



City of Emeryville

INCORPORATED 1896

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Fran Quittel, Member
Council Member John Bauters, Liaison

BUDGET ADVISORY COMMITTEE

Special Meeting
Civic Center, Garden Level
1333 Park Avenue, Emeryville, CA 94608
February 28, 2018 – 2:30 PM

Actions taken by Advisory Bodies are not official actions of the City Council, but must be ratified at a regular City Council meeting.

All writings that are public records and relate to an agenda item below which are distributed to a majority of the Advisory Body (including writings distributed to a majority of the committee less than 72 hours prior to the meeting noticed below) will be available at the Information Counter, 1333 Park Avenue, Emeryville, CA, during normal business hours (9am to 5pm, Monday through Friday, excluding legal holidays).

In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid, or service to participate in this meeting should contact the committee secretary as far in advance as possible but no later than 72 hours before the scheduled meeting. The best effort to fulfill the request will be made. Assistive listening devices are available for anyone with hearing difficulty from the Committee Secretary prior to the meeting, and must be returned to the committee secretary at the end of the meeting. All documents are available in alternative formats, upon request. No dogs, cats, birds or any other animal or fowl shall be allowed at or brought in to a public meeting by any person except (i) as to members of the public or City staff utilizing the assistance of a service animal, which is defined as a guide dog, signal dog, or other animal individually trained to provide assistance to an individual with a disability, or (ii) as to police officers utilizing the assistance of a dog(s) in law enforcement duties. All committee meetings are recorded and are available through the City's website.

FURTHER INFORMATION may be obtained by contacting Susan Hsieh, Committee Secretary, at 510-596-4352, shsieh@emeryville.org or bac@emeryville.org. The next regular meeting is scheduled for May 10, 2018, at 5:30 PM.

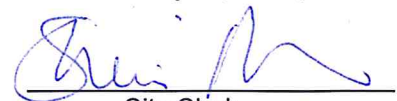
DATED: February 22, 2018

Post on: February 23, 2018

Post until: March 1, 2018

AGENDA

1. Call to Order
2. Roll Call
3. Public Comment
4. Approval of Meeting Action Minutes
5. Action Items
 - 5.1. Fiscal Years 2017-19 Mid-Cycle Budget Review
6. Information Items
 - 6.1. Report on Housing Bond Measure (Verbal and Handout)
7. Future Agenda Items
 - 7.1. Investment Policy for Section 115 Pension Trust
8. Announcements / Member Comments
9. Adjournment


City Clerk



MEMORANDUM

DATE: February 28, 2018
TO: Carolyn Lehr, City Manager
FROM: Susan Hsieh, Finance Director
SUBJECT: **Mid-Cycle Review of the Two-Year Budget for Fiscal Years 2017-18 and 2018-19 and Proposed Budget Amendments**

RECOMMENDATION

Staff recommends that the Budget Advisory Committee review the proposed budget adjustments for fiscal years 2017-18 and 2018-19 and recommend approval to the City Council.

BACKGROUND

The City’s 2017-19 Budget was adopted by the Council on September 19, 2017. Finance staff has conducted its mid-cycle budget review together with all city departments and recommends the adjustments discussed in this staff report.

DISCUSSION

General Fund Proposed Budget Adjustments

General Fund – Summary of Proposed Budget Adjustments

The table below summarizes the General Fund proposed budget adjustments for fiscal years 2017-18 (FY 2018) and 2018-19 (FY 2019). FY 2018 revenue/expenditure budget is projected to increase by \$1.1 million, and FY 2019 revenue/expenditure budget is projected to increase by \$1 million.

	FY 17-18 Adopted Budget	FY 17-18 Proposed Adjustment	FY 17-18 Proposed Revised Budget	FY 18-19 Adopted Budget	FY 18-19 Proposed Adjustment	FY 18-19 Proposed Revised Budget
Revenues	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599
Expenditures	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599

General Fund – Proposed Revenue Adjustments

Performance of the General Fund Revenues - The table below presents the General Fund revenues for the six months ended December 31, 2017. Revenues totaled \$15.2 million, or 38% of the \$40.3 million annual budget. Please note that revenues such as Property Tax, Residual Tax Increment, and Vehicle License Fee In Lieu are not evenly distributed. The County distributes these taxes based on historical trends and collections, and these taxes are normally collected by the County in December and April. Significant variances are discussed as part of the proposed budget adjustments below.

