



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** May 3, 2022

**TO:** Christine Daniel, City Manager

**FROM:** Brad Farmer, Finance Director

**SUBJECT:** Resolution Of The City Council Of The City Of Emeryville Amending The Budget For Fiscal Year 2021-22

### Recommendation

Staff recommends that the City Council review and approve by resolution the proposed budget adjustments for the current fiscal year, as detailed in the discussion in this report.

### Background

The City Council approved the fiscal year (FY) 2021-22 Budget on June 1, 2021, and has made various amendments during the current fiscal year. At mid-year, all departments performed a detailed review and analysis of all City revenues and expenses to determine if any subsequent budget adjustments were needed for the remaining fiscal year. This report will discuss material variances, if any, from the previously amended budget and recommend mid-year adjustments if needed. The mid-year financial analysis provides the financial starting point for the subsequent fiscal year's Operating Budget.

### Committee Recommendations

On April 14, 2022, the Budget and Governance Committee met to review the Citywide Mid-Year Budget projections. The Committee considered all changes in both revenues and expenses citywide and recommended accepting staff's recommendation.

### DISCUSSION

The two tables below provide an overview of all City Fund Revenues, Expenses and Impacts on Fund Balances. Included in the tables are the Proposed Amendments for the year-end revenues and expenses for FY 2021-22 and any significant variance from previously amended budgeted totals.

## **GENERAL FUND PROPOSED BUDGET ADJUSTMENTS**

Table 1, below, summarizes the General Fund proposed budget adjustments for fiscal year 2021-22 (FY 2022). FY 2021-22 year-end projections indicate that the General Fund revenues will exceed expenses by \$1.88 million eliminating the need to use the existing fund balance to cover any deficit. However, please note that \$1.4 million of net revenue from Community Development is restricted for development expenses.

### **Revenues**

The following are the major changes to the revenue projections:

- Business License – Cannabis – Decreased \$115 thousand based upon year-to-date collections.
- Business Licenses - Increase of \$767 thousand based upon actual collections.
- Card Room Tax – Increased \$1.9 million resulting from operations opening back up.
- Department Revenues – Increased \$2.3 million.
  - Community Development increased \$2.3 million due to increased development; these funds are restricted to departmental expenditures.
  - Public Safety increased \$232 thousand due to additional security requests.
  - Public Works revenues reduced \$35 thousand overall due to moving parking into a separate fund 269.
  - Community Services – Reduced revenues of \$145 thousand due to reduced programs and services offered to the community due to continued pandemic effects.
- Franchise Taxes – Increase of \$36 thousand based upon actual collections projected through the end of the FY.
- Grants and Subsidies – Decreased \$791 thousand in the current year due to the timing of expected American Rescue Plan Act funds (ARPA). The second allotment of \$1.4 million is expected in FY 2022-23.
- Interest Income – Decreased \$133 thousand due to continued low interest rate.
- Other Revenues – Increased \$78.6 thousand based upon collections.
- Property Taxes – Increased \$697 thousand net based upon property tax collections.
- Sales Tax – Increase of \$806 thousand based upon actual collections.
- Transient Occupancy Tax (TOT) – Increased \$2.1 million based upon actual collections.
- Transfers In – Increased by \$97 thousand due to a return of \$233 thousand in Measure F funds not spent in FY 2020-21 and a reduction in projected necessary funding for the ECDC in FY 2021-22 of \$135 thousand.

### **Expenditures**

The amended budget has \$46.8 million in General Fund expenditures. The proposed amendment reduces expenditures by \$597,570. These adjustments are in the following categories:

- **Salary & Benefits:** The City adopted a General Fund personnel budget of \$24.0 million. The proposed amendment will reduce the projection at year end by \$95 thousand, due to vacancies in authorized positions during the current year.
- **Operating Costs:** The proposed amendments to Operating Costs will result in a net reduction of \$404 thousand to the amended budget. Departmental reductions are projected in the following areas: professional services, maintenance, supplies, rentals, educational, insurance and parking program expenses.
- **Transfers Out:** The proposed amendments to Transfers Out from the General Fund to other funds will increase by \$1.097 million to cover a one-time transfer to the information technology fund for future capital costs of \$1.0 million, and a transfer back of \$97 thousand for Measure F funds not spent in FY 2020-21 for the ECDC and a reduction to only cover the projected current year ECDC operational costs

<b>Table 1. Fiscal Year 2021-22 General Fund Revenue, Expenditure and Fund Balance</b>			
	<b>Amended Budget</b>	<b>Proposed Admendment</b>	<b>Projected Year End</b>
Business License	\$ 5,113,000	\$ 767,000	\$ 5,880,000
Business License - Cannabis	615,000	(115,000)	500,000
Card Room	500,000	1,900,000	2,400,000
Departmental Revenue*	7,046,291	2,335,872	9,382,163
Franchise	1,934,000	36,000	1,970,000
Fuel Sales	30,000	5,000	35,000
Grants & Subsidies	2,736,571	(790,957)	1,945,614
Interest Income	151,000	(133,000)	18,000
Market Value Adjustment	-	-	-
Pass Thru	1,155,000	253,610	1,408,610
Property Taxes	2,945,000	216,775	3,161,775
Property Tax - Transfer	1,020,000	480,000	1,500,000
Property Tax - Residual ROPS	3,060,000	-	3,060,000
Rentals	205,000	1,882	206,882
Residential Parking	2,559	(2,559)	-
Sales Tax	6,640,620	806,262	7,446,882
Sales Tax - Public Safety	51,240	19,143	70,383
Transient Occupancy Tax	1,890,000	2,110,000	4,000,000
Transfers In**	2,561,500	97,483	2,658,983
Utility Users Tax	3,029,000	-	3,029,000
<b>Total Revenues</b>	<b>41,275,781</b>	<b>8,066,166</b>	<b>49,341,947</b>
	-		-
<b>Expenditures</b>			
Salaries and Benefits	24,010,978	(95,273)	23,915,705
Operating Costs	20,321,442	(404,640)	19,916,802
Transfers Out	2,531,626	1,097,483	3,629,109
<b>Total Expenditures</b>	<b>46,864,046</b>	<b>597,570</b>	<b>47,461,616</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,588,265)</b>	<b>\$ 7,468,595</b>	<b>\$ 1,880,330</b>
* Increased Community Development revenues of \$2.3 million and increased expenses of \$1.1 million.			
** Includes \$2.5M in one-time transfers approved in June 2021.			

