 50%. It is projected to be under budget by approximately \$22.47 million. The FY 2023 projected ending balance is mostly due to salary savings and pending projects due to vacancies. Staff will carefully monitor revenues and expenses in the second half of FY 2023.

Table 1: FY 2023 Mid-Year General Budget at a Glance

<i>\$'s in Millions</i>	FY 2023 Adopted Budget	FY 2023 Adjusted Budget	FY 2023 Mid-Year Actuals	Percentage of Revenue Received/ Expensed and Encumbered
Revenues	\$258.65	\$258.65	\$127.53	49.31%
Expenditures	(\$280.67)	(\$298.82)	(\$126.27)	42.23%
Carryover and Excess Equity	\$27.38	\$40.17		
Balance	\$5.36	\$0.0		

The carryover and excess equity are carried forward from FY 2022. The Adjusted amounts do not reflect all expenditures approved on December 13, 2022 by Council in the Amendment to the Annual Appropriation Ordinance (AAO#1) and the projected revenues. The \$40.07 million carryover and excess equity adjusted amount includes the initial balancing strategies plus additional excess equity to cover AAO#1 allocations entered in the ERMA financial system as of December 31, 2022. Additional information on the carryovers and excess equity allocation is discussed later in this report under the General Fund Expenditures section.

FY 2023 Mid-Year Summary

General Fund Revenues

The mid-year review focuses primarily on the major revenue fluctuations and changes that have occurred that might result in significant changes in future projections. Typically, staff waits until the mid-year report to identify General Fund revenue projections that should be revised. *At the halfway point of FY 2023, there are several revenue sources that warrant an increase in the FY 2023 projections: Secured Property Taxes, Sales Taxes, Utility Users Tax, Transient Occupancy Taxes (TOT), Vehicle in Lieu Taxes, Ambulance Fees, Interest Income and Other Revenue.*

During the first half of FY 2023, General Fund revenue and transfers decreased slightly by \$707,034 or .55%, from \$128,238,986 in the first half of FY 2022, to \$127,531,952 in the first half of FY 2023, due primarily to a decline of \$5,124,961 in Property Transfer Taxes and a decline of \$7,220,037 in Transfers. These declines were cushioned by the continued strong performances in property-related revenues and a turnaround in business-related revenues like Sales Taxes, TOT and Interest Income.

Table 2, **General Fund Revenue and Transfer In FY 2023 Mid-Year vs FY 2022 Mid-Year Comparison**, below shows FY 2023 General Fund Revenues through the first six months of the current fiscal year and compares the year-to-date revenues received to the first six months of FY 2023. A detailed analysis of the comparison between the fiscal years for the major revenue sources follows.

Table 2, General Fund Revenue and Transfer In FY 2023 Mid-Year vs FY 2022 Mid-Year Comparison

Revenue Categories	FY 2023				FY 2022				Comparison FY23 vs FY22		Revised FY 2023
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%	Projections
	(a)	(b)	c=(b) - (a)	(d) = (b)/(a)	(e)	(f)	g=(f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)	Projections
Secured Property	\$75,664,920	\$40,237,811	(\$35,427,109)	53.18%	\$71,382,000	\$36,257,954	(\$35,124,046)	50.79%	3,979,857	10.98%	\$79,091,256
Redemptions -Regular	831,441	461,026	(370,415)	55.45%	831,441	415,104	-416,337	49.93%	45,922	11.06%	831,441
Supplemental Taxes	2,000,000	1,229,929	(770,071)	61.50%	2,000,000	608,905	-1,391,095	30.45%	621,024	101.99%	2,300,000
Unsecured Property Taxes	3,516,000	3,151,771	(364,229)	89.64%	2,625,000	3,048,386	423,386	116.13%	103,385	3.39%	3,516,000
Property Transfer Tax	34,462,172	16,676,308	(17,785,864)	48.39%	21,000,000	21,801,269	801,269	103.82%	(5,124,961)	-23.51%	34,462,172
Property Transfer Tax-Measure P (New December 21, 2018)	14,073,750	8,363,823	(5,709,927)	59.43%	8,500,000	8,626,946	126,946	101.49%	(263,123)	-3.05%	14,073,750
Sales Taxes	19,016,546	9,687,895	(9,328,651)	50.94%	18,287,215	9,533,614	-8,753,601	52.13%	154,281	1.62%	19,634,807
Soda Taxes	990,210	642,874	(347,336)	64.92%	990,210	519,699	-470,511	52.48%	123,175	23.70%	1,025,800
Utility Users Taxes	13,800,000	7,638,612	(6,161,388)	55.35%	13,000,000	6,534,425	-6,465,575	50.26%	1,104,187	16.90%	15,000,000
Transient Occupancy Taxes	5,000,000	3,943,517	(1,056,483)	78.87%	2,173,000	2,471,311	298,311	113.73%	1,472,206	59.57%	7,500,000
Short-term Rentals	1,000,000	712,661	(287,339)	71.27%	630,000	586,569	-43,431	630,000	126,092	21.50%	1,400,000
Business License Tax	19,000,000	1,010,143	(17,989,857)	5.32%	18,498,146	1,393,760	-17,104,386	7.53%	(383,617)	-27.52%	19,000,000
Recreational Cannabis	1,400,000	237,669	(1,162,331)	16.98%	1,643,739	600,770	-1,042,969	36.55%	(363,101)	-60.44%	1,400,000
U1 Revenues	4,900,000	113,893	(4,786,107)	2.32%	5,120,350	153,243	-4,967,107	2.99%	(39,350)	-25.68%	4,900,000
Other Taxes	1,800,000	1,500,099	(299,901)	83.34%	1,761,714	1,052,445	-709,269	59.74%	447,654	42.53%	2,500,000
Vehicle In-Lieu Taxes	15,926,168	8,329,833	(7,596,335)	52.30%	14,959,837	7,503,002	-7,456,835	50.15%	826,831	11.02%	16,626,651
Parking Fines-Regular Collections	4,326,450	3,104,161	(1,222,289)	71.75%	3,726,450	2,451,293	-1,275,157	65.78%	652,868	26.63%	4,800,000
Parking Fines-Booting Collections			0				0	0.00%	-	0.00%	
Moving Violations	132,600	71,415	(61,185)	53.86%	132,600	83,533	-49,067	63.00%	(12,118)	-14.51%	132,600
Ambulance Fees	3,880,779	2,479,368	(1,401,411)	63.89%	3,154,002	1,715,639	-1,438,363	54.40%	763,729	44.52%	5,330,779
Interest Income	6,000,000	4,038,930	(1,961,070)	67.32%	4,462,320	3,107,784	-1,354,536	69.65%	931,146	29.96%	7,000,000
Franchise Fees	1,613,283	335,043	(1,278,240)	20.77%	1,613,283	350,085	-1,263,198	21.70%	(15,042)	-4.30%	1,720,056
Other Revenue	6,729,977	3,902,132	(2,827,845)	57.98%	6,729,977	3,275,786	-3,454,191	48.67%	626,346	19.12%	7,529,977
IDC Reimbursement	5,490,000	3,205,614	(2,284,386)	58.39%	5,490,000	2,470,002	-3,019,998	44.99%	735,612	29.78%	5,990,000
Transfers	17,096,148	6,457,425	(10,638,723)	37.77%	27,354,923	13,677,462	-13,677,461	50.00%	(7,220,037)	-52.79%	17,096,148
			-				0		-		
Total Revenue:	\$258,650,444	\$127,531,952	-\$131,118,492	49.31%	\$236,066,207	\$128,238,986	-\$107,827,221	54.32%	(\$707,034)	-0.55%	\$272,861,437

Notes: (1) This statement is presented on a budgetary basis (i.e., cash).
 (2) Current vendor no longer breaks out Regular and Booting Parking Fines Collections

Secured Property Tax (+\$3,979,857 more than FY 2022 Actual)

During the first half of FY 2023, Secured Property Tax revenues totaled \$40,237,811, which was \$3,979,857 or 11.0% more than the \$36,257,954 received for the same period in FY 2022. This result was consistent with the County’s Certification of Assessed Valuation (received from the County in August 2022), which reflects growth of 10.8%. However, the FY 2023 Adopted Budget assumes a 9.00% increase for FY 2023 (based on the last preliminary estimate of FY 2023 growth received from the County prior to July 1, 2022). As a result, staff will be increasing the FY 2023 Secured Property Tax projection from \$75,664,920 to \$79,091,256.

