

RESOLUTION NO. 19-63

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

WHEREAS, the sound financial operation of the City requires a budget detailing revenues and expenditures to be adopted on or before July 1 of each year; and

WHEREAS, the City Manager provided the City Council with a Proposed Budget on May 10, 2019 and the City Council held a Budget Workshop on May 21, 2019 to consider this proposal for a balanced budget for Fiscal Years 2019-20 and 2020-21; and

WHEREAS, the Joint Budget & Governance and Budget Advisory Committees met on May 16, 2019 to consider the proposed budget; and

WHEREAS, the City's budget relies on continued fiscal prudence, as has been necessary in the post-redevelopment landscape, while also taking into account the need to expand certain resources in order to meet rising demand for City services; and

WHEREAS, the budget is a balanced budget that does not rely on new taxes or the use of one-time reserves; and

WHEREAS, the City's Budget Philosophy and Mission, the Reserve Policy, the Residual Property Tax Reserve and Use Policy, the Commercial Property Transfer Tax Policy as detailed in Appendices A, B, C and D, guided the development of this budget; and

WHEREAS, staff recommends updating the City's Residual Property Tax Reserve and Use Policy as detailed in Appendix C; and

WHEREAS, based on the audited FY 2017-18 operating results for the consolidated General Fund and projections for the FY 2018-19 operating results, staff recommends transferring \$2,050,000 of the General Fund Unassigned Fund Balance to the Pension Reserve as detailed in Appendix E; now, therefore, be it

RESOLVED, by the City Council of the City of Emeryville hereby adopts the Budget for the 2019-20 and 2020-21 Fiscal Years with operating expenditure appropriations for all funds summarized below. These amounts are broken out by Fund in Appendix F.

2019-21 Citywide Budget Operating Expenditures		
	<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>

ADOPTED, by the City Council of the City of Emeryville at a regular meeting held Tuesday, June 4, 2019, by the following vote:

AYES:	<u>5</u>	Mayor Medina, Vice Mayor Patz, and Council Members Bauters, Donahue, and Martinez
NOES:	<u>0</u>	
ABSTAIN:	<u>0</u>	
ABSENT:	<u>0</u>	


MAYOR

ATTEST:

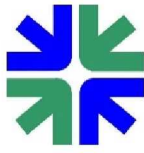
APPROVED AS TO FORM:


CITY CLERK


CITY ATTORNEY

**City-wide Operating Expenditures by Fund**

	2019-20	2020-21
	Operating Budget	Operating Budget
266 Measure D	25,000	25,000
298 Housing Successor	35,000	35,100
299 Affordable Housing	1,050,900	1,003,900
444 1999 Revenue Bonds Capital	-	-
471 Pedestrian Path Improvement	-	-
472 Redevelopment Bonds	-	-
473 Developer Reimbursements	-	-
477 ECCL	36,000	36,000
479 Redevelopment Implementation Plan	-	-
495 Marina	201,400	289,600
511 Sewer Capital	-	-
513 Sewer Connection Fee	-	-
650 Major Maintenance	767,000	774,900
660 Vehicle Replacement	820,600	-
670 Technology	400,000	400,000
Debt Service Funds		
344 1999 Revenue Bonds Debt Service	1,011,300	534,600
345 1998 Lease Revenue Bonds	368,700	369,000
721 East Baybridge District	556,900	557,300
790 Bay/Shellmound District	509,700	-
802 West Emeryville District	-	-
Internal Service and Benefit Trust Funds		
270 Litigation	250,000	250,000
295 MESA	17,691,600	18,641,000
600 Workers Compensation	1,353,100	1,412,100
610 Dental	247,000	254,300
620 Unemployment	40,000	40,000
700 Accrued Benefits	320,900	300,600
710 Post-Employment Health Benefits	241,100	248,400
VEBA	102,800	105,100
City-wide Operating Expenditures	\$ 81,725,596	\$ 82,915,927



CITY OF EMERYVILLE

BUDGET PHILOSOPHY AND MISSION

“The City of Emeryville provides innovative and responsive services to the community to create and sustain a vibrant, livable city.”

