
NEBA News

NORTH EAST BERKELEY ASSOCIATION

Spring 2011

★★★★★ **BERKELEY FINANCES EDITION** ★★★★★
GENERAL MEMBERSHIP MEETING IN JUNE

BERKELEY'S PENSION LIABILITIES: DANIEL BORENSTEIN, CITY AUDITOR
ANNE-MARIE HOGAN AND COUNCILMEMBER LAURIE CAPITELLI

Thursday, June 2, 2011, 7:00 p.m. (Mingle with your neighbors 6:00-7:00 p.m.)

AT NORTHBRAE COMMUNITY CHURCH, HAVER HALL
941 The Alameda (at Los Angeles)

President's Message

Berkeley's increasing pension obligations along with the disastrous decline in the value of CalPERS pension plan investments loom over our future, threatening to absorb more and more City revenues. **Daniel Borenstein**, a journalist who has written many articles clarifying this thorny and complicated subject, will explain California public pensions at NEBA's **June 2** meeting. Berkeley **City Auditor Anne-Marie Hogan** will describe the Berkeley pension situation, and **Councilmember Laurie Capitelli** will talk about any City efforts to deal with this potential catastrophe. Read here about the Berkeley Budget SOS!

We citizens of Berkeley want to treat our employees and our fellow taxpayers fairly, and the only way to do that for the long term is to create a plan that does not actually sink the ship. We must be financially strong now and in the future to meet our commitments. How will we cut our costs in order to do this?

Clearly, more revenue is needed in addition to cuts. Economic development is key. The article about Solano Avenue planning describes one effort to add to our much needed tax base and restore a shopping area that serves area residents, visitors, businesses, and consumers. How can each of these needs be balanced?

Read the article about the use of the boot to collect parking fees and consider its potential effect on privacy and property rights, important no matter how desperate

our need for cash. Will there be real benefits? If so, are they worth the costs?

Despite these and other efforts, Berkeley's costs will continue to be borne mostly by residential taxpayers. Us. You and me. And we are talking big money here. Read the article about declining incomes and asset values in Districts 5 and 6 and see the charts showing the decline in home values. Where is this headed?

Whatever your opinion, you will have your opportunity to join the discussion, **Thursday, June 2, at 7:00 pm.**

Please join NEBA. Your membership dues support the newsletter mailings and public meetings where our voices can be heard! We need your support now more than ever. If you have not yet renewed or joined, **NOW IS THE TIME! See NEBA on Facebook!**

Sharon Eige

NEBA Board Election, Thursday, June 2, 2011

The Nominating Committee, composed of members, Jo Ann Minner and Ginger Parnes, and chaired by Board Director Gloria Polanski, proposes the following Candidates for the Board of Directors of NEBA for the term of office from 2011 to 2013:

Nicky Scott, Pat Mapps

Members in good standing may nominate or be nominated by eligible members.

BERKELEY BUDGET SOS: Update on City Budget Crisis

In the Spring 2010 NEBA News, we outlined the landscape and dire state of our City's finances and suggested some first steps toward addressing the situation (see "Berkeley's Budget Nightmare (And Ours)" at www.northeastberkeleyassociation.org):

- a complete audit of the City's long term liabilities for pensions and related employee costs, infrastructure requirements, and bonded indebtedness;
- drastic changes to the current City employee compensation structure and work rules;
- a thorough examination of all City programs for value, efficiency, and effectiveness, and commencement of appropriate changes;
- establishment of an independent budget review commission comprised of taxpayers, economic experts, and major stakeholders.

No Fiscal Miracles Since Last Year

No fiscal good news for our City has emerged. The national and local economy continues to stagnate and areas of inflation have developed. The City's \$12M annual operating deficit continues and is growing exponentially, our residents' income and assets are stagnant or worse, and the number of empty storefronts in our commercial areas is shocking. Meanwhile, City employee compensation costs have risen about 5% on average per employee each year and almost 500 City employees are paid over \$100,000 annually (not including City benefit contributions that add 54% on average to these wages). See <http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2010/04/28/BerkeleyPay2009.DTL>

Real property values have declined substantially (about 20% since the mid-decade) and are expected to decline by another 5%-10% in 2011. For the first time, Berkeley's secured real property tax base has experienced a year-over-year overall decline (-.24%) in taxable value and revenue.