Unsecured Property Tax (+\$103,385 more than FY 2022 Actual)

During the first half of FY 2023, Unsecured Property Tax revenues totaled \$3,151,771, which was \$103,385 or 3.39% more than the amount of \$3,048,386 received in the same period in FY 2022. This amount is lower than the County’s Certification of Assessed Valuation growth reflected of 16.9% for FY 2023.

Property Transfer Tax (-\$5,124,961 less than FY 2022 Actual)

During the first half of FY 2023, Property Transfer Tax totaled \$16,676,308 which was \$5,124,961 or 23.5% less than the \$21,801,269 received for the first half of FY 2022. However, \$2,117,407 of that decrease resulted from the late payment (in FY 2022) by the County of the May 2021 Property Transfer Taxes, which should have been received in FY 2021.

The primary reason for the remaining \$3,007,554 decrease in Property Transfer Tax was that the dollar value of property sales decreased by 9.7%, from \$1.312 billion in the first half of FY 2022 to \$1.185 billion during the first half of FY 2023, as illustrated in Table 3 below.

Table 3: FY 2023 and FY 2022 Six Month Comparison of Property Sales

Property Sales (In Million \$)	July	Aug	Sept	Oct	Nov	Dec	Total Property Sales \$
FY 2022	\$172.1	\$197.5	\$309.1	\$192.9	\$243.5	\$197.1	\$1,312.2
FY 2023	188.9	320.0	134.6	143.9	254.9	142.4	1,184.7
Change	16.8	122.5	-174.5	-49.0	11.4	-54.7	-127.5
Percent Change	9.7%	62.0%	56.5%	-25.4%	4.7%	-27.8%	-9.7%

The total Property Transfer Taxes declined in the first half of FY 2023 despite having nine property sales of \$10 million or more, with total sales of \$400,979,500 compared to 12 property sales of \$10 million or more, with total sales of \$239,338,500 in the FY 2022 first half; and, (2) The number of property sales transactions decreased by 82 or 13.4% during the first half of FY 2023, as illustrated in the Table 4 below.

Table 4: FY 2023 and FY 2022 Six Month Comparison of Property Transfer Transactions

Property Transfer Transactions	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	114	91	72	103	119	115	614
FY 2023	113	101	108	79	74	57	532
Change	-1	10	36	-24	-45	-58	-82
Percent Change	-0.88%	11.0%	50.0%	-23.3%	-37.8%	-50.4%	-13.4%

Staff will closely monitor this volatile revenue, especially in light of the fact that the Federal Reserve Board intends to slow down the US economy by raising interest rates and selling Agency and Mortgage-backed securities from its Balance Sheet, in order to reduce inflation.

Measure P-Property Transfer Tax (-\$263,123 less than FY 2022 Actual)

Measure P taxes (a tax which took effect on December 21, 2018) totaling \$8,363,823 was collected during the first half of FY 2023, which was \$263,123 or 3.1% less than the \$8,626,946 collected during the first half of FY 2022; This increase resulted primarily as a result of the following: (1) A decrease of 3.0% in the dollar value of property sales amount in FY 2023 versus those for the same period in FY 2022 as reflected in Table 5; (2) The number of property sales transactions decreased by 62 or 22.4% during the first half of FY 2023, as illustrated in the Table 6 below; and (3) The decline was cushioned in the first half of FY 2023 by larger sales values on property sales of \$10 million or more (\$400,979,500 versus \$239,338,500 in the first half of FY 2022).

Table 5: FY 2023 and FY 2022 Six Month Comparison-Property Sales of \$1.5 Million+

Property Sales \$1.5 million+	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	\$117.7	\$126.8	\$147.9	\$145.5	\$190.1	\$134.1	\$862.1
FY 2023	114.4	271.1	84.1	63.3	203.7	99.8	836.4
Change	-3.3	144.3	-63.8	82.2	-13.6	-34.3	-25.7
Percent Change	-2.8%	113.8%	-43.1%	-56.5%	-7.2%	-25.6%	-3.0%

Table 6: FY 2023 and FY 2022 Six Month Comparison of Measure P Transactions

Measure P Transactions	July	Aug	Sept	Oct	Nov	Dec	Total
FY 2022	50	45	26	47	58	51	277
FY 2023	52	41	48	31	24	19	215
Change	2	-4	22	-16	-34	-32	-62
Percent Change	.4.0%	-8.9%	84.6%	-34.0%	-58.6%	-62.7%	-22.4%

Sales Tax (+\$154,281 more than FY 2022 Actual)

For the first half of FY 2023, Sales Tax revenue totaled \$9,687,895, which was \$154,281 or 1.62% more than the \$9,533,614 received for the first half of FY 2022. The increase was slightly above the .50% increase reflected in the Adopted Budget. However, the City’s sales tax consultant projects increase in the following categories over the FY 2022 actuals: General Retail (+\$237,193); Transportation (+\$236,709); Business-to-business (+\$149,551); and County Pool (+\$227,039). As a result, staff is increasing the FY 2023 projection from \$19,016,546 to \$19,634,807.

Utility Users Taxes (+\$1,104,187 more than FY 2022 Actual)

Utility Users Tax revenue for the first half of FY 2023 totaled \$7,638,612, which was \$1,104,187 or 16.9% more than the \$6,534,425 received for the same period in FY 2022. This increase of \$1,104,187 is shown in Table 7 below. As a result, staff is raising the FY 2023 projection from \$13,800,000 to \$15,000,000.

Table 7: FY 2023 and FY 2022 Six Month Comparison of UUT Revenues

Utility	FY2022	FY 2021	\$ Change	% Change
Telephone	\$545,243	\$584,359	\$-39,116	\$-6.69%
Cable	503,785	515,651	- 11,866	-2.30%
Cellular	898,459	848,280	50,179	5.92%
Electric	4,346,334	3,551,297	795,037	22.39%
Gas	1,344,791	1,034,838	309,953	31.99%
Total	\$7,638,612	\$6,534,425	\$1,104,187	16.90%

Transient Occupancy Tax (+\$1,472,206 more than FY 2022 Actual)

Transient Occupancy Tax (TOT) revenue for the first half of FY 2023 totaled \$3,943,517 (after including TOT rebates owed), which was \$1,472,206 or 59.6% more than the \$2,471,311 received for the first half of FY 2022. The FY 2023 increase was primarily attributable to a gross increase of 104.9% at the six largest hotels in Berkeley during the first half of the fiscal year. However, the gross increase in the six largest hotels was offset by a total of \$997,992 in TOT rebates: \$155,774 in FY 2022 TOT rebates paid during the first half of FY 2023 and \$273,900 of FY 2022 TOT rebates still due; and \$568,318 in FY 2023 TOT rebates due, but unpaid, as of December 31, 2022. After accounting for the TOT rebates, the net increase for the first half of FY 2023 was 52.9%. As a result, staff will be increasing the FY 2023 TOT revenue projection from \$5,000,000 to \$7,500,000.

Short-Term Rentals (+\$126,092 more than FY 2022 Actual)

Short-Term Rentals revenue for the first half of FY 2023 totaled \$712,661, which was \$126,092 or 21.5% more than the \$586,569 received for the first quarter of FY 2022. As a result, staff are increasing the projection by \$400,000 to \$1.4 million.

Business License Taxes (-\$383,617 more than FY 2022 Actual)

Business license Taxes (BLT) revenue for the second quarter of FY 2023 totaled \$1,010,143, which was \$383,617 or 27.5% less than the \$1,393,760 received for the first half of FY 2022. BLT are not due until the end of February, so it is too early to determine what the FY 2023 trends are.

