



City of Emeryville

INCORPORATED 1896

1333 Park Avenue. Emeryville, CA 94608-3517

t (510) 596-4300 | f (510) 596-4389

Council Member John Bauters
Council Member Dianne Martinez

BUDGET AND GOVERNANCE COMMITTEE

Regular Meeting

Civic Center, Garden Level

1333 Park Avenue. Emeryville, CA 94608

October 10, 2019 – 11:00 AM

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.

AGENDA

1. Call to Order
2. Roll Call
3. Public Comment
4. Approval of Meeting Action Minutes:
 - 4.1. December 13, 2018 Regular Meeting Minutes
 - 4.2. March 14, 2019 Joint Special Meeting of the Budget Advisory Committee & Budget and Governance Committee Minutes
 - 4.3. May 3, 2019 Special Meeting Minutes
 - 4.4. May 16, 2019 Joint Special Meeting of the Budget Advisory Committee & Budget and Governance Committee Minutes
5. Action Items
 - 5.1. Discussion on OPEB (Other Post-Employment Benefits) Funding Strategies
6. Information Items
 - 6.1. 4th Quarter Fiscal Year 2018-19 Financial Update
7. Future Agenda Items
8. Announcements / Member Comments
9. Adjournment

FURTHER INFORMATION may be obtained by contacting Susan Hsieh, Committee Secretary, at 510-596-4352 or shsieh@emeryville.org. The next regular meeting is scheduled for December 12, 2019, at 11:00 AM.

DATED: October 2, 2019

Post on: October 4, 2019

Post until: October 11, 2019



City Clerk

City of Emeryville
Budget and Governance Committee Minutes
December 13, 2018, 11:00 a.m.

Members Present:

John J. Bauters, Council Member
Dianne Martinez, Council Member

Staff Present:

Christine Daniel, City Manager
Lisa Lopez, Human Resources Director
Susan Hsieh, Finance Director

1. **Call to Order:** The meeting was called to order by Chair Bauters at 11:03 a.m.
2. **Roll Call**
3. **Public Comments:** None
4. **Minutes from October 11, 2018 Regular Meeting:** The minutes were approved upon a motion by Council Member Martinez and second by Mayor Bauters.
5. **Action Items:**
 - 5.1 **Fiscal Year 2019-21 Budget Development Schedule**
 - The Committee discussed the budget development schedule and was fine with the proposed dates.
6. **Informational Items:**
 - 6.1 **1st Quarter Fiscal Year 2018-19 Financial Update**
 - Finance Director Hsieh presented the financial results for the quarter ended September 2018.
 - The Committee discussed the financial performance and asked various questions. City Manager Daniel commented that the decline in Utility Users Tax is attributed to the timing of remittance due to the switch to East Bay Community Energy and the decrease in telecommunication revenues.
 - 6.2 **Verbal Update on Policy Analysis Regarding Inclusiveness (Formerly Update on Transgender Policy)**
 - Human Resources Director Lopez provided the Committee an update, and the Committee provided feedback and asked about the timeline.
7. **Future Agenda Items:** None
8. **Announcements/Member Comments:** None
9. **Adjournment:** The meeting was adjourned at 11:27 a.m.

City of Emeryville
Joint Meeting of the Budget Advisory Committee & Budget and Governance Committee
Minutes
March 14, 2019, 2:00 p.m.

Members Present:

William C. Reuter, Chair
Benay Curtis-Bauer, Vice Chair
Nathaniel Centeno, Member
Fran Quittel, Member

Staff Present:

Christine Daniel, City Manager
Susan Hsieh, Finance Director
Lisa Lopez, Human Resources Director
Andrew Clough, Public Works Director
Gilbert Punsalan, Accounting Supervisor

Budget and Governance Committee:

John Bauters, Council Member
Dianne Martinez, Council Member

1. **Call to Order:** The meeting was called to order by Chair Reuter at 2:05 p.m.
2. **Roll Call**
3. **Public Comments:** None
4. **Approval of Meeting Minutes:** None
5. **Action Items:**

5.1 Election of Committee Chair for Budget and Governance Committee

- Council Member Bauters was appointed and accepted as the Chair of the Committee.
- The Joint Committee asked Council Member Bauters to chair the remainder of the meeting.

