

Fiscal Year 2021-22 Report Actual vs. Budget (Pre-Audit Results)

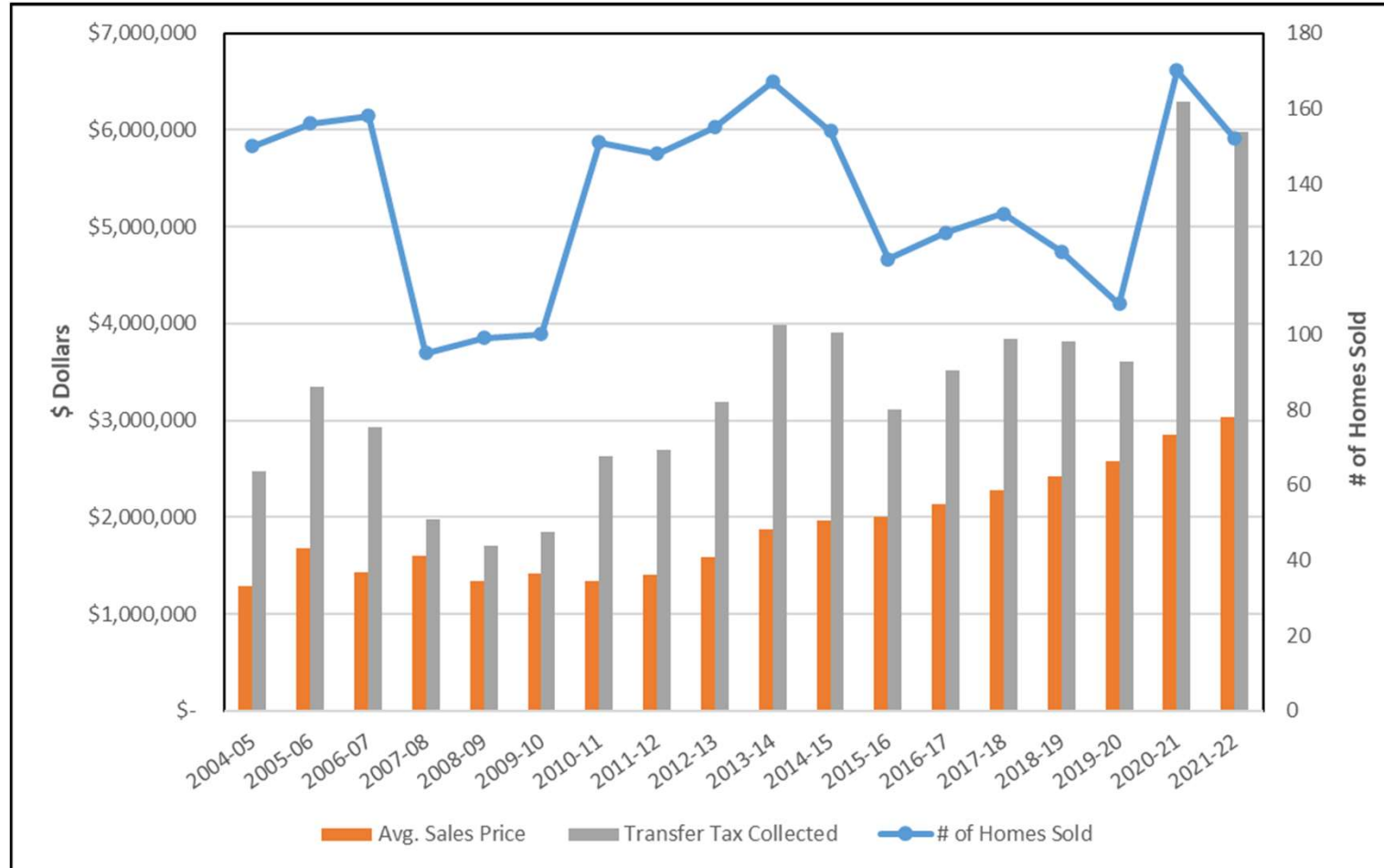
FY 2021-22 Highlights