Recreational Cannabis (-\$363,101 less than FY 2022 Actual)

Recreational Cannabis revenue for the second quarter of FY 2023 totaled \$237,669, which was \$363,101 or 60.4% less than the \$600,770 received in the first quarter of FY 2022. Recreational Cannabis taxes are not due yet, so it is too soon to determine the FY 2023 revenue trends.

However, the decrease so far was primarily attributable to a decline in the number of license renewals from 12 in the first half of FY 2022 to 8 in FY 2023. In addition, two large businesses that accounted for 30% of FY 2022 total cannabis revenue have not yet renewed their licenses.

U1 Revenues -\$39,350 less than FY 2022 Actual

U1 revenues for the first half of FY 2023 totaled \$113,893, which was \$39,350 or 25.7% less than the \$153,243 received in the second quarter of FY 2022. U1 revenues are not due yet, so it is too soon to determine the FY 2023 U1 revenues trends.

Vehicle In Lieu Taxes (+\$826,831 more than FY 2022 Actual)

Vehicle in Lieu Taxes (VLF) for the first half of FY 2023 totaled \$8,329,833, which was \$826,831 or 11.02% more than the \$7,503,002 received for the first half of FY 2022. This result was consistent with the County’s Certification of Assessed Valuation (received from the County in August 2022), which reflects growth of 10.8%. Changes in VLF revenues are based on the growth in assessed values. However, the Adopted Budget reflects growth of 8.0%. As a result, staff will be increasing the FY 2023 Vehicle In Lieu Tax projection from \$15,926,168 to \$16,626,651.

Parking Fines (+\$652,858 more than FY 2022 Actual)

Parking Fines revenue for the first half of FY 2023 totaled \$3,104,161, which was \$652,858 or 26.6% more than the \$2,451,293 received for the first half of FY 2022. The primary reason for the increase was a significant increase in ticket writing, resulting from the lifting of COVID-19 restrictions. As a result, staff are increasing the Parking Fines projection from \$4,326,450 to \$4,800,000.

During the first half of the fiscal year, ticket writing increased by 11,267 or 18.4 from 61,157 in the first half of FY 2022 to 72,424 in the first half of FY 2023, as follows in Table 8:

Table 8: FY 2023 and FY 2023 Six Month Comparison of Parking Tickets Written

Tickets	July	August	Sept.	Oct	Nov	Dec	Total
FY 2022	9,548	7,212	11,784	11,392	10,756	10,465	61,157
FY 2023	11,195	11,757	13,333	12,716	12,667	10,756	72,424
Difference	1,647	4,545	1,549	1,324	1,911	291	11,267
Percent Difference	17.2%	63.0%	13.1%	11.6%	17.8%	2.8%	18.4%

Ambulance Fees (+\$763,729 more than FY 2022 Actual)

Ambulance Fees revenue for the first half of FY 2023 totaled \$2,479,368, which was \$763,729 or 44.5% more than the \$1,715,639 received for the same period during FY 2022. This increase was primarily due to an increase in the number of transports, which increased by 374 or 14.6%, from 2,563 in the first half of FY 2022 to 2,937 in the first half of FY 2023.

In addition, the Fire Department was notified of the reinstatement of the Ground Emergency Medical Transportation (GEMT) cost report program, which will enable the department to receive reimbursement payments for FY 2019 through FY 2022 totaling approximately \$2.9 million. As a result, staff is increasing the Ambulance Fee revenue projection from \$3,880,779 to \$5,330,779 in FY 2023 and FY 2024.

Interest Income (+\$931,146 more than FY 2022 Actual)

For the first half of FY 2023, interest income totaled \$4,038,930, which was \$931,146 or 30.0% more than the total of \$3,107,784 received for the same period in FY 2022. This increase was primarily attributable to a slight increase in the proportion of the portfolio that was invested in long-term (i.e., one year or more) securities than in short-term securities (i.e., less than one year), and an increase in average interest rates earned after the Federal Reserve reversed course and started raising interest rates on March 17, 2022.

Primarily as a result of the Fed’s actions beginning March 17, 2022, the net interest rate earned by the City increased from a range of .91%-1.078% during the first half of FY 2022, to a range of 1.837%-2.616% during the first half of FY 2023, as follows:

Table 9: FY 2022 and FY 2021 6 Month Comparison of Monthly Net Interest Rate Earned

FY	July	August	Sept	Oct	Nov	Dec
2022	.912%	1.028%	1.057%	1.078%	1.018%	.961%
2023	1.837%	2.025%	1.972%	2.258%	2.390%	2.616%

As a result, staff will be increasing the FY 2023 Interest Income projection from \$6,000,000 to \$7,000,000.

Franchise Fees (-\$15,402 less than FY 2022 Actual)

Franchise Fees for the first half of FY 2023 totaled \$335,043, which was \$15,402 or 4.3% less than the \$350,085 received for the same period in FY 2022.

Indirect Cost Reimbursements (+\$735,612 more than FY 2022 Actual)

Indirect Cost Reimbursements (IDC) for the FY 2023 first half totaled \$3,205,614, which was \$735,612 or 29.8% more than the \$2,470,002 received in the first half of FY 2022. This increase was primarily accounted for by an increase in the indirect cost rates calculated for FY 2023 (a range of 21-25%) compared to the rates calculated in FY 2022 (a range of 17%-18%).

As a result, staff will be increasing the FY 2023 IDC revenue projection from \$5,490,000 to \$5,990,000.

Transfers (-\$7,220,037 less than FY 2022 Actual)

Transfers from other funds for the first half of FY 2023 totaled \$6,457,425 which was \$7,220,037 or 52.8% less than the \$13,677,642 received for the same period in FY 2022.

This was primarily attributable to the Transfer of \$11,484,678 from the American Rescue Plan Fund in the first half of FY 2022 to recover from the impact of the COVID-19 pandemic, compared to the Transfer of \$6,135,806 from the American Rescue Plan Fund in the first half of FY 2023.

Other Revenues (+\$626,346 more than FY 2022 Actual)

Other Revenues primarily consists of licenses and permits; grants; preferential parking fees; general government charges for services; public safety charges for services; health charges for services; culture and recreation charges for services; rents and royalties; and other miscellaneous revenues that are not considered major.

Other Revenues for the first half of FY 2023 totaled \$3,902,132 which was \$626,346 or 19.1% more than the \$3,275,786 received for the first half of FY 2022. This increase resulted primarily from (1) the receipt of a premium of \$415,785 on the issuance of the Tax and Revenue Anticipation Notes in the first half of FY 2022 versus a premium of \$687,680 in the first half of FY 2023. The premium paid to the City was not actually revenue; it was a liability that was paid by the purchaser of the City’s Notes when the coupon interest rate was higher than the market rate when the Notes were issued. It was used to offset the interest expense paid by the City on the Notes; and (2) An increase of \$158,070 in Transportation Network Company User Tax (i.e., a tax on ride sharing companies enacted during the height of the COVID-19 pandemic) from \$248,143 in the first half of FY 2022 to \$406,213 in the first half of FY 2023.

Staff will be increasing the FY 2023 Other Revenue projection from \$6,729,977 to \$7,529,977 consistent with the trends we are seeing in this revenue category.

General Fund Revenue Projections (FY 2023 to FY 2027)

The following table shows projected General Fund revenues for FY 2023 and the current projections for FY 2024 through FY 2027.