5.2 Presentation of Fiscal Years 2019-20 and 2020-21 General Fund Baseline Budget and Five-Year Preliminary Forecast; Fiscal Year 2018-19 Mid-Year Budget Review and Proposed Budget Adjustments

- Finance Director Hsieh presented the 2019-21 General Fund Baseline Budget, the Five-Year Preliminary Forecast, and the Fiscal Year 2018-19 Proposed Budget Adjustments. As part of the presentation, she also presented the revenue assumptions.
- She advised the Joint Committee that expenditures are expected to outpace revenues in the long run.
- The Joint Committee commented on the revenue and expenditure projections and asked various questions about revenue assumptions.
- The Joint Committee discussed the unfunded pension and OPEB (other post-employment benefits) liabilities and funding strategies.

- The Joint Committee made the following recommendations and staff will present the recommendations to the City Council at the April 2, 2019 council meeting.
 1. Use tactical strategies to invest money to fund pension obligations.
 2. Consider developing a policy for other post-employment benefits liability to set the funding level at 90%.
 3. Continue to look at new revenues and opportunities.
 4. Recommended approval of Fiscal Year 2018-19 proposed budget adjustments.

6. Information Items: None

7. Future Agenda Items:

7.1 Fiscal Year 2019-21 Proposed Budget and Five-Year Capital Improvement Program

- Chair Bauters requested staff to schedule a special meeting for the Budget and Governance Committee to discuss revenue opportunities through legislative and voter approval process.

8. Announcements/Member Comments: None

9. Adjournment: The meeting was adjourned at 3:29 p.m.

City of Emeryville
Budget and Governance Committee Minutes
May 3, 2019, 10:00 a.m.

Members Present:

John J. Bauters, Council Member
Dianne Martinez, Council Member

Staff Present:

Christine Daniel, City Manager
Lisa Lopez, Human Resources Director
Andrew Clough, Public Works Director
Susan Hsieh, Finance Director

1. **Call to Order:** The meeting was called to order by Chair Bauters at 10:03 a.m.
2. **Roll Call**
3. **Public Comments:** None
4. **Meeting Minutes:** None
5. **Action Items:**

5.1 Discussion on Possible Budget Strategies

- Finance Director Hsieh provided an overview regarding the proposed budget strategies described below:
 1. **Residual Tax Increment Policy:** Revise the policy to increase the allocation to the General Fund from 25% to 50%, allocate 2.5% to the Public Art Fund, and reduce the allocation to the Capital Improvement Fund from 50% to 47.5% in fiscal year 2019-20 and to 22.5% effective fiscal year 2020-21.
 2. **Salary Savings Assumptions:** Incorporate an assumption of 1% salary and benefit savings annually into the General Fund budget.
 3. **Pension Reserve Drawdown:** Allocate \$500,000 from the Section 115 Pension Reserve to offset the increase in pension costs starting in fiscal year 2021-22, while continuing to make deposits into the fund as annual budgets allow.
- The Committee commented on the proposed revision to the residual tax increment policy and asked whether there will be impacts on capital projects. Public Works Director Andrew Clough indicated that will be no impact.
- The Committee approved the salary savings and pension drawdown strategies but did not take a position on the residual tax increment policy. The proposed budget strategies will be presented to the City Council for consideration.

5.2 Potential Revenue Measures for 2020

- City Manager Christine Daniel provided the Committee an overview about the process and timeline for placing revenue measures on a ballot in 2020, including the budget implications for that process.
- The Committee discussed the potential revenue measures and allocation of funds to key programs such as public safety, public works, and the Emeryville Child Development Center. The Committee had an extensive discussion regarding a potential 0.25% sales tax increase.
- The Committee also discussed the timeline and the ballot development process in terms of polling, utilization of consultants, and the timing for placing measures on a ballot.

