
NEBA News

NORTH EAST BERKELEY ASSOCIATION

Fall 2011

★★★★★ **BERKELEY FINANCES AND EDUCATION EDITION** ★★★★★

NEBA FALL MEETING

**BERKELEY'S FISCAL VIABILITY: PRESENTATION BY EXPERT
CITIZENS PANEL, BERKELEY BUDGET SOS**

Comparative Analysis of Municipal Spending—Employee Costs As Expanding Portion of Expanding City Budget—Decline of Berkeley Taxpayer Income and Assets—City Auditor's Findings on Pension Liabilities and Lack of Official Response Thereto—Need for Full Audit of Longterm Liabilities

**Thursday, December 1, 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

NEBA has an exceptionally informative newsletter and program this evening. You can read and hear about Berkeley's alarming fiscal condition. And if you have been as confused as I about educational test scores and Berkeley's results, then Priscilla Myrick's article will certainly help you understand.

Whatever your opinion, please join the discussion,
7:00 pm, Thursday, December 1.

Dues payments from you and your neighbors have enabled NEBA to publish newsletters and present meetings of local interest for more than thirty years. No other news medium focuses on issues concerning our area. You will see in-depth information and analysis from NEBA that you will not see anywhere else.

NEBA's mission is to open the discussion about issues that affect us. Even if you disagree with us sometimes, you must agree that talking is good.

Every dollar given to NEBA is spent to publish the newsletters and present the meetings, with no administrative costs, no salaries.

NEBA seriously needs your support, now, and NEBA is too good to lose! If you have not yet renewed or joined, NOW IS THE TIME!

NEBA is also seeking new board members who are generally aligned with its mission but who may add other perspectives and skills. Please let us know if you are interested.

Sharon Eige

AGENDA NEBA MEETING

6:00 pm *Meet your neighbors!*
7:00 pm *Welcome: Sharon Eige*
7:10 pm *Jacquelyn McCormick,
Coordinator, Berkeley Budget SOS—
Introduction to SOS Panel and Research*
7:30 pm *David M. Wilson, Esq.*
7:45pm *Professor Tim Wallace*
8:00pm *James Fousekis, Esq.*
8:15pm *Patrick Finley, Esq.*
8:30pm *Your Questions*

BERKELEY CIVIC GROUP IDENTIFIES UP TO \$100 MILLION ANNUAL SAVINGS IN EMPLOYEE COMPENSATION COST.

Proposes 10 Point Action Plan with Focus on Using Savings to Pay Down Unfunded Liability for Pensions and Infrastructure

By Barbara Gilbert

A comparative analysis of employee compensation in twelve regional municipalities by the civic group Berkeley Budget SOS reveals that the City of Berkeley spends up to \$100M annually above the regional average, as adjusted for population size.

The analysis uses a combination of data from the Public Employees Salaries Database and updated employee costs provided to SOS by City management staff.

Employee compensation consists of gross salary (base salary plus overtime and other cash payments) and benefit costs. For gross salary, SOS examined the four major categories of employees—police, fire, public works, and administrative/other. Adjusted for population size, for police, gross salary is 50% greater than the regional average, for fire 89% greater, for public works 97% greater, and for administrative/other 125% greater. For benefit cost, Berkeley spends \$524 per resident compared to the regional average of \$210 per resident, a differential of 250% more for Berkeley.

Compared to the eleven other cities, Berkeley has the highest number of employees per capita (1 per 73 residents) as well as the highest compensation per employee. To achieve savings would perforce require a reduction in the number of employees, or in compensation per employee, or some combination thereof.

According to project coordinator Jacquelyn McCormick, former Bank of America executive, “The City of Berkeley has hundreds of millions of dollars’ worth of unfunded liability for pensions and physical infrastructure. Additionally, the Reserve Fund for emergencies is substantially underfunded. Recapturing excessive employee costs each and every year would go a long way toward addressing these critical items and continue funding for vital safety-net services.”

SOS has proposed a 10 Point Action Plan to move the City toward long-term fiscal sustainability by bringing employee costs in line with regional norms and directing moneys saved thereby to critical long-term needs and safety net services.