Table 10: Projected General Fund Revenue FY 2023 through FY 2027

	FY 2023 Adopted	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Undesignated Revenues						
Secured Property Taxes	75,664,920	79,091,256	81,859,450	84,724,531	87,689,889	90,759,035
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Unsecured Property Taxes	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Property Transfer Taxes	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750

Continuation	FY 2023 Adopted	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Sales Taxes	19,016,546	19,634,807	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800	512,900
Utility Users Taxes	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Transient Occupancy Taxes	5,000,000	7,500,000	7,725,000	7,956,750	8,195,453	8,441,316
Short-term Rentals	1,000,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	19,000,000	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Recreational Cannabis	1,400,000	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
Measure U1	4,900,000	4,900,000	4,900,000	4,998,000	5,097,960	5,097,960
Other Taxes	2,631,441	3,331,441	3,331,441	3,331,441	3,331,441	3,331,441
Vehicle in Lieu Taxes	15,926,168	16,626,651	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines - Regular Collections	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Moving Violations	132,600	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	3,880,779	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779
Interest Income	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenues	6,729,977	7,529,977	7,529,977	7,529,977	7,529,977	7,529,977
Indirect cost reimbursements	5,490,000	5,990,000	5,990,000	5,990,000	5,990,000	5,990,000
Transfers	17,096,148	17,096,148	21,023,924	4,472,621	4,562,074	4,562,074
Total Undesignated Revenues	242,188,272	256,399,265	261,679,074	248,705,755	254,056,056	258,400,279
Designated Revenues Prop. Transfer Taxes for capital improvements	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
TOTAL REVENUES AND TRANSFERS	258,650,444	272,861,437	274,641,246	262,247,170	267,597,471	272,532,523

**Property Transfer Tax Revenues are set at a baseline amount of \$18 million, changing to \$16 million starting in FY 2025. The Council Fiscal Policies require any excess property transfer tax revenues over the baseline to be allocated to capital improvements. Council may waive this policy as needed to balance the budget or prioritize these funds for other critical needs.*

Property Taxes

Given the continued high collection rate, and the resilience of property values in the City, as well as a large volume of recent property sales (which bring assessed values to market value), we are projecting that annual growth will be approximately 5.5% over the next several years. The persistence of strong growth of property valuations in recent years, as well as the spike in current year sales (which bring properties assessed valuations to market value), have caused staff to increase the projected growth rate from the 3.5% that we have used in prior long-term projections.

Sales Taxes

The immense effects of COVID-19 on sales tax revenue in FY 2021 were largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and staff now project growth to level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections.

Business License Taxes

We are projecting a 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer. 2023 business license returns (for 2022 gross receipts) are just now being received. Information on how revenues are trending will be available in a month or two once they are processed.

Transient Occupancy Tax (“TOT”)

With recovery of business at the City’s hotels expected to lag behind general economic recovery, and relying on industry guidance regarding predicted occupancy levels, we are currently projecting only 3% annual growth from current revenue levels. Even after taking into consideration the new downtown hotel, we will continue to monitor the major hotels’ projections of future occupancies and will adjust long-term projections as necessary.

Utility Users Tax

We expect UUT revenue to rise marginally from FY 2022 through FY 2024, after increasing slightly in the current year due to rate increases approved by the Public Utilities Commission. Revenues are expected to remain flat after FY 2024 and beyond after all the rate increases have been actualized.

Transfer Tax

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027. The spike in revenue being seen in FY 2022, and to a lesser extent in FY 2023, is likely due to sales triggered by looming interest rate increases that have been signaled by the Federal Reserve, as well as some pent-up demand from mildly depressed sales during the pandemic. Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but interest rate increases will probably negatively impact sales prices and volumes somewhat in the next few years.

We also expect revenues from Measure P supplemental tax on high value property transfers to remain basically flat.

Revenue Conclusion

Projecting revenues many years into the future is inherently difficult to do with accuracy, as shifts in the macroeconomic climate can cause asset valuations and economic output to fluctuate in ways not able to be anticipated at the time projections are made. Staff use the best assumptions available, based on historic trends, observation of leading economic indicators, and known changes in the regulatory environment. The current environment, however, presents heightened uncertainty due to several macroeconomic factors that could impact future City revenues.

First, while the health emergency related to the COVID-19 pandemic is finally receding, and while many of the restrictions that had constrained economic activity have been or soon will be lifted, there is a possibility that the local economy has been reshaped in ways that will not return to a pre-pandemic “normal.” The increase in telecommuting that occurred in the past couple of years may not fully recede. This could have effects on spending activities of residents and employees of City businesses and institutions, as well as the desirability of certain locations for home purchases. These trends will have to be studied and analyzed and adjustments made as more data comes in.

Second, after being kept at manageable levels for many years, there are signs that inflationary pressure is driving prices higher. It is now clear that the effect of disrupted supply chains caused by COVID-19 is not temporary as many analysts believe, but will have a long-lasting effect on the economy. The Federal Reserve Board has indicated and the markets are adjusting to the fact that interest rates are rising as the Fed’s continues to tighten monetary policy to combat inflation. This has already had immediate effects on economic activities in all sectors of the economy.

Third, continued war in Europe between Ukraine and Russia has continued to have dramatic effects on the energy global markets, especially if Russian oil and natural gas continues to be supplied at a lower quantity which spikes energy prices for the rest of Europe. This continues to drive fuel and transportation prices higher, with downstream effects on the prices of most goods.

Any one or a combination of these factors could necessitate further revision of the projections presented here. Staff will continue to monitor the revenues we actually receive and changes in the economic environment, so that we may update or revise our projections if changes in our forecasts are warranted.

General Fund Expenditures

On June 28, 2022, Council adopted the FY 2023 and FY 2024 Biennial Budget, which authorized General Fund expenditures in FY 2023 of \$280.67 million. Subsequently, on December 13, 2022, the City Council approved General Fund recommended rollovers, carryovers, and adjustments totaling \$22.60 million in the Amendment to the FY 2023 Annual Appropriations Ordinance (AAO) as shown in the table below:

Table 11: FY 2023 General Fund Revised Budget

FY 2023 Adopted Budget	Encumbered Recommended	Unencumbered Recommended	Other Adjustments	FY 2023 Revised Budget
\$280,671,294	\$12,162,503	\$6,351,969	\$4,090,297	\$303,276,062

The encumbered rollovers of \$12.16 million reflect contractual obligations entered in FY 2022, which had not been paid as of June 30, 2022. Unencumbered carryovers of \$6.35 million are approved by Council for specific purposes that had not been completed by the end of FY 2022. Funding for these commitments is brought forward into the current fiscal year to provide for payment of these obligations. Adjustments are new allocations for projects and Council priorities as detailed in the AAO. Included in the other adjustments of \$4.09 million are Council authorized allocations approved through the adoption of the Amendment to the AAO on January 17, 2023 (second reading).

General Fund expenditures incurred by department as of December 31, 2022 are shown in the Table 12 on the next page along with projections regarding the expenditures likely to be incurred through June 30, 2023. The projected savings/ deficit column in the chart below is an estimate of whether the department will be under or over the adopted budget and their respective appropriation limit based upon the first six months of the year.

With 50 percent of the fiscal year elapsed, most departments are tracking under 50 percent spent in personnel due to vacant positions. Some departments that are over 50 percent in non-personnel expenditures is related to encumbrances, meaning that departments have set aside funds to meet contractual obligations entered into in FY 2023, for services that may not be completed rendered by June 30, 2023.

The General Fund is currently projected to finish FY 2023 with a balance of \$22.47 million (Revised Budget minus Projected Expenses). However, there is some fluidity in the projection as currently most of the savings are based upon vacant positions. Projected expenditures will fluctuate as departments either (1) fill vacant positions throughout the course of the fiscal year; (2) increase overtime spending to provide services despite vacancies and/or (3) spend more on consultants and other professional services (“non-personnel costs”) to mitigate vacant staff positions.