6. Informational Items: None

7. Future Agenda Items: None

8. Announcements/Member Comments: None

9. Adjournment: The meeting was adjourned at 10:41 a.m.

City of Emeryville
Joint Meeting of the Budget Advisory Committee & Budget and Governance Committee
Minutes
May 16, 2019, 2:00 p.m.

Members Present:

William C. Reuter, Chair
Benay Curtis-Bauer, Vice Chair
Nathaniel Centeno, Member
Miroo Desai, Member
Fran Quittel, Member

Staff Present:

Christine Daniel, City Manager
Susan Hsieh, Finance Director
Lisa Lopez, Human Resources Director
Andrew Clough, Public Works Director
Chad Smalley, Economic Development and
Housing Manager
Peggy Xu, Senior Accountant

Budget and Governance Committee:

John Bauters, Council Member
Dianne Martinez, Council Member

1. **Call to Order:** The meeting was called to order by Chair Bauters at 2:00 p.m.
2. **Roll Call**
3. **Public Comments:** None
4. **Action Items:**

4.1 Discussion Regarding the City's Five-Year Capital Improvement Program for Fiscal Years 2019-24

- Finance Director Hsieh presented the funding sources for capital projects and provided an overview about the capital improvement program; Public Works Director Andrew Clough also commented on the capital budget.
- The Joint Committee discussed the capital improvement program and asked questions about project status and funding sources, and staff responded to the questions.

4.2 Presentation and Review of the City's Proposed Budget for Fiscal Years 2019-20 and 2020-21

- Finance Director Hsieh presented the 2019-21 Proposed Budget and advised the Joint Committee that the City achieved a balanced General Fund budget. As part of the presentation, she also presented the budget-balancing strategies and the long-term financial projection.
- The Joint Committee discussed the proposed budget and asked questions about budgeted positions and revenue and expenditure projections.

4.3 Review of Proposed Revisions to the Master Fee Schedule

- The Joint Committee discussed the Master Fee Schedule including cost recovery strategies/studies.

4.4 Annual Investment Policy Update

- The Joint Committee reviewed and discussed the investment policy.

5. Information Items

5.1 Section 115 Pension Trust 2019 Q1 Investment Report

- The Joint Committee reviewed the report and discussed the performance results.

6. Future Agenda Items: The Joint Committee discussed cost recovery studies, funding policy for other post-employment benefits, and review of the investment policy next year.

7. Announcements/Member Comments: None

9. Adjournment: The meeting was adjourned at 3:32 p.m.



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: October 10, 2019

TO: Christine Daniel, City Manager

FROM: Susan Hsieh, Finance Director

SUBJECT: **Discussion On OPEB (Other Post-Employment Benefits) Funding Strategies**

RECOMMENDATION

Staff recommends that the Budget and Governance Committee review this report and provide feedback regarding funding strategies.

BACKGROUND

As part of the 2019-21 budget development, the Committee recommended developing funding strategies for the City's OPEB obligations. This report provides the Committee an overview about the City's OPEB liabilities and the assets that have been set aside to fund these obligations.

DISCUSSION

As part of a comprehensive benefit program, the City provides post-employment benefits to employees who retire from the City. These benefits include medical, dental, and vision benefits. The benefit coverages are determined through the memorandums of understanding with employee bargaining groups. Employees must meet certain requirements in order to receive the benefits. For example, Miscellaneous employees must retire from the City with more than 11 years of service to be eligible for the benefits. In addition, caps are set for benefit amounts.

In July 2012, the City contracted out fire services with the Alameda County Fire Department (ACFD). The City's firefighters were transferred to the ACFD, and a side fund liability was created for these employees for prior service credits.

The City conducts actuary studies periodically to review its liability and funding status and to meet the GASB (Governmental Accounting Standards Board) requirements. The table

below summarizes the City’s OPEB liability and the assets that are set aside in a trust and a reserve fund. Please note that the City engaged an actuary to perform an evaluation for the period ended June 30, 2018. Staff will provide the report to the Committee when it is available. Please note that the City’s OPEB liability from the new report may be different from the amount presented below. Key actuarial assumptions such as discount rate, inflation, and mortality rate can impact the liability. The fire OPEB liability is based on the information provided by the ACFD.

