

December 7, 2015

**City Council of Piedmont, California**

**Mayor Margaret Fujioka, Vice Mayor Jeff Wieler, Council Member Teddy Gray King, Council Member Robert McBain, Council Member Tim Rood**

**Re: 2015 Report of the Piedmont Budget Advisory and Financial Planning Committee – Municipal Services Tax**

Dear Mayor Fujioka and Honorable City Council:

We are pleased to present our report concerning the renewal of the Municipal Services Tax. Our Committee completed substantial investigations and analyses across many areas concerning the City's financial position. Our objective was to review and analyze areas we found most pertinent and make recommendations, not only as the renewal of the tax and possible duration, but also in areas where we thought the City could benefit long term.

In an effort to improve the readability, this report contains an executive summary with our recommendations as well as 4 parts with associated appendices:

1. Comparison of actual results to the 2011 Municipal Tax Review Committee Report,
2. Financial projections and analysis,
3. Pension and post-employment healthcare, and
4. Facilities maintenance and replacement planning

In preparing this memorandum, the Committee met several hours each week with Vice Mayor Wieler, Finance Director Erick Cheung, and other City staff. We received presentations about various budget line items and their history, and we asked for additional information about certain budget categories, bringing in third party experts as needed. We would like to thank ex-Finance Director Cheung and Director of Public Works Chester Nakahara for their efforts. We also want to thank Bartel Associates for their help in untangling the complicated world of post-retirement benefits. Lastly, we want to thank the many contractors who helped in the facilities evaluation including:

- Chip Upshaw, Fidelity Roofing
- Atlas Heating and Air Conditioning
- Gary Hennings, H&M Engineering and Construction
- Dan Pitcock, Roberts Electric
- Paul Richards, Wilson Meany Property Management
- Matt Jessee, MB Jessee Painting
- Madonia Construction

**Re: 2015 Report of the Piedmont Budget Advisory and Financial Planning Committee – Municipal Services Tax**

Thank you for the opportunity, and as always, we stand ready to help the City Council in any financial matters.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'Bill Hosler', written in a cursive style.

Piedmont Budget Advisory and Financial Planning Committee

Bill Hosler, Chair

Jennifer Cavanaugh, John Chiang, Angela Carmel Michael, Christopher Moore, Shel Schreiber, Karen Sullivan, and Dirk ten Grotenhuis

# **Report of the Budget Advisory and Financial Planning Committee**

Piedmont, California

December 7, 2015

Committee Members:

Bill Hosler, Chair

Jennifer Cavanaugh

John Chiang

Angela Carmel Michael

Christopher Moore

Shel Schreiber

Karen Sullivan

Dirk ten Grotenhuis

# **Table of Contents**

**Executive Summary**

**Part 1 -2011 Municipal Tax Review Committee Report Comparison**

**Part 2 - Financial Projections and Analysis**

**Part 3 - Pension and Post Employment Healthcare and Cafeteria Plan**

**Part 4 - Facilities Maintenance and Replacement Planning**

**Appendix A – 7 Year Projections**

**Appendix B – City Tax Comparison**

**Appendix C – Facilities and Component Estimates**

## **EXECUTIVE SUMMARY**

The Budget Advisory and Financial Planning Committee (BAFPC or Committee) is pleased to present this report concerning the Municipal Special Services Tax (Parcel Tax). As requested by the City Council and per its charter, the Committee has analyzed the financial condition of the City and its longer term projections with the goal to recommending a level and duration of the Parcel Tax. In summary, the Committee concludes the following:

- The City (Council, staff, and employees) has done a commendable job of implementing prior recommendations helping to control costs and improving the long term financial health of the City,
- City finances have improved greatly as a result of these actions and the overall improvement in the economy, particularly the significant increases in Transfer Tax collections,
- The Committee does not believe the City currently has the projected resources to maintain key City services, tackle the deferred maintenance needs, meet retiree obligations, and undertake an expansion in base IT expenditures without additional revenues,
- The continuation of the Parcel Tax at least at the current level is critical for the City to continue to provide the services Piedmont residents enjoy today; however, the City Council should seriously consider increasing the Parcel Tax to address the items discussed in this report,
- The need for the Parcel Tax will continue for the foreseeable future - out beyond the traditional four year term,
- Despite the improvement in the economy and the steps taken to control costs, the City still faces significant unfunded liabilities in employee retirement benefits and deferred facilities maintenance costs that will continue to weigh on City finances, and
- Additional steps are recommended (detailed below) to more clearly highlight and address these unfunded liabilities.