- Revenue exceeded annual budget by \$5.9 million

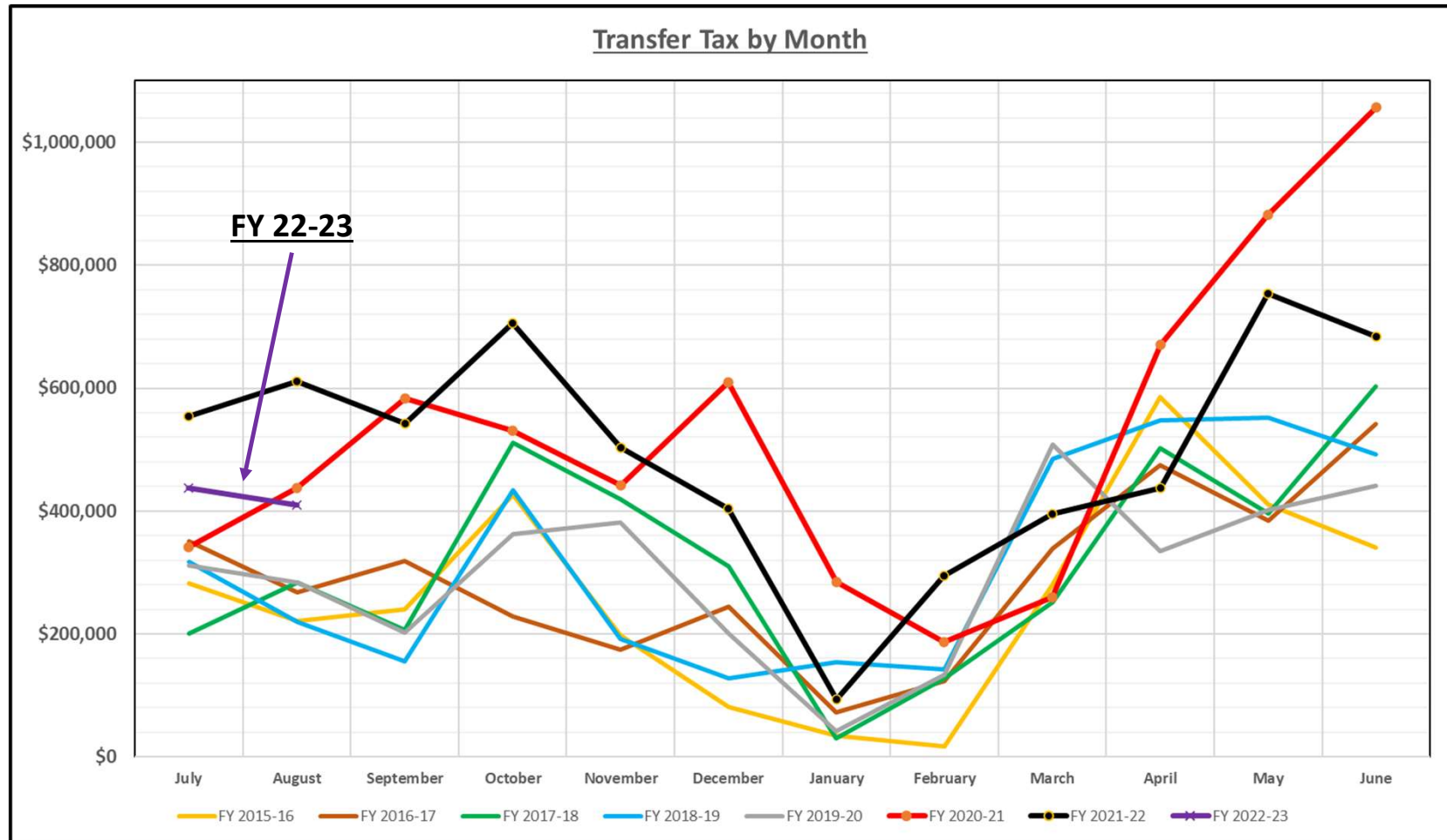
Major variances include:

- Transfer tax receipts totaled \$6.0 million,
 - \$3.2 million HIGHER than budget, but \$0.3 million LESS than last year
 - Home sales 11% LESS than last year (152 vs 170)
 - Average Sales Price increased 6% to \$3.0 million
- Recreation revenue up \$0.9 million as programs and facilities rentals returned to normal levels versus conservative budget.
- Building Permits and Planning Fees \$0.5 million higher than budget
- Mutual Aid \ Strike Team revenue was \$0.5 million as we participated in battling the seasons severe wildfires.
- Property taxes exceeded annual budget by \$0.3 million

Transfer Tax – Recent History



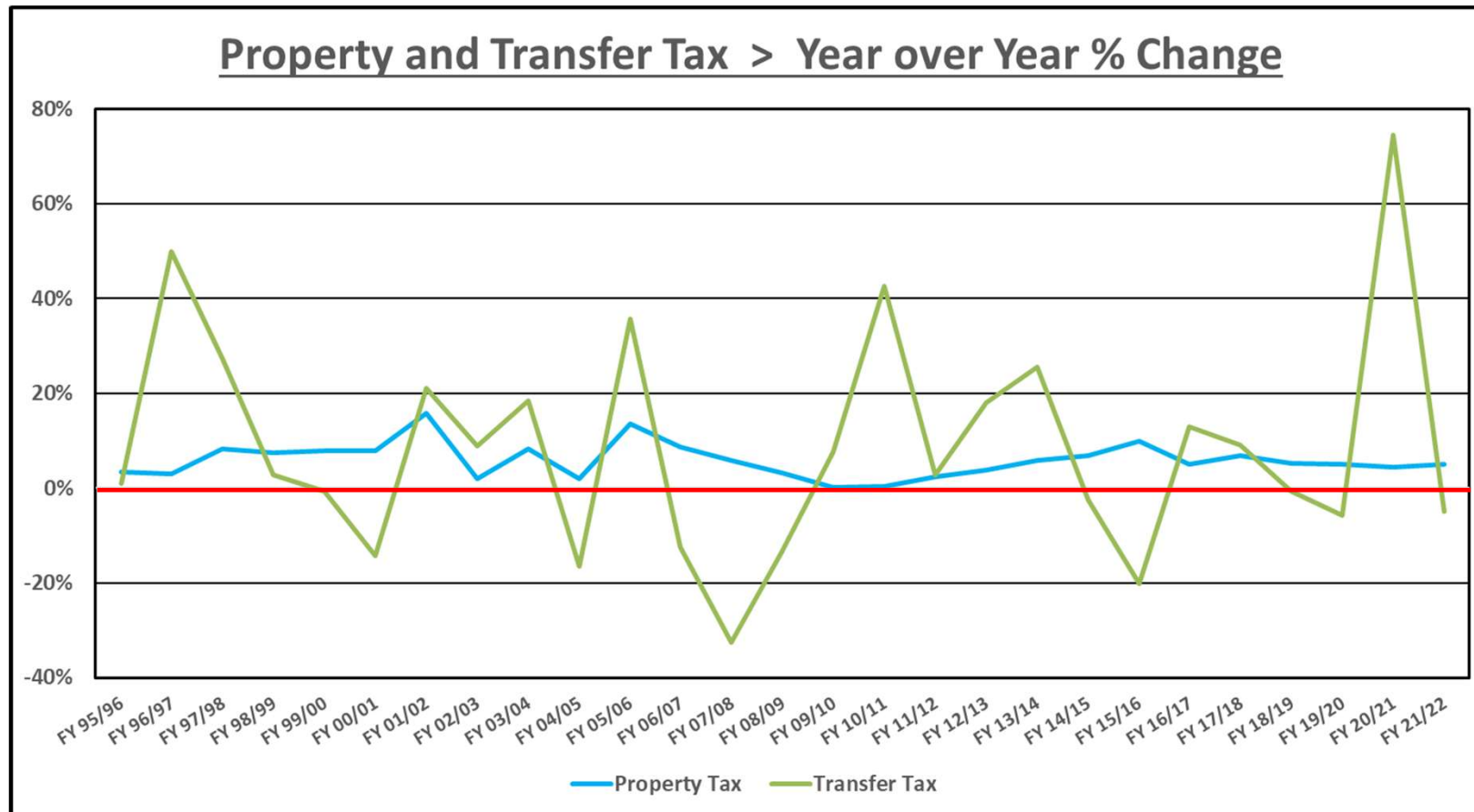
Transfer Tax – Monthly Trend



Property Tax – History / FY 22-23 Budget

Fiscal Year	ACTUAL										Budget
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Property Tax - Secured	\$8,969	\$9,380	\$9,948	\$11,003	\$11,521	\$12,292	\$12,961	\$13,611	\$14,271	\$14,974	\$15,870
Property Tax - Unsecured	497	526	575	585	564	581	612	676	724	726	700
Supplemental Assessment	125	238	316	331	423	494	498	498	438	515	300
Delinquent Taxes & Penalties	4	5	7	3	4	7	8	6	9	9	5
TOTAL Property Taxes	\$9,594	\$10,149	\$10,846	\$11,923	\$12,512	\$13,375	\$14,079	\$14,790	\$15,442	\$16,224	\$16,875
YOY Growth Rates											
Property Tax - Secured	4.4%	4.6%	6.1%	10.6%	4.7%	6.7%	5.4%	5.0%	4.9%	4.9%	6.0%
Property Tax - Unsecured	-7.9%	5.8%	9.4%	1.8%	-3.6%	3.0%	5.4%	10.4%	7.1%	0.3%	-3.6%
Supplemental Assessment	18.8%	90.5%	32.5%	5.0%	27.6%	17.0%	0.7%	-0.1%	-12.0%	17.5%	-41.8%
Delinquent Taxes & Penalties											
TOTAL Property Taxes	3.9%	5.8%	6.9%	9.9%	4.9%	6.9%	5.3%	5.1%	4.4%	5.1%	4.0%

- Total growth has been relatively steady over the past 5-7 years.
- Supplemental Assessment is volatile.
 - It is a pooled county revenue source
- Latest estimate from Alameda County indicates 5% growth for FY 22-23 (+\$160,000 vs budget)
- In the Ten-Year Plan, we use the 15 year average growth rate of 4.9%



- Highlights the volatility of Transfer Tax.
 - YOY change - High of 75% and low of -40%
- Property Tax:
 - YOY change almost always between 0 % - 10%.

