



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: June 4, 2019
TO: Christine Daniel, 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 2019-20 And 2020-21 Fiscal Years (FY) And Appropriating Funds From The FY 2018-19 General Fund Unassigned Fund Balance

Resolution Of The City Council Of The City Of Emeryville Adopting The Appropriations Limit For The 2019-20 Fiscal Year At \$114,937,853

RECOMMENDATION

Staff recommends that the City Council adopt a Resolution approving the Budget for the 2019-20 and 2020-21 fiscal years, appropriate funds from the FY 2018-19 General Fund unassigned fund balance, and adopt a Resolution establishing the appropriations limit for the 2019-20 fiscal year.

BACKGROUND

Proposed Budget

The Proposed Budget was presented to the City Council on May 21, 2019. The Council did not make any revisions other than funding for the South Bayfront Bridge. As part of the contract award for the South Bayfront Bridge project at the May 21, 2019 meeting, the City Council approved a \$9.1 million appropriation for the FY 2018-19 budget year. Thus, the previously proposed capital appropriations of \$7.5 million and \$1.5 million for FY 2019-20 and FY 2020-21 have been removed from the budget to reflect the appropriation in FY 2018-19. There were no changes to operating expenditures. The proposed Budget has been finalized and is attached to the staff report for the City Council's consideration. The 2019-21 budget is a balanced plan that does not use any 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, and 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. The application of these factors and the calculation of the City's annual Appropriations Limit for Fiscal Year 2019-2020 is described in detail below.

DISCUSSION

2019-21 Budget Summary

This budget focuses on the City's long-term financial health and reflects fiscal strategies to sustain services to the community for the long term. While modest revenue growth is projected throughout the forecast, expenditures are expected to outpace revenues in the long run due to increasing operating costs. Plans for Emeryville's financial future must be mindful of volatile economic cycles, unfunded pension liabilities and the needs of the City's growing population. This proposed budget offers a balanced approach to these challenges.

The budget establishes a financial plan for operations and capital improvements across all City funds and programs. Emeryville uses a two-year budget to provide a longer-term view of its resources and the cost of services. In each fiscal year of this two-year budget cycle, citywide operating expenditures exceed \$80 million, and together with the capital budget exceeds \$85 million. Discretionary tax and fee revenues are appropriated in the General Fund, while restricted revenues and grants have dedicated funds to provide separate accountability.

2019-21 Citywide Budget

	<u>2019-20</u>	<u>2020-21</u>
Operating Budget		
General Fund	\$ 44,744,236	\$ 46,220,081
Other Funds	36,981,360	36,695,846
	<u>81,725,596</u>	<u>82,915,927</u>
Capital Budget	7,009,963	17,597,500
	<u>\$ 88,735,559</u>	<u>\$ 100,513,427</u>

Transfer of General Fund Unassigned Fund Balance to Pension Reserve

The proposed transfer below was presented to the Budget & Governance and Budget Advisory Committees on May 16, 2019 and to the City Council on May 21, 2019. This transfer will ensure sufficient funding for pension benefits in future years.

Pension Reserve Fund 715*	\$ 2,050,000
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* Sub-fund of General Fund

Appropriations Limit for the 2019-20 Fiscal Year

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.

Population Factor - There is a slight increase in City population from January 1, 2018 to January 1, 2019; the increase is estimated by the State Department of Finance at 0.12%. The County population growth for the same period is estimated at 0.75%. Therefore, County population growth is the recommended population factor for fiscal year 2019-20.

Inflation Factor - With regard to inflation, as reported by the State Department of Finance, the growth in California Per Capita Income from the prior year is 3.85%. 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 0.28%. 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 2019-20 Fiscal Year is \$114,937,853. The FY 2019-20 budget reflects appropriations from tax proceeds of \$35,938,700 which is 31.27% of the City's allowed limit. It is recommended that the City Council adopt the resolution establishing the Appropriations Limit for the 2019-20 fiscal year.

ADVISORY BODY REVIEW

On May 16, 2019 the Proposed Budget was presented to the Budget & Governance and Budget Advisory Committees. The Committees did not recommend any changes.

CONCLUSION

Emeryville has a long history of prudent fiscal policies and management that enabled the City to weather the 2008 recession, as well as the 2012 dissolution of redevelopment. The 2019-21 Budget continues this tradition, focusing on fiscal sustainability to ensure the City can continue to deliver quality services to the community long into the future. The proposed Budget is a plan to accomplish the goals and priorities of the City Council, within existing resources and in accordance with the City's budget philosophy. The proposed Budget also reflects the work of the entire City organization, including among others: patrol officers, maintenance workers, accountants, engineers, recreation leaders, and planners. The people of the organization bring to life the projects, programs and services enjoyed by the Emeryville community and this Budget illustrates their service and commitment.

PREPARED BY: Susan Hsieh, Finance Director

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



Christine Daniel, City Manager

ATTACHMENTS

- Proposed Budget
- Resolution – Adoption of FY19-20 & 20-21 Budget
Appendices A to F
- Resolution – Adoption of Appropriations Limit for FY19-20
Appendix A – Gann Limit Calculation