### **Background**

The Committee has been charged with providing comments on the City's financial projections contained in its annual budget proposal, the proposed funding and expenditures from several long term funds, and periodically reviewing and commenting on the long term sufficiency of several city funds. The Committee has also been directed by the City Council to examine the need for the Municipal Services Special Tax (Parcel Tax) and recommend whether the tax should be continued, and if so, at what rate. The latter charge is to be accomplished not later than 18 months prior to the expiration of the Parcel Tax as set forth in the Piedmont City Code. The current Parcel Tax expires on June 30, 2017 and the earliest that the City Council can put the renewal of the Parcel Tax is on the June 2016 primary election ballot. At the City Council's meeting of October 5, 2015, the Committee was directed to also examine whether the duration of the Parcel Tax should be extended longer than the four years traditionally requested from voters since the Parcel Tax was first approved in 1981.

The former Municipal Tax Review Committee (MTRC), now folded into the Budget Advisory and Financial Planning Committee, last analyzed the need for the continuation of the Parcel Tax in September 2011. A number of the MTRC's recommendations in its September 2011 report have since been implemented, including the establishment of the Budget Advisory and Financial Planning Committee, establishment of a Facilities Maintenance Fund, reducing the growth rate of the cost of employee benefits (pension and retiree health care) with the establishment of a two-tiered benefit system, and increased sharing of health care insurance premium increases by employees. The Committee commends the City for implementing these critical recommendations and appreciates the employees increased sharing in the rising costs of employee benefits.

### **Conclusions and Recommendations**

The City has benefited from the economic recovery over the past few years, including record levels of transfer tax revenues with increasing property values. Even with these favorable economic trends, the City is not out of the woods, in light of increasing pension and retiree health care costs, as discussed in the Committee's June 2015 report to the City Council, as well as significant and growing deferred maintenance liabilities. There are several other areas of concern and recommendations that the Committee is bringing to the attention of the City Council. The Committee recognizes that the City has been very cost conscientious and conservative with expenditures over the past several years, and that many City employees have had flat or reduced take home pay due to benefit cost sharing (which is likely not sustainable). The below recommended steps alone may not be adequate to fund ongoing City needs with the continued increasing costs of employee benefits and the substantial deferred facilities maintenance costs (including the City's recognition that its computer systems and applications are antiquated). The City may need to consider increasing its current revenue (e.g., transfer tax rate, Parcel Tax, and other fees), and identifying new revenue sources to close the gap of future needs. However, the City has reason for optimism. First, the retirement of the City pension side fund debt in FY 2020 will free up additional cash resources to begin dealing with these liabilities. Second, the significantly over funded (City managed) Police and Fire Pension Fund will, if ultimately dedicated to Other Post-Employment Benefits (OPEB), go a long way to addressing the current retiree healthcare unfunded liability.

The Committee's recommendations are as follows.

1. The continuance of the City's Parcel Tax is critical to funding the City's operating expenses and maintaining the quality services for which its residents expect. This is demonstrated with a review of the City's recently provided 7 year General Fund financial projections. At the very least, the Parcel Tax should be increased annually by the full amount of the consumer price index. Additionally, the City Council should consider a rate increase of up to 50% to begin addressing the items discussed in this report.

As to the Parcel Tax term, there are pros and cons in extending the term beyond the current four year cycle, especially given its necessity into the foreseeable future. However, keeping the Parcel Tax at its current four year cycle for this term will give the City Council an opportunity to reassess the adequacy of the Parcel Tax amount in the future, not only with updated data and consideration of the economic cycle, but also with the side fund debt retirement in FY 2020, an improved assessment of deferred facilities maintenance needs, and the impact of future CalPERS decisions.

2. The City is to be commended in taking great strides in controlling increasing employee benefit costs since the issuance of the 2011 MTRC report. The Committee is still concerned, due in part to the CalPERS investment assumptions and growing costs of retiree healthcare.
  - The City should implement a CalPERS-approved cafeteria plan and adopt the CalPERS PEMCHA minimum for retiree medical for new hires. This will result in savings in the short term, which grows to significant savings in the long term.
  - Given the uncertainty with CalPERS investment returns and future funding requirements, the City should monitor the situation closely and implement additional measures it deems appropriate. Ultimately it will take the CalPERS members (employees) to pressure CalPERS into a better overall performance picture.
  - The City should periodically review the OPEB funding, including the unfunded liability, versus the funding status of the City's Police and Fire Pension Fund to determine if the gap is closing.
  
3. The City should initiate a study to determine the adequacy of its Facilities Maintenance Fund, including future replacement costs.
  - The City should consider creating a comprehensive long term facilities maintenance and replacement plan, tracking all major systems and components for their estimated useful life and replacement costs, similar to its Equipment Replacement Fund, to enhance and supplement the work done by staff in identifying and prioritizing deferred maintenance items. It is critical to know and understand what expenditures will be required over the horizon so that much needed funding, which is provided in good economic times like these, is reserved for critical needs.
  - The City should track and differentiate between ongoing operations and repairs versus replacements, under a long term plan on a building by building basis.
  - The City should budget to fund the Facilities Maintenance Fund at a sustainable level given the information from the long term facilities maintenance plan with a focus on more than just annual maintenance and repairs.
  - This report does not include a discussion or assessment of whether any of the city facilities should be replaced which would be a significant cost and outside the scope of our study.
  