The Long Term Audit

As we stated last year, "a clear assessment of our short-term situation...should not be made without...a full public accounting of the City's long term unfunded liabilities for personnel costs, infrastructure requirements, and bonded indebtedness." While the City resolved to produce such a report in May of 2010, it is still not completed and decisions are being made without the benefit of all relevant information.

However, some partial information has been made
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available in scattershot fashion. Please refer to the FY 2011 Mid-Biennial Budget Update, City Auditor Report of November 16, 2010, City Manager Response of November 16, 2010, and the report Public Works Capital Improvement Projects of March 29, 2010.

For employee benefits liability (includes obligations for future payouts but excludes payments for currently payable benefits such as employee health care premiums), the current City liability for the nine separate employee benefit categories is \$1.1B and is 77% currently funded overall. Within this overall category, the PERS retirement plan is currently funded at 85%, but the other eight programs range from only 0% to 40% funded. Note that unlike most public jurisdictions, Berkeley City employees make zero contribution toward any of their benefits.

Things change drastically in the coming years. For CALPERS, which now makes up about 97% of the City's \$1.1B future benefits obligation, by 2016 the required City contribution will be 59% higher than in 2010, rising from \$25.8M to \$40.9M. Assuming that the unfunded portion of the other eight benefit categories similarly increase, then the City's unfunded employee benefits liability will become increasingly underfunded.

For physical infrastructure capital improvement long term liabilities we only have partial rough estimates for some categories of capital improvement. For Parks, Recreation and Waterfront, the guesstimate is \$108M in unmet needs, including pool renovations. For Transportation and Traffic, the guesstimate is about \$240M (!!). Sewer improvements are currently fully funded except for unknown costs relating to an EPA clean water order. One can assume that Library costs are covered by recent bond issues. Other infrastructure cost projections are not known. Note that for the past several years, capital improvements, which should be significantly funded on an ongoing basis have been last on the City's priority list, after personnel and programs. In FY 2006, the City allocated a mere \$11.6M to capital improvements (out of a \$320M budget), while in FY 2010 the amount dropped 49% to \$5.9M. The City now plans to fully spend its General Fund Capital Improvement reserves at an average of about \$8M annually for the next five years. It remains unclear what additional amounts for infrastructure (usually

contracted out) can be wrested from ongoing departmental budgets.

For bonded indebtedness complete information on all bonded indebtedness and scope and sources of repayment has not been made readily available, or is confusing. Note that most of the City's bonded indebtedness is paid by Berkeley real property owners.

City Employee Compensation Structure and Work Rules

77% of the City budget is devoted to employee compensation so it is clear that remediation of the ongoing budget problems and addressing unfunded liabilities will require a substantial "contribution" from the employee payroll. What form this will take is yet to be fully decided. Methods are to cut unfilled positions, cut actual personnel, implement across-the-board compensation cuts, reduce the paid workweek for non-essential personnel, require employee contribution to benefits, or a combination of all of the forgoing.

To date, there have been minor changes to the City employee compensation structure—periodic shutdown of non-essential City operations accompanied by required use by employees of "paid time off" during these shutdowns, and a marginally enhanced use-it-or-lose it vacation policy. The number of FTE positions has been reduced from about 1670 in 2009 to about 1450 in 2013. As of yet there apparently have been

few actual real persons terminated, although about 50 such terminations are possible by FY 2013.

Unlike many other jurisdictions, Berkeley has not yet moved into the crisis mode that the budget and liability situation appear to warrant.