Over the years the City has taken proactive measures to fund its OPEB liabilities. In 2006, the City joined a Voluntary Employee Beneficiary Association (VEBA Trust), specifically to cover the reimbursement to eligible retirees for medical plan premiums deducted from their monthly pension checks, to a negotiated, capped level. A VEBA Trust is a tax exempt benefit plan qualifying under Section 501(c)(9) of the Internal Revenue Code whereby funds can be set aside on a tax exempt basis for health care related expenses.

In addition to the VEBA Trust, the City established a Reserve Fund to accumulate assets to fund the OPEB liabilities. Assets from the VEBA Trust and Reserve Fund are summarized below. The funded status for the City’s OPEB liabilities is 92% as of June 30, 2019. The funded status may be changed if the liability from the new study is lower/higher than the \$6.9M presented below. A 90% funded status is considered healthy, and the City’s goal is 100%.

Description	Amount
Liabilities	
OPEB Liability - City	6,890,105
OPEB Liability - ACFD	3,490,000
Total Liability	10,380,105
Assets	
VEBA Trust	2,383,988
Reserve Fund	7,118,635
Total Liability	9,502,623
Funding Gap	877,482
Funded Status	92%

The City’s pay-as-you-go expenses for fiscal year 2018-19 were \$340,000, and the breakdowns are presented below. Pay-as-you-go costs reflect medical, dental, and vision payments/reimbursements for current retirees and their beneficiaries. Administrative costs are not included in this amount. This amount does not include the amount paid to the ACFD as part of the fire contract. The amount paid to the ACFD in fiscal year 2018-19 was \$232,000.

Pay-as-you-go Costs

Description	Amount
Medical payments to CalPERS	212,000
Medical reimbursements to retirees from the VEBA Trust	81,000
Dental premiums paid for retirees	42,000
Vision premiums paid for retirees	7,500

FISCAL IMPACT

There will be financial impact if the City chooses to increase the funded ratio.

PREPARED BY: Susan Hsieh, Finance Director

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



Christine Daniel, City Manager

Revenues by category are summarized as follows:

Revenues By Category	FY18-19 Budget	FY18-19 Actual	Actual vs. Budget Variance	% of Budget	FY17-18 Actual	FY18-19 vs FY17-18 Variance	
Sales Tax	\$ 8,259,200	\$ 8,278,427	\$ 19,227	100%	\$ 8,128,760	\$ 149,666	2%
Transient Occupancy Tax	8,563,000	8,687,505	124,505	101%	8,321,942	365,563	4%
Business License Tax	6,079,000	6,410,279	331,279	105%	6,138,281	271,998	4%
Cannabis Tax	137,000	251,712	114,712	184%	-	251,712	n/a
Utility Users Tax	3,120,900	3,036,189	(84,711)	97%	3,181,325	(145,136)	-5%
Cardroom Tax	2,847,000	2,905,430	58,430	102%	2,846,360	59,070	2%
Licenses and Permits	4,673,846	4,908,760	234,914	105%	3,966,534	942,226	24%
Property Tax	2,795,000	2,913,829	118,829	104%	2,737,218	176,611	6%
Residual Tax Increment	1,387,000	1,478,683	91,683	107%	1,424,861	53,822	4%
Franchises	1,828,000	1,860,282	32,282	102%	1,788,571	71,712	4%
Vehicle License Fee In Lieu	871,000	911,251	40,251	105%	860,183	51,068	6%
Real Property Transfer Tax	1,252,451	1,247,888	(4,563)	100%	2,450,416	(1,202,528)	-49%
Other Revenues	2,723,188	4,185,880	1,462,692	154%	2,714,662	1,471,218	54%
Transfers In	87,981	87,981	-	100%	61,500	26,481	43%
Total	\$ 44,624,566	\$ 47,164,098	\$ 2,539,532	106%	\$ 44,620,613	\$ 2,543,485	6%

The City's top three revenue sources are Sales Tax, Transit Occupancy Tax and Business License Tax, which represent about 50% of total General Fund revenues. The following are highlights of key revenue results:

Sales Tax: Sales Tax receipts of \$8.3 million are in line with budget and 2% higher than prior year's receipts.

