

UC Settlement: Deceptive, Expensive and Illusory

Why are Berkeley citizens so upset about the proposed settlement agreement between the City and UC Berkeley? Reasons are many, but three stand out:

1. Secrecy:

Like the flawed 2005 deal that it is designed to replace, the current "settlement" was reached in secret, and debated among council members in secret. Critical though it is to our future, we are faced with a done deal, with no public review whatsoever. This violates open government laws, and breaks multiple promises that the mistakes of 2005 would not be repeated this time around.

2. Dollars:

The law exempts UC from local property and other taxes. However, the courts have held that cities may recover the costs of goods and services provided to the University, like fire and police protection, emergency medical care, etc. In 2003, Berkeley's net UC generated expenses were independently calculated at \$11,374,100 per year.¹ But in 2005, the city agreed that the University needed to pay only \$1.2 million in yearly reimbursement. Current payments under the 2005 deal are reported at \$1.8 million, an increase which accounts for only half of the 49.5% inflation which has actually occurred since 2003.² In real dollar terms U.C. currently pays less today than it agreed to pay in 2005.

And a lot more than simple inflation has happened since 2005. The big issue has been the expansion of the Berkeley campus from an estimated 31,800 students in 2005 to 40,955 in 2018, and with a further projected increase to 50,000.³ The dollar impact on the City has been obvious, with the EPS analysis putting them at \$21,415,000 (net of all receipts) as of 2018, or nearly double what they were in 2003.

Early reports were that UC under the 2021 settlement would pay the City \$4.1 million/year in current dollars, with an inflation adjuster, or a total of \$82 million over a 16-year term. Proponents proudly say this is double what was agreed to in 2005. But when the 2005 payment is adjusted for inflation and for the added costs of a near doubling of the student body, it is obvious that the new deal is as bad as the old. Indeed, it is worse. The annual subsidy by Berkeley taxpayers to UC as of 2003 was \$11,374,000.⁴ Using 2018 numbers as the base line, (they are the only ones publicly available), the annual subsidy will increase from \$17,315,000 in Year 1 to \$26,976,206 in Year 16, or a total of \$349,108,399 over the life of the agreement.⁵

Things are worse yet when we consider the non-money parts of the settlement.

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- 1 Actual receipts by the city on account of the 2005 settlement are hard to uncover. Attachment 1 is a Draft Report by Economic & Planning Systems Inc, which summarizes what was then known about university-caused costs in 2003 as compared to 2018. EPS was the city's independent contractor, hired to independently analyze the numbers in both years. The Draft Report is Attachment 1. The City has apparently never asked for the 2018 draft to be completed or updated, meaning that (a) the 2021 Settlement is out of date before it even takes effect, and (b) the Council has voted on a profoundly important matter without current data in front of it.
 - 2 See US Department of Labor- Inflation Calculator and compare CPI in January 2003 with CPI as of June 30, 2021. https://www.bls.gov/data/inflation_calculator.htm
 - 3 Attachment 1, page 7.
 - 4 Attachment 1, page 2.
 - 5 See Attachment 2., which assumes costs and payments by UC will increase by 3%/year due to simple inflation. Increased costs due to post 2018 expansion have not been included for the simple reason that they have not been made public.

3. An Illusory Agreement:

Because of the City's passion for secrecy, we did not learn all the details until July 27, when the Mayor's office released a fully executed and "final" settlement document. Skeptics' fears proved justified. For example, the dollars are even less than advertised., with only \$2.8 million of the advertised \$4.1 million going to the City's general fund. The rest is earmarked for special projects that must be (a) within a half mile of the campus, and (b) negotiated with UC.

More important is that the City has agreed to permanently withdraw from current litigation i involving UC's Long Range Development Plan ("LRDP") and must support all UC expansion projects now in the works. Not only must it accept current expansion plans, but "poison pill" provisions prevent the City from enforcing the limits set by the LRDP. Should UC choose to expand beyond the 50,000 students forecast by the LRDP, or to build beyond the limits of the LRDP, Berkeley's only remedy would be to withdraw entirely from the Agreement, and to lose even the meager compensation agreed to for fire, police, medical and other services provided by it to UC. Settlement Agreement, paragraphs 6.3, 7.3 and 7.4.

While most of UC's promises are illusory, the City's are very real. They threaten decades-long efforts to preserve what makes for a quality life in Berkeley, including adequate infrastructure, affordable housing (especially for young families), a healthy environment (clean air, uncongested streets, green spaces), and a balanced relationship with the University. There are no meaningful caps on student and staff totals, and no requirement to mitigate the housing crisis that results in large part to ever increasing UC demand.⁶ There is no relief for local taxpayers' who must continue to subsidize tens of millions in costs that under the law should be borne by the State as a whole.

In short, our Mayor and his captive Council have secretly agreed to a deal that will bring irreversible and long term harm to us all. They should rescind their approval, explain their conduct, and allow us the input to which we are entitled under the law.