The City's several labor unions will have a big say in how the City employee compensation expenditures will be cut and diced. It is well known that labor unions are generally loathe to share the pain and accept across-the-board cuts, and usually prefer to lop off the low hanging fruit of newer or expendable employees. This affects City services insofar as the terminated employees actually provide a needed service, not always the case. Labor negotiations are underway with the City's Police Department (the Fire Department having "passed" on its turn last summer) and other contracts are turning over in the next two years. Many residents questions whether there can truly be "arms-length" negotiations between City "management" staff and the City unions and wonder why these negotiations are hidden from the public while remaining an open secret among City insiders

As for NEBA's other two suggestions: no independent budget review commission has been established, a thorough public review of the City's Refuse program is underway, and internal departmental reviews are occurring. NEBA will report on these matters in our next issue.

PROPOSED ZONING CHANGES ON UPPER SOLANO AVENUE *by Jo Ann Minner*

No doubt we in Districts 5 and 6 are aware of the many empty storefronts on upper Solano. In response to this situation City Councilmember Laurie Capitelli sent out a survey to residents and business owners and received more than 1300 replies. He then put together a set of proposals which is now before the Planning Commission. This "Economic Proposal" is scheduled for a public hearing on April 27 and, if approved, will be heard by the City Council on June 14. The proposals are as follows:

- Suspend the quota on new food service businesses
- Allow restaurants to serve beer and wine with meals without holding a public hearing (unless appealed)
- Let businesses remain open until 11 p.m. instead of 10 p.m.
- Standardize the parking requirement at 2 spaces per one thousand square feet (pre-existing buildings will

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be grandfathered)

- Allow "office retail" - office uses that generate significant foot traffic - on the ground floor
- Provide basic design standards for exterior signs for small businesses, exempting them from Design Review
- Allow sidewalk tables and chairs without a public hearing
- Explore ways to encourage landlords to rent their empty storefronts

Mr. Capitelli sends a newsletter providing information to many of his constituents and has also answered questions and listened to opinions on this subject at various meetings. He will be ready to do the same at NEBA's June 2nd General Meeting, and also to bring us up to date regarding any changes to the proposals.

BERKELEY TAXPAYER ASSETS AND INCOME DOWN *by Barbara Gilbert*

City decision makers need to think way more about the financial situation of Berkeley's homeowners, who shoulder the lion's share of local taxation. In my twelve years of closely following City government, I attest that little or no consideration to this group is in evidence.

Homeowner assets consist mainly of their home and retirement savings. We all know what has happened to the retirement savings and security of most non-publicly employed persons. What about Berkeley home values? For a complete presentation go to www.zillow.com/local-info. For now, I have excerpted some salient numbers.

The current median Berkeley home price is \$612,400, down 10.8% from a year ago and down 17% from 2006. Prices are about where they were in 2004, seven years ago. Perhaps a better measure is median price per square foot. The current ppsf is \$389, down 10.8% from a year ago and about 20% from its 2007 high. The one year drop in Berkeley home prices was among the largest for all neighboring communities except Emeryville. National projections indicate an additional 5-10% drop in overall real estate values for

the coming year.

Another salient figure is median household income. According to the U.S. Census 2010 American Community Survey, many Berkeley census tracts, including a large swathe of North Berkeley, experienced an income decline between 2000 and 2010. For fuller income and demographic data, go to <http://projects.nytimes.com/census/2010> and also see <http://www.berkeleyside.com/2010/12/15/berkeley-block-by-block>. For example, Census Tract 4212 in the John Hinkel Park area, had a median income decline of 11% and CT 4216 (Hill Road down to Live Oak) had a 15% decline. CT 4213 (Lower Thousand Oaks), CT 4211 (Summit Reservoir area) and CT 4214 (Shattuck -Vine) experienced declines of 6-8%.

In my opinion, the City of Berkeley powers-that-be have a very good public relations machine and too many Berkeley residents have been unwilling or unable to face some of the hard truths about the fiscal situation of the City and its residents. Now is the time for fiscal clarity, accountability and sustainability with a clear awareness of the worsening situation of those who pay the piper.

