BERKELEY CITY COUNCILMEMBER
TERRY TAPLIN
DISTRICT 2

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CONSENT CALENDAR
November 18, 2025

To: Honorable Mayor Ishii and Members of the City Council

From: Councilmember Terry Taplin

Subject: Recommendations for the Formulation of Advanced Fiscal Policies to Institutionalize Strategic Bond Issuance, Optimize Municipal Investment Returns, and Leverage Intergovernmental and Philanthropic Capital Funding.

RECOMMENDATION

1. **Structured Bond Issuance Framework**
   Refer to the City Manager assessment, analysis, and presentation to the Council of a potential comprehensive fiscal policy every two years that institutionalizes, codifies, and makes publicly accessible a regular, predictive schedule for general obligation bond issuance. This potential policy, in addition to and alongside existing practices, may be informed by actuarial and capital market analysis of the City's bonding capacity and be modeled on established frameworks utilized in fiscally disciplined jurisdictions such as San Francisco, Santa Monica, and others. The goal is to remediate the City's substantial deferred maintenance liabilities and strategically advance the Capital Improvement Program (CIP).

2. Modernize Investment Policy. Refer to the City Manager the enactment of a detailed review and performance benchmarking of the City's current investment policies, ordinances, and resolutions. Based on this review, the City Manager may consider:
   - Amendments to align Berkeley's portfolio management practices with those of peer jurisdictions in the Bay Area;
   - Asset strategies that maintain compliance with CA Government Code §53600 et seq. while improving yields through enhanced diversification and duration matching.

3. Comparative Bond Issuance Analysis and Timeline
   Refer the City Manager to conduct a comprehensive analysis of historical general obligation bond issuance and debt service rates in Berkeley and comparable jurisdictions. The analysis may consider the following:
   - Examine 30 years of municipal bond trends, showing the consistency of low interest rates during fiscally disciplined cycles;
   - Compare Berkeley's historical borrowing costs with those of San Francisco, Santa Monica, Palo Alto, and other cities;
   - Demonstrate the efficacy of maintaining a regular issuance schedule every 6–10 years to preserve low borrowing rates and steady bond ratings;

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- Present a 30-year fiscal projection showing that with prudent debt layering and consistent retirement of obligations, Berkeley can issue up to $250–$300 million in bonds in successive tranches while maintaining fiscal health and AAA-quality debt service coverage ratios, and examine the impact on deferred infrastructure liabilities.

The City Manager is requested to return with a projected 25–30 year financing timeline that identifies capital milestones, projected issuances, debt service loads, and cost-saving thresholds compared to inflation-driven delays. This timeline shall be paired with policy recommendations to ensure adherence to long-range financial planning objectives.

POLICY COMMITTEE RECOMMENDATION

M/S/C (Kesarwani/Blackaby) to send the item to Council with a Qualified Positive Recommendation with the changes as proposed by Councilmember Taplin as follows:

1. Structured Bond Issuance Framework

Refer to the City Manager assessment, analysis, and ~~development and~~ presentation to the Council of a potential ~~of a~~ comprehensive fiscal policy every two years that institutionalizes, codifies, and makes publicly accessible, ~~codifies current practices,~~ a regular, predictive schedule for general obligation bond issuance. This potential policy, in addition to and alongside existing practices, ~~should~~ may be informed by actuarial and capital market analysis of the City's bonding capacity and be modeled on established frameworks utilized in fiscally disciplined jurisdictions such as San Francisco, ~~and~~ Santa Monica, ~~and others~~. The goal is to remediate the City's substantial deferred maintenance liabilities and strategically advance the Capital Improvement Program (CIP).

2. Modernize Investment Policy. ~~and Establish a Capital Grant Matching Fund~~

Refer to the City Manager the enactment of a detailed review and performance benchmarking of the City's current investment policies, ordinances, and resolutions. Based on this review, the City Manager may consider ~~should recommend~~:

- Amendments to align Berkeley's portfolio management practices with those of peer jurisdictions in the Bay Area;
- Asset strategies that maintain compliance with CA Government Code §53600 et seq. while improving yields through enhanced diversification and duration matching;

~~Establishment of a dedicated Capital Grant Matching Fund, capitalized with a designated portion of net investment returns, to maximize Berkeley's competitiveness in securing grants under federal programs such as the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and state-funded resilience initiatives.~~