General Fund Revenues for the Period Ended December 31, 2017

Revenues By Category	FY17-18 Budget	FY17-18 Actual	Budget vs. Actual Variance	% of Budget	FY16-17 Actual	FY17-18 vs FY16-17 Variance	
Sales Tax	\$ 8,142,350	\$ 2,550,507	\$ 5,591,843	31%	\$ 2,515,323	\$ 35,184	1%
Transient Occupancy Tax	7,884,090	3,549,898	4,334,192	45%	3,103,649	446,249	14%
Business License Tax	5,850,861	368,611	5,482,250	6%	379,546	(10,935)	-3%
Utility Users Tax	3,171,771	1,389,776	1,781,995	44%	1,384,030	5,746	0%
Cardroom Tax	2,629,080	1,399,509	1,229,571	53%	1,327,501	72,008	5%
Licenses and Permits	2,394,330	1,502,126	892,204	63%	2,534,756	(1,032,630)	-41%
Property Tax	2,484,328	942,340	1,541,989	38%	1,025,888	(83,548)	-8%
Residual Tax Increment	1,421,025	-	1,421,025	0%	-	-	0%
Franchises	1,702,950	704,192	998,758	41%	691,597	12,595	2%
Vehicle License Fee In Lieu	823,474	426,955	396,519	52%	403,664	23,291	0%
Real Property Transfer Tax	1,246,220	496,926	749,294	40%	445,699	51,227	11%
Other Revenues	2,529,152	1,875,328	653,824	74%	736,936	1,138,392	154%
Transfers In	61,500	30,750	30,750	50%	142,500	(111,750)	-78%
Total	\$ 40,341,130	\$ 15,236,917	\$ 25,104,213	38%	\$ 14,691,089	\$ 545,828	4%

General Fund Revenue Adjustments – The proposed General Fund revenue adjustments are outlined below.

Revenues By Category	FY 17-18 Adopted Budget	FY 17-18 Proposed Adjustment	FY 17-18 Proposed Revised Budget	FY 18-19 Adopted Budget	FY 18-19 Proposed Adjustment	FY 18-19 Proposed Revised Budget
Sales Tax	\$ 8,142,350	\$ -	\$ 8,142,350	\$ 8,298,755	\$ -	\$ 8,298,755
Transient Occupancy Tax	7,884,090	395,293	8,279,383	7,962,931	367,616	8,330,547
Business License Tax	5,850,861	133,000	5,983,861	5,879,920	33,000	5,912,920
Utility Users Tax	3,171,771		3,171,771	3,187,630		3,187,630
Cardroom Tax	2,629,080	70,920	2,700,000	2,642,225	57,775	2,700,000
Licenses and Permits	2,394,330	439,400	2,833,730	2,144,802	331,000	2,475,802
Property Tax	2,484,328		2,484,328	2,532,615		2,532,615
Residual Tax Increment	1,421,025	12,005	1,433,030	1,422,852	68,092	1,490,944
Franchises	1,702,950		1,702,950	1,716,350		1,716,350
Vehicle License Fee In Lieu	823,474	30,436	853,910	839,943	48,123	888,066
Real Property Transfer Tax	1,246,220		1,246,220	1,252,451		1,252,451
Other Revenues	2,529,152	33,604	2,562,756	2,399,897	107,122	2,507,019
Transfers In	61,500		61,500	61,500		61,500
Total Revenues	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599