PLEASE COME TO HEAR DAN BORENSTEIN AT OUR JUNE 2 MEETING



DANIEL BORENSTEIN

Dan Borenstein is an award-winning columnist and editorial writer for the Contra Costa Times, Oakland Tribune and other East Bay newspapers of the Bay Area News Group.

He has worked for the Times and its affiliated newspapers since 1980, including previous assignments as political editor, Sacramento bureau editor, projects editor and assistant metro editor.

A Berkeley native and Contra Costa resident, he holds undergraduate degrees in journalism and political science and master's degrees in public policy and journalism, all from UC Berkeley.

His weekly column often focuses on public finance issues, including columns during the past three years on government employee pensions. Those pension columns won the Northern California Society of Professional Journalists Excellence in Journalism Award for commentary and Freedom of Information Award for column writing, and the California Newspaper Publishers Association awards for column writing and public service. <http://www.contracostatimes.com/daniel-borenstein>

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COUNCIL VOTES 8-0 TO RECORD LICENSE PLATES OF CARS PARKED ON CITY STREETS

By Pat Mapps

The depth and persistence of Berkeley's current financial problems suggests that those who are in charge of running the city lack foresight, hindsight, and perspective. The current approach to managing our City seems to be to increase revenue at all costs. The recently authorized 'Boot and Release' Program is evidence of a unitary focus on increasing revenue. 'Boot and Release' relies on highly questionable public policy to yield unspecified revenue and promises to be poorly designed and implemented.

How 'Boot and Release' Works

'Boot and Release' will use technology provided by PayLock, Inc., a New Jersey Corporation, to compel payment of delinquent parking tickets by immobilizing vehicles until their overdue fines and related fees are paid. The heart of the system is a camera that captures digital images of parked cars as it is driven around town. The images are scanned by PayLock's Mobile License Plate Recognition (MLPR) system which locates the license plate number within the image and searches for that number in a database of vehicles with overdue tickets called the [Berkeley] 'Scofflaw Database.' An alarm sounds in the vehicle when MLPR detects a 'scofflaw vehicle.' The 'scofflaw vehicle' is fitted with a 'Smart Boot' that can be removed only after the owner has paid all of the outstanding tickets, a \$140 fee that goes to PayLock, and a \$500 deposit. Payment is made by telephoning PayLock's Customer Service Center. PayLock then provides a code that, when entered into the boot's keypad, will release the boot. If the boot is timely returned to a local tow yard in good condition, PayLock refunds the \$500 deposit.

'Boot and Release' Implements Questionable Public Policy

MLPR captures an image of every parked car within camera range as it searches for scofflaw vehicles. This means that PayLock will collect information about the whereabouts of your vehicle when it is parked on the camera's route. Many Berkeley residents are very likely to perceive this practice as an invasion of privacy and vehemently object to it on that basis.

The 'Boot and Release' staff report is silent on other potentially objectionable issues. Will MLPR be used

city-wide or only on normal parking enforcement routes? Will vehicles on private property be booted as they were in Bristol, Connecticut?

'Boot and Release' was a Consent Calendar item, meaning that it was deemed routine, non-controversial, easily explained and expected to receive Council approval without need for discussion. The person who decided that the highly charged issues of privacy and property rights do not merit discussion lacks foresight, hindsight, and perspective.

The item passed 8-0 on February 8, 2011. City and PayLock staffs currently are working out the details of 'Boot and Release.'

'Boot and Release' Staff Report Contains No Credible Revenue Projections

Even those willing to accept the threats to privacy and property rights that are inherent in 'Boot and Release' might reject the justification for the program that is contained in the staff report. The document reads like a report written by a technophile who is smitten by PayLock's technology rather than a thorough and thoughtful analysis of a program that may or may not be right for Berkeley. The report summarily dismisses two pro forma alternatives and recommends a sole source contract with PayLock because no other viable vendors exist.