3. ~~Develop a~~ Comparative Bond Issuance Analysis and Timeline

Refer the City Manager to conduct a comprehensive analysis of historical general obligation bond issuance and debt service rates in Berkeley and comparable jurisdictions. The analysis may consider the following ~~should:~~

- Examine 30 years of municipal bond trends, showing the consistency of low interest rates during fiscally disciplined cycles;
- Compare Berkeley's historical borrowing costs with those of San Francisco, Santa Monica, ~~and~~ Palo Alto, and other cities;
- Demonstrate the efficacy of maintaining a regular issuance schedule every 6–10 years to preserve low borrowing rates and steady bond ratings;
- Present a 30-year fiscal projection showing that with prudent debt layering and consistent retirement of obligations, Berkeley can issue up to $250–$300 million in bonds in successive tranches while maintaining fiscal health and AAA-quality debt service coverage ratios, and examine the impact on deferred infrastructure liabilities.

CURRENT SITUATION AND ITS EFFECTS

Berkeley faces a growing infrastructure deficit exceeding $1 billion, driven by long-deferred maintenance, rising construction costs, and insufficient capital funding mechanisms. The City's investment-grade bond ratings (Moody's Aa2; S&P AA) position it favorably to issue debt at competitive rates, yet the absence of a formalized bond issuance framework prevents the City from fully leveraging its credit capacity.

Waterfront Capital Liabilities

Key waterfront and Marina-related projects facing urgent capital needs include:

- Berkeley Pier Replacement: Closed in 2015 due to structural failure. Replacement is estimated at $50–70 million, with annual cost escalation exceeding 6%.
- Marina Infrastructure Overhaul: Docks, utility lines, lighting, and gangways require comprehensive upgrades. Estimated need: $15–25 million.
- Shoreline Armoring and Seismic Resilience: Required for adaptation to sea-level rise. Estimated capital: $20+ million.
- Access and Surface Improvements: ADA-compliant realignments and pavement reconstruction are estimated at $5–8 million.

The Marina Fund remains fiscally constrained and cannot absorb these capital needs without structural subsidy or external financing.

City Facility Repair and Seismic Modernization Needs

Deferred maintenance and life-safety deficiencies persist across several major civic structures:

- Frances Albrier Community Center: Seismic retrofitting and HVAC modernization estimated at $15 million.
- Old City Hall: Unoccupied due to seismic risk and systems degradation. Renovation estimated at $50–60 million.
- Veterans Memorial Building: Structural stabilization and ADA compliance upgrades estimated at $35–40 million.
- MLK Jr. Civic Center: Systemic repairs for HVAC, elevators, and roofing exceed $20 million.

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The 2018 Citywide Facilities Condition Assessment categorized more than 60% of buildings as in “poor” or “failing” condition, with an annual cost escalation rate estimated at 6–10%.
The absence of an integrated financial roadmap has resulted in cost inefficiencies and diminished public confidence. Berkeley's long-standing practice of episodic, reactive capital funding has inhibited the City's capacity to effectively address urgent infrastructure vulnerabilities and to plan for resilience-oriented modernization.

BACKGROUND
Numerous California municipalities—including San Francisco, Oakland, and San José—have successfully implemented coordinated fiscal strategies combining systematic bond issuance with active investment management and capital matching mechanisms. These jurisdictions have improved capital delivery while lowering financing costs and increasing access to competitive grants.
In contrast, Berkeley’s recent experience with public bond measures underscores the need for clearer fiscal governance and improved public engagement:

- Measure T1 (2016): Authorized $100 million in general obligation bonds. Although initially successful, several project components exceeded their original budgets due to planning and management challenges:
    - Strawberry Creek Park: 40% over budget due to unexpected subsurface conditions and underestimation of permitting costs.
    - Ohlone Park Renovations: Experienced project delays, contractor bid variability, and scope creep, resulting in a 25% cost increase from original estimates.
    - Willard Clubhouse: Required extensive ADA and systems upgrades not captured in initial scoping.

- These overruns stemmed from factors including inflationary pressures in construction markets, insufficient early-stage geotechnical assessments, evolving regulatory requirements, and staffing limitations in project management. Lack of contingency funding and rigid project timelines exacerbated these challenges, eroding community trust and highlighting the need for greater fiscal agility and programmatic transparency in future capital cycles.