- No change in Sales Tax as the updated projections provided by our consultant are close to the original estimates. Staff will continue to monitor this flattening revenue due to online sales.
- An increase of \$395,293 in Transient Occupancy Tax in FY 2018 and \$367,616 in FY 2019. Additional resources are used to support city services as discussed below. Following the Budget Advisory Committee's advice, staff budgeted conservatively for the new revenue stream from the City's fifth hotel that was opened in November 2016. This best practice prevents the City from over budgeting expenditures if the increase in revenue does not come to fruition. Hotel operators expect minor growth in the next two years.
- An increase of \$133,000 in Business License Tax in FY 2018 and \$33,000 in FY 2019 resulted from a Tax Discovery Program launched in fiscal year 2017-18 and higher than expected business license in lieu tax generated by a new business operator. FY 2018 Tax Discovery Program revenue reflects one-time revenue associated with the collection of tax, interest, and penalties for prior years.
- An increase of \$70,920 in Cardroom Tax in FY 2018 and \$57,775 in FY 2019 based on current revenue trends.
- An increase of \$439,400 in Licenses and Permits in FY 2018 and \$331,000 in FY 2019 due to reimbursable revenues from development projects and increases in fire inspection fees and fees from the Police Department. Of these amounts, approximately \$300,000 in both FY 2018 and FY 2019 are expected to offset related expenses.
- An increase of \$12,005 in Residual Tax Increment in FY 2018 and \$68,092 in FY 2019 based on updated assessed value provided by the County. Staff anticipates re-submitting the funding request to the Department of Finance for the Corporation Yard remediation project for the second ROPS (Recognized Obligation Payment Schedule) period in fiscal year 2018-19. If the Successor Agency is successful in securing funding, the allocation to the General Fund in the FY 2019 budget year may be reduced.
- An increase of \$30,436 in Vehicle License Fee In Lieu in FY 2018 and \$48,123 in FY 2019 based on the projection provided by the County for FY 2018.
- An increase of \$33,604 in Other Revenues in FY 2018 and \$107,122 in FY 2019 as a result of expected increases in ECCL rental revenue, recreation class fees, parking citation revenue (decrease in 2018 and increase in 2019), and investment earnings, but offset by expected investment loss in FY 2018 and lower than expected administrative reimbursement from the Successor Agency in FY 2019. ECCL rental revenue will be remitted to the Emery Unified School District at year

end, and revenues from Community Services will offset additional program expenses. Parking citation revenue will be partially offset by a part-time position.

General Fund – Proposed Expenditure Adjustments

Performance of the General Fund Expenditures - The table below presents the General Fund expenditures for the six months ended December 31, 2017. Expenditures totaled \$18.6 million, or 46% of the \$40.3 million annual budget. Significant variances are discussed as part of the proposed budget adjustments below.

General Fund Expenditures for the Period Ended December 31, 2017

Expenditures By Type	FY17-18 Budget	FY17-18 YTD Actual	Budget vs. Actual Variance	% of Budget	FY16-17 YTD Actual	FY16-17 vs. FY17-18 Variance	
Staffing	\$ 21,506,264	\$ 11,204,156	\$(10,302,108)	52%	\$ 10,550,240	\$ 653,915	6%
Contract Services	10,359,855	3,731,640	(6,628,216)	36%	3,232,275	499,365	15%
Maintenance	2,558,451	1,082,550	(1,475,901)	42%	1,017,383	65,168	6%
Supplies	925,879	250,538	(675,341)	27%	295,444	(44,907)	-15%
Utilities	797,100	352,109	(444,991)	44%	280,490	71,618	26%
Insurance	559,218	542,604	(16,614)	97%	453,303	89,301	20%
Education & Training	297,508	92,075	(205,433)	31%	73,634	18,441	25%
Advertising/Printing & Publication	176,667	48,005	(128,662)	27%	72,031	(24,027)	-33%
Fees & Charges	55,000	6,204	(48,796)	11%	8,081	(1,877)	0%
Programs & Grants	231,500	54,932	(176,568)	24%	18,460	36,471	198%
Rental & Leases	264,700	50,096	(214,604)	19%	46,666	3,430	7%
Other	82,693	34,372	(48,321)	42%	10,460	23,912	229%
Capital	50,000	26,124	(23,876)	52%	0	26,124	0%
Transfers Out	2,476,295	1,155,388	(1,320,907)	47%	1,134,392	20,995	2%
Total	\$ 40,341,130	\$ 18,630,791	\$(21,710,339)	46%	\$ 17,192,861	\$ 1,437,930	8%

General Fund Expenditure Adjustments – The proposed General Fund expenditure adjustments are outlined below.