Berkeley Budget SOS is a civic organization dedicated to fiscal clarity, accountability and sustainability in the City of Berkeley. Its members include economists, attorneys, business executives and concerned citizens. It produces articles, analyses, insights and recommendations aimed at resolving the City’s fiscal challenges without additional taxation to its already financially-burdened residents. Email: berkeleybudgetsos@gmail.com.

A complete copy of the report “City Employee Costs, Proposed Savings and Action Plan” can be found on www.berkeleycouncilwatch.com.

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www.facebook.com/#!/group.php?gid=102663323119957 .

ARE BERKELEY SCHOOLS IMPROVING?

By Priscilla Myrick

The California state Academic Performance Index (API) and the federal measure Adequate Yearly Progress (AYP) under No Child Left Behind (NCLB) are the two major indicators used to assess whether California public schools are succeeding in improving the academic achievement of students. The state API measures academic growth performance of districts, schools and certain racial and other subgroups in the form of an index. An analogy might be the S&P 500, an index that provides an indicator of stock market and economic growth. The API allows for trend analysis and comparability between districts, schools, and subgroups in California. The state goal for all schools and groups is to achieve at least an API of 800.

On the other hand, the federal AYP is not an index but a growth model for racial subgroups, posing annual federal proficiency targets in English and math. The federal AYP model requires 100% proficiency by 2014 for all subgroups. If achieved, this would mean the complete elimination of the achievement gap between Whites/Asians and lower-achieving African-American and Latino students. A worthy goal, but unlikely to be achieved in Berkeley and elsewhere.

Are Berkeley schools improving? With respect to state API scores, Berkeley elementary and middle schools have shown annual and multi-year gains. 12 of Berkeley's 16 schools have achieved API's over the state target of 800. Unfortunately however, Berkeley High, which accounts for over 35% of district enrollment, has shown a decline in the API to from 733 to 714 since the last valid API nine years ago in 2002. With respect to federal AYP, 11 of 16 Berkeley schools did not make Adequate Yearly Progress in 2011, and these 11 Berkeley schools are in Program Improvement (PI) status.

What does an API of 800 tell us about a school? The API is a composite measure of student achievement on standards-based tests (California Standards Tests-CST) in English, math, science, and history weighted by the number of students taking the test. These tests measure student achievement on a five-point scale—advanced, proficient, basic, below basic, and far below basic. In addition, at the high school level, results on the California high school exit exam (CAHSEE) are also a component in calculating the school's API. The API may range from 200 to 1000. If all students in a school were "far below basic" level, the school would have an API of 200; alternatively, if all were "advanced", an API of 1000. An API of 800, signifying most students as proficient, is a state goal, although growth above 800 is possible and encouraged.

By 2011 BUSD has shown consistent API gains since 2002 in the percentage of schools at or above the target of 800. All three Berkeley middle schools have surpassed 800, and each made double-digit increases in the past year. 9 out of 11 Berkeley elementary schools met or exceeded the 800 target. Only John Muir and LeConte scored below 800. In 2011, more than one in four high schools in California have an API score of 800 or above, but Berkeley High fell short with an API of 714.

**Percentage of Schools At or Above Target of 800 on API Scores
State and BUSD in 2002 and 2011**

School Type	BUSD 2002	California 2002	BUSD 2011	California 2011
Elementary	9%	23%	82%	55%
Middle	0%	16%	100%	43%
High	0%	6%	0%	28%

Source: District data from August 31, 2011 School Board meeting; California data from Ed-Data

Thus, the data clearly show the upward trend of Berkeley's API and in its relative California standing in Berkeley's elementary and middle schools, but poor showing at Berkeley High. 10 out of 15 K-8 schools have gained over 100 API points since 2002, and 12 out of 15 have gained over 50 points since 2007. However, as stated previously, Berkeley High's API actually declined 19 points since the last valid API in 2002. The 2011 district-wide API results include Berkeley High for the first time in 9 years.

BUSD Academic Performance Index (API) 2002 vs. 2011

	2002	2011	Change
Elem. schools (11)	735	845	+110
Middle schools (3)	687	834	+147
Berkeley High	733	714	-19
District	719 *	790	+71

Source: August 31, 2011 School Board meeting except District 2002 API from CDE website

Is Berkeley closing the achievement gap? Progress in closing the achievement gap can be measured by comparing the API growth of specific subgroups, and, under AYP targets, the percent specifically proficient in mathematics and English.