FY 2021-22 Revenue Recap

GENERAL FUND Revenues (in thousands)	FY 2021-22 (Unaudited)		
	Projected	Budget	Variance
Transfer Tax	\$ 5,981	\$ 2,800	\$ 3,181
Recreation	3,127	2,275	852
Permits & Planning Fees	1,823	1,312	511
Mutual Aid - Wildfire Assistance	510	-	510
Property Tax	16,224	15,927	297
ARPA funds	284	-	284
Utility Users Tax	1,260	1,105	155
Ambulance Charges	297	180	117
Business License	301	225	76
Other	5,777	5,863	(85)
Total Revenue	\$ 35,584	\$ 29,686	\$ 5,898

FY 2021-22 Expenditures

Overall, expenditures were over budget by \$222,000. All operating departments were under budget except Recreation and Public Works.

- Recreation related expenses increased \$598,000 over budget:
 - Majority of expenses in are variable and are controlled based on the level of revenue, most notably part time employment costs and class and camp third party contractor expense. This resulted in a \$256,000 increase in net recreation revenue, or a cost recovery of 98.3%.
- Public Works expenses were \$286,000 over budget:
 - City Engineer - Higher by \$152,000 due to increased inspection workload (PGE, Sonic, Crown Castle, EBMUD) and traffic related work .
 - Park Stabilization & Maintenance - \$117,000 over as increased services were needed due to drought (tree removals, drainage issues) and clean up after two large storms.
 - Janitorial & Maintenance services – Up \$53,000 as extra services added due to COVID.
- Worker's Compensation costs exceeded budget by \$130,000 due to a rise in insurance claims.

FY 2021-22 Expenditures - continued

- Administration costs lower by \$290,000. Due primarily to:
 - Lower personnel costs as two budgeted positions were vacant for most of the year (Communications Manager and KCOM Manager.
 - Lower software fees due to timing of implementation of new systems.
 - Partially offset by higher human resource related legal fees and recruiting costs.
- Planning & Building costs lower by \$257,000.
 - Primarily due to the timing of environmental consulting fees, supplemental planning services, and costs related to the housing element.