Expenditures By Department	FY 17-18 Adopted Budget	FY 17-18 Proposed Adjustment	FY 17-18 Proposed Revised Budget	FY 18-19 Adopted Budget	FY 18-19 Proposed Adjustment	FY 18-19 Proposed Revised Budget
City Council	\$ 191,164	\$ 2,000	\$ 193,164	\$ 206,165	\$ (2,000)	\$ 204,165
City Manager	667,199	96,274	763,473	588,237	(2,926)	585,311
City Clerk	582,806	(15,025)	567,781	597,809		597,809
Public Information Office	105,000		105,000	105,000		105,000
City Attorney	593,564		593,564	594,487		594,487
Information Technology	716,883		716,883	754,533		754,533
Finance	1,132,101	13,720	1,145,821	1,213,766		1,213,766
Human Resources	810,093		810,093	737,880	18,000	755,880
Community Development Services	3,818,413	(197,195)	3,621,218	3,506,983	17,280	3,524,263
Public Works	3,013,263	91,321	3,104,584	3,180,824	229,565	3,410,389
Non-Departmental Operations	4,474,922	1,625,600	6,100,522	4,149,950	29,889	4,179,839
Police	13,061,304	(483,426)	12,577,878	13,220,531	509,639	13,730,170
Fire	7,939,030	(119,373)	7,819,657	8,347,107	50,299	8,397,406
Community Services	3,235,388	100,762	3,336,150	3,138,599	162,981	3,301,580
Total Expenditures	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599

Police

- The decrease of \$483,426 in expenditures in FY 2018 is due to savings from unfilled positions and several expense accounts, net of overtime increase of \$100,000.
- The increase of \$509,639 in expenditures in FY 2019 is due to the following:
 - Add a Part-Time Parking Enforcement Officer to provide proactive parking enforcement services to residents and businesses. Cost is expected to be offset by additional revenues.
 - Restore two Trainee positions to ensure successful and efficient employment model is in place to fill vacant positions and reduce overtime and employee burnout. These positions will only be filled if vacancies are expected.
 - Increase overtime based on expected staffing levels (\$280k).
 - Increase in other expenses such as training and investigation analysis.

Fire

- The decrease of \$119,373 in expenditures in FY 2018 is due to the cancellation of a fire study (\$40k) and lower than expected contract cost (\$79k) - based on updated estimate provided by the Alameda County Fire Department (ACFD).
- The increase of \$50,299 in expenditures in FY 2019 is due to higher than expected contract cost. The updated projection provided by ACFD shows an increase of \$170,899 over a prior estimate mainly due to expected EMS equipment replacement cost. To balance the FY 2019 General Fund budget, staff proposes to budget \$50k in the General Fund, and make a \$120k contribution to the Vehicle Replacement Fund in FY 2018 to cover the expense in FY 2019.

Public Works

- The increase of \$91,321 in expenditures in FY 2018 is mainly due to reimbursable expenses associated with development projects. Reimbursable expenses are offset by reimbursable revenues described above.
- The increase of \$229,565 in expenditures in FY 2019 is due to the following:
 - Reimbursable expenses associated with development projects.
 - Reclassify the Civil Engineer position to Management Analyst (similar pay scale) – 30% allocation to the General Fund and 70% to the Capital Project Fund.
 - Add one Intern to support the Green Infrastructure Development Plan; adjustment also reflects intern staffing allocations from the General Fund to other funds.

- Restore a Maintenance Worker position, with 90% allocation to the General Fund and 10% to the Marina Fund, to support needed services as the City continues to make improvements to the maintenance area.

Community Development

- The decrease of \$197,195 in expenditures in FY 2018 resulted from savings from a vacant position and lower than expected contract obligations. The savings were reduced by reimbursable expenses associated with development projects. Reimbursable expenses are offset by reimbursable revenues described above.
- The increase of \$17,280 in expenditures in FY 2019 is due to the following:
 - Savings from professional services, but offset by reimbursable expenses associated with development projects.
 - Restore a Management Analyst position and reduce contract costs to bring certain labor compliance work in house (no increase to cost).
 - Restore a Coordinator position to support economic development and capital projects, with 33% allocation to the General Fund. This increase is offset by an allocation to the Capital Project Fund for another position managing capital projects.
 - Add budget for credit card related services.