4. Given the projected increases in pay as you go ("Paygo") retirement healthcare costs over the original 7 year projections, the City should avoid committing to permanent increases in base level expenditures without finding additional revenue sources or cost offsets. For example, the Committee recognizes that the antiquated IT systems need upgrading and believe the City should make a decision as to the prioritization of the entire IT master plan scope against other deferred maintenance items in the Equipment Replacement and Facilities Maintenance Funds.
  
5. For the City's long term projections,
  - Consider using a consistent format between financial projections and budget/actuals for ease of comparisons.

- Model salary and benefits in a more detailed fashion to avoid broad simplifying assumptions, especially given the projected rate of retirements and the shifting from Tier I to Tier II/III.
- As part of the annual budgeting process, compare prior long term projections with actuals, giving the City Council a better sense of the current financial trajectory and update financial projections, as necessary.
- Annually report the actual total contribution to OPEB (including the Paygo amounts) versus the Annual Required Contribution (ARC) to monitor the trend of unfunded liabilities.

The remaining sections of this report provide further details and information on the Committee's recommendations, including commentary and analysis of the City's 7 year financial projections.



## **PART 1**

### **2011 MUNICIPAL TAX REVIEW COMMITTEE COMPARISON**

The 2011 Municipal Tax Review Committee (MTRC) was very concerned with expenditure levels of the City, especially related to benefits provided by the City to its employees. By 2011 the City had gone through the recession and had lower fund balances than in the years prior to the recession primarily due to lower than anticipated real property tax and real property transfer tax, as well as some extraordinary one-time expenditures. The City's retirement benefit commitments - which were expanded in FY 2002-03 due to increased market pressures - were requiring substantially higher costs than originally anticipated, and the City was beginning to incur those higher costs. Additionally, the MTRC felt the City was not setting aside enough money every year for facilities maintenance and replacement. The MTRC concluded that the current expenditure levels combined with building deferred maintenance was unsustainable and would ultimately threaten vital City services. Even with the Parcel Tax extended, the 2011 MTRC was projecting negative General Fund balances in later years due to below normal projected growth in revenues, continued growth in benefit costs, and substantial funded reserves for facilities replacement.

As a result, the MTRC made several recommendations as follows:

1. Institute a multi-year planning process as part of every budget cycle.
2. Establish a new committee that would focus on the long term sustainable financial future of the City.
3. Recognize that certain revenues – particularly real property transfer tax – is very cyclical with good years followed by bad and thus the City should plan accordingly, but only forecasting an “average” level of revenue from such sources knowing that some years will be higher and some lower. Further, the City should recognize that large fund balances due to these sources being above average should not be considered addition sources to fund new City objectives.
4. Prioritize City services such that “mission critical” services are budgeted for and receive priority funding.
5. Establish formal objectives for capital maintenance and replacement funds (Facilities Maintenance and Equipment Replacement) and use these levels for allocating revenues.
6. Establish better procedures and controls for larger projects to reduce the likelihood of significant cost overruns.
7. Change the benefit plans/costs for new City employees to lower future benefit cost increases by establishing a two tier system and negotiate to increase employee contributions.
8. Not undertake new City services (pool, etc.) without at least understanding how they will be funded and arranging for additional funding as necessary.

Subsequent to the report, the City Council and staff took action on almost all of these recommendations, most notably the establishment of a two tier retirement benefit system, continued cost sharing on benefit cost increases, the formation of the BAFPC, multi-year “steady-state” planning, and setting aside substantial funds for facilities and OPEB.

Over the intervening years, the City's finances have improved significantly. On the following page is a comparison of the MTRC projections to the actual results over the past five years (note that the cost of the pension bonds has been included with benefit costs to make the numbers more comparable). Clearly, City General Fund balances have been far ahead of MTRC projections. As shown, revenues and transfers in were \$5.9 million higher due in large part to tax revenue related to real property, especially the transfer tax. As discussed elsewhere in this report, transfer taxes are the most volatile of all the City's revenue sources. If history is a guide, the future Transfer Tax collections will likely be lower than the recent past.

More encouraging, expenditures were significantly lower than projections (\$4 million) across the board but notably in salary and benefits – directly as a result of City actions and employee contributions. The resulting \$9.8 million improvement (just under \$5.9 million in higher revenue and \$4 million in lower costs) went to improve the General Fund balance and other funds, including Facilities Maintenance, Equipment Replacement, Sewer, and OPEB – helping to substantially reduce unfunded liabilities and better prepare the City for the future. In summary, the City did a very good job implementing the MTRC recommendations and using the excess revenues from the economic recovery to put the City in a much better financial situation.

