



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: June 1, 2021

TO: Christine Daniel, City Manager

FROM: Brad Farmer, Finance Director

SUBJECT: Resolution Of The City Council Of The City Of Emeryville Adopting The Operating Budget For Fiscal Year 2021-22 (“Operating Budget”), And Appropriating Funds And Projecting Funds As Set Forth In The Operating Budget

RECOMMENDATION

Staff recommends that the City Council review and adopt a Resolution approving the proposed Operating Budget for the City of Emeryville, and appropriating funds, for Fiscal Year (FY) 2021-22.

BACKGROUND

The City of Emeryville, along with the rest of the world, is beginning to recover from the lengthy COVID-19 pandemic and related economic shut-down. Unfortunately, the length of that recovery remains uncertain. The City’s primary revenue streams (sales tax, hotel tax, business license tax and cardroom tax), were all negatively affected by the pandemic. While all are recovering, industries are reacting differently to the recovery and each will take a different amount of time. The City must plan accordingly and make prudent fiscal decisions about how to best use its resources to sustain services for the long term. The proposed Budget for FY 2021-22 represents the thoughtful work of the Budget & Governance and Budget Advisory Committees over the last year, as well as staff throughout City Departments who prepared careful and reasonable expenditure budgets that maintain services while respecting resource constraints.

The proposed FY 2021-22 Budget represents a departure from prior City budgets in several significant ways. First, this is a single year budget. In the past, the City has adopted budgets in two-year cycles to provide stability in the budgetary process. However, given the uncertainties surrounding the economic recovery, the Budget & Governance Committee supported two single year budgets (FY 2021-22, and 2022-23) for the next fiscal cycle so that the City could have more time to assess the vigor of the recovery before making significant budget modifications. Second, this Budget relies on several one-time strategies to close the projected gap between revenues and expenditures in FY 2021-22. Third, this Budget incorporates the Successor Agency of the Former Redevelopment Agency of the City of Emeryville to provide a comprehensive picture of the City’s overall financial oversight. Previously the Successor Agency adopted

Resolution No. SA02-21, approving, and adopting the administrative budget and Recognized Obligation Payment Schedule (ROPS) for July 1, 2021-June 30, 2022.

Please note that one item included in the Successor Agency's approval of the ROPS has been determined to be unnecessary. The ROPS included a City Loan as Item No. 125. This loan from the City was contingent upon the Successor Agency not having sufficient funding available from the Redevelopment Property Tax Trust Fund or other approved funding sources to conduct certain environmental remediation activities. Following the state Department of Finance's approval of the 21-22 ROPS, it was determined that the Successor Agency did have sufficient resources and the loan between the City and Successor Agency is not necessary for FY 2021-22.

Finally, the proposed Budget aligns with the focused approach on major City projects articulated by the City Council earlier this year. At a January 19, 2021 Study Session, the City Council reviewed its goals and priority projects and discussed its focus for the next budget cycle. Given the fiscal constraints resulting from the pandemic, Councilmembers indicated their interest in completing major projects that were underway and adding only two new focus areas. What follows are the goals and priority projects for FY 2021-22:

1. Complete South Bayfront Bridge and Horton Landing Park
2. Advance Corp Yard Remediation
3. Complete 40th Street Redesign
4. Complete Art Center
5. Commence construction of Rail Safety / Quiet Zones
6. Develop Revenue Generating Ballot Measures for 2022 (New)
7. Develop a plan to electrify the City's vehicle fleet (New)

DISCUSSION

Citywide Operational Budget

Revenues City-wide are projected to be \$115.9 million, including \$26.37 million or 22.7 percent in Successor Agency revenues. The City's revenues total \$89.6 million, of which \$38.3 million or 42.7 percent are General Fund revenues. The City's expenditures are projected to be \$174.6 million, of which \$27.1 million or 15.5 percent is Successor Agency expenditures. The City's General Fund expenditures total \$44.46 million or 30.15 percent of the City's expenses. The General Fund is the City's main source of unrestricted funds. This proposed budget funds 170.13 full-time equivalent employees. This Budget follows the reserve requirements, which set a minimum reserve for the General Fund at 50% of Operational Costs.