The Staff Report on 'Boot and Release' contains no credible revenue projections. It simply refers to the results of a 'proof of concept' test as having identified fifty-four confirmed scofflaw vehicles that owed a total of \$53,111.00 in parking fines during eight hours of testing. It includes no information on the number, ages, and values of the vehicles in the Scofflaw Database, nor on the number, value, and range of issue dates of the overdue parking tickets. This information is essential to developing credible 'Boot and Release' revenue projections. Telephone calls to City staff yielded no further information about the database.

By contrast, when Oakland adopted 'Boot and Release' about eighteen months ago, it announced projected increased revenues of about \$750,000 per year plus the value of unpaid tickets and stated that it

had about 68,000 vehicles in its scofflaw database.

Berkeley's test results actually are discouraging because the average amount required to release each vehicle detected in the test is over \$1,600. How many people can pay that much money on the spur of the moment? How many people will decide that the car isn't worth that much money and simply abandon it? It might be even more discouraging if more was known about the scofflaw database. For example, how many of the vehicles listed in the database will never be detected by MLPR because they have been driven to other locations by students who no longer attend Cal?

Another downside risk is that shoppers will stop driving to Berkeley for fear that their cars will be booted.

'Boot and Release' Has Other Flaws

PayLock is a New Jersey company. Let's figure out ways to patronize local businesses and employ local people. The 'Smart Boot' might be put on vehicles that are parked legally when they are booted. The Scofflaw Database contains information only about vehicles with unpaid Berkeley tickets which means that the opportunity to collect all overdue fines for a vehicle booted in Berkeley will be missed. The label 'Scofflaw' suggests that the offender is flouting the law or refusing to pay his or her debts. The use of this term could lead to making policy that is inappropriately punitive.

Here are Some Suggestions for 'Boot and Release'

It is clear that the drive to raise revenue has caused those responsible for the City's finances to lose perspective. The loss of perspective makes citizen input mandatory. In this case the input should be directed to City Manager Phil Kamlarz or to your councilmember. NEBA will submit to Mr. Kamlarz the issues raised in this article along with the suggestions below.

Implementation of 'Boot and Release' is being planned right now. However, the program should be delayed until public input is solicited, received, and given due consideration. If 'Boot and Release' is implemented, it should reflect the public's input.

The Scofflaw Database currently is used by Parking Enforcement Officers to determine if a vehicle that is being ticketed should be towed due to unpaid parking fines. Perhaps the MLPR portion of 'Boot and Release' can be omitted but scofflaw vehicles can be booted instead of towed.

If the fines, fees and deposits for booted vehicles prove to be as high as the test indicated, the definition of a scofflaw vehicle should be changed to a lower number of unpaid tickets. This change should reduce the amount due and therefore increase the chances of the fines actually being paid.

The Berkeley Scofflaw Database should be analyzed and potentially scrubbed of inappropriate entries.

There should be an effort to expand contents of the Scofflaw Database to include overdue fines from nearby cities so that all outstanding fines can be collected.

The Release is administered by PayLock at a distant call center. Therefore, it is imperative that a City-run override system exists. This system must allow the owner of a booted car to escalate to a local entity in case the vehicle was improperly booted. This system also should permit the release a properly booted vehicle either on compassionate grounds or with an approved payment plan in place. After all, the City of Berkeley has no business driving the poor further into poverty.

Once again Berkeley is pursuing carbon-centric revenue while representing itself as a Green City. How much 'green revenue' do we collect?

