

City of Piedmont
COUNCIL AGENDA REPORT

DATE: October 7, 2019

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Consideration of FY 2018-19 Year End Fund Transfers

RECOMMENDATION

Approve General Fund transfers of \$1.1 million to the Facilities Maintenance Fund.

BACKGROUND

In FY 2018-19, favorable revenue trends and lower than budgeted expenses resulted in net income of approximately \$869,000 in the General Fund.

GENERAL FUND			
(in thousands)	FY 2018-19 (Unaudited)		
	Projected	Budget	Favorable / (Unfavorable)
General Fund Beginning Balance	5,532	5,297	235
Revenues	29,550	27,923	1,627
Operating Transfers in	839	1,166	(327)
Total Revenue	30,389	29,089	1,300
Departmental Expenditures	22,868	24,005	1,137
Operating Capital Outlay	13	22	9
Non Departmental Expenditures	2,454	2,394	(60)
Operating Transfers-out	1,680	1,680	-
Total Expenditures and Transfers-out	27,015	28,101	1,086
Operating Net Revenue	3,374	988	2,386
Capital Transfers-out	2,905	2,306	(599)
Net Income after Capital Transfers	469	(1,318)	1,787
General Fund Ending Balance	6,001	3,979	2,022
Recommended Additional Transfers:			
Public Works Project	-	-	-
Facility Maintenance	1,100	-	1,100
Adjusted General Fund Ending Balance	4,901	3,979	922
Fund Balance as % of Operating Exp	19.3%	15.1%	
Fund Balance as % of Exp & Debt	18.3%	14.3%	

The following major categories accounted for the increase in revenue as compared to the FY 18-19 budget:

Revenue	
(in thousands)	Favorable/
	(Unfavorable)
Real Property Transfer Tax	\$ 1,020
Mutual Aid - Wildfire Assistance	407
Property Tax	234
Business License and Rental	70
Interest	104
Other	128
Recreation Revenue	(336)
Total Variance	\$ 1,627

Real Property Transfer Tax is subject to fluctuation based on economic conditions; mutual aid revenue depends on the severity of the seasons' wildfires; and supplemental property taxes are realized with a change in assessed valuation of a property sold during the year. Given the volatile nature of these revenue sources, it is prudent to treat any net proceeds as one-time savings and appropriate the funds to address the City's outstanding needs, such as facilities maintenance, future pension obligations, and the condition of the City's infrastructure.

All operating department expenditures were lower than budget. Non-Departmental expenses exceeded budget due to higher than expected workers compensation claims. Below is a recap of expenditures by department compared to budget:

Expenditures	
(in thousands)	Favorable/
	(Unfavorable)
Administration	\$ 97
Public Works	279
Recreation	372
Police	298
Fire	91
Non-Departmental	(60)
Capital	9
	\$ 1,086

The unassigned balance of the General Fund at June 30, 2019 is estimated to be \$6.4 million. Our target balance per our ten year plan is \$4.9 million, approximately 19% of annual expenditures. For FY 2018-19, I recommend a transfer of \$1.1 million from the General Fund to the Facilities Maintenance Fund.

- Facilities Maintenance Fund** – The maintenance and improvement of city facilities has necessarily been a high priority for the City Council. To this effect, staff completed an assessment of the basic systems and condition of City owned facilities, and submitted a detailed report to City Council in March 2018. This plan was updated in 2019 in conjunction with the Budget Advisory and Financial Planning Committee. A summary schedule is presented below (and in larger size as Attachment A):

FACILITIES MAINTENANCE FUND
(in thousands)

Fiscal Year	Begin Balance	Planned Funding	Annual Repairs & Maint.	City Hall & Fire		Vets Hall & Police		Rec. Building		Community Hall		Parks & Tennis		Other		Total Expend.	Balance
				Sched. Maint.	Projects	Sched. Maint.	Projects	Sched. Maint.	Projects	Sched. Maint.	Projects	Sched. Maint.	Projects	Sched. Maint.	Projects		
19/20	\$ 5,307	\$ 550	\$ (286)	\$ (212)	\$ (480)	\$ (80)	\$ (80)	\$ (180)	\$ -	\$ (20)	\$ -	\$ (98)	\$ (437)	\$ (3)	\$ (215)	\$ (2,090)	\$ 3,767
20/21	3,767	550	(300)	(385)	(115)	(20)	(15)	(120)	-	(10)	(70)	(110)	-	(135)	-	\$ (1,280)	3,037
21/22	3,037	500	(315)	(15)	(45)	(110)	(106)	(62)	(145)	(53)	(455)	(138)	-	(126)	-	\$ (1,569)	1,968
22/23	1,968	450	(331)	(25)	(65)	(158)	(170)	(25)	(200)	(45)	(10)	(50)	-	(18)	-	\$ (1,097)	1,321
23/24	1,321	400	(341)	-	-	(285)	(195)	(200)	(90)	(90)	(255)	(81)	-	(34)	-	\$ (1,571)	150
24/25	150	400	(351)	(140)	-	(65)	-	(65)	-	(150)	-	(240)	-	(58)	-	\$ (1,069)	(519)
25/26	(519)	400	(362)	-	-	(75)	-	(25)	-	(30)	-	(143)	-	(103)	-	\$ (737)	(856)
26/27	(856)	400	(373)	(12)	-	-	-	(25)	-	(108)	-	(25)	-	(45)	-	\$ (587)	(1,044)
27/28	(1,044)	400	(384)	(88)	-	-	-	(80)	-	(35)	-	(52)	-	(80)	-	\$ (719)	(1,362)
28/29	(1,362)	250	(395)	(75)	-	(25)	-	(8)	-	(50)	-	(220)	-	(38)	-	\$ (811)	(1,923)
29/30	(1,923)	250	(407)	(3)	-	(200)	-	(25)	-	-	-	(161)	-	(30)	-	\$ (826)	(2,499)
30/31	(2,499)	250	(419)	(675)	-	(150)	-	(35)	-	(25)	-	-	-	-	-	\$ (1,304)	(3,553)
31/32	(3,553)	250	(432)	(60)	-	-	-	-	-	(108)	-	-	-	(5)	-	\$ (604)	(3,908)
32/33	(3,908)	250	(445)	-	-	-	-	-	-	(320)	-	(60)	-	(415)	-	\$ (1,240)	(4,898)

The expenditures detailed above consider all City facilities, except for the community pool, and include:

- Annual repairs and maintenance for each facility (including parks and walkways/stairs). Expenditures are based on actual costs incurred over the past several years. Note that this is separate from janitorial and routine maintenance/service contracts, which is now included in the General Fund budget.
- Scheduled Maintenance: An itemization of the major components of each facility (civic buildings and parks), along with a rough estimated cost of and schedule for the maintenance/replacement of each component over the next 15 years; and
- Capital Projects: Identified capital needs for the next five years, including estimated consulting and design costs;

Given the substantial needs, staff is recommending a transfer of \$1.1 million, over and above the \$850,000 transfer which was included in the FY 2018-19 adopted budget.

This proposal for transfer of General Fund net revenue is consistent with past practice. For FY 2017-18, the City Council took a similar action in November 2018 to distribute excess net revenue as follows:

- Facilities Maintenance Fund - \$3.25 million

- Pension Stabilization Fund - \$0.75 million

A transfer to the Pension Stabilization Fund is not recommended at this time as our Ten Year Projection indicates that funding is sufficient. We will continue to closely monitor this fund to assure it is adequately funded to meet our rising pension costs.

The Budget Advisory and Financial Planning Committee supports this additional transfer to the Facilities Maintenance Fund.

By: Michael Szczech, Finance Director