Overview of the General Fund Proposed Operating Budget for FY 2021-22

In FY 2021-22, General Fund revenues are projected to be \$38.3 million, and expenditures are projected to be \$44.46 million. Revenues incorporate several one-time funding sources including: \$2.2 million in federal stimulus funds, \$1 million from the City's

115 Pension Trust and \$1.5 million from the Measure F quarter cent sales tax. \$6.16 million of the remaining gap between revenues and expenditures is proposed to be closed by applying fund balance generated in prior years. Additionally, the budget proposal includes deferring some costs to subsequent fiscal years, not adding new capital projects, and holding a number of positions vacant throughout the City organization. These strategies are not sustainable for the long term but are sufficient to bridge the City through to the next fiscal year as the recovery continues.

	FY 2020-21 YE Estimate	FY 2021-22 Budget	Increase/ (Decrease)	Percentage Inc/(Dec)
Revenues	\$ 41,142,965	\$ 38,299,065	\$ (2,843,900)	(6.91%)
Expenditures	<u>43,161,784</u>	<u>44,464,033</u>	<u>1,302,249</u>	3.00%
<i>Deficit</i>	\$ (2,018,819)	\$ (6,164,968)	\$ (4,146,149)	
<i>Projected Use of General Fund Balance</i>	\$ 2,018,819	\$ 6,164,968		

Projected FY 2021-22 ending General Fund Balance \$2,013,253

Projected FY 2021-22 ending Reserve for Economic Uncertainty \$23,001,785

The assumptions brought forward at the joint meeting of the Budget Advisory and Budget and Governance Committees on April 30, 2021 were carried forward in the preparation of this proposed budget. Below as a reminder are the strategies implemented in the proposed budget.

1. Utilizing \$1 million of the 115 Pension trust to cover current costs,
2. Utilizing \$1.5 million of Measure F funds to cover the General Fund costs associated with the Emeryville Child Development Center,
3. Maintaining vacancies across multiple departments,
4. Deferring transfers into the Litigation Fund and pushing out some vehicle replacement costs, and
5. Maintaining the current allocation for the Residual Property Tax Reserve and Use Policy, which was altered for the fiscal year budgets 2019-20 and 2020-2021, as follows:

	Allocation per Policy	Allocation effective July 1, 2020	Allocation used for FY 2021-22
General Fund 101	26.0%	50.0%	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%

Capital Infrastructure Investment

The proposed focused FY 2021-22 Capital Project budget is approximately \$63.2 million, of which \$58.1 million is from previously authorized but uncompleted Capital Projects, whose funding is being carried forward and \$5.1 million in current capital additions of which \$2.7 million are grants. A number of significant infrastructure projects will be completed, commenced, or designed over the course of 2021-22 as set forth in the adopted 2019-24 Capital Improvement Program. Several of these projects are also reflected in the City Council's Goals and are important aspects of the City's continued growth and economic resilience.

The City will continue to face long-term financial impacts resulting from the economic slowdown and the lingering effects of the COVID-19 pandemic. Staff will continue to monitor economic indicators and bring forward any revised budget adjustments necessary based upon how the economy recovers throughout this coming fiscal year.

REVIEW BY COMMITTEES

As part of preparing the proposed budget, staff met with both the Budget Advisory Committee and Budget and Governance Committee throughout the process to review and provide guidance on the formation of the proposed budget. The final Proposed Fiscal Year 2021-22 Budget was presented to the Budget Advisory Committee on May 14th and to the Budget and Governance Committee on May 20th. Both Committees recommended the Proposed Fiscal Year 2021-22 Budget be forwarded to the full City Council with a recommendation to approve as submitted.

FISCAL IMPACT

The proposed budget for FY 2021-22 will establish the Operating and Capital Budgets for both the City of Emeryville and for the Successor Agency to the Former Redevelopment Agency of the City of Emeryville, as outlined in the attached Budget.

CONCLUSION

Staff recommends that the City Council review and adopt the Proposed Operating Budget and Appropriate the Funds for Fiscal Year 2021-22.

PREPARED BY: Brad Farmer, Finance Director

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



Christine Daniel, City Manager

ATTACHMENTS

- Draft Resolution
- Proposed Fiscal Year 2021-22 Budget