CITY OF EMERYVILLE

MEMORANDUM

DATE: April 23, 2012

TO: Finance Committee

FROM: Karan Reid, Chief Financial Officer

SUBJECT: Draft Proposed Operating Budget

ACTION REQUESTED:

The Committee is requested to review and provide direction to staff regarding the proposed budget including the revenue and expenditure assumptions incorporated into the Draft Proposed Operating Budget for the upcoming 2012-13 & 2013-14 Fiscal Years.

BACKGROUND:

The City has been preparing two-year budgets since 1999, a format that allows a longer-term look at the City's financial condition. The Budget includes information regarding how the City is organized and how resources are allocated to achieve the policy goals of the City Council.

The proposed budget is premised on the long-term budget philosophy of the City Council and includes the following major 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 per the Reserve Policies adopted with the FY10/11 & FY11/12 budget.

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 and Agency 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.

The elimination of the redevelopment agency has a significant impact to the City's operating budget. Current estimates show a net loss to the General Fund of approximately $1.7 million. However, this loss will be partially offset by new revenues associated with the recent voter

approved increase to the Business License Tax, estimated to be $750k, as well as $1.2 million anticipated improvements in sales and hotel taxes.

The following is a discussion of various changes that have been incorporated into the draft proposed budget.

DISCUSSION:

The attached draft budget includes staff's recommendations regarding expenditure reductions as well as some program increases for items reduced in previous budgets.

REVENUE ASSUMPTIONS:

Emeryville Redevelopment Agency (ERA) operations ceased effective February 1, 2012. As was typical of most redevelopment agencies, the ERA did not employ staff directly, rather city employees provided the workforce for the Agency and a percentage of their time, as well as related building and equipment costs, were reimbursed to the City based on the percentage of redevelopment activities performed. This reimbursement was budgeted at $3.2 million for FY 2011-12 and ceased on February 1, 2012. The dissolution bill, AB X1 26, provides for an administrative allowance capped at 3-5% of the tax revenues transferred to the Successor Agency to reimburse costs associated with winding down the operations of the ERA. This administrative cost reimbursement is anticipated to be $510,000 in each of the upcoming fiscal years and related increased property tax increases are expected to be approximately $200,000 each year.

Increases related to the voter approved increase in business license taxes and tax cap in November 2011 is expected to be approximately $750,000. In addition, some of the City's key revenues, such as sales and hotel taxes, are beginning to see recovery. However, economic growth is expected to be flat in Fiscal Year 2012-13 and projected revenues reflect that assumption. Thereafter, a modest revenue recovery of about 1-2% is budgeted for fiscal 2013-14.

Average portfolio interest rates are estimated at 0.5% in each fiscal year as interest rates are expected to continue at record lows as the Federal Reserve announced the federal funds borrowing rate would remain between 0.00%-0.25% until late 2014.

EXPENDITURE ASSUMPTIONS:

The budget assumes that there are no material state takeaways in the State budget for fiscal years 2012-13 and 2013-14. Notwithstanding, the City continues to hold an Economic Uncertainty Fund to address potential deviations from this assumption.

In order to address the impacts from the loss of redevelopment, program reductions and cost savings measures were incorporated into the budget and are summarized in the following table:

Depart/Division	Program/Service	FY13 Reduction	FY14 Reduction
Attorney	Eliminate Assistant City Attorney, less increase in professional services	81,700	93,400
ASD – Info Tech	Shared IT Svcs with Albany	40,200	41,000
	Absorb IT related maintenance costs in IT Fund, decreasing costs to the General Fund	66,200	71,200
ASD – Finance	Eliminate FT Office Assistant II less increase in temporary services for part-time/seasonal needs	49,400	51,600
	Reduction in professional services/training	32,400	32,400
	Eliminate bike messenger service; absorb with existing staff	16,600	16,600
Planning	Increase allocation to General Plan Fee fund/eliminate contract planner charged to GP	45,600	45,600
Economic Dev & Hsg	Staff reductions: OAII, Community Preservation Officer, PT Econ Dev Coordinator, Interns	267,000	269,800
	Eliminate Community promotions grants due to loss of redevelopment funding (included in potential add backs)	58,500	58,500
	Move funding of Celebration of Arts to the Art Fund	30,000	30,000
Police	Eliminate Red Light Cameras, net savings	200,000	200,000
Fire	Contract services with Alameda County Fire	540,000	448,000
Public Works	Increase salary allocation to Sewer fund to reflect increased level of sewer work	58,700	62,600
Community Svcs	Eliminate PT Senior Case Manager	34,200	34,200
Community Svcs	Reduction in pool activities due to construction at pool site	59,000	75,000
	Total	1,579,500	1,529,900