FY 2021-22 Expenditure Recap

GENERAL FUND Expenditures (in thousands)	FY 2021-22 (Unaudited)		
	Projected	Budget	Variance
Administration	\$ 3,504	\$ 3,794	\$ 290
Public Works	4,215	3,929	(286)
Planning & Building	2,388	2,645	257
Recreation	3,285	2,687	(598)
Police	7,315	7,413	98
Fire	7,699	7,712	13
Non-Departmental	3,193	3,195	3
Total Expenditures	\$ 31,597	\$ 31,375	\$ (222)

American Rescue Plan Act (ARPA)

Description	Amount (000's)
Funds Received	\$ 2,664
Expenditures:	
Prevention & Administration	124
PUSD Support	100
Premium Pay	54
Police Dispatch Project	4
Funds Remaining	\$ 2,382

- Received two installments of \$1.3 million each in July 2021 & 2022
- Unspent funds of \$2.4 million:
 - Recorded as Deferred Revenue in the General Fund per GASB.
 - Appropriated for infrastructure projects, with top priority the Police Dispatch Center project.

General Fund Recap

GENERAL FUND (in thousands)	FY 2021-22 (Unaudited)		
	Projected	Budget	Variance
Beginning Balance	\$ 6,509	\$ 5,940	\$ 569
Revenues	35,584	29,686	5,898
Operating Transfers In	893	855	38
Total Revenue	36,477	30,541	5,936
Expenditures:			
Operating	28,404	28,180	(225)
Non-Department	3,193	3,195	3
Operating Transfers Out	-	-	-
Total Expenditures and Transfers Out	31,597	31,375	(222)
Operating Net Revenue	4,880	(834)	5,715
Capital Transfers Out	1,261	1,261	-
Net Revenue	3,619	(2,095)	5,715
Ending Balance	\$ 10,129	\$ 3,845	\$ 6,284
Available for Transfer	2,700	-	2,700
Ending Balance - Adjusted	\$ 7,429	\$ 3,845	\$ 3,584
% of Operating Exp	24%	12%	

Year End General Fund Transfers

- Projecting Ending Balance of General Fund to be \$10.1 million. Staff recommends the following:
 - \$1.7 million to the Facilities Maintenance Fund.
 - \$1.0 million to the Equipment Replacement Fund.

After transfers, General Fund will be \$7.4 million, or 24% of Expenditures.

Facilities Maintenance Fund FY 2021-22

FACILITIES MAINTENANCE FUND (in thousands)	FY 2021-22 (Unaudited)		
	Projected	Budget	Variance
Beginning Balance - 7/1/2021	\$ 9,340	\$ 9,340	\$ -
Revenues:			
General Fund Transfers	900	900	-
Schoolmates Transfers	8	-	8
Contributions \ Interest	124	-	124
Other	-	-	-
Total Revenue	1,032	900	132
Expenditures:			
Repairs & Maintenance	189	250	61
Scheduled Maintenance	78	421	343
Capital Projects	1,470	2,200	730
Total Expenditures	1,737	2,871	1,134
Ending Balance - 6/30/2022	\$ 8,635	\$ 7,369	\$ 1,266

Facilities Funds FY 2022-23

FACILITIES FUNDS (in thousands)	FY 2022-23 Budget	
	Maintenance	Capital
Beginning Balance - 7/1/2022	\$ 8,635	\$ -
Initial Transfer	(8,277)	8,277
Revenues:		
General Fund Transfers	1,300	1,700
Schoolmates Transfers	64	60
Contributions \ Interest	24	-
ARPA		2,382
Total Revenue	1,388	4,142
Expenditures:		
Repairs & Maintenance	192	
Scheduled Maintenance	578	
Capital Projects	700	4,075
Total Expenditures	1,470	4,075
Ending Balance - 6/30/2023	\$ 276	\$ 8,344

Proposed transfer from General Fund

Major Capital Projects include:

- Police Dispatch – \$1.2 m
- Various Park Improvements - \$1.1 m
- Recreation Building Improvements - \$0.7 m
- City Hall Improvements - \$0.5 m