Community Services

- The increase of \$100,762 in expenditures in FY 2018 is mainly due to the ECCL rental reimbursement (corresponds to the rental revenue described above). The adjustment also reflects reduction in ECCL operations and maintenance costs and other miscellaneous expenses, but offset by an increase in part-time staffing expense.
- The increase of \$162,981 in expenditures in FY 2019 is due to the following:
 - ECCL rental reimbursement, net of reduction in ECCL operations and maintenance costs and other miscellaneous expenses.
 - Increase in part-time staffing costs based on expected activity levels – offset by additional revenues described above.
 - Unfreeze two Supervisor positions and freeze two Coordinator positions. This change will enable the department to meet the needs of the community and support City Council's goal for community services (a minor increase in cost).

Non-Departmental Operations

- The increase of \$1,625,600 in expenditures in FY 2018 is due to the following:
 - \$750,000 contribution to the Workers' Compensation Fund to cover anticipated large settlements in the next two years; increase reserve due to

low fund balance resulting from lower than budgeted cost recovery and large claim settlements in prior fiscal year. Refer to proposed budget adjustments to other funds below.

- \$10,000 contribution to the Major Maintenance Fund due to anticipated increase in park maintenance cost.
 - \$120,600 contribution to the Vehicle Replacement Fund to fund the FY 2019 Fire services as described above.
 - \$545,000 contribution to the Technology Fund to support various projects described below. In the long run, the City should consider consolidating various financial and service program applications into a cloud-based ERP (enterprise resources planning) system to provide real-time information to the public and utilize better management tools to improve efficiency and processes. This change is inevitable as technology continues to advance. A large amount of money will be required to obtain such a system, and the City should put aside funds such as one-time savings to accumulate the financial resources.
 - \$200,000 contribution to the Accrued Benefits Fund to eliminate the deficit fund balance.
- The increase of \$29,889 in expenditures in FY 2019 is due to expected increase in general liability insurance premium.

Administration

(Includes City Council, City Manager, City Clerk, Public Information Office, City Attorney, Information Technology, Finance, and Human Resources).

- The increase of \$96,969 in expenditures in FY 2018 is primarily due to election and consultant costs associated with the housing bond measure that will be placed on the June 2018 ballot, and an adjustment to reflect unspent funds for the City-Wide Records Management Project.
- The increase of \$13,074 in expenditures in FY 2019 is mainly due to the software maintenance budget for the Human Resources Department.

Proposed Budget Adjustments to Other Funds

Proposed budget adjustments to other funds are described below.