It is worth considering that the dramatic improvement in financial condition came about with just 6% higher revenue over 5 years and 4% lower expenditures. It doesn't take enormous changes to have very material impacts on the City's financial condition – both for better and for worse.

## Comparison Of 2011 MTRC to Actual

	Total of Fiscal Years 10/11 to 14/15		
	2011 MTRC	Actual (a)	Difference
<b>REVENUE</b>			<i>Better/(Worse)</i>
Property Tax	47,598,094	48,851,927	1,253,833
Transfer Tax	12,666,214	16,418,112	3,751,898
Parcel Tax	7,930,651	7,957,050	26,399
Other Taxes and Franchises	12,273,660	11,643,497	(630,163)
Licenses and Permits	2,063,083	2,231,171	168,088
Use of Money and Property	1,810,000	2,208,800	398,800
Revenue from Other Agencies	5,915,000	6,517,527	602,527
Charges for Current Services	13,230,120	13,590,003	359,883
Other	370,000	626,218	256,218
<b>TOTAL Revenue</b>	<b>103,856,822</b>	<b>110,044,306</b>	<b>6,187,484</b>
<b>TOTAL Transfer In</b>	<b>6,502,366</b>	<b>6,182,308</b>	<b>(320,058)</b>
<b>TOTAL Revenue/Transfer In</b>	<b>110,359,188</b>	<b>116,226,614</b>	<b>5,867,426</b>
<b>EXPENDITURES</b>			
Salaries	49,673,104	48,783,057	890,047
Fringe Benefits (incl Pension Bonds)	26,769,652	24,736,822	2,032,830
Personnel Expenses	911,966	993,937	(81,971)
Supplies & Services	20,921,744	20,235,800	685,944
Non-Departmental	1,875,266	1,908,414	(33,148)
Capital Outlays	807,714	345,711	462,003
<b>TOTAL Expenditures</b>	<b>100,959,446</b>	<b>97,003,741</b>	<b>3,955,705</b>
<b>TRANSFER OUT:</b>			
Workers Compensation Fund	2,992,323	3,498,771	(506,448)
Liability Insurance Fund	2,341,818	2,111,902	229,916
Equipment Replacement Fund	1,536,482	3,420,000	(1,883,518)
Aquatics	1,676,785	528,156	1,148,629
Sewer Fund	0	275,682	(275,682)
Capital Improvement Fund	400,000	550,000	(150,000)
Private Contribution	0	5,120	(5,120)
Facility Maintenance	2,498,320	3,180,961	(682,641)
OPEB Medical Fund	1,024,322	2,984,337	(1,960,015)
COPS		168,250	(168,250)
<b>TOTAL Transfer Out (ex Pension Bonds)</b>	<b>12,470,050</b>	<b>16,723,179</b>	<b>(4,253,129)</b>
<b>TOTAL Expenditures/Transfer Out</b>	<b>113,429,496</b>	<b>113,726,920</b>	<b>297,424</b>
<b>Excess: Revenues over Expenditures</b>	<b>(3,070,308)</b>	<b>2,499,694</b>	<b>5,570,002</b>
<b>Beginning Fund Balance:</b>	<b>2,194,122</b>	<b>2,194,122</b>	<b>-</b>
<b>Estimated Ending Fund Balance:</b>	<b>(876,186)</b>	<b>4,693,816</b>	<b>5,570,002</b>

(a) For Fiscal Year 2014-15, the information in unaudited data

## PART 2 FINANCIAL PROJECTIONS AND ANALYSIS

The Committee has reviewed the recently provided 7 year General Fund projections (Appendix A) from City staff as part of the recent budget discussion. It is important to note that the projections assume the continuation of the Parcel Tax. The projections show revenue growing at a compound annual rate of 3.52% and expenditures growing at an annual compound growth rate of 2.59%. The table below shows revenue and expenditure growth assumptions over various periods.

### General Fund Revenue and Expenditure Growth

<u>Category</u>	<u>Last 30 Years</u>	<u>Last 10 Years</u>	<u>Projected Next 7 Years</u>
Annual Revenue Growth	7.09%	2.18%	3.22%
Annual Expenditure Growth	7.29%	3.19%	2.59%

At first take, it seems aggressive to project revenues growing faster than expenditures, and in fact the last 10 years saw the opposite where revenues grew by 2.18% annually versus expenses growing at 3.19% annually. However, there is a difference in the future as the side fund debt is repaid in year 5, resulting in much reduced expense growth in years 5 through 7. Ignoring the last few years of the projected period, the expenditure growth is over 3%. Of course over time the revenue and expense growth have to be close as is shown by the last 30 year rates which are 7.09% and 7.29%. These rates are heavily influenced by the higher growth and inflation days of the 1980's and 1990's.