Equipment Replacement Fund

Fiscal Year	Begin Balance	Planned Funding	Interest	Expenditures	End Balance
17/18	\$ 3,937,414	\$ 517,193		\$ (651,165)	\$ 3,803,442
18/19	3,803,442	433,000	81,148	(1,216,799)	3,100,791
19/20	3,100,791	400,000	76,067	(513,171)	3,063,687
20/21	3,063,687	810,500	13,195	(590,280)	3,097,101
21/22	3,097,101	1,473,221	30,971	(1,296,356)	3,304,937
22/23	3,304,937	72,192	23,049	(2,279,100)	1,121,079
23/24	1,121,079	627,328	22,422	(891,500)	879,328
24/25	879,328	642,665	20,225	(1,043,484)	498,734
25/26	498,734	837,203	12,468	(434,156)	914,250
26/27	914,250	767,668	22,856	(485,806)	1,218,969
27/28	1,218,969	916,823	30,474	(717,880)	1,448,386
28/29	1,448,386	730,975	36,210	(580,267)	1,635,303

- Recommend increasing amount of transfer from the General Fund in FY 21-22 by \$1.0 million due to the large amount of purchases planned for FY 2022-23.

Trust Funds

- Pension Rate Stabilization Fund (PARS)
 - Established in April 2018 to reserve funds now to pay future pension costs which are projected to double over the next 10 years.
 - To date, the City has contributed \$3.75 million.
 - Balance at June 30, 2022 = \$4.0 million.
 - Inception to date annualized return = 4.2%, but down 13.1% in FY 21-22.
 - Based on ten year plan, we do not require additional funding now.
 - However, we may need to withdraw funds as early as FY 24-25 to maintain a General Fund reserve of +/- 18%