Table 12: FY 2023 Mid-Year General Fund Expenditures (as of December 21, 2022)

DEPARTMENT	FY 2023 ADOPTED BUDGET	FY 2023 REVISED BUDGET*	YEAR TO DATE EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PERSONNEL PERCENTAGE USED	NON- PERSONNEL PERCENTAGE USED	TOTAL PERCENTAGE USED	FY 2023 PROJECTED EXPENDITURES	FY 2023 PROJECTED ENDING BALANCE/(DEFICIT)
MAYOR AND COUNCIL	4,785,155	4,875,736	1,786,543	69,853	3,019,340	36.9%	47.1%	38.1%	4,875,736	-
CITY AUDITOR	3,006,058	3,007,837	1,208,279	7,380	1,792,178	39.6%	47.6%	40.4%	2,345,535	662,302
RENT STABILIZATION BOARD	550,000	550,000	229,168	320,832	0	0.0%	100.0%	100.0%	550,000	-
POLICE ACCOUNTABILITY	1,120,676	1,250,444	330,343	52,342	867,759	26.8%	38.0%	30.6%	880,928	369,516
CITY MANAGER'S OFFICE	11,628,466	13,509,108	6,526,833	726,499	6,255,776	47.5%	64.4%	53.7%	13,332,528	176,580
CITY ATTORNEY	4,010,250	5,299,550	1,909,130	519,812	2,870,608	32.0%	76.1%	45.8%	4,396,163	903,387
CITY CLERK	2,590,414	2,801,741	1,144,295	252,008	1,405,438	42.8%	59.5%	49.8%	2,580,728	221,013
FINANCE	8,022,118	9,327,512	3,265,107	1,274,558	4,787,846	38.6%	75.8%	48.7%	8,553,323	774,189
HUMAN RESOURCES	2,980,172	3,185,697	1,107,790	216,399	1,861,509	27.4%	70.4%	41.6%	2,495,843	689,854
INFORMATION TECHNOLOGY	1,526,760	2,050,474	323,354	621,440	1,105,681	0.0%	46.1%	46.1%	2,051,774	(1,300)
HEALTH, HSG & COMMUNITY SVC	24,795,803	41,173,297	11,849,690	7,195,489	22,128,117	36.8%	51.0%	46.3%	34,809,893	6,363,404
PARKS, RECREATION & WATERFRONT	8,879,746	10,728,180	4,780,445	960,326	4,987,409	46.1%	62.1%	53.5%	10,650,850	77,330
PLANNING & DEVELOPMENT	3,062,324	4,854,446	1,364,429	198,916	3,291,102	41.9%	21.6%	32.2%	3,676,530	1,177,916
PUBLIC WORKS	5,783,759	12,359,119	4,249,727	880,929	7,228,463	54.6%	35.7%	41.5%	7,280,378	5,078,741
POLICE	79,269,594	79,780,795	39,659,285	709,318	39,412,192	48.8%	66.4%	50.6%	80,316,009	(535,214)
FIRE & EMERGENCY SERVICES	41,626,945	45,903,819	21,028,451	3,367,229	21,508,139	51.1%	58.7%	53.1%	48,623,742	(2,719,923)
NON DEPARTMENTAL	77,033,054	57,440,207	25,498,036	138,832	31,803,340	-14.4%	43.0%	44.6%	48,204,728	9,235,479
GRAND TOTAL	280,671,294	298,097,963	126,260,904	17,512,161	154,324,898	47.00%	49.6%	48.2%	275,624,689	22,473,273

*FY 2023 Revised does not reflect as of December 31, 2022 all Council approved allocations included in the FY 2023 AAO #1.

Explanations for significant projected savings and overages are as follows:

- Health, Housing & Community Services (\$6,363,404): Projected savings due to vacancies and about \$3.34 million of the projected unspent is in Measure P program.
- Planning (\$1,177,916): Projected balance is primarily comprised of \$340,800 in salary savings due to vacancies and \$750,000 of the \$1.50 million in unencumbered funding for the Just Transition project will be carried over to FY 2024 (project started in FY 2023).
- Public Works (\$5,078,741): Projected savings is tied to mostly Facilities and Transportation projects that are expected to not be completed by FY 2023. The General Fund project budget will not be fully spent by the end of FY 2023 and will be carried over to FY 2024.
- Police (-\$535,214): The projected overage in the Police Department is due to several factors, primarily the use of overtime (OT) to address staffing shortages. The Police overtime is projected to be at \$8.3 million with an adopted OT budget of \$6.1 million. Salary and Retirement contributions from vacant positions is estimated to result in a savings of approximately \$2.0 million and could cover most of the increase in OT cost above budget thus resulting in only a \$535,214 projected deficit. The mid-year projection does not include the \$500,000 Police overtime reserve approved as part of the FY 2023 Budget. It also does not consist of potential cost overruns related to Police fleet replacement fund contributions and fuel and maintenance costs.
- Fire (-\$2,719,923): Fire is projected to finish FY 2023 over budget by \$2.72 million. The department has incurred COVID-19 impacts on staffing levels and has experienced challenges in recruiting and retaining qualified firefighter/paramedics, as well incurring increases in overtime cost.
- Non-Departmental (\$9,235,479): The balance is from projecting that not all of the funding for the Tier 1 approved items will be spent. Specifically, new positions that were approved as Tier 1 are mostly still vacant.
- In addition, the City Auditor, the Office of the Director of Police Accountability, the City Attorney, the City Clerk, the City Manager's Office, the Finance Department, Human Resources, and Parks, Recreation & Waterfront are expected to finish the year under budget, largely due to savings attributed to vacant positions. The project surplus for these departments combined is \$3,874,170.

Projected General Fund Budget Summary

Based on the General Fund revenue and expenditure projections that have been provided above, the following chart provides a combined overview of the General Fund (includes FY 2022 Actual for reference).

Table 13: FY 2023 Projected General Fund Balance

	FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2023 Projected
Beginning Balance	36,838,797	74,141,617	74,141,617	74,141,617
Revenues				
Property Taxes and Vehicle In-Lieu	88,741,015	97,107,088	97,107,088	101,533,907
Real Estate Transfer Taxes	49,419,314	34,462,172	34,462,172	34,462,172
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750
Sales Taxes	19,954,078	20,006,756	20,006,756	20,660,607
Utility Users Taxes and Franchise Fees	16,470,121	15,413,283	15,413,283	16,720,056
Hotel and STR Taxes	5,727,046	4,900,000	4,900,000	8,900,000
Business License Taxes	26,569,061	25,300,000	25,300,000	25,300,000
Fines and Fees	8,754,104	8,339,829	8,339,829	10,130,779
Interest and Other Revenue	27,464,596	16,461,418	16,461,418	17,994,018
Transfers from Other Funds	29,445,572	22,586,148	22,586,148	23,086,148
Revenues Total	286,618,657	258,650,444	258,650,444	272,861,437
Expenditures				
Personnel				
Personnel - Misc.	65,468,180	81,462,699	81,921,979	68,436,056
Salary & Wages	45,063,008	56,291,855	56,634,602	43,148,679
PERS - Misc	10,872,027	14,179,883	14,122,762	14,122,762
Fringe Benefits - Misc.	9,533,145	10,990,961	11,164,615	11,164,615
Personnel - Fire	33,965,013	30,162,577	30,254,954	32,054,954
Salary & Wages	17,879,289	15,794,564	15,995,637	17,795,637
PERS - Fire	9,354,144	7,921,611	7,921,611	7,921,611
Fringe Benefits - Fire	6,731,580	6,446,402	6,337,706	6,337,706
Personnel - Police	53,987,841	58,392,795	58,450,715	58,985,929
Salary & Wages	24,400,509	26,005,246	26,063,166	26,598,380
PERS - Police	17,090,869	19,175,192	19,175,192	19,175,192
Fringe Benefits - Police	12,496,463	13,212,357	13,212,357	13,212,357
Salary Savings	0	-9,553,792	-9,553,792	0
Tier 1 Funding Personnel Recurring	0	5,169,339	5,169,339	1,671,558
Tier 1 Funding Personnel Temporary	0	2,106,838	2,106,838	681,268
Personnel Total	153,421,034	167,740,455	168,350,033	161,829,765
Non-Personnel				
Tier 1 Funding Non-Personnel	0	25,289,911	25,289,911	18,967,433
Tier 1 Funding CIP	0	1,511,000	1,511,000	906,600
Non-Personnel	55,117,836	42,570,645	58,135,491	48,385,011
Transfer Out	35,822,474	24,558,378	26,534,975	26,534,975
CIP (GF Transfer Out to CIP Fund, Includes Tier 1	4,954,493	19,000,905	19,000,905	19,000,905
Non-Personnel Total	95,894,803	112,930,839	130,472,282	113,794,924
Expenditures Total	249,315,837	280,671,294	298,822,315	275,624,689
Annual Surplus/Shortfall	37,302,820	-22,020,850	-40,171,871	-2,763,252
One-Time Use of Fund Balance (Excess Property Transfer Tax)		22,020,850		2,763,252
Ending Balance	74,141,617	52,120,767	33,969,746	71,378,365

It is important to emphasize that the revenue and expenditure projections provided are the best estimates staff has at this time for how the General Fund is projected to close in FY 2023. The FY 2023 mid-year projection shows an annual shortfall of \$2.76 million compared to over \$22 million at FY 2023 Adopted with a projected ending fund balance of \$71.38 million. Between now and the end of the year, a number of assumptions could change that will impact these projections, including but not limited to changes in economic conditions, filling vacancies, and increase operational and capital cost.