Fund Description	Fiscal Year 2017-18			Fiscal Year 2018-19			Justification for Adjustments
	Revenue Increase / (Decrease)	Expenditure Increase / (Decrease)	Net Impact	Revenue Increase / (Decrease)	Expenditure Increase / (Decrease)	Net Impact	
Economic Development - Fund 202	\$ 2,401	\$ -	\$ 2,401	\$ 13,619	\$ -	\$ 13,619	Adjust tax increment revenue based on updated assessed value.
General Plan Maintenance - Fund 225	-	16,923	(16,923)	-	44,076	(44,076)	Add one Public Works intern in FY 17-18 to support the Green Infrastructure Development Plan approved by the Council; restore an Economic Development and Housing Coordinator position and allocate 1/3 of the staffing cost to this fund in FY 18-19.
Child Development Center - Fund 230	-	-	-	-	10,000	(10,000)	Reclassify \$102k from staffing to professional services in FY 17-18 (no net impact); add \$10k to professional services in FY 18-19.
Measure B- Streets/Roads - Fund 240	-	-	-	-	10,000	(10,000)	Increase professional service budget to support Measure B projects.
Measure BB- Bicycles/Pedestrians - Fund 264	-	12,963	(12,963)	-	12,444	(12,444)	Public Works Intern staffing allocation to support Measure BB projects.
Affordable Housing - Fund 299	9,604	55,000	(45,396)	54,475	-	54,475	Adjust tax increment revenue based on updated assessed value; increase budget to cover unanticipated legal costs.
General Capital Fund - Fund 475	24,010	(252,828)	276,838	136,185	302,711	(166,526)	Adjust tax increment revenue based on updated assessed value; FY 17-18 expenditure adjustment reflects savings from vacant Civil Engineer and Administrative Analyst positions; FY 18-19 expenditure adjustment includes \$260k for property tax associated with the Transit Center Development (reimbursement to developer per agreement) and \$42k staffing allocation associated with capital project related positions.
Marina - Fund 495	-	-	-	-	9,375	(9,375)	Restore Maintenance Worker position to support needed services and allocate 10% to cover activities in the Marina area.
Sewer Operations - Fund 510	-	(4,814)	4,814	-	593	(593)	Adjust staffing allocation to reflect Public Works intern support for sewer program.
Workers' Compensation - Fund 600	750,000	300,251	449,749	-	296,101	(296,101)	Adjust claims expense due to anticipated large settlements in the next two years; increase reserve due to low fund balance resulting from lower than budgeted cost recovery and large claim settlements in prior fiscal year.
Major Maintenance - Fund 650	10,000	-	10,000	-	(94,910)	94,910	General Fund contribution in FY 17-18 to cover anticipated increase in park maintenance cost; see capital projects below regarding funding shift and correction.
Vehicle Replacement - Fund 660	120,600	-	120,600	-	120,600	(120,600)	General Fund contribution in FY 17-18 to cover FY 18-19 Fire service contract associated with EMS equipment replacement.
Technology - Fund 670	545,000	(57,000)	602,000	-	145,000	(145,000)	General Fund contribution in FY 17-18 includes \$99k unspent budget for City-Wide Records Management Project to be spent from the IT Fund in future years, \$88k to cover FY 18-19 operating expenses associated with phone system replacement and projects mentioned below, and \$358k for a potential ERP system - a long term project.
Accrued Benefits - Fund 700	200,000	-	200,000	-	-	-	General Fund contribution to eliminate the deficit fund balance.
Total	\$1,661,615	\$ 70,495	\$1,591,120	\$ 204,278	\$ 855,991	\$ (651,713)	

Proposed Budget Adjustments to Capital Projects

Appropriations for capital projects must be budgeted at the project level, and the proposed adjustments are presented below and included in other funds above.

Project #	Description	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19	Justification for Adjustments
		Adopted Budget	Proposed Adjustment	Proposed Revised Budget	Adopted Budget	Proposed Adjustment	Proposed Revised Budget	
Major Maintenance - Fund 650								
15650018	Civic Center HVAC	40,000	94,910	134,910	678,775	(94,910)	583,865	Transfer a portion of the FY 18-19 appropriation to FY 17-18 to cover heating & air conditioning equipment replacement in the Old Town Hall. Public Works requested a special appropriation to cover the HVAC upgrade work in FY 17-18. This adjustment corrects the funding assigned to the incorrect project.
	Civic Center HVAC - Special							
15650008	Appropriation	94,910	(94,910)	-	-	-	-	
	Total	134,910	-	134,910	678,775	(94,910)	583,865	
Technology - Fund 670								
17240005	IT Replacements and Purchases	250,000	(70,000)	180,000	150,000	55,000	205,000	Shift FY 17-18 funding to FY 18-19 to cover operating costs such as a stand alone network connectivity for the Police Department and a full scale disaster recovery solution for network services - moving toward cloud infrastructure; increase FY 18-19 funding to purchase HR software and a city-wide workflow software to streamline processes and improve efficiency.
	Total	250,000	(70,000)	180,000	150,000	55,000	205,000	

Pending Budget Adjustments

Staff will submit proposed budget adjustments to the City Council regarding the items below at a future council meeting.

- Cannabis businesses are expected to pay the City in the form of community benefits since the City does not impose a cannabis tax at this point. As these businesses move in, the City will be able to estimate the revenues and related expenses.
- The Bridgecourt property was sold in February for approximately \$87 million, and the City is expected to receive about \$1 million in real property transfer tax. This property includes residential and commercial units, and the City is not able to determine the assessed values for the residential portion (General Fund revenue) and the commercial portion (Capital Project Fund revenue) at this point. A payment from the County is expected in April, and the City will be able to determine the amounts at that time.
- CalPERS changed their actuarial services process, which resulted in CalPERS overbilling the City for pension costs. The credits can be applied toward the FY 2018 contributions. The overcharge was revealed to the City this year through their online system. The Payroll Unit is currently working with CalPERS to determine the amount, and our initial estimate is about \$299k.