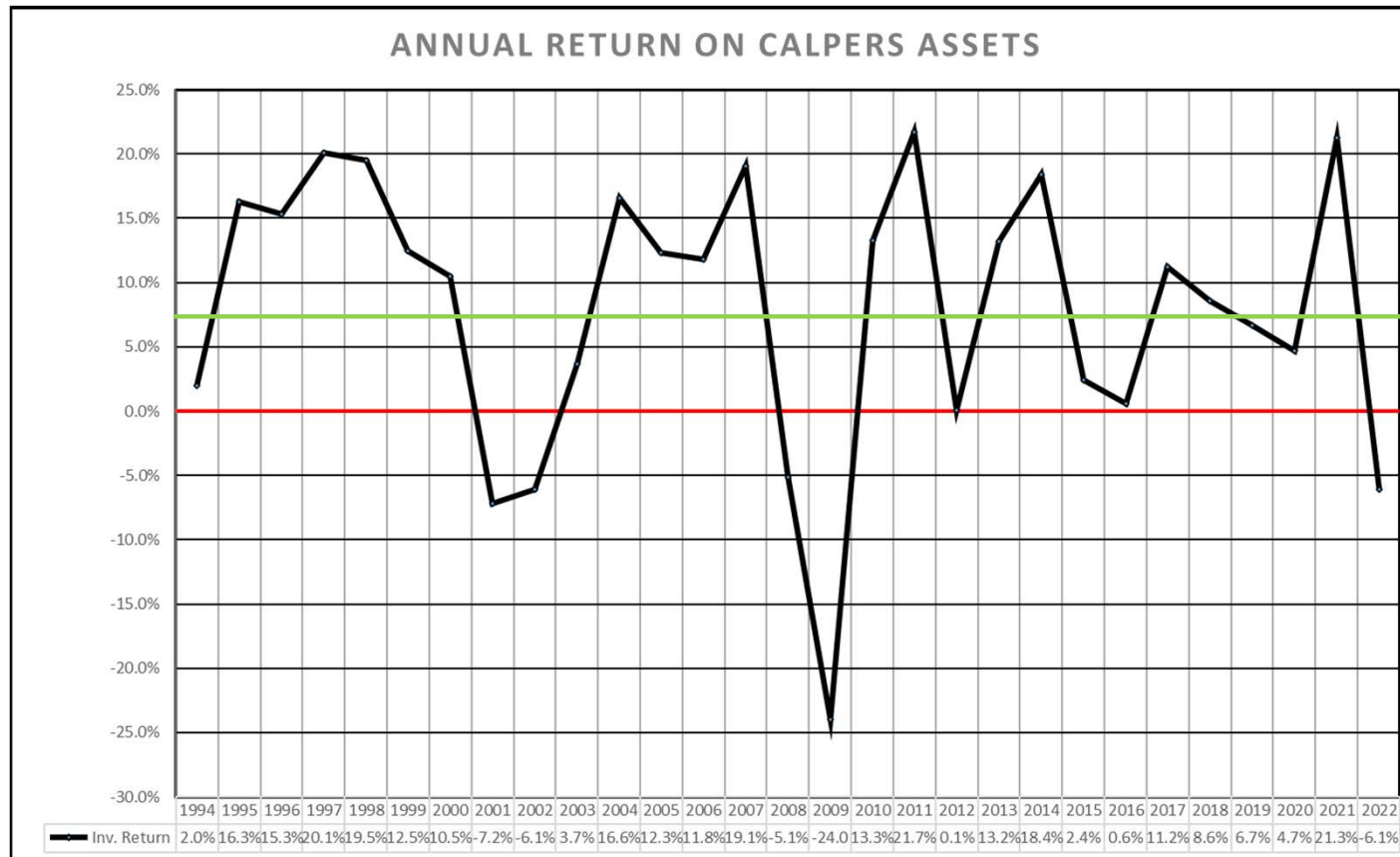
Trust Funds

- OPEB (Other Post Employment Benefits)
 - In May 2018 the City through collective bargaining restructured retiree health benefits, which will result in savings we will begin to realize in ~15 years.
 - Costs will continue to rise between 3% – 8% until then.
 - At June 30, 2022 the present value of benefits owed is estimated at \$19.0 million.
 - Asset balance (Osterweis) at 6/30/22 = \$10.8 million (-13.8% for the FY)
- Police and Fire Legacy Pension Plan
 - Estimated to be over funded by \$13.4 million at June 30,2022.
 - 10 remaining beneficiaries; Current annual benefits paid = \$175,000
 - Asset balance (Osterweis) at 6/30/22 = \$14.8 million (-13.9% for the FY)
 - Monies in this fund cannot be used for another purpose until all benefits have been paid, which is estimated to be around 2048.
 - Based on projections developed with the help of Bartel, we are estimating the overage in this fund will cover the shortfall in the OPEB trust around 2030, thus allowing us to pay benefits from the trust rather than the General Fund.

What is Happening at CalPERS

- CalPERS investment return was 21.7% in FY 20-21
 - Large gain will lower our Unfunded Accrued Liability (UAL) payments.
 - The discount rate will be lowered to 6.8 as part of CalPERS portfolio risk mitigation strategy. This will increase our normal cost payments.
 - Impact will begin in FY 23-24.
- CalPERS investment return was (6.1%) for FY 21-22.
 - Sizable loss will almost entirely offset the positive impact of last years large gain.

CalPERS Investment Results



- 21.3% gain in FYE June 2021
- (6.1%) Loss in FYE June 2022
- Green Line is the discount rate

Impact on FY 23-24 Pension Costs

	New <u>Projection</u>	Per Long <u>Range Plan</u>	Better \ <u>(Worse)</u>
Unfunded Accrued Liability (UAL)	\$ 2,562,147	\$ 2,986,000	\$ 423,853
Normal Cost	2,024,187	1,895,938	\$ (128,249)
Cost Share	(391,058)	(439,819)	\$ (48,761)
Total Pension Cost	\$ 4,195,276	\$ 4,442,119	\$ 246,843