Other programs previously funded with redevelopment funds have been eliminated completely:

Program/Service	FY13 Reduction	FY14 Reduction
Partial reduction in Professional Services (environmental oversight and lobbyist activities)	30,000	30,000
Housing Loan Pgm Management	125,000	125,000
Housing Inspections	15,000	15,000
Concrete Buy-back	200,000	200,000
Fencing Program	132,000	132,000
Housing Rehab Grants	208,000	208,000
Rebuilding Together	15,000	15,000
Total	725,000	725,000

Departments are generally holding non-labor expenditures to the same level as the current amended Fiscal Year 2011-12 budget. However, there are increases in program costs included for several departments. The following table summarizes these additions:

Depart/Division	Program/Service	FY13 Additions	FY14 Additions
City Council	City Council Initiatives	10,000	10,000
Public Info Office	Portions of contracts for broadcasting meetings and ENEWS previously funded by RDA	63,000	63,000
	Additional Community Outreach	11,600	11,600
	Broadcasting of Oversight Board meetings	5,000	5,000
Economic Development	Professional services including fiscal analysis for family housing, parking fee feasibility, alternative financing strategies, Chamber of Commerce, Lobbyist, Foreclosure Workshops	235,600	242,600
Non-Departmental	Additional amounts for utilities, insurance, PBID (Emery Go Round)and ACAP expenses per recent experience	141,900	285,000
Public Works	Add New Environmental Pgms Specialist	42,000	44,400
	Increases for landscape, tree planting and public parking maintenance	37,600	37,600
Community Svcs	Portions of contracts for Activities Guide previously funded by RDA	36,500	36,500
	Fund FT Office Assistant II, net of reduction of part-time staffing	35,300	39,800
	Increase janitorial services for rentals	5,200	5,200
	Total	623,700	780,700

Other expenditure assumptions include:

- Labor cost increases are based on existing bargaining agreements. All bargaining units are under contract through this two-year budget cycle.

- Fire services are anticipated to be contracted to Alameda County Fire Department (ACFD) effective July 1, 2012. A 3% increase is assumed in the second year per the proposed contract with ACFD.

- Health insurance premiums are estimated to increase 10% annually.

THE BOTTOM LINE:

The loss of redevelopment struck a devastating blow to the City's capital improvement program and significantly impacts many operating programs as summarized above. Table A attached to this staff report details the overall change in the budget due to the loss of this redevelopment funding.

However, the strong revenue base, that is a direct result of the redevelopment and economic development programs over the years, has positioned Emeryville to continue to fund core services without significant service cuts other agencies are facing.

Capacity for Program Additions:

After incorporating the above described estimates, the net impact to the General Fund shows a surplus in both fiscal years: $898,000 in Fiscal Year 2012-13 and $283,000 in Fiscal Year 2013-14. Table B, attached to this staff report, lists possible program additions that could be prioritized in the upcoming two-year budget cycle and are summarized below.

1. Restore Transfer to Major Maintenance Fund $215,600 per year

The Major Maintenance Fund is the primary source of funding for large maintenance projects for public facilities such as Civic Center, Police Station, both Fire Stations, Child Development Center, Senior Center, Recreation Center, Corporation Yard as well as all City parks. In 2010, the transfer to the Major Maintenance Fund was cut in half as part of budget balancing measures. This request restores the transfer to the full amount previously set aside and prevents continued deferred maintenance.

2. Community Promotion Grants $ 58,500 per year

The Community Promotion Grant Program was established approximately seventeen years ago as a means of “promoting the cultural and artistic aspects of the community and providing for a high quality living and working environment in the City of Emeryville”. Under this guideline, the grant program mostly funded artists and art organizations to conduct free public performances, art education; or activities that increased public access to local artists, such as open studio tours and temporary art exhibitions. Over time, the Community Promotion Grants Program began providing funds for other types of activities, such as low-income legal assistance, library programs, and nutrition programs as well. Currently, the grant program funds eight community organizations, ranging from cultural programs, such as Artists-in-the-Schools Programs and free summer jazz as well as social service programs, such as tenant assistance and groceries for low-income seniors.