Staff plans to recommend contributing the one-time “residential” property transfer tax and CalPERS credits to the PERS Pension Reserve Fund.

Forward-Looking Statements

Pension costs are expected to increase significantly in future years. California cities will continue to feel the budget pressure and impact on programs and services. The City has taken proactive steps to pay down unfunded pension liabilities including a recent payment to CalPERS for \$4 million, which will achieve \$11 million in savings over time. The City will also invest the remaining \$9.6 million in the PERS Reserve Fund to establish a Section 115 Pension Trust to mitigate upcoming increases.

To ensure sufficient funding is available to sustain vital city services, the City should continue to put one-time/available revenues into the PERS Reserve Fund, and draw money from the reserve fund/pension trust to cover future operating expenses as needed.

The economy is doing well, and the growth is expected to continue into 2018. Our current revenues are generated under the best financial conditions, and this level of revenue may be reduced during an economic downturn. The City should continue to implement best budget practices to ensure prudent spending and long-term fiscal sustainability, and identify revenue opportunities through economic development.

NEXT STEPS

Staff will present the 2017-19 Proposed Revised Budget to the City Council on March 6, 2018. During the oral report, staff will summarize the comments made by the committee.

FISCAL IMPACT

- The FY 2018 General Fund budget will increase by \$1,114,658, amending the adopted budget from \$40,341,130 to \$41,455,788.
- The FY 2019 General Fund budget will increase by \$1,012,728, amending the adopted budget from \$40,341,871 to \$41,354,599.
- All Other Funds budgets for FY 2018 will increase revenues by \$1,661,615 and increase expenditures by \$70,495.
- All Other Funds budgets for FY 2019 will increase revenues by \$204,278 and increase expenditures by \$855,991.

REPAIRED BY: Susan Hsieh, Finance Director

**APPROVED AND FORWARDED TO THE
BUDGET AND GOVERNANCE COMMITTEE OF THE CITY OF EMERYVILLE:**



Carolyn Lehr, City Manager

Attachments:

1. Appendix A - FY 17-19 Proposed Budget Adjustments to the General Fund
2. Appendix B - FY 17-19 Proposed Budget Adjustments to Other Funds
3. Appendix C - FY 17-19 Proposed Budget Adjustments to Capital Projects

Mid-Cycle Budget Review

General Fund - Proposed Adjustments

FY 2017-19

Appendix A

Revenues By Category	FY 17-18 Adopted Budget	FY 17-18 Proposed Adjustment	FY 17-18 Proposed Revised Budget	FY 18-19 Adopted Budget	FY 18-19 Proposed Adjustment	FY 18-19 Proposed Revised Budget
Sales Tax	\$ 8,142,350	\$ -	\$ 8,142,350	\$ 8,298,755	\$ -	\$ 8,298,755
Transient Occupancy Tax	7,884,090	395,293	8,279,383	7,962,931	367,616	8,330,547
Business License Tax	5,850,861	133,000	5,983,861	5,879,920	33,000	5,912,920
Utility Users Tax	3,171,771		3,171,771	3,187,630		3,187,630
Cardroom Tax	2,629,080	70,920	2,700,000	2,642,225	57,775	2,700,000
Licenses and Permits	2,394,330	439,400	2,833,730	2,144,802	331,000	2,475,802
Property Tax	2,484,328		2,484,328	2,532,615		2,532,615
Residual Tax Increment	1,421,025	12,005	1,433,030	1,422,852	68,092	1,490,944
Franchises	1,702,950		1,702,950	1,716,350		1,716,350
Vehicle License Fee In Lieu	823,474	30,436	853,910	839,943	48,123	888,066
Real Property Transfer Tax	1,246,220		1,246,220	1,252,451		1,252,451
Other Revenues	2,529,152	33,604	2,562,756	2,399,897	107,122	2,507,019
Transfers In	61,500		61,500	61,500		61,500
Total Revenues	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599