### Property Taxes

The table below shows the various components of Piedmont general fund revenues for the current budget year 2015-16 as well as average growth rates and standard deviations over the last 15 years. The chart leads to several essential observations:

1. Property related revenues (Property Tax, Transfer Tax and the Parcel Tax) provide 68.5% of general fund revenues – this level has been consistent over the last 15 years.
2. The largest component of revenue, Property Tax, has shown substantial growth outpacing almost all other revenue sources. In addition, Property Tax generally has very low volatility as shown by the standard deviation of annual growth which is very beneficial for Piedmont.
3. Transfer tax growth rates are by the far the most volatile of any major revenue category and have shown 4.3% average growth over the last 15 years.

Charges for Current Services, made up mostly of recreation department fees and planning/plan check fees, have shown the highest level of growth and are generally more controllable by the City but are clearly tied to services provided.

<b>Revenue Growth and Volatility From 1999-00 to 2015-16</b>						
	<b>FY15-16 Budget Amount (\$ 000)</b>	<b>% of Budget</b>	<b>Average Growth Rate</b>	<b>Standard Deviation</b>	<b>Low</b>	<b>High</b>
Property Tax	11,188	48.9%	5.6%	4.6%	0.2%	15.8%
Transfer Tax	2,800	12.2%	4.3%	21.2%	-32.6%	42.6%
Parcel Tax	1,689	7.4%	5.3%	N/A	N/A	N/A
Other Licenses and Franchises	2,251	9.8%	4.3%	5.4%	-2.8%	17.0%
License and Permits	449	2.0%	3.6%	13.3%	-20.3%	24.4%
Revenue From Use of Money or Property	383	1.7%	1.2%	16.8%	-31.0%	31.5%
Revenue From Other Agencies	1,367	6.0%	0.5%	16.7%	-18.6%	49.8%
Charges for Current Services	2,683	11.7%	7.5%	7.3%	-4.4%	22.2%
Other Revenue	80	0.3%	-3.4%	N/A	N/A	N/A
<b>Total General Fund Revenues</b>	<b>22,888</b>	<b>100.0%</b>	<b>5.0%</b>		<b>-5.0%</b>	<b>15.8%</b>
<i>* Revenues from Other Agencies standard deviation data beginning in 2005</i>						

Every recent Municipal Parcel Tax Review report has discussed the size and volatility of the Piedmont Real Property Transfer Tax. As the table above shows, the Transfer Tax, which accounts for about one-eighth of revenues, has not grown substantially over the last decade (save for the last two years) and has shown extreme volatility from year to year making it the most volatile source of revenue for Piedmont. The table below shows transfer tax amounts and annual changes beginning in the year 2000. Whereas property tax annual growth rates ranged between 0-10% in all but 2 years, transfer tax growth rates ranged between -10% and 10% in only 4 out of 15 years making forward planning very difficult.

However, two items emerge from the data that may be helpful in planning: (1) periods of high growth are followed by periods of decline (and we have had very high growth recently), and (2) over the period the Transfer Tax generated at or above \$2.8 million in five years and below \$2.2 million in only four years. The average over the 15-year period was just under \$2.6 million per year. Given the volatility, it would seem that we could plan on a certain amount of revenue on average over the next several years, but the significant upward deviation that we have seen in the last two years would appear non-recurring and should be not be counted on in future years. As recommended by the 2011 MTRC, the City currently budgets a fixed amount - \$2.8 million - per year as an average, but due to recent high years, this number may not be as conservative going forward as it has since 2011. Nevertheless, we think it is reasonable to project the \$2.8 million average.

<b>Transfer Tax Revenue Growth</b>			
<b>Year</b>	<b>Amount (\$ 000)</b>	<b>Annual Growth</b>	<b>4 Year Trailing Average (\$ 000)</b>
2000	2,205	-0.6%	
2001	1,857	-15.8%	
2002	2,288	23.2%	
2003	2,494	9.0%	2,211
2004	2,954	18.4%	2,398
2005	2,468	-16.4%	2,551
2006	3,350	35.7%	2,816
2007	2,930	-12.5%	2,925
2008	1,974	-32.6%	2,680
2009	1,712	-13.3%	2,491
2010	1,844	7.7%	2,115
2011	2,629	42.6%	2,040
2012	2,701	2.7%	2,221
2013	3,186	18.0%	2,590
2014	4,001	25.6%	3,129
2015E	3,000	-25.0%	3,222

### **Property Taxes – Comparative Analysis**

The Committee did a comparative analysis of property taxes with cities it deemed similar to Piedmont based on size, population, home value, household income and the needs and requirements for safety and non-safety services. Although not similar to Piedmont, the cities of Oakland and Berkeley were included in the analysis since they share Alameda County taxes. Also included is the California Tax Foundation’s survey of local entities which levy parcel taxes.