- Measure L (2022): A $650 million bond proposal for infrastructure investment failed to reach the two-thirds voter threshold. Analysts and civic groups—including the Berkeley Budget & Finance Policy Committee, the League of Women Voters of Berkeley, Berkeley Neighborhoods Council, and Berkeleyans for a Livable City—identified the following issues in post-election assessments:

    - Insufficient project prioritization and lack of transparency.
    - Poor public communication of long-term fiscal benefits.
    - Limited accountability frameworks following Measure T1;

- Inadequate voter outreach and engagement.

- These critiques were substantiated in multiple forums. The Berkeley Budget & Finance Policy Committee published their concerns in meeting minutes from September 2022, highlighting a failure to articulate value to voters and the absence of a multi-year capital financing strategy. The League of Women Voters issued a position paper recommending improved fiscal transparency, while Berkeleyans for a Livable City conducted a comparative policy analysis drawing on best practices from Palo Alto and Emeryville. Collectively, these analyses underscore the need for a holistic fiscal strategy that integrates investment management with proactive capital financing.

RATIONALE

The integration of strategic bond issuance and modernized investment policy is essential to Berkeley's long-term fiscal health. These reforms will:

- Enhance the City's ability to execute capital projects on time and within budget;
- Reduce long-term liabilities and cost escalations associated with deferred maintenance;
- Maximize internal financing capacity and improve competitiveness in external funding rounds.
- Provide predictable financial planning horizons aligned with capital programming.
- Strengthen public confidence through greater transparency and fiscal discipline.

Strategically leveraging investment earnings via a matching grant fund is a forward-looking mechanism that turns financial efficiency into external revenue, magnifying the City's capital resources. This model aligns with both fiduciary best practices and intergovernmental funding paradigms that increasingly prioritize local match capacity.

Furthermore, comparative analysis of historical municipal bond service costs reveals that jurisdictions adhering to a consistent 6–10 year issuance schedule tend to stabilize borrowing costs, maintain high bond ratings, and secure favorable investor confidence. This layered approach to debt issuance and retirement avoids fiscal spikes, allows for transparent cash flow forecasting, and aligns debt service with infrastructure life cycles.

Based on peer practices and Berkeley's current assessed valuation growth, it is fiscally viable to issue a series of general obligation bonds totaling $250–$300 million over the next 25–30 years, without breaching responsible debt thresholds. Doing so would allow the City to systematically address its backlog of infrastructure liabilities, minimizing cost escalation due to delays and creating a financially resilient public capital framework.

FISCAL IMPACTS OF RECOMMENDATION

Implementation costs may include consulting and legal services for policy drafting and portfolio reallocation. However, the long-term fiscal benefits include:

- Avoidance of inflation-driven capital cost increases;
- Greater access to grant programs requiring local matches of 20–50%;
- Higher returns on city investments through optimized strategies;
- Lower borrowing costs through well-timed bond issuances;
- Multiplicative gains in external revenue through matching mechanisms.

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ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Improved access to capital will support environmentally strategic projects including:

- Coastal flood resilience and shoreline restoration;
- Decarbonization of public buildings and fleet electrification;
- Sustainable stormwater management;
- Transit and multimodal infrastructure expansion.

A dedicated matching fund will allow the City to aggressively pursue funding from climate-focused programs such as FEMA's BRIC, CalEPA Green Infrastructure Grants, and the California Resilience Challenge.

ALTERNATIVE ACTIONS CONSIDERED

- Maintain Status Quo: Fails to address growing infrastructure needs and rising costs.
- Ad Hoc Bond Measures: Inefficient, lacks transparency, and depends on unpredictable electoral outcomes.
- New Dedicated Tax Instruments: Politically complex and time-intensive with uncertain outcomes.

CONTACT PERSON

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ATTACHMENTS

1. FY 2025–2029 Capital Improvement Program (CIP)

2. City of Berkeley Investment Policy

3. Berkeley Waterfront Specific Plan (Draft, November 2024)

4. Measure T1 Bond Policies and Procedures Manual

5. Measure L Bond Measure Information (November 2022)

6. Infrastructure Assessment Report (2021)

7. Budget & Finance Committee Agenda Packet (April 24, 2025)