Expenditures By Department	FY 17-18 Adopted Budget	FY 17-18 Proposed Adjustment	FY 17-18 Proposed Revised Budget	FY 18-19 Adopted Budget	FY 18-19 Proposed Adjustment	FY 18-19 Proposed Revised Budget
City Council	\$ 191,164	\$ 2,000	\$ 193,164	\$ 206,165	\$ (2,000)	\$ 204,165
City Manager	667,199	96,274	763,473	588,237	(2,926)	585,311
City Clerk	582,806	(15,025)	567,781	597,809		597,809
Public Information Office	105,000		105,000	105,000		105,000
City Attorney	593,564		593,564	594,487		594,487
Information Technology	716,883		716,883	754,533		754,533
Finance	1,132,101	13,720	1,145,821	1,213,766		1,213,766
Human Resources	810,093		810,093	737,880	18,000	755,880
Community Development Services	3,818,413	(197,195)	3,621,218	3,506,983	17,280	3,524,263
Public Works	3,013,263	91,321	3,104,584	3,180,824	229,565	3,410,389
Non-Departmental Operations	4,474,922	1,625,600	6,100,522	4,149,950	29,889	4,179,839
Police	13,061,304	(483,426)	12,577,878	13,220,531	509,639	13,730,170
Fire	7,939,030	(119,373)	7,819,657	8,347,107	50,299	8,397,406
Community Services	3,235,388	100,762	3,336,150	3,138,599	162,981	3,301,580
Total Expenditures	\$ 40,341,130	\$ 1,114,658	\$ 41,455,788	\$ 40,341,871	\$ 1,012,728	\$ 41,354,599

Mid-Cycle Budget Review

Other Funds - Proposed Adjustments

FY 2017-19

Appendix B

Fund Description	Fiscal Year 2017-18			Fiscal Year 2018-19		
	Revenue Increase / (Decrease)	Expenditure Increase / (Decrease)	Net Impact	Revenue Increase / (Decrease)	Expenditure Increase / (Decrease)	Net Impact
Economic Development - Fund 202	\$ 2,401	\$ -	\$ 2,401	\$ 13,619	\$ -	\$ 13,619
General Plan Maintenance - Fund 225	-	16,923	(16,923)	-	44,076	(44,076)
Child Development Center - Fund 230	-	-	-	-	10,000	(10,000)
Measure B- Streets/Roads - Fund 240	-	-	-	-	10,000	(10,000)
Measure BB- Bicycles/Pedestrians - Fund 264	-	12,963	(12,963)	-	12,444	(12,444)
Affordable Housing - Fund 299	9,604	55,000	(45,396)	54,475	-	54,475
General Capital Fund - Fund 475	24,010	(252,828)	276,838	136,185	302,711	(166,526)
Marina - Fund 495	-	-	-	-	9,375	(9,375)
Sewer Operations - Fund 510	-	(4,814)	4,814	-	593	(593)
Workers' Compensation - Fund 600	750,000	300,251	449,749	-	296,101	(296,101)
Major Maintenance - Fund 650	10,000	-	10,000	-	(94,910)	94,910
Vehicle Replacement - Fund 660	120,600	-	120,600	-	120,600	(120,600)
Technology - Fund 670	545,000	(57,000)	602,000	-	145,000	(145,000)
Accrued Benefits - Fund 700	200,000	-	200,000	-	-	-
Total	\$ 1,661,615	\$ 70,495	\$ 1,591,120	\$ 204,278	\$ 855,991	\$ (651,713)

Mid-Cycle Budget Review

Capital Projects - Proposed Adjustments

FY 2017-19

Appendix C

Project #	Description	FY 2017-18	FY 2017-18	FY 2017-18	FY 2018-19	FY 2018-19	FY 2018-19
		Adopted Budget	Proposed Adjustment	Proposed Revised Budget	Adopted Budget	Proposed Adjustment	Proposed Revised Budget
Major Maintenance - Fund 650							
15650018	Civic Center HVAC	40,000	94,910	134,910	678,775	(94,910)	583,865
15650008	Civic Center HVAC - Special Appropriation	94,910	(94,910)	-	-	-	-
	Total	134,910	-	134,910	678,775	(94,910)	583,865
Technology - Fund 670							
17240005	IT Replacements and Purchases	250,000	(70,000)	180,000	150,000	55,000	205,000
	Total	250,000	(70,000)	180,000	150,000	55,000	205,000