All Funds Expenditures

The General Funds comprises 32.16 percent of the total adjusted budget. The rest of the budget consists of various Special Funds. Special Funds are collected for a specific purpose; therefore, the projected balances are not considered to be discretionary and available to be re-allocated toward other programs, projects, and services. Included in the FY 2023 Mid-Year All Funds Expenditures by Department chart below are both the General Fund expenditures to date and the Special Funds expenditures to date. On an All Funds basis, the City is tracking under budget as of December 31, 2022, as can be seen in the following chart:

Table 14: FY 2023 Mid-Year All Funds Expenditures (as of December 21, 2022)

DEPARTMENT	FY 2023 ADOPTED BUDGET	FY 2023 REVISED BUDGET*	YEAR TO DATE EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	TOTAL PERCENTAGE USED	FY 2023 PROJECTED EXPENDITURES	FY 2023 PROJECTED ENDING BALANCE/(DEFICIT)
MAYOR AND COUNCIL	4,785,155	4,883,236	1,790,943	69,853	3,022,440	38.1%	4,883,236	-
CITY AUDITOR	3,101,376	3,103,155	1,239,080	7,380	1,856,695	40.2%	2,405,135	698,020
RENT STABILIZATION BOARD	7,247,755	7,858,094	3,205,523	1,461,593	3,190,977	59.4%	7,858,094	-
POLICE ACCOUNTABILITY	1,422,432	1,250,444	330,343	52,342	867,759	30.6%	880,928	369,516
CITY MANAGER'S OFFICE	19,287,587	20,741,366	9,360,014	2,966,976	8,414,376	59.4%	20,541,213	200,153
BERKELEY PUBLIC LIBRARY	24,918,604	25,488,070	9,338,322	2,523,408	13,626,340	46.5%	22,171,058	3,317,012
CITY ATTORNEY	8,562,688	9,758,110	4,424,881	881,607	4,451,623	54.4%	9,636,828	121,282
CITY CLERK	3,501,282	3,312,609	1,177,536	252,008	1,883,065	43.2%	3,012,450	300,159
FINANCE	11,444,157	11,824,704	4,188,249	1,375,401	6,261,054	47.1%	10,898,157	926,547
HUMAN RESOURCES	5,009,883	5,171,822	1,785,539	242,194	3,144,089	39.2%	4,067,292	1,104,530
INFORMATION TECHNOLOGY	22,287,156	27,532,294	7,691,233	4,053,890	15,787,171	42.7%	25,632,718	1,899,576
HEALTH, HSG & COMMUNITY SVC	95,182,974	160,876,413	47,969,154	40,494,723	72,412,536	55.0%	124,636,287	36,240,126
PARKS, RECREATION & WF	53,378,913	75,494,789	24,086,634	10,177,628	41,230,528	45.4%	62,873,376	12,621,413
PLANNING & DEVELOPMENT	29,022,035	30,802,863	11,859,892	2,565,724	16,377,247	46.8%	28,373,360	2,429,503
PUBLIC WORKS	203,608,562	265,236,595	69,256,749	43,076,741	152,903,105	42.4%	199,220,520	66,016,075
POLICE	87,444,720	86,363,420	41,934,698	857,812	43,570,911	49.5%	86,225,091	138,329
FIRE & EMERGENCY SERVICES	63,377,259	72,826,660	30,844,694	9,116,279	32,865,688	54.9%	74,706,313	(1,879,653)
NON DEPARTMENTAL	110,594,086	116,672,894	62,946,383	329,646	53,396,864	54.2%	107,437,415	9,235,479
GRAND TOTAL	754,176,623	929,197,538	333,429,869	120,505,203	475,262,468	48.9%	795,459,472	133,738,066

*FY 2023 Revised does not reflect as of December 31, 2022 all Council approved allocations included in the FY 2023 AAO #1.

On All Funds basis, the City is projected to finish FY 2023 with a balance of \$133.74 million.

Health, Housing, & Community Services, Parks, Recreation & Waterfront, Public Works and Non-Departmental are anticipated to finish FY 2023 with significant balances that are tied to salary savings due to vacancies and projects and grants that are not expected to be finished by the end of the fiscal year. These departments also appropriated new grant funding that support programs and services, as well as special funds for capital improvement projects. Most unspent balance will be requested as a carryover in the FY 2024 budget. The Fire Department is expected to end FY 2023 with a deficit due to staffing shortage related COVID-19 backfill and high vacancy rate causing an increase in overtime expenses.

Next Steps:

Staff is continuously monitoring the FY 2023 General Fund budget to make sure the City stays within budget and is also reviewing and analyzing data to make sure that the City remains agile should additional operating and capital needs arise in the fiscal year.

Staff has developed a new 5 Year Forecast that combines both the revenue and expenditure projections that will summarize the General Fund budget status to better assist management and City Council for the upcoming FY 2024 Mid-Biennial Budget Update and the following FY 2025 & FY 2026 Biennial Budget. Staff is currently in the process of preparing the FY 2024 Mid-Biennial Budget Update.

Final FY 2023 year-end General Fund revenues and expenditures information will be included in the “FY 2023 Year-End Report and FY 2024 First Quarter Update” that will be presented to Council in December 2023.

The City’s annual Mid-Year Budget Update is a Strategic Plan Priority, advancing our goal to provide an efficient and financially-healthy City government.

ENVIRONMENTAL SUSTAINABILITY

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

Sharon Friedrichsen, Budget Manager, City Manager’s Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300
Maricar Dupaya, Senior Management Analyst, City Manager’s Office, 981-7000

Attachments:

1. Table 2, General Fund Revenue and Transfer In FY 2023 Mid-Year vs FY 2022 Mid-Year Comparison
2. Table 10, Projected General Fund Revenue FY 2023 through FY 2027
3. Table 12: FY 2023 Mid-Year General Fund Expenditures (as of December 21, 2022)
4. Table 13: FY 2023 Projected General Fund Balance
5. Table 14: FY 2023 Mid-Year All Funds Expenditures (as of December 21, 2022)