What the comparative analysis indicates is that the City of Piedmont’s all-in property tax rate and amount for a \$1.6 million home is within the range of other cities and just slightly above the average. Refer to Appendix B for the analysis.

### **Projections**

The City’s projections as shown in the table below provide over \$1.1 million of positive net income after capital transfers resulting in an ending General Fund balance at a healthy \$5.7 million which is 20% of all expenditures and capital transfers. All of that positive income after capital transfers comes in the later years after repayment of the side fund debt. In the first 4 years, the City is projecting negative net income of \$658K.

Subsequent to the Committee’s initial review of the staff’s 7 year projections, we have been briefed on the new IT Master Plan and the projections for out of pocket retiree healthcare (Paygo) – both of which could materially raise the expenditure level of the City over the next five years.

To analyze the effects, we began with the City’s projections, keeping the Parcel Tax at the same level, and then made adjustments for the two known changes – higher Paygo and higher IT. The results are as follows:

1. When looking at the pension information from the actuary and comparing it to the projections, we learned that the Paygo costs (the actual costs we pay every year for retiree healthcare) could grow much more rapidly in reality than was the convention used in the projections (although these numbers are still estimates). The projections made a simplifying moderate growth rate assumption that it applied to all benefit costs, but the actual Paygo costs grow much more rapidly due to the number and projected growth of retirees. After adjusting for the Paygo, expenditures increased by over \$1.3 million which more than wipes out the net income shown.
2. The City has consulted with a technology firm to provide an overall assessment and master plan for the information technology needs of the City. The City’s computer systems and applications are antiquated and have not been seriously addressed for many years. We added to the projections costs for anticipated steady state funding of \$300K per year over and above what the City currently spends as recommended in the report. However, this addition is less than what the master plan recommends and we have addressed that as “deferred maintenance” item. Again our goal is to project a “steady state” expenditure level and we address deferred or one-time catch up items separately. Note that the steady state expenditure level increases costs by over \$2 million during the projection period putting further pressure on the General Fund.

### Adjusted 7 Year Financial Projections

(\$ 000)	Est	Est	Est	Est	Est	Est	Est	Total
	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	
Original 7 Year projection Net Income	(\$173)	(\$151)	(\$194)	(\$140)	\$282	\$671	\$833	\$1,130
1. Adjustment for Retiree "Pay As You Go"								
Remove Existing Assumption	409	425	442	460	478	498	518	\$3,230
Adjust for updated Bartell Rate assumptions	(409)	(485)	(563)	(657)	(745)	(823)	(927)	(\$4,609)
Net Effect	-	(60)	(121)	(197)	(267)	(325)	(409)	(\$1,379)
2. Incremental Base IT Spend	(\$226)	(\$300)	(\$300)	(\$300)	(\$300)	(\$300)	(\$300)	(2,026)
Original Projected General Fund Balance	4,409	4,259	4,064	3,925	4,207	4,879	5,712	
<b>Projected General Fund Balance for Paygo and IT</b>	<b>4,183</b>	<b>3,673</b>	<b>3,058</b>	<b>2,422</b>	<b>2,137</b>	<b>2,184</b>	<b>2,307</b>	
<i>Additional Deferred Maintenance IT</i>	-	(110)	(390)	(604)	(61)	-	-	(1,165)
<b>Projected General Fund Balance for Paygo and Full IT</b>	<b>4,183</b>	<b>3,563</b>	<b>2,558</b>	<b>1,318</b>	<b>972</b>	<b>1,018</b>	<b>1,142</b>	
<i>% of Expenditures and Trsfers Out</i>	<i>17.3%</i>	<i>14.3%</i>	<i>10.0%</i>	<i>5.0%</i>	<i>3.6%</i>	<i>3.7%</i>	<i>4.1%</i>	

Even before accounting for the additional “deferred maintenance” IT spending, the net result as shown above is a decline in General Fund balance in the later years to \$2.3 million, a reduction of \$3.4 million from the projected amount, which yields a fund balance less than 10% of expenditures. Based on these projected level of expenditures as adjusted for Paygo and the proposed IT spend increase, the City is not on a sustainable path, and these numbers do not yet even address unfunded liabilities including capital items and retirement promises. Just adding the full costs of the IT master plan (labeled as “Additional Deferred Maintenance IT”) would reduce the General Fund balance to under \$1 million by FY 2020, which is significantly below the recommended minimum of 15%.