Budget Principles

1. *Current year expenditures should be supported by current year revenues. One-time revenues should not be used for ongoing costs, but should instead be used for necessary one-time expenditures or to strengthen fund reserves.*
2. *Fund balances should be maintained in all major operating funds that provide for unforeseen circumstances. The appropriate level of fund balance depends on the particular fund.*
3. *Unfunded liabilities should be identified and funded with surplus funds when they are available. Liabilities that are currently accruing should be funded currently.*
4. *When necessary, a strategy should be formulated and implemented to address potential impacts of the State budget and other State actions that may affect City revenues.*
5. *The operating costs of any planned capital improvement should be estimated in the planning stage, so that these amounts can be recognized and budgeted.*
6. *Capital improvement projects, including related maintenance costs, should be identified with community input. The funding of many of these projects will require current, planned resources, such as special revenues, grants, and surplus general funds. The City will adhere to prudent spending of discretionary funds to allow the City to provide the necessary resources for capital improvements, including one-time expenditures and adequate replacement reserves.*



CITY OF EMERYVILLE

RESERVE POLICIES

Updated July 1, 2016

Economic Uncertainty Fund

The purpose of the Economic Uncertainty fund is to provide the fiscal capacity to absorb one-time problems without disrupting day-to-day operations and services and for more systemic and ongoing problems, to take time needed to fully identify the impacts and develop and implement a thoughtful longer-term strategy.

The City shall maintain a target reserve of 50% of the General Fund annual operating budget. Appropriations are to be reserved for emergency situations and limited to one-time or short-term (one or two fiscal years) use. Examples of such emergencies include, but are not limited to:

- Unplanned, major event such as a catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget
- Economic uncertainties, local disasters and other hardships or downturns in the local economy.
- Budgeted revenue taken by another government entity
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget

Should the Economic Uncertainty fund be used and its level falls below the target amount of 50%, the goal is to replenish the fund within three fiscal years.

Undesignated General Fund

This reserve is considered primarily a working capital requirement, bridging the gap between the time expenses are paid and the time revenues are collected. Undesignated reserve balances will fluctuate from time to time and reflect annual operating results. This fund has no minimum threshold although sufficient balances are maintained to provide contingencies for unseen operating or capital needs and cash flow requirements.



CITY OF EMERYVILLE

RESERVE POLICIES

USE OF RESIDUAL PROPERTY TAX REVENUE

The City believes that maintaining adequate reserves reflects an ability to manage risk as well as provide working capital to meet operational and capital needs. The City has established certain reserve policies, such as an Economic Uncertainty Fund to provide a reserve for State budget impacts and other fiscal emergencies.

In FY2011-12, due to the dissolution of the Emeryville Redevelopment Agency and the requirements of AB 26 and AB 1484, the City began receiving residual property tax revenue. The City adopted, and has amended, this residual property tax reserve policy to maintain a reserve committed to the use of residual property tax revenue for capital improvements, affordable housing, economic development, public art and general purposes, as follows:

Residual Property Tax Reserve and Use Policy

	Current Allocation of Receipts	FY 19-20 Proposed Allocation of Receipts	Effective July 1, 2020 New Allocation of Receipts
General Fund 101	25.0%	25.0%	50.0%
General Capital Improvement Fund 475	50.0%	47.5%	22.5%
Affordable Housing Fund 299	20.0%	20.0%	20.0%
Public Art Fund 243	0.0%	2.5%	2.5%
Economic Development Fund 202	5.0%	5.0%	5.0%
	100%	100%	100%

On June 21, 2016, the Policy was revised to reflect a 25% allocation to the General Fund effective FY2017-18. The 75% allocation to the General Capital Improvement Fund was reduced to 50%.

As part of the FY2019-2021 Budget, the Policy is revised to reflect a 2.5% allocation to support Public Art programs starting in FY2019-20 and an additional 25% allocation to the General Fund effective FY2020-21. The allocation to the General Capital Improvement Fund will be reduced to 47.5% in FY2019-20 and to 22.5% effective FY2020-21.

The Economic Development Reserve is held and programmed in Fund 202 which is a sub-fund of the General Fund. The definition of Economic Development for

Appendix C

the purpose of this policy is anything that the City Council deems to assist in the Economic Development of the City of Emeryville.

The Affordable Housing Reserve is held and programmed in a separate Affordable Housing Special Revenue Fund 299. The definition of Affordable Housing for the purpose of this policy is anything that the City Council deems to assist in the development or maintenance of affordable housing in the City of Emeryville.

The General Capital Improvements Fund 475 may be programmed and transferred into various capital funds. The definition of Capital Improvements for the purpose of this policy is anything that the City Council deems to be necessary for the capital improvements of the City of Emeryville, such as new public facilities, replacement and rehabilitation of current public facilities, parks, transportation systems, and environmental improvements.



CITY OF EMERYVILLE

COMMERCIAL PROPERTY TRANSFER TAX POLICY

Purpose

The purpose of this policy is to provide guidance for the allocation of commercial property transfer tax revenue to ensure proper funding for capital projects, pension obligations, and other important city projects.