Revenue Categories	FY 2023				FY 2022				Comparison FY23 vs FY22		Revised FY 2023
	Adopted	Actual	Variance	% Received	Adopted	Actual	Variance	% Received	Amount	%	Projections
	(a)	(b)	c=(b) - (a)	(d) = (b)/(a)	(e)	(f)	g=(f) - (e)	(h) = (f)/(g)	(i) = (b) - (f)	(j) = (i)/(f)	Projections
Secured Property	\$75,664,920	\$40,237,811	(\$35,427,109)	53.18%	\$71,382,000	\$36,257,954	(\$35,124,046)	50.79%	3,979,857	10.98%	\$79,091,256
Redemptions -Regular	831,441	461,026	(370,415)	55.45%	831,441	415,104	-416,337	49.93%	45,922	11.06%	831,441
Supplemental Taxes	2,000,000	1,229,929	(770,071)	61.50%	2,000,000	608,905	-1,391,095	30.45%	621,024	101.99%	2,300,000
Unsecured Property Taxes	3,516,000	3,151,771	(364,229)	89.64%	2,625,000	3,048,386	423,386	116.13%	103,385	3.39%	3,516,000
Property Transfer Tax	34,462,172	16,676,308	(17,785,864)	48.39%	21,000,000	21,801,269	801,269	103.82%	(5,124,961)	-23.51%	34,462,172
Property Transfer Tax-Measure P (New December 21, 2018)	14,073,750	8,363,823	(5,709,927)	59.43%	8,500,000	8,626,946	126,946	101.49%	(263,123)	-3.05%	14,073,750
Sales Taxes	19,016,546	9,687,895	(9,328,651)	50.94%	18,287,215	9,533,614	-8,753,601	52.13%	154,281	1.62%	19,634,807
Soda Taxes	990,210	642,874	(347,336)	64.92%	990,210	519,699	-470,511	52.48%	123,175	23.70%	1,025,800
Utility Users Taxes	13,800,000	7,638,612	(6,161,388)	55.35%	13,000,000	6,534,425	-6,465,575	50.26%	1,104,187	16.90%	15,000,000
Transient Occupancy Taxes	5,000,000	3,943,517	(1,056,483)	78.87%	2,173,000	2,471,311	298,311	113.73%	1,472,206	59.57%	7,500,000
Short-term Rentals	1,000,000	712,661	(287,339)	71.27%	630,000	586,569	-43,431	630,000	126,092	21.50%	1,400,000
Business License Tax	19,000,000	1,010,143	(17,989,857)	5.32%	18,498,146	1,393,760	-17,104,386	7.53%	(383,617)	-27.52%	19,000,000
Recreational Cannabis	1,400,000	237,669	(1,162,331)	16.98%	1,643,739	600,770	-1,042,969	36.55%	(363,101)	-60.44%	1,400,000
U1 Revenues	4,900,000	113,893	(4,786,107)	2.32%	5,120,350	153,243	-4,967,107	2.99%	(39,350)	-25.68%	4,900,000
Other Taxes	1,800,000	1,500,099	(299,901)	83.34%	1,761,714	1,052,445	-709,269	59.74%	447,654	42.53%	2,500,000
Vehicle In-Lieu Taxes	15,926,168	8,329,833	(7,596,335)	52.30%	14,959,837	7,503,002	-7,456,835	50.15%	826,831	11.02%	16,626,651
Parking Fines-Regular Collections	4,326,450	3,104,161	(1,222,289)	71.75%	3,726,450	2,451,293	-1,275,157	65.78%	652,868	26.63%	4,800,000
Parking Fines-Booting Collections			0				0	0.00%	-	0.00%	
Moving Violations	132,600	71,415	(61,185)	53.86%	132,600	83,533	-49,067	63.00%	(12,118)	-14.51%	132,600
Ambulance Fees	3,880,779	2,479,368	(1,401,411)	63.89%	3,154,002	1,715,639	-1,438,363	54.40%	763,729	44.52%	5,330,779
Interest Income	6,000,000	4,038,930	(1,961,070)	67.32%	4,462,320	3,107,784	-1,354,536	69.65%	931,146	29.96%	7,000,000
Franchise Fees	1,613,283	335,043	(1,278,240)	20.77%	1,613,283	350,085	-1,263,198	21.70%	(15,042)	-4.30%	1,720,056
Other Revenue	6,729,977	3,902,132	(2,827,845)	57.98%	6,729,977	3,275,786	-3,454,191	48.67%	626,346	19.12%	7,529,977
IDC Reimbursement	5,490,000	3,205,614	(2,284,386)	58.39%	5,490,000	2,470,002	-3,019,998	44.99%	735,612	29.78%	5,990,000
Transfers	17,096,148	6,457,425	(10,638,723)	37.77%	27,354,923	13,677,462	-13,677,461	50.00%	(7,220,037)	-52.79%	17,096,148
			-				0		-		
Total Revenue:	\$258,650,444	\$127,531,952	-\$131,118,492	49.31%	\$236,066,207	\$128,238,986	-\$107,827,221	54.32%	(\$707,034)	-0.55%	\$272,861,437

FY 2023 Mid-Year Report Table 10: Projected General Fund Revenue FY 2023 through FY 2027 Attachment 2

	FY 2023 Adopted	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Undesignated Revenues						
Secured Property Taxes	75,664,920	79,091,256	81,859,450	84,724,531	87,689,889	90,759,035
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Unsecured Property Taxes	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Property Transfer Taxes	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750
Sales Taxes	19,016,546	19,634,807	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800	512,900
Utility Users Taxes	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Transient Occupancy Taxes (TOT)	5,000,000	7,500,000	7,725,000	7,956,750	8,195,453	8,441,316
Short-term Rentals	1,000,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	19,000,000	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Recreational Cannabis	1,400,000	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
Measure U1	4,900,000	4,900,000	4,900,000	4,998,000	5,097,960	5,097,960
Other Taxes	2,631,441	3,331,441	3,331,441	3,331,441	3,331,441	3,331,441
Vehicle in Lieu Taxes	15,926,168	16,626,651	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines - Regular Collections	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Moving Violations	132,600	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	3,880,779	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779
Interest Income	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenues	6,729,977	7,529,977	7,529,977	7,529,977	7,529,977	7,529,977
Indirect cost reimbursements	5,490,000	5,990,000	5,990,000	5,990,000	5,990,000	5,990,000
Transfers	17,096,148	17,096,148	21,023,924	4,472,621	4,562,074	4,562,074
Total Undesignated Revenues	242,188,272	256,399,265	261,679,074	248,705,755	254,056,056	258,400,279
Designated Revenues						
Prop. Transfer Taxes for capital improvements	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
Total Designated Revenues	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
TOTAL REVENUES AND TRANSFERS	258,650,444	272,861,437	274,641,246	262,247,170	267,597,471	272,532,523

FY 2023 MID-YEAR GENERAL FUND EXPENDITURES (AS OF DECEMBER 31, 2022)

Attachment 3

DEPARTMENT	FY 2023 ADOPTED BUDGET	FY 2023 REVISED BUDGET*	YEAR TO DATE EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PERSONNEL PERCENTAGE USED	NON-PERSONNEL PERCENTAGE USED	TOTAL PERCENTAGE USED	FY 2023 PROJECTED EXPENDITURES	FY 2023 PROJECTED ENDING BALANCE/(DEFICIT)
MAYOR AND COUNCIL	4,785,155	4,875,736	1,786,543	69,853	3,019,340	36.9%	47.1%	38.1%	4,875,736	-
CITY AUDITOR	3,006,058	3,007,837	1,208,279	7,380	1,792,178	39.6%	47.6%	40.4%	2,345,535	662,302
RENT STABILIZATION BOARD	550,000	550,000	229,168	320,832	0	0.0%	100.0%	100.0%	550,000	-
POLICE ACCOUNTABILITY	1,120,676	1,250,444	330,343	52,342	867,759	26.8%	38.0%	30.6%	880,928	369,516
CITY MANAGER'S OFFICE	11,628,466	13,509,108	6,526,833	726,499	6,255,776	47.5%	64.4%	53.7%	13,332,528	176,580
CITY ATTORNEY	4,010,250	5,299,550	1,909,130	519,812	2,870,608	32.0%	76.1%	45.8%	4,396,163	903,387
CITY CLERK	2,590,414	2,801,741	1,144,295	252,008	1,405,438	42.8%	59.5%	49.8%	2,580,728	221,013
FINANCE	8,022,118	9,327,512	3,265,107	1,274,558	4,787,846	38.6%	75.8%	48.7%	8,553,323	774,189
HUMAN RESOURCES	2,980,172	3,185,697	1,107,790	216,399	1,861,509	27.4%	70.4%	41.6%	2,495,843	689,854
INFORMATION TECHNOLOGY	1,526,760	2,050,474	323,354	621,440	1,105,681	0.0%	46.1%	46.1%	2,051,774	(1,300)
HEALTH, HSG & COMMUNITY SVC	24,795,803	41,173,297	11,849,690	7,195,489	22,128,117	36.8%	51.0%	46.3%	34,809,893	6,363,404
PARKS, RECREATION & WATERFRONT	8,879,746	10,728,180	4,780,445	960,326	4,987,409	46.1%	62.1%	53.5%	10,650,850	77,330
PLANNING & DEVELOPMENT	3,062,324	4,854,446	1,364,429	198,916	3,291,102	41.9%	21.6%	32.2%	3,676,530	1,177,916
PUBLIC WORKS	5,783,759	12,359,119	4,249,727	880,929	7,228,463	54.6%	35.7%	41.5%	7,280,378	5,078,741
POLICE	79,269,594	79,780,795	39,659,285	709,318	39,412,192	48.8%	66.4%	50.6%	80,316,009	(535,214)
FIRE & EMERGENCY SERVICES	41,626,945	45,903,819	21,028,451	3,367,229	21,508,139	51.1%	58.7%	53.1%	48,623,742	(2,719,923)
NON DEPARTMENTAL	77,033,054	57,440,207	25,498,036	138,832	31,803,340	-14.4%	43.0%	44.6%	48,204,728	9,235,479
GRAND TOTAL	280,671,294	298,097,963	126,260,904	17,512,161	154,324,898	47.00%	49.6%	48.2%	275,624,689	22,473,273