**Recommendation:**

**Based on this analysis, the Committee recommends reassessing the priority of its deferred maintenance items, and scaling back the timing or scope of the IT Master Plan recommendations, or identify additional resources to cover the expenditures to bring the projections back in line.**

**Other Post-Employment Benefits (OPEB)**

Once we adjusted the projections for the updated information, we were able to analyze OPEB and capital needs funding. As provided elsewhere in this report, the City incurs economic costs every year by promising employees retirement healthcare benefits. Even though the City is not required to set aside money for these promises (only Paygo is required to be paid currently), the true costs accrue as liabilities that need to be paid in the future. As discussed in the Pension and Post Employment Healthcare Section (Part 3), the current unfunded liabilities of those costs are \$12.4 million and growing.

The City has been contributing at least \$312K every year to the OPEB trust for future retiree healthcare costs - and more out of surplus revenue – and by paying Paygo costs out of the General Fund, both of which help to slow the growth of the accrued liability. In an effort to understand how much the City is underfunding OPEB (and hence increasing the unfunded liability), the Committee looked at the combined contribution value of the \$312K (or higher) annual contribution to OPEB in the projections, plus the Paygo amounts and compared to the “Normal Costs” required. Remember that the Normal Costs are the amount calculated as the annual required contribution into OPEB to not increase the unfunded liability. To pay the Normal Costs is to meet the annual cost required for the promises made. However, paying the Normal Cost does not reduce the unfunded liability that exists today.

The table below shows the projected funding levels, combined with Paygo, as compared to the Projected Normal Cost. Happily, as shown in the table, the City has a small shortfall in the early years which is more than made up in the later years by larger contributions. In other words, over the period, the City is projecting to contribute \$1.7 million above the Normal Cost, which would help to reduce the unfunded liability discussed in the prior section. Note that this surplus happens only in the final two years after the side fund debt is extinguished.

**OPEB Funding Projections**

(\$ 000)	Est	Est	Est	Est	Est	Est	Est	
	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	Total
OPEB Funding								
Projected OPEB Contributions	312	312	312	312	312	1,000	1,000	3,560
Paygo Contributions	409	485	563	657	745	823	927	4,609
Total OPEB Funding	721	797	875	969	1,057	1,823	1,927	8,169
Projected Normal Cost	(838)	(863)	(889)	(916)	(943)	(971)	(1,000)	(6,420)
<b>Net OPEB Funding Surplus/(Shortfall) No Amort</b>	<b>(117)</b>	<b>(66)</b>	<b>(14)</b>	<b>53</b>	<b>114</b>	<b>852</b>	<b>927</b>	<b>1,749</b>

We next analyzed what would happen to the unfunded OPEB liability over the 7 year term. In the table below we have estimated the unfunded liability given the funding levels above. As



shown, the liability shrinks slightly from \$12.5 million to \$10.7 million – by approximately the same amount of surplus funding above.

### OPEB Liability Projections

(\$ 000)	Est	Est	Est	Est	Est	Est	Est	
	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	Total
Estimated Unfunded OPEB Liability Balance	(12,535)	(12,601)	(12,615)	(12,561)	(12,447)	(11,596)	(10,669)	
Estimated PFPF Overfunded Balance	9,646	10,225	10,838	11,489	12,178	12,909	13,683	
<b>Combined (Shortfall)/Surplus</b>	<b>(2,889)</b>	<b>(2,376)</b>	<b>(1,777)</b>	<b>(1,073)</b>	<b>(270)</b>	<b>1,313</b>	<b>3,014</b>	
<i>Annual Surplus/(Shortfall) in Unfunded Liability</i>	<i>429</i>	<i>513</i>	<i>600</i>	<i>704</i>	<i>803</i>	<i>1,582</i>	<i>1,701</i>	<i>6,332</i>

We went further and made an assumption that the overfunding in the Police and Fire Pension Fund (PFPF) could be applied to OPEB at some point in the future. Assuming the overfunded balance grows at 6% investment returns annually, the analysis shows that in theory the overfunded PFPF balance could more than make up for the unfunded OPEB balance and actually result in a funding surplus if combined of over \$3 million!

#### Recommendation:

**Given the large expected increases in Paygo, and the ability for the PFPF to cover a significant amount of unfunded OPEB liabilities, the City should re-evaluate OPEB contributions once the side fund is repaid and perhaps redirect some later year contributions to more pressing needs.**

#### Facilities Maintenance and Replacement

To recap, the adjustments required for Paygo as well as the proposed IT Master Plan, would put the General Fund in an untenable position within just a few years without additional revenues or expenditure offsets. However, if we apply the overfunded PFPF, at least theoretically, to OPEB over time, we could actually eliminate a large liability from OPEB. Before we complete our analysis, we need to include the results of our study on facilities maintenance. As discussed in Part 4 of this report, the Committee believes the City is still significantly underfunding its facilities maintenance and replacement needs – both in aggregate dollars into the fund and because the funds have been spent on more ongoing operating items and studies - not on actual facilities maintenance and replacement.