AGENDA NEBA GENERAL MEMBERSHIP MEETING BERKELEY'S PENSION LIABILITIES: THEIR IMPACT ON US

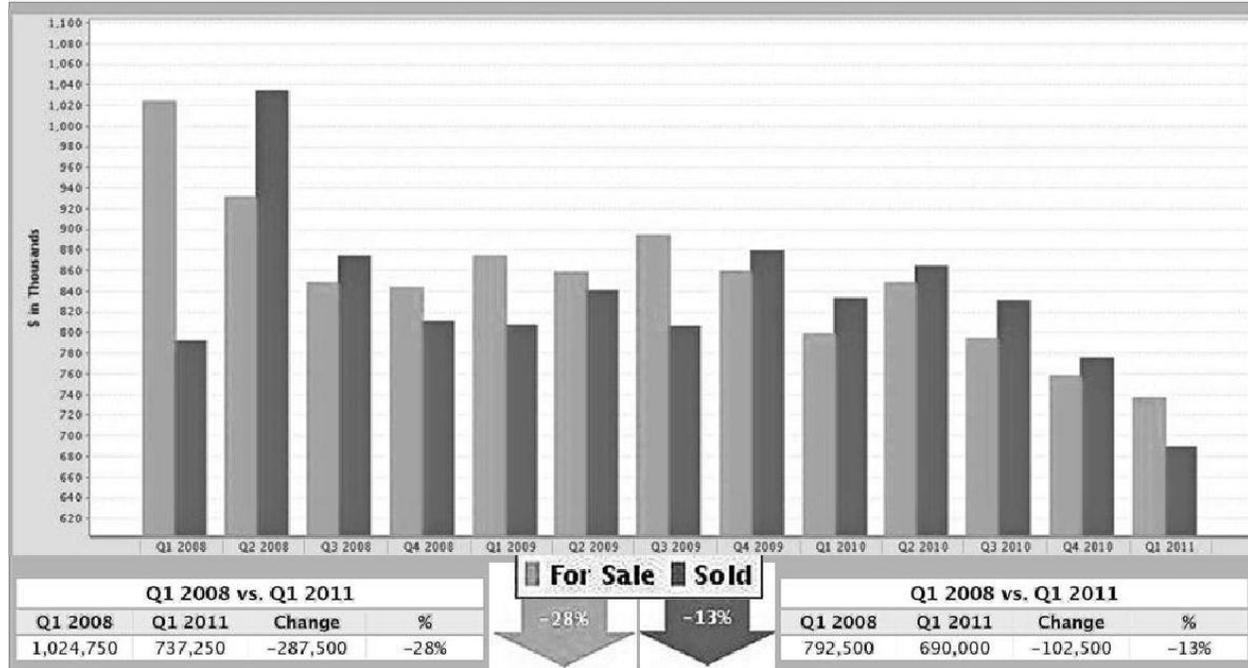
Thursday, June 2, 2011, 7:00 p.m. **(Come early, mingle with your neighbors 6:00-7:00 p.m.)**

Northbrae Community Church, Haver Hall, 941 The Alameda (at Los Angeles), Berkeley

- | | | | |
|-----------|--------------------------------|-----------|-----------------------|
| • 7:00 PM | Daniel Borenstein | • 8:30 PM | Your Questions |
| • 7:45 PM | City Auditor Ann-Marie Hogan | • 9:30 PM | Board Member Election |
| • 8:15 PM | Councilmember Laurie Capitelli | | |

Median For Sale vs. Median Sold

Q1 08 vs. Q1 11: The median price of for sale properties is down 28% and the median price of sold properties is down 13%