Transient Occupancy Tax (TOT): TOT receipts of \$8.7 million are 1% higher than budget. TOT receipts are \$0.4 million higher than prior year's receipts.

Business License Tax: Business License Tax receipts of \$6.4 million are 5% higher than budget and 4% higher than prior year. This increase is partly due to a Tax Discovery Program implemented in fiscal year 2017-18, resulting in collection of prior year taxes.

Cannabis Tax: Cannabis Tax receipts are 84% higher than budget. This is a new revenue source resulted from the passage of Measure S in November 2018.

Utility Users Tax (UUT): UUT receipts of \$3.0 million are 3% lower than budget and 5% lower than prior year due to the continued decline in telecommunication revenues and the installation of solar alternatives.

Cardroom Tax: Cardroom Tax receipts of \$2.9 million are 2% higher than budget and 2% higher than prior year's receipts.

Licenses and Permits: Licenses and Permits revenues are derived primarily from the Planning & Building Divisions including reimbursement/cost recovery income from development projects. Receipts for the fiscal year totaled \$4.9 million, or 5% higher than budget. Current year receipts are \$0.9 million, or 24% higher than prior year's receipts due to revenues collected from a few large development projects.

Property Tax and Residual Tax Increment: Property Tax receipts of \$2.9 million are 4% higher than budget and 6% higher than last year. Residual Tax Increment revenues are \$1.5 million, 7% higher than budget and 4% higher than prior year. The increases are due to the increase in assessed value. The Department of Finance denied fiscal year 2019-20 funding for the Corp Yard remediation project and additional tax increment revenue was distributed to the City, resulting in higher than expected revenues.

Real Property Transfer Tax: Real Property Transfer Tax Receipts of \$1.2 million are slightly below budget and 49% lower than prior year. There were a few large one-time sales transactions in prior year.

Other Revenues: Other revenues totaled \$4.2 million, or 54% higher than budget and 54% higher than prior year. The increase is primarily due to the \$1.2 million fair market value adjustment mentioned above and investment earnings, offset by a decrease in other grant revenues due to the timing of receipts.