⁶ . There is ample evidence that much recent construction as well as the movement to abolish single family zoning (R-1 zoning) in Berkeley are driven primarily by the demand for short term student housing, rather than by any real desire to provide affordable housing to families wanting to live here over the long term.

Attachment 1

[https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3 -
_General/UC%20SEIR%20LRDP%20HEARST%20041219.pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/UC%20SEIR%20LRDP%20HEARST%20041219.pdf)

UC Berkeley Economic and Fiscal Impact Study starts on Page 46

D R A F T M E M O R A N D U M

To: Mr. Jordan Klein, Economic Development Manager, Office of Economic Development, City of Berkeley

From: Benjamin C. Sigman, Jason Moody, and Ashley Boots, Economic & Planning Systems, Inc.

Subject: Preliminary Fiscal Impact Analysis of UC Berkeley in 2018

Date: March 27, 2019

The City of Berkeley (City) has engaged Economic & Planning Systems (EPS) to analyze and document the economic and fiscal effects of the University of California, Berkeley (UC Berkeley). The EPS study ultimately will provide new data and analysis to inform City input to long-range campus planning and associated impact mitigations to be negotiated between the City and the University. While the EPS study will be developed throughout calendar year 2019, UC Berkeley recently released California Environmental Qual Act (CEQA) documentation that Amends the 2020 Long Range Development Plan (LRDP) Environmental Impact Report, and there is a near-term need to evaluate the current fiscal impact of UC Berkeley on the City.

The release of CEQA documents presents an opportunity for the City to provide comments and express concerns related to the University's recent growth. In this memorandum, EPS presents preliminary fiscal impact estimates to assist the City in developing comments on the University's CEQA document. The 2018 fiscal impact estimates reflect analytical methods established by the UC Berkeley Fiscal Impact Analysis conducted by EPS for the City in 2004 (Appendix B).

This memorandum describes EPS fiscal impact estimates from 2003 and updated estimates for 2018. To the extent possible, the 2018 estimates incorporate new City revenue and cost data, UC and City population counts, and consumer spending data, in combination with fiscal impact factors derived from

EPS's prior analysis of the University's impact. While the 2018 fiscal impact estimates presented here are preliminary, and the outputs of EPS's ongoing comprehensive study surely will differ, the estimates presented in Figure 1 offer a reasonable first look at UC Berkeley's annual impact on the City revenues and costs in 2018.

See page 2 for the summary of UC Berkeley's Fiscal Impact on the City of Berkeley

Figure 1 Summary of UC Berkeley's Fiscal Impact on the City of Berkeley

Net Fiscal Impact 2003 - \$11,374,000 2018 - \$21,415,000

Attachment 2

<u>City of Berkeley Agreement with UCB LRDP</u>						
<u>Payments per year increased by 3% per year per agreement</u>						
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
\$4,100,000	\$4,223,000	\$4,349,690	\$4,488,181	\$4,614,586	\$4,753,024	\$4,895,614
year 8	Year 9	year 10	Year 11	Year 12	Year 13	Year 14
\$5,042,483	\$5,193,757	\$5,249,570	\$5,510,057	\$5,675,359	\$5,845,620	\$6,020,988
Year 15	Year 16					Total
\$6,201,618	\$6,387,666					\$82,551,213
					Amount agreed to by Council	\$82,640,000
					Difference	\$88,787

Amount Berkeley is subsidizing UC Berkeley per the agreement

	Year 1	Year 2	Year 3	Year 4	Year 5
Payments made by UCB	\$4,100,000	\$4,223,000	\$4,349,690	\$4,488,181	\$4,614,586
City cost for UCB services	\$21,415,000	\$22,057,450	\$22,719,174	\$23,400,749	\$24,102,771
City subsidizing UCB	-\$17,315,000	-\$17,834,450	-\$18,369,484	-\$18,912,568	-\$19,488,185

	Year 6	Year 7	Year 8	Year 9	Year 10
Payments made by UCB	\$4,753,024	\$4,895,614	\$5,042,483	\$5,193,757	\$5,249,570
City cost for UCB services	\$24,825,854	\$25,570,630	\$26,337,749	\$27,127,881	\$27,941,718
City subsidizing UCB	-\$20,072,830	-\$20,675,016	-\$21,295,266	-\$21,934,124	-\$22,692,148

	Year 11	Year 12	Year 13	Year 14	Year 15
Payments made by UCB	\$5,510,057	\$5,675,359	\$5,845,620	\$6,020,988	\$6,201,618

City cost for UCB services	\$28,779,969	\$29,643,368	\$30,532,669	\$31,448,649	\$32,392,109
City subsidizing UCB	-\$23,269,912	-\$23,968,009	-\$24,687,049	-\$25,427,661	-\$26,190,491

	Year 16
Payments made by UCB	\$6,387,666
City cost for UCB services	\$33,363,872
City subsidizing UCB	-\$26,976,206

Total amount spent on UCB services by the City of Berkeley	\$349,108,399
per the 16-year agreement	