## OTHER FUNDS

Table 2 provides a listing of all the non-General Funds with proposed mid-year budget adjustments to either their Revenues or Expenses. For the other Funds without proposed adjustments, however, it is expected that deviations from line-item budgeted amounts will occur. Overall, it is projected that revenues less expenditures should match the amended budget as previously approved by the City Council.

### **Special Revenue Funds**

There are proposed amendments for the Special Revenue (SR) funds, one Capital Project Fund (CP), and one Internal Service Fund:

Fund 208 (SR) – Cal-Home Loan Program - The City had an existing loan paid off during the current fiscal year increasing revenues by \$107.6 thousand over the existing budget.

Fund 230 (SR) - Child Care Program – Due to reduced child attendance and required personnel based upon state mandated guidelines, the cost of providing Emeryville Child Development Center programs will exceed the projected revenue. The proposals are to reduce the transfer in from the General Fund by \$135 thousand for the current year and transfer back \$233 thousand funds transferred from Measure F, through the General Fund in FY 2021-22. These projections reduce total revenue by \$543 thousand and total expenses by \$222 thousand for the current fiscal year.

Fund 252 (SR) Supplemental Law Enforcement – This fund accounts for a Federal Law Enforcement Grant the City gets each year. Personnel are assigned to this program to ensure that the City is eligible for the funding. An increased appropriation of \$55,500 is requested and will come from the fund balance to cover the match.

Fund 267 (SR) - Measure F Sales and Use Tax – Revenue from the Sales and Use Tax resulting from the passage of Measure F were initially projected to be approximately \$1.5 million. However, based upon actual receipts, it is expected we will receive \$2 million this fiscal year. In addition, there will be an additional \$233 thousand transferred back into the fund from the ECDC, though the General Fund for FY 2020-21 for costs that did not occur.

Fund 510 (SR) Sewer – Reduce Salaries and Benefits by \$270 thousand due to an Excel error in the original budget.

Fund 298 Housing Successor Fund (Capital) – Both revenues and expenses will increase over the original budget. The \$350 thousand revenues increase is due to the early payment of an existing loan while the \$749 thousand increase in expenses is due to the non-funded amount of a pre-development loan approved in FY 2020-21 on resolution 21-48, which was not carried forward in the original budget.

Fund 670 Information Technology (Internal Service) - Fund 670 is for the future information technology capital requirements. At this point, the City needs to replenish this fund which has been used to maintain the information technology infrastructure. A transfer of \$1 million should cover four years' worth of capital.

The following table shows only the funds with mid-year adjustments.

<b>Table 2. Fiscal Year 2021-22 Other Funds Proposed Amendments</b>				
<b>Fund</b>	<b>Description</b>	<b>Proposed Revenues</b>	<b>Proposed Expenses</b>	<b>Net</b>
	<b>Special Revenue Funds</b>			
208	CAL-HOME LOAN PROGRAM	\$ 107,603	\$ -	\$ 107,603
230	CHILD CARE PROGRAM	(543,221)	(222,354)	(320,867)
252	SUPPL LAW ENFORCE	15	55,500	(55,485)
267	MEASURE F FUND	733,244	7,500	725,744
268	COMM DEV TECHNOLOGY FUND	118,939	357	118,583
510	SEWER OPER/MAINT FUND		(270,000)	270,000
	<b>Total Special Revenue Funds</b>	<b>416,581</b>	<b>(428,997)</b>	<b>845,578</b>
	<b>Capital</b>			
298	<b>HOUSING SUCCESSOR FUND</b>	<b>350,483</b>	<b>748,724</b>	<b>(398,241)</b>
	<b>Internal Service</b>			
670	<b>INFO TECHNOLOGY FUND</b>	<b>1,000,000</b>		<b>1,000,000</b>
	<b>Grand Total</b>	<b>\$ 1,767,064</b>	<b>\$ 319,727</b>	<b>\$ 1,447,337</b>

## Summary

Overall, the total Proposed Amendment to the budget reflects a solid foundation established by the City Council and staff throughout the City. Over the past year, the departments have worked hard to provide the services necessary to the citizens of Emeryville, with minimal interruption, and have saved funds to reduce the burden that the City has faced allowing the City to continue serving the residents and businesses of Emeryville, especially during a pandemic.

**PREPARED BY:** Brad Farmer, Finance Director

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



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Christine Daniel, City Manager

**Attachments:**

1. Draft Resolution
2. Appendix A - FY 21-22 Proposed Budget Adjustments to the General Fund
3. Appendix B - FY 21-22 Proposed Budget Adjustments to Other Funds