Impact on Pension Costs – 5 Year Estimate

	FISCAL YEAR ENDING				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>New Projection</u>					
Unfunded Accrued Liability (UAL)	\$ 2,562,147	\$ 3,323,000	\$ 3,572,000	\$ 3,865,000	\$ 4,092,000
Normal Cost	2,024,187	2,091,089	2,158,084	2,219,985	2,262,402
Cost Share	(391,058)	(407,655)	(424,333)	(434,491)	(434,655)
Total Pension Cost	\$ 4,195,276	\$ 5,006,434	\$ 5,305,751	\$ 5,650,494	\$ 5,919,747
<u>Per Long Range Plan</u>					
Unfunded Accrued Liability (UAL)	\$ 2,986,000	\$ 3,323,000	\$ 3,572,000	\$ 3,865,000	\$ 4,092,000
Normal Cost	1,895,938	1,986,395	2,108,365	2,194,626	2,261,715
Cost Share	(439,819)	(457,621)	(475,756)	(486,795)	(488,269)
Total Pension Cost	\$ 4,442,119	\$ 4,851,774	\$ 5,204,609	\$ 5,572,831	\$ 5,865,446
<u>Better / (Worse)</u>					
Unfunded Accrued Liability (UAL)	\$ 423,853	\$ -	\$ -	\$ -	\$ -
Normal Cost	(128,249)	(104,694)	(49,720)	(25,358)	(687)
Cost Share	(48,761)	(49,966)	(51,423)	(52,304)	(53,614)
Total Pension Cost	\$ 246,843	\$ (154,660)	\$ (101,142)	\$ (77,662)	\$ (54,301)

LONG TERM GENERAL FUND PROJECTION												
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
GENERAL FUND PROJECTION												
	Growth											
Total Revenue	103.0%	36,503	35,920	34,966	36,264	37,619	39,033	40,509	42,051	43,661	45,344	46,704
Operating Expense		27,270	28,961	28,600	29,526	30,277	31,133	31,972	33,108	34,638	35,714	37,127
Pension - NC		1,811	1,847	2,024	2,091	2,158	2,220	2,262	2,312	2,370	2,424	2,497
Pension - UAL		2,297	2,591	2,562	3,323	3,572	3,865	4,092	4,287	4,606	4,949	5,184
Cost share		(536)	(419)	(391)	(408)	(424)	(434)	(435)	(431)	(427)	(406)	(392)
OPEB		750	900	933	978	1,053	1,122	1,160	1,241	146	154	161
Retirement		4,322	4,919	5,128	5,984	6,359	6,772	7,080	7,409	6,695	7,121	7,450
CAP Transfers	102.0%	3,961	2,550	2,121	1,741	1,836	1,766	1,915	1,729	2,195	1,735	1,769
Total Outflow		35,553	36,431	35,849	37,252	38,471	39,672	40,967	42,247	43,529	44,570	46,346
Net Revenue		950	(511)	(884)	(988)	(852)	(639)	(457)	(195)	133	774	357
GENERAL FUND FLOW												
Beginning GF Balance		7,458	6,948	6,064	5,083	5,504	5,919	6,330	6,798	7,390	8,178	8,535
PARS - In/(Out)		-	-	7	1,273	1,055	868	663	459	14	-	-
Ending GF Balance		7,458	6,948	6,071	6,356	6,558	6,787	6,993	7,257	7,404	8,178	8,535
Target (% of EXP)	18%	5,687	6,099	6,071	6,356	6,558	6,787	6,993	7,257	7,404	7,674	7,986
Projected %		23.6%	20.5%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	19.2%	19.2%
PARS FUND FLOW												
Beginning Balance		4,667	4,038	4,199	4,360	3,236	2,290	1,496	879	447	450	468
Contribution		-	-	-	-	-	-	-	-	-	-	-
Withdrawal - To Gen. Fund		-	-	(7)	(1,273)	(1,055)	(868)	(663)	(459)	(14)	-	-
Investment Earnings		(629)	162	168	149	108	74	47	26	18	18	19
Ending Balance		4,038	4,199	4,360	3,236	2,290	1,496	879	447	450	468	487
Investment Return	4.0%											
FACILITIES FUND FLOW												
Beginning Balance		-	8,277	8,344	5,774	3,026	(64,658)	(64,658)	(64,658)	(64,658)	(64,658)	(64,658)
General Fund Transfers		-	4,082	-	-	-	-	-	-	-	-	-
Other Revenue		-	60	-	-	-	-	-	-	-	-	-
Expenditures		-	(4,075)	(2,570)	(2,748)	(67,684)	-	-	-	-	-	-
Ending Balance		-	8,344	5,774	3,026	(64,658)	(64,658)	(64,658)	(64,658)	(64,658)	(64,658)	(64,658)

Questions ?