



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: September 19, 2017

TO: Carolyn Lehr, City Manager

FROM: Susan Hsieh, Finance Director

SUBJECT: Resolution Of The City Council Of The City Of Emeryville Adopting The Budget For The City Of Emeryville For The 2017-18 And 2018-19 Fiscal Years (FY) And Appropriating Funds From The FY 2016-17 General Fund Unassigned Fund Balance

Resolution Of The City Council Of The City Of Emeryville Adopting The Appropriations Limit For The 2017-18 Fiscal Year At \$105,081,337

RECOMMENDATION

Staff recommends that the City Council adopt the resolution to approve the budget for the 2017-18 and 2018-19 fiscal years, appropriate funds from the FY 2016-17 General Fund unassigned fund balance, and adopt the resolution for appropriations limit for the 2017-18 fiscal year.

BACKGROUND

Proposed Budget

The Proposed Budget was presented to the City Council at the September 5, 2017 Special Meeting. At the meeting, the City Council further directed staff to budget special event costs in the Community Programs Fund, and to shift funds from Library Services/Community Programs and Code Enforcement Funds to the Disaster Fund.

The 2017-19 budget is a balanced plan without drawing into General Fund reserves.

City Appropriations Limit

In November, 1979, the voters of the State of California adopted Proposition 4, known as the Gann Initiative, which created Article XIII B of the State Constitution. The purpose of this Proposition was to limit the amount of tax-generated revenue that could be appropriated to the 1978-79 base year amount adjusted annually by changes in population and inflation. In June, 1990, the voters approved Proposition 111, which changed the allowable adjustable factors to be used in calculating the limit and established an annual review process for Appropriation Limit calculations.

Prior to 1990-91, the inflation factor for calculating the Appropriation Limit was the lesser of U.S. CPI or California Per Capita Income, and the population factor was the annual growth in City population. Following 1990-91, the inflation factor was changed to a City option of either the increase in California Per Capita Income or the percentage change in the local tax roll from the preceding year due to the addition of local non-residential construction. The population factor was changed to a City option of either City or County population growth. Proposition 111 allowed cities to go back and revise prior year calculations since 1986-87 using these new optional factors.

Under Article XIII B of the State Constitution, the City Council is annually required to adopt the Appropriations Limit by resolution at a public meeting. This adoption includes identification of the annual adjustment factors that have been selected for the applicable year.

ANALYSIS

This budget focuses on long-term fiscal sustainability and reflects strategies to reduce costs and pay down the City's unfunded pension liability. The fiscal strategies utilized to balance this budget are consistent with the City's budget philosophy for long-range planning and effective program management. The goal is to enhance the City's financial security into the future, recognizing that expenditures are expected to outpace revenue growth in the next several years, especially due to rising pension costs. While a revenue study is underway to identify viable revenue options, the 2017-19 budget is balanced with cost savings.

2017-19 Budget Summary

Per the City Council's direction on September 5th, staff budgeted costs for special events in the Community Programs Fund. The amounts are \$13,333 for 2017-18 and \$20,000 for 2018-19. The 2017-19 budget reflects cost reductions approved by the City Council (as summarized below)

| Summary of Cost Reductions | | | | |
|-------------------------------------|-------------------------------------|---------------------|----------------|----------------|
| | | Number of Positions | FY 17-18 | FY 18-19 |
| Contracts and other operating costs | | | \$ (97,713) | \$ (87,120) |
| Staffing allocation to other funds | | | (187,153) | (293,478) |
| Vacant positions | 7 FTEs plus part-time hours (1 FTE) | | (616,830) | (671,684) |
| Occupied positions | 7 FTEs | | (181,645) | (980,862) |
| Total | | | \$ (1,083,342) | \$ (2,033,145) |

FTE = Full-time equivalent

On July 2017, the City Council directed staff to pay down \$4 million of Police Tier I unfunded pension liability in fiscal year 2017-18 and invest the remaining balance in a Section 115 Pension Trust. Expected savings are incorporated into the long-term projection: \$68,000 for FY18-19, \$127,000 for FY19-20, and \$186,000 for FY20-21. The pay down savings are estimated to be \$11.2 million over a 30-year period.

Transfers of General Fund Unassigned Fund Balance to Other Funds/Programs

The proposed transfers below were presented to the City Council on September 5th. The goal is to avoid spikes in future costs and relieve General Fund pressure by making one-time contributions to various programs in fiscal year 2016-17. Council directed staff to shift \$400,000 and \$50,000 from Library Services/Community Programs and Code Enforcement Funds to the Disaster Fund. These changes are reflected in the amounts presented below.

Proposed FY 16-17 General Fund Transfers

| | Proposed Amounts |
|---------------------------------------|---------------------|
| Community Programs - Library Services | \$ 100,000 |
| ECCL - Capital Reserve Contributions | 400,000 |
| Information Technologies | 1,000,000 |
| Disaster Fund | 1,000,000 |
| Code Enforcement Program | 250,000 |
| Litigation Fund * | 500,000 |
| | <hr/> |
| | \$ 3,250,000 |

* In addition to the \$150k budgeted transfer.

Appropriations Limit for the 2017-18 Fiscal Year

Population Factor – The increase in City population from January 1, 2016 to January 1, 2017 is estimated by the State Department of Finance at 1.06%, while County population growth for the same period is estimated at 0.99%. Therefore, City population growth is the recommended population factor for 2017-18.

Inflation Factor - With regards to inflation, as reported by the State Department of Finance, the growth in California Per Capita Income from the prior year is 3.69%. The Alameda County Assessor's Office has provided preliminary information indicating that the percentage change in the local tax roll due to non-residential construction is estimated at 1.744%. Therefore, it is recommended that the City of Emeryville establish the Appropriations Limit using the California Per Capita Income option.

Using the population and inflation factors described above, the City of Emeryville's Appropriations Limit for the 2017-18 Fiscal Year is \$105,081,337. The FY 2017-18 budget reflects appropriations from tax proceeds of \$33,653,198 which is 32.03% of the City's allowed limit. It is recommended that the City Council adopt the resolution establishing the Appropriations Limit for the 2017-18 fiscal year.

CONCLUSION

The budget for FY 2017-18 and 2018-19 provides a plan for accomplishing the goals and priorities of the City Council, within existing resources and in accordance with the City's budget philosophy and mission. While the national economy may be predicted to slow down, we believe local economic factors—together with City reserves—position the City of Emeryville to move forward efficiently and strategically to maximize available resources. Drawing on the commitment and thoughtful guidance from citizen committees and commissions, City staff, and our regional partners, the City remains well-positioned to providing innovative and responsive services to our community. Emeryville will continue to embrace the elements of a vibrant and livable city.

PREPARED BY: Susan Hsieh, Finance Director

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



Carolyn Lehr, City Manager

ATTACHMENTS

1. Resolution – Adoption of FY17-18 & 18-19 Budget
2. Resolution – Adoption of Appropriations Limit for FY17-18
3. Proposed Budget