Organization	Total Amount
45th Street Artist' Cooperative, Inc*	$7,200
East Bay Community Law Center	$3,750
Emeryville Taiko	$3,750
Friends of Golden Gate Library	$2,500
Kala Art Institute (EUSD program)*	$22,500
Kala Art Institute (City program)*	$10,500
Mercy Retirement & Care Center	$3,750
New Arts Foundation/Nancy Karp+Dancers*	$4,500

TOTAL REQUEST	**$58,450**

*Programs that support Emery Unified School activities

These programs were previously primarily funded with redevelopment funds which are no longer available. To continue the program at its prior funding level, a commitment of General Fund monies is required.

3. Increase in Maintenance Costs for Marina operations

$ 112,000 per fiscal year

This funding sets aside funds for Marina Channel Dredging that is routine maintenance to be performed every 4-5 years. The cost is shared with the private marina and was last dredged in 2007 for a total cost of $400,000. Funding of $12,000 is requested for maintenance of the navigation aids in the Marina Channel. These aids assist boats in navigating both the marinas as well as the shoreline. Costs for maintenance are shared with the private marina.

4. New Program for Sidewalk Repairs $ 50,000 per fiscal year

Funding this request will create funding for minor sidewalk repairs for emergency repairs of trip and fall hazards of City sidewalks.

	FY 12/13	FY 13/14
5. Capital Improvement Program Transfer	$500,000	$250,000

This request would set aside funds for funding of City Capital Improvement Projects such as bike and park improvements and matching share of federal grants. Prior to the dissolution of redevelopment, the City's CIP program was primarily funded from redevelopment financing. Without this future source of funds, the ability to construct new projects will be limited to funds the City has set aside. In order to accomplish the goals included in the recently adopted Pedestrian/Bicycle and Parks plans as well as provide funding for other public facility construction such as construction of an Emergency Operations Center and Fire Station 2 upgrade/replacement, set aside funds should be budgeted on annual basis to build up a funding source for CIP projects.

	FY 12/13	FY 13/14
6. Emeryville Child Development Center	$226,000	$239,000

Based on the findings from a 2012 analysis of the Child Development Program, additional staff is needed to provide adequate teaching staff for the program model of up to 110 children and additional supervision of Center staff. This funding would provide for 3 teacher positions and allow the opening of a sixth classroom to accommodate extra children. The 2012 analysis recommended additional supervisory staff that would have the authority over teaching staff and cook to evaluate performance, address personnel issues, monitor professional development, and oversee the proper implementation and delivery of the center curriculum and compliance with age appropriate activities.

7. Community Services Program Coordinator in Admin and Park Amenities

FY 12/13	FY 13/14
$ 49,700	$ 49,700

This request would fund a previously frozen, unbudgeted position in the Administration Division of Community Services. The position will be responsible to plan, implement, and enhance the City's multiple community-wide special events such as Earth Day, Spring Fest, Summer Concerts, and coordinate the extensive facility rental program including park rentals, indoor facility and athletic facility rentals. Currently, these tasks have been handled by the Administrative Analyst and part-time staff. A full time position would free up the Analyst's time to pursue alternate funding sources for the entire Department and provide on-going, consistent support to the Department's growing special events and facility rental activities. Funds of $15,000 would be used to purchase and install exercise stations, play structures or other park amenities to enhance City Parks.

Attachments:

1. Table A: Budget Changes as a Result of Lost Redevelopment Funding
2. Table B: Possible Additions to Budget
3. Draft Proposed FY 2012-13 & FY 2013-14 Operating Budget