Background

The City received a portion of the County real estate transfer tax (\$0.55 per \$1,000 of sale) prior to January 1, 2015. The passage of Measure V in November 2014 enabled the City to collect \$12 per \$1,000 of property value per transaction. Revenue from this source is dependent on the level of real estate activity in the City.

Allocation to Capital Improvement Program

On June 21, 2016, as part of the 2016-18 budget adoption the City Council approved a policy committing revenues from "commercial" real estate transfer tax to support the City's capital program. Commercial property transfer tax is unpredictable and specific projects can be phased to match the timing when this revenue is realized. In some years, commercial property transfer tax may exceed budgeted revenue resulting in excess funds.

Allocations to Pension Reserve/Trust and Other Discretionary Projects

Pension costs are expected to increase significantly in the future due to CalPERS discount rate reductions and shorten amortization periods. Key actuarial assumptions such as retirement formula, annual payroll growth, projected investment returns, retirement age, and retiree life expectancy may also impact the City's unfunded pension liabilities.

The City is committed to funding its pension obligations and has established a Pension Reserve/Trust to prefund its pension liabilities. The City desires to contribute excess commercial property transfer tax to the Pension Reserve/Trust.

In a two-year budget cycle, if the commercial property transfer tax revenue exceeds the budget, including budget adjustments made during that budget cycle, 50% of the excess funds shall be allocated either

toward the annual contribution payments of the City's pension costs or to the Pension Reserve/Trust, and the remaining 50% shall be allocated to any one-time expenditures based on City Council direction.

The Finance Department shall calculate the excess funds after the City's annual audit and Comprehensive Annual Financial Report have been published. Before funding pension costs and other one-time expenditures, the Finance Department shall review the fund balance in the Capital Project Fund to ensure resources are available to fund capital projects. In some budget cycles, actual revenues may be lower than budgeted revenues resulting in a funding deficiency. Allocations shall be adjusted accordingly before submitting budget adjustments/projects to City Council for consideration.

For example, if the amount of excess funds is \$1,000,000 from a budget cycle and the funding deficiency is \$200,000 from a prior budget cycle, the amount that is available for allocation is \$800,000, including \$400,000 for pension costs and \$400,000 for other one-time expenditures.

Conclusion

The Commercial Property Transfer Tax Policy ensures adequate funding for the City's Capital Improvement Program, pension liabilities, and other important city projects.

Recommended One-Time Transfer

General Fund 101 Transfer from Unassigned Fund Balance to Fund:

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

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**City-wide Operating Expenditures by Fund**

	2019-20	2020-21
	Operating Budget	Operating Budget
General Fund and Reserves		
101 General Fund	\$ 44,744,236	\$ 46,220,081
202 Economic Development	277,000	277,000
203 Community Programs	83,500	83,500
275 Economic Uncertainty	-	-
277 Disaster Fund	-	-
712 Pension Trust	25,200	26,000
715 PERS Liability Fund Reserve	60,000	60,000
Operating Funds		
205 CDBG	6,600	6,600
208 Cal Home	-	-
210 Police Impound- State	30,114	5,586
211 Police Impound- Federal	39,186	-
212 Small Local Business Support	-	-
230 Child Development	2,547,400	2,707,200
235 PEG Program	-	-
252 Supplemental Law Enforcement	100,000	100,000
258 Emergency Medical Service	191,500	191,500
261 Measure B - Paratransit	30,600	30,600
263 Measure BB - Paratransit	31,500	31,500
268 Community Development Technology	53,500	55,300
271 Code Enforcement	-	-
510 Sewer Operations	648,600	795,700
805 Property Based Improvement District	4,275,600	4,395,700
Capital Funds		
475 General Capital	1,037,760	1,083,760
204 Environmental Programs	26,000	26,000
215 Catellus	-	-
220 Gas Tax	295,000	295,000
221 Road Maintenance and Rehabilitation	-	-
225 General Plan Maintenance Fee	979,900	1,008,000
237 Park Impact Fees	-	-
238 VRF-Streets and Roads Fund	2,800	2,900
239 Affordable Housing Impact Fees	-	-
240 Measure B-Streets and Roads	10,900	10,900
242 Measure BB-Streets/Roads	14,400	14,800
243 Public Art	113,500	139,600
247 EPA Grant	-	-
250 Traffic Impact Fees	-	-
251 Urban Forestry	-	-
254 Grant Fund	65,000	65,000
262 Measure B - Bicycles/Pedestrians	900	900
264 Measure BB - Bicycles/Pedestrians	900	900
265 Source Reduction & Recycling	5,000	5,000

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