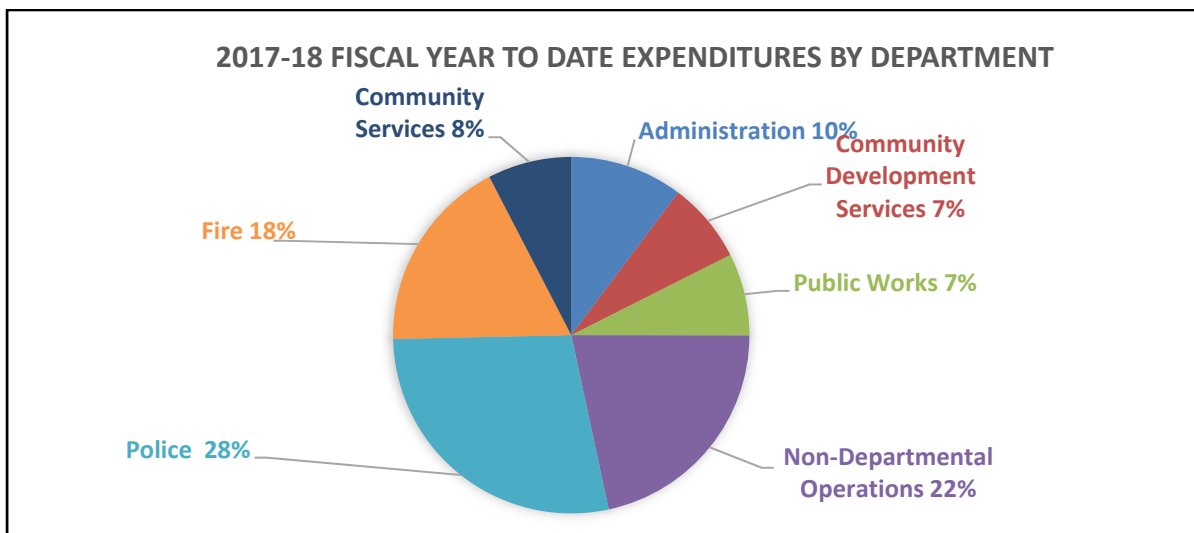
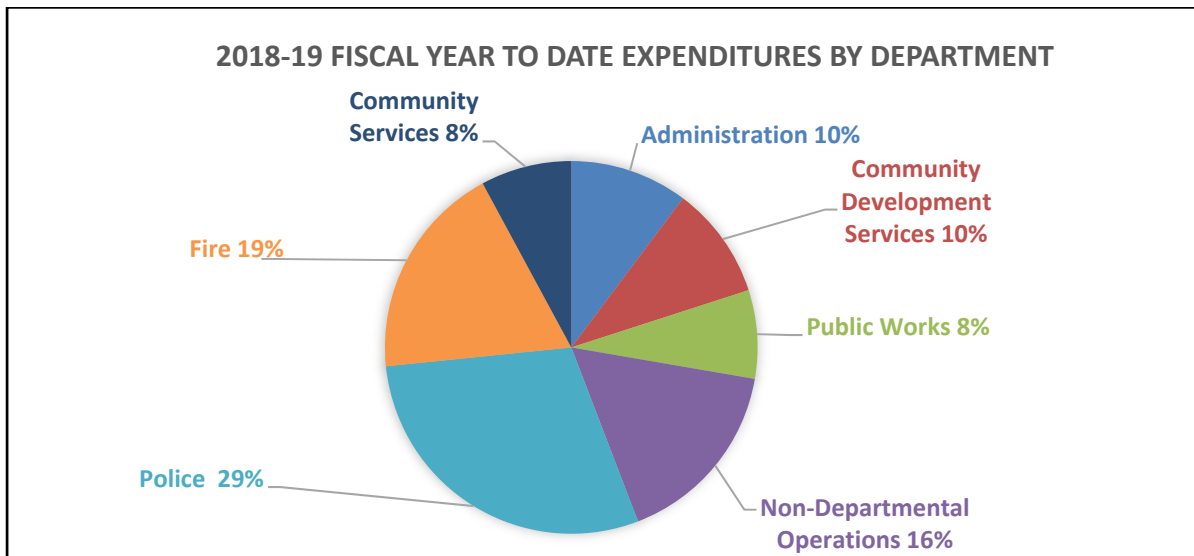
General Fund Expenditures

General Fund expenditures for the fiscal year ended June 30, 2019 totaled \$43.7 million, or 102% of the \$42.7 million annual budget. This is mainly due to a \$1.2 million transfer to the Economic Uncertainty Reserve Fund to meet the City's 50% reserve requirement, offset by savings in expenditures. Current year actual is \$0.3 million, or 1%, higher than prior year mainly due to increases in staffing and contract costs offset by reduced transfers to other funds.

Year-to-date expenditures are summarized by type and department below:

Expenditures By Department	FY18-19 Budget	FY18-19 YTD Actual	Budget vs. Actual Variance	% of Budget	FY17-18 YTD Actual	FY17-18 vs. FY18-19 Variance	
City Council	\$ 204,165	\$ 196,960	\$ (7,205)	96%	\$ 191,890	\$ 5,070	3%
City Manager	585,310	553,336	(31,974)	95%	735,979	(182,642)	-25%
City Clerk	597,810	521,291	(76,519)	87%	513,159	8,132	2%
Public Information Office	105,000	49,947	(55,053)	48%	49,205	742	2%
City Attorney	594,487	594,487	-	100%	509,638	84,849	17%
Information Technology	738,032	726,612	(11,420)	98%	682,868	43,744	6%
Finance	1,213,766	1,103,082	(110,684)	91%	1,028,307	74,775	7%
Human Resources	755,880	722,632	(33,248)	96%	732,126	(9,494)	-1%
Community Development Services	3,884,628	4,278,890	394,262	110%	3,182,455	1,096,435	34%
Public Works	3,329,791	3,360,048	30,257	101%	3,232,765	127,283	4%
Non-Departmental Operations	6,025,122	7,184,461	1,159,339	119%	9,369,894	(2,185,433)	-23%
Police	13,233,471	12,761,988	(471,483)	96%	12,158,849	603,139	5%
Fire	8,222,274	8,181,196	(41,078)	100%	7,701,535	479,661	6%
Community Services	3,291,454	3,444,385	152,931	105%	3,292,554	151,831	5%
Total	\$ 42,781,190	\$ 43,679,314	\$ 898,124	102%	\$ 43,381,223	\$ 298,091	0.7%

Expenditures By Type	FY18-19 Budget	FY18-19 YTD Actual	Budget vs. Actual Variance	% of Budget	FY17-18 YTD Actual	FY17-18 vs. FY18-19 Variance	
Staffing	\$ 21,852,889	\$ 21,496,240	\$ (356,649)	98%	\$ 20,203,061	\$ 1,293,179	6%
Contract Services	10,657,958	11,062,015	404,057	104%	9,960,574	1,101,442	11%
Maintenance	2,603,709	2,350,347	(253,362)	90%	2,330,090	20,257	1%
Supplies	874,255	747,540	(126,715)	86%	664,275	83,265	13%
Utilities	830,619	701,666	(128,953)	84%	857,330	(155,664)	-18%
Insurance	638,830	655,139	16,309	103%	539,603	115,536	21%
Education & Training	343,561	268,285	(75,276)	78%	216,406	51,878	24%
Advertising/Printing & Publication	162,187	127,843	(34,344)	79%	98,977	28,867	29%
Fees & Charges	67,300	35,185	(32,115)	52%	23,285	11,900	51%
Programs & Grants	109,130	104,659	(4,471)	96%	120,167	(15,508)	-13%
Rental & Leases	427,750	414,795	(12,955)	97%	417,938	(3,143)	-1%
Other	159,032	407,672	248,640	256%	275,459	132,213	48%
Capital	6,000	-	(6,000)	0%	48,220	(48,220)	-100%
Transfers Out	4,047,970	5,307,926	1,259,956	131%	7,625,837	(2,317,912)	-30%
Total	\$ 42,781,190	\$ 43,679,314	\$ 898,124	102%	\$ 43,381,223	\$ 298,091	1%



Note: Administration includes City Council, City Manager, City Clerk/PIO, City Attorney, IT, Finance and Human Resources.

Staffing costs totaled \$21.5 million, or 2% below budget. Savings were primarily due to vacant positions and positions partially filled during the year. Compared to prior year, staffing costs increased by 6%, primarily due to increases in salaries and benefits.

Contract Services costs were \$0.4 million or 4% over budget mainly due to higher than expected development activities.

Maintenance costs were \$0.3 million, or 10% under budget due to lower than expected maintenance activities.

Supply costs were \$0.1 million, or 14% under budget due to lower than expected supply purchases from various departments.

Utility costs were \$0.1 million, or 16% lower than budget due to lower than expected expenditures.

Other operating expenditures were over budget by \$0.1 million, mainly due to higher than expected expenditures incurred for the K-9 Program offset by savings from various categories such as education and training, advertising and printing, and fees and charges.

Transfers Out were \$1.3 million higher than budget due to a transfer to the Economic Uncertainty Fund to meet the City's 50% reserve policy. Current year transfers are \$2.3 million lower than prior year due to one-time transfers to various funds in fiscal year 2017-18 to support City programs.

FISCAL IMPACT

None. This is an informational report.

STAFF COMMUNICATION WITH THE PUBLIC

There has been no communication with the public.

PREPARED BY: Susan Hsieh, Finance Director

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



Christine Daniel, City Manager