TABLE A

Funding Comparison
Redevelopment Funding Reductions

Funding Included in 2011-12 Budget			Funding Included in 2012-13 Operating Budget		
	Funding	Comments	Proposed Funding	Percent Change	Comments
Economic Development & Housing:					
Staffing	$873,436.13		$585,802.04	**-32.93%**	Positions deleted include Community Preservation Officer, Econ Dev Coordinator I, Office Assistant II, Interns
Supplies	$6,650.00	Office supplies, books, periodicals, postage	$5,662.06	-14.86%	
Telephone	$3,600.00		$2,414.47	-32.93%	
Maintenance	$7,329.00	Vehicle/Technology replacement charges	5,866.85	-19.95%	
Temporary Personnel	$1,000.00		1,000.00	0.00%	
Professional Services	$6,665.00	Various	99,552.00	1393.65%	
Community Svcs Outreach	$26,000.00	Activity Guide		-100.00%	
City Clerk Outreach	$48,700.00	ENEWS, Historical Society, Poet Laureate. CIP notices		-100.00%	
EDH Outreach	$11,000.00	Banners, Presentation docs	$57,500.00	422.73%	outreach costs increased to fund Econ Dev marketing programs
Education & Training	$8,000.00		$6,690.00	-16.38%	
Memberships	$20,000.00		$3,815.00	-80.93%	
Graffitti Abatement	$10,000.00		$10,000.00	0.00%	
Code Enforcement	$7,500.00		$0.00	-100.00%	
Community Promotions Grants	$55,950.00		$0.00	-100.00%	
Celebration of the Arts	$30,000.00		$0.00	-100.00%	Funded out of Art Fund
Subtotal EDH	$1,115,830.13		**$778,302.42**	**-30.25%**	
RDA:					
Granicus	$6,696.00	Streaming of public meetings	$0.00	-100.00%	
Second Sight Video	$7,500.00		$0.00	-100.00%	
Emeryville Chamber	$25,000.00		$25,000.00	0.00%	
Lance Soll & Lunghard	$15,000.00	Annual audit services	$0.00	-100.00%	
Townsend	$120,000.00	Professional services	$100,000.00	-16.67%	
Susan Colman	$10,000.00	Professional services	$0.00	-100.00%	
East Bay Green Corridor	$10,000.00	Membership fees	$10,000.00	0.00%	
Anderson & Assoc	$125,000.00	Housing loan pgm management	$0.00	-100.00%	
Foreclosure workshops/counseling	$11,000.00		$11,000.00	0.00%	
Robert Haun	$15,000.00	Inspections	$0.00	-100.00%	
Concrete Buy-Back Pgm	$200,000.00		$0.00	-100.00%	
Fencing Program	$132,000.00		$0.00	-100.00%	
Housing Rehab Grants	$208,000.00		$0.00	-100.00%	
Rebuilding Together	$15,000.00		$0.00	-100.00%	
Subtotal RDA	$900,196.00		**$146,000.00**	**-83.78%**	
Grand Total	$2,016,026.13		**$924,302.42**	**-54.15%**	

TABLE B

CITY OF EMERYVILLE
PROPOSED PROGRAM **ADDITIONS TO** THE FY 2012-13 AND/OR FY 2013-14 BUDGET
Draft April 23, 2012

DEPARTMENT	TITLE	DESCRIPTION	FY 13	FY14
City Manager	Community Promotions Grants	Fund a variety of grants promoting the cultural and artistic aspects of the community and providing for a high quality living and working environment in the City of Emeryville	$ 58,500	$ 58,500
General Govt	CIP Set Aside	Fund an annual set aside of funds earmarked for the City's Capital Improvement Program	500,000	250,000
Public Works	Restore Major Maint Transfer	Restores the amount transferred to fund major maintenance projects of City Facilities such as buildings and parks	281,600	281,600
	Marina Maintenance	Funds maintenance costs of the Marina Channel Navigation Aids and set aside funds for Channel Dredging every 4-5 years	112,000	112,000
	Sidewalk Repairs	Creates funding for minor sidewalk repairs for emergency repairs of trip and fall hazards of City sidewalks	50,000	50,000
Community Services	Fund FT Pgm Coordinator and Park Facility Improvements	Funds a previously frozen, unbudgeted position responsible for City-wide Community Events and facility rental program and provides funding for the purchase and installation of exercise stations, play structures or other park amenities to enhance City Parks	49,700	53,700
	Additional staffing at ECDC	Funds 3 teacher positions to provide adequate staffing for the program model of up to 110 children and provides for an additional supervisory positions that would have authority over teaching staff and cook to evaluate performance, monitor professional development and oversee the proper implementation and delivery of center curriculum and compliance with age appropriate activities	226,100	239,200
		Total	1,304,900	1,072,000