In terms of API, BUSD is lagging the state in closing the achievement gap for African-Americans. The following chart shows how APIs for BUSD subgroups compare with the state:

BUSD 2010 vs. 2011 and California 2011 API by Subgroup

	BUSD API 2010	BUSD API 2011	California API 2011
All students	784	790	778
White	911	908	845
Asian	826	821	898
African-American	642	643	696
Latino	730	744	724

In terms of AYP, BUSD is falling far below federal targets for closing the achievement gap at schools in Berkeley, with the exception of Jefferson and John Muir elementary schools. The following chart shows the percent proficient in English and mathematics in 2011 on a district-wide basis compared with the federal AYP targets:

BUSD 2011 vs. Federal AYP Proficiency Targets in Math and English

Federal (NCLB) Target	Math: 67.3% proficient	English: 67.0% proficient
White	89.0%*	89.7%*
Asian	76.8%*	65.7%
African-American	40.8%	37.9%
Latino	57.4%	50.5%

* met AYP federal (NCLB) target

In summary, The API and AYP data for Berkeley schools show mixed and uneven results in terms of student achievement. While celebrating multi-year API gains in Berkeley's K-8 schools, the decline in Berkeley High's API and academic proficiency since 2002 presents troubling news and continuing challenges to the District. In terms of AYP and NCLB, the large number of schools (11 out of 16) in Program Improvement presents an ongoing and pressing issue. Finally, the achievement gap stubbornly persists for African-American and Latino students. Given increasing pressures on educational funding and the relative amplitude of BUSD funding compared to other districts, better and wiser use of available resources to increase student achievement needs more district and community focus.

BERKELEY BUDGET SOS: HOW EMPLOYEE COSTS EAT UP THE REST OF THE CITY'S BUDGET

By David M. Wilson

Berkeley residents are beginning to understand why there is no money for those nasty potholes, decayed play structures, community pools, and safety-net social services. They are also beginning to see cracks in the whole civic structure as the City is forced to cover tens of millions in unfunded pension and infrastructure liabilities.

Silently and stealthily, City employee costs have devoured the rest of the City budget.

In FY 1991, the total City budget was \$139,380,776. 64% of this amount, \$90,643,816, was devoted to personnel costs (wages, overtime and other cash payouts, and benefits). The rest of the money was there to keep our streets and sewers and parks in good shape. Twenty years later, in FY 2010, without any significant change in population, the total budget rose 226% to \$315,000,553 and employee compensation rose to \$252,571,909 or 80% of the budget. During that same period, the CPI was up 166% but the City budget was up 226% and employee cost was up 224%. How did we fill the shortfall? Instead of tough bargaining with our unions, we caved in to their wish list, and paid for it by short-changing things like parks,

road and sewer maintenance, and the like.

For example, 1991 capital expenditures by the Public Works Department was \$13,563,971. In 1992, \$27,054,500 was budgeted. Assuming a total City budget of about \$140,000,000 for each of those years, this equates to about 10% and 19% respectively, for capital improvements in those years.

Twenty years later, for Public Works capital improvement, only \$12,967,999 was spent in FY 2010 and \$8,387,008 was budgeted for FY 2011. This equates to 4% and 3% respectively of the total City budget of \$315,000,000.

When adjusted for inflation the 1991 expenditures of \$13,563,971, should have been \$22,516,191 in 2010, just to break even. The \$27,054,500 budgeted in 1992 should have become \$44,910,470 in 2012, just to break even. Looking at just the past two years as compared to twenty years ago, we're talking about a real dollar decrease of \$26,808,190 in what the city has spent for ongoing infrastructure maintenance and improvements.

It's clear that part of the budget that was

previously devoted to capital improvements and rainy day reserves is being eaten by the out-of-control employee costs. It's kind of like the cuckoo who lays her eggs in a smaller bird's nest. The cuckoo babies get bigger and bigger and starve the rest of the fledglings out of their home.

How we got here is a bit less clear. Certainly it is not the fault of employee unions: they exist to cut as good a deal as they can for their members. But Berkeley's job is to cut as good a deal as it can for the city as a whole. Are we afraid of being called "anti-progressive" if we bargain too hard? Or is there something structurally wrong making the City Manager chiefly responsible for negotiating wage/benefit packages of which he is a primary beneficiary?