Table 13: FY 2023 Projected General Fund Balance

	FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2023 Projected
Beginning Balance	36,838,797	74,141,617	74,141,617	74,141,617
Revenues				
Property Taxes and Vehicle In-Lieu	88,741,015	97,107,088	97,107,088	101,533,907
Real Estate Transfer Taxes	49,419,314	34,462,172	34,462,172	34,462,172
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750
Sales Taxes	19,954,078	20,006,756	20,006,756	20,660,607
Utility Users Taxes and Franchise Fees	16,470,121	15,413,283	15,413,283	16,720,056
Hotel and STR Taxes	5,727,046	4,900,000	4,900,000	8,900,000
Business License Taxes	26,569,061	25,300,000	25,300,000	25,300,000
Fines and Fees	8,754,104	8,339,829	8,339,829	10,130,779
Interest and Other Revenue	27,464,596	16,461,418	16,461,418	17,994,018
Transfers from Other Funds	29,445,572	22,586,148	22,586,148	23,086,148
Revenues Total	286,618,657	258,650,444	258,650,444	272,861,437
Expenditures				
Personnel				
Personnel - Misc.	65,468,180	81,462,699	81,921,979	68,436,056
Salary & Wages	45,063,008	56,291,855	56,634,602	43,148,679
PERS - Misc	10,872,027	14,179,883	14,122,762	14,122,762
Fringe Benefits - Misc.	9,533,145	10,990,961	11,164,615	11,164,615
Personnel - Fire	33,965,013	30,162,577	30,254,954	32,054,954
Salary & Wages	17,879,289	15,794,564	15,995,637	17,795,637
PERS - Fire	9,354,144	7,921,611	7,921,611	7,921,611
Fringe Benefits - Fire	6,731,580	6,446,402	6,337,706	6,337,706
Personnel - Police	53,987,841	58,392,795	58,450,715	58,985,929
Salary & Wages	24,400,509	26,005,246	26,063,166	26,598,380
PERS - Police	17,090,869	19,175,192	19,175,192	19,175,192
Fringe Benefits - Police	12,496,463	13,212,357	13,212,357	13,212,357
Salary Savings	0	-9,553,792	-9,553,792	0
Tier 1 Funding Personnel Recurring	0	5,169,339	5,169,339	1,671,558
Tier 1 Funding Personnel Temporary	0	2,106,838	2,106,838	681,268
Personnel Total	153,421,034	167,740,455	168,350,033	161,829,765
Non-Personnel				
Tier 1 Funding Non-Personnel	0	25,289,911	25,289,911	18,967,433
Tier 1 Funding CIP	0	1,511,000	1,511,000	906,600
Non-Personnel	55,117,836	42,570,645	58,135,491	48,385,011
Transfer Out	35,822,474	24,558,378	26,534,975	26,534,975
CIP (GF Transfer Out to CIP Fund, Includes Tier 1	4,954,493	19,000,905	19,000,905	19,000,905
Non-Personnel Total	95,894,803	112,930,839	130,472,282	113,794,924
Expenditures Total	249,315,837	280,671,294	298,822,315	275,624,689
Annual Surplus/Shortfall	37,302,820	(22,020,850)	(40,171,871)	(2,763,252)
One-Time Use of Fund Balance (Excess Property Transfer Tax)		22,020,850	40,171,871	2,763,252
Ending Balance	74,141,617	52,120,767	33,969,746	71,378,365

FY 2023 MID-YEAR ALL FUNDS EXPENDITURES (AS OF DECEMBER 31, 2022)

Attachment 5

DEPARTMENT	FY 2023 ADOPTED BUDGET	FY 2023 REVISED BUDGET*	YEAR TO DATE EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	TOTAL PERCENTAGE USED	FY 2023 PROJECTED EXPENDITURES	FY 2023 PROJECTED ENDING BALANCE/(DEFICIT)
MAYOR AND COUNCIL	4,785,155	4,883,236	1,790,943	69,853	3,022,440	38.1%	4,883,236	-
CITY AUDITOR	3,101,376	3,103,155	1,239,080	7,380	1,856,695	40.2%	2,405,135	698,020
RENT STABILIZATION BOARD	7,247,755	7,858,094	3,205,523	1,461,593	3,190,977	59.4%	7,858,094	-
POLICE ACCOUNTABILITY	1,422,432	1,250,444	330,343	52,342	867,759	30.6%	880,928	369,516
CITY MANAGER'S OFFICE	19,287,587	20,741,366	9,360,014	2,966,976	8,414,376	59.4%	20,541,213	200,153
BERKELEY PUBLIC LIBRARY	24,918,604	25,488,070	9,338,322	2,523,408	13,626,340	46.5%	22,171,058	3,317,012
CITY ATTORNEY	8,562,688	9,758,110	4,424,881	881,607	4,451,623	54.4%	9,636,828	121,282
CITY CLERK	3,501,282	3,312,609	1,177,536	252,008	1,883,065	43.2%	3,012,450	300,159
FINANCE	11,444,157	11,824,704	4,188,249	1,375,401	6,261,054	47.1%	10,898,157	926,547
HUMAN RESOURCES	5,009,883	5,171,822	1,785,539	242,194	3,144,089	39.2%	4,067,292	1,104,530
INFORMATION TECHNOLOGY	22,287,156	27,532,294	7,691,233	4,053,890	15,787,171	42.7%	25,632,718	1,899,576
HEALTH, HSG & COMMUNITY SVC	95,182,974	160,876,413	47,969,154	40,494,723	72,412,536	55.0%	124,636,287	36,240,126
PARKS, RECREATION & WF	53,378,913	75,494,789	24,086,634	10,177,628	41,230,528	45.4%	62,873,376	12,621,413
PLANNING & DEVELOPMENT	29,022,035	30,802,863	11,859,892	2,565,724	16,377,247	46.8%	28,373,360	2,429,503
PUBLIC WORKS	203,608,562	265,236,595	69,256,749	43,076,741	152,903,105	42.4%	199,220,520	66,016,075
POLICE	87,444,720	86,363,420	41,934,698	857,812	43,570,911	49.5%	86,225,091	138,329
FIRE & EMERGENCY SERVICES	63,377,259	72,826,660	30,844,694	9,116,279	32,865,688	54.9%	74,706,313	(1,879,653)
NON DEPARTMENTAL	110,594,086	116,672,894	62,946,383	329,646	53,396,864	54.2%	107,437,415	9,235,479
GRAND TOTAL	754,176,623	929,197,538	333,429,869	120,505,203	475,262,468	48.9%	795,459,472	133,738,066

*FY 2023 Revised does not reflect as of December 31, 2022 all Council approved allocations included in the FY 2023 AAO #1.