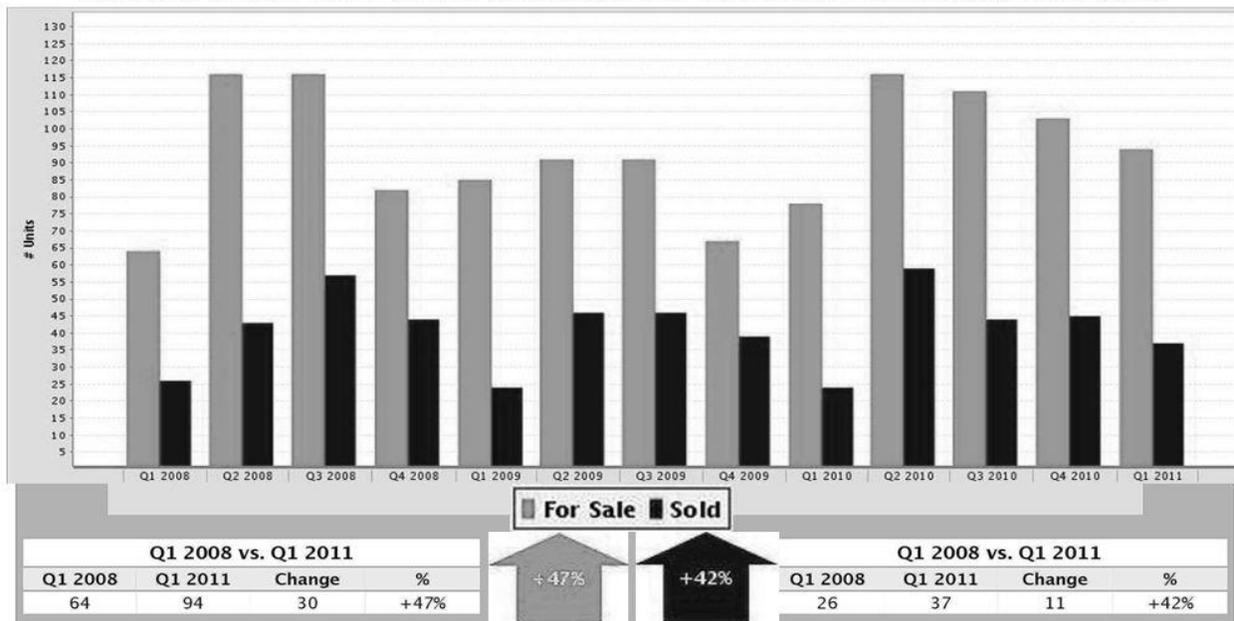


Gloria Polanski

EBRDI

Supply & Demand by Quarter

Q1 2008 vs. Q1 2011: The number of for sale properties is up 47% and the number of sold properties is up 42%



MLS: MAXEBRD Period: 3 years (quarterly) Price: All Construction Type: All Bedrooms: All
 Property Types: Residential: (Detached Single) Bathrooms: All Lot Size: All

MLS Area #: 2301 – Berkeley Map Area 1, 2302 – Berkeley Map Area 2 Sq Ft: All

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Clarus MarketMetrics® 4/06/2011

The first chart above shows the quarterly median asking price of properties for sale (down 28%) vs. the median price of sold properties (down 13%) for the North Berkeley area for the three years from Q1 2008 to Q1 2011. The median sold price in Q1 2008 was \$792,500 vs. \$690,000 in Q1 2011, a loss of \$102,500. The second chart shows the number of properties for sale (up by 47%) vs. the number of properties sold (up by 42%) for the same period. This is some very sobering evidence of the extent of the decline in the value of the largest asset that many people have.

North East Berkeley Association
P.O. Box 7477, Landscape Station
Berkeley, CA 94707

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North East Berkeley Association (NEBA) is a nonpartisan community organization whose mission is to inform, educate, and advocate for the interests of Berkeley residents of local electoral Districts 5 and 6 (roughly coincident with the 94707 and 94708 zip codes). Civic issues of particular interest and concern include municipal fiscal responsibility, local taxes and fees, public safety, public education, and basic neighborhood services. NEBA is informed and guided in its mission by the single-family zoning and homeowner status of most of NEBA residents. NEBA does not support or oppose any political candidates or parties. However, NEBA does hold candidate and issue forums, thereby stimulating interest and discussion. On occasion, NEBA will offer analysis, opinion, and a recommended position on important local issues. To accomplish its mission, NEBA publishes a newsletter and holds community meetings, each at least twice annually. Its Board of Directors meets monthly and Board subcommittees more often as needed.

City Councilmembers Laurie Capitelli and Susan Wengraf send email newsletters. To subscribe: Email lcapitelli@ci.berkeley.ca.us with "subscribe" as the subject. Email swengraf@ci.berkeley.ca.us requesting to subscribe to the District 6 e-mail news.