The City Council knows or should know all of this. But instead of real solutions, it is now ready to ask the voters (yet again) to pay more

taxes. In the meantime, other cities, like San Francisco, have bargained with their unions to bring wage/benefit packages into line with available resources. Berkeley should do the same.

A new report by the civic group Berkeley Budget SOS reveals that Berkeley has the highest number of employees and highest employee compensation per capita of twelve regional cities of similar size (to view report "City Employee Costs, Proposed Savings and Action Plan" go to www.berkeleycouncilwatch.com).

Berkeley Budget SOS is a civic organization dedicated to fiscal clarity, accountability and sustainability. It produces articles, analyses, insights and recommendations aimed at resolving the City's fiscal challenges without additional taxation to its already financially-burdened residents. Email: berkeleybudgetsos@gmail.com.

BERKELEY BUDGET SOS: CITY STALLS RESPONSE TO AUDITOR ON UNFUNDED PENSION LIABILITY

By James Fousekis

Last November 16, 2010, almost 11 months ago, City Auditor Ann-Marie Hogan issued a report "Employee Benefits: Tough Decisions Ahead" that concluded it was critical that Berkeley manage its liabilities to ensure long-term fiscal stability. As part of the report, Hogan requested that the City Manager report back on or before September 27, 2011 on the adoption status of her recommendations and no later than September 2012 on full implementation status of her recommendations.

Hogan's report addressed the City's employee benefit costs and resultant unfunded liabilities, and her most crucial

recommendation was that the City "Reduce today's expenses and tomorrow's liabilities." She also recommended that the City increase transparency on financial matters and that it "Clearly communicate costs and liabilities to Council and the public."

Hogan's report provided an apt view of the City's current financial problem. Specifically, it presented the unfunded employee benefit liability at more than \$250 million. It also made plain that in 2016, just five years from now, the City will be required to pay CalPERS close to \$41 million as its share of payments to Berkeley retirees. Every day that these excesses and liabilities are not resolved,

our City's financial situation becomes more perilous.

Hogan's report also described some overly-generous personnel policies, such as the excessive accumulation of sick leave benefits and payment therefore to employees at the end of their tenure. The financial consequences of these policies are significant. In 2009 alone, the City paid out \$1.47 million to departing employees for sick leave, vacation and other benefits.

In light of our city's serious financial situation, it was shocking to learn recently that the response to the City Auditor's Report will be delayed until at least January 2012 – about 14 months after the publication of the City Auditor's report. This delay is particularly disturbing considering that five out of the six union contracts, due to expire in June 2012 are now under negotiation. And it means that Berkeley citizens and officials cannot vet the response to the City Auditor's report in time to have bearing on the contract negotiations – which is unacceptable.

Rather than increasing transparency on the issue of its unfunded liabilities, the City Manager's office is becoming a black hole of

non-response. All this from a City Manager who received a hefty raise from City Council just two years ago; the Council agreed to the raise not long before Hogan's report revealed the extent of the City's financial crisis.

Already, other cities in the Bay Area are grappling with similar issues related to escalating personnel costs: San Francisco, Oakland, and San Jose to list a few. By watching other cities address these matters, we can learn that the solution will not be an easy one. In fact, in November, the citizens of San Francisco will be going to the polls to vote on competing ballot propositions. It may be messy, but at least citizens are being involved in the decision making process. Yes, here in Berkeley, a series of workshops have been scheduled by the Council to address a variety of topics. But a closer inspection of the agenda reveals that some of the issues raised by Hogan's report won't be discussed until the December workshops – again too late.

I urge all Berkeley citizens to oppose this high-handed conduct by the City Manager's office, and to encourage the City to embrace the reality of its current financial situation.



NEBA wants you! NEBA is now inviting a small number of sincere new board members who love Berkeley and who want to share information and opinions directly with neighbors through our twice yearly public meetings and newsletter, the *NEBA News*. We are a lean and congenial (not mean) team with a mission to inform residents in Berkeley Districts 5 and 6 about issues of vital interest to our community. Even if you have disagreed with something that we have said in the past or would like us to explore additional issues, please consider becoming one of us and present your perspective! If we have not mentioned an issue that is dear to you, tell us about it! If you would like to participate in developing and managing our website, that would be very welcome, also.

North East Berkeley Association
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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.