The table below shows the shortfall in funding for facilities based on the analysis shown in Part 4 of this report. We added costs related to the Committee’s recommended funding level for longer term maintenance and replacement as well as adding on for the annual service contracts that are paid out of the fund and then adjusted for the level of funding provided in staff projections. The result is an additional \$3.8 million in capital transfers required over the period beyond what is provided for in the projections – again just to maintain the City’s facilities in their current state. The \$3.8 million amount in the table below does not address deferred maintenance which we estimated at almost \$10 million nor does it account for any design costs or studies which would further add to costs.

#### Facilities Maintenance and Replacement Needs

(\$ 000)	Est	Est	Est	Est	Est	Est	Est	
	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	Total
<b>Facilities Maintenance and Replacement Needs</b>								
Estimated Ongoing Facilities Maintenance Needs	(641)	(660)	(680)	(700)	(721)	(743)	(765)	(4,912)
Maintenance Service Contracts	(280)	(288)	(297)	(306)	(315)	(325)	(334)	(2,145)
Less Budgeted Set Aside	450	450	450	450	450	500	500	3,250
Net Add'l Requirements (Ex Deferred Maintenance)	(471)	(499)	(527)	(556)	(587)	(568)	(600)	(3,807)

As noted above, given the projected higher Paygo costs, and the impact to the General Fund, the City will have to evaluate the relative priorities of various facilities maintenance and replacement items, because with a simple renewal of the Parcel Tax, there is not currently enough projected revenues.

**Recommendation:**

**To better make an informed decision over time, the Committee recommends that the City make it a top priority to create a long term detailed plan for facilities maintenance and replacement similar to the Equipment Replacement Fund so that capital needs can be prioritized in a reasonable way as the City does not have enough funding to maintain its facilities given its current level of expenditure.**

## PART 3 PENSION AND POST-EMPLOYMENT HEALTHCARE

In its 2012 report, the BAFPC took an in-depth look at pensions and retiree healthcare costs. At the time, the Committee estimated total unfunded liabilities of \$40 million (excluding the Police and Fire Pension Fund which was overfunded). Based on recent data from Bartell Associates, the actuary retained by the City, the picture has improved due primarily to (1) instituting of “Tier II and Tier III” benefit plans for new employees lowering future retirement costs, (2) improved investment returns, and (3) significant funding for the Other Post Employment Plan (OPEB) retiree healthcare plan as shown in the table below. As shown, the \$12 million improvement is quite substantial, but keep in mind we are almost 6 years from the last market low (implying more modest returns going forward and likely higher levels of underfunding).

### Piedmont Unfunded Liabilities for Retirement Benefits

	2012	Today	Difference
CalPERS Retirement Plans	\$30,000,000	\$15,415,160	(\$14,584,840)
OPEB	<u>\$10,002,000</u>	<u>\$12,418,000</u>	<u>\$ 2,416,000</u>
Total	\$40,002,000	\$24,269,160	(\$12,168,840)

*Numbers based on Bartell Associates reports and BAFPC estimates*

**CalPERS:** The liability numbers associated with CalPERS retirement plans still assume CalPERS will earn a 7.5% annual return for the long term – a number which has not proven to be true in the last 15 years and is unlikely to be true anytime soon given low interest rates and high stock prices. A reduction in this assumed return would significantly increase the unfunded liabilities on the Retirement Plans.

However, CalPERS has taken more serious steps to reduce this unfunded liability going forward by significantly increasing employer (City) contributions to retirement plans. The table below shows the percent of salary that the City is required to contribute to employee pension costs (CalPERS), how these funded levels have changed over the last 10 years, and how they are expected to grow into the future. Note that the recent actuals and the current projections are far higher than they were projected to be only 5 years ago as the Committee warned. And the Committee expects that the contributions rates in the future will surpass those shown here.

### CalPERS Funding Rates

Employee Group	2005 Level	2015 Level	2020 Level (Proj.)
Safety Tier I	17.69%	32.61%	43.33%
Safety Tier II/III Average	N/A	13.65%	14.30%
Misc. Tier I	11.61%	18.78%	24.67%
Misc. Tier II/III Average	N/A	6.47%	6.95%

*Note that the Tier I rates exclude the side fund impact*

As shown, the rates for Tier I plans, which were put in place in 2003, have increased dramatically over the period resulting in millions of dollars of increased costs to the City today and in the future to provide for the same basic level of service/benefit. Also as shown, by instituting the new Tier II/III plans, the City's costs decline by almost 2/3rds. These new plans have been especially important to the City as we have historically had an older work force, and the City has experienced significant staff turnover/retirements over the last five years. As a result, we are experiencing the benefit of the Tier II/III plans earlier than cities with a younger workforce. As of today, there are 70 employees in the Tier I plans and 25 in the Tier II/III plans – a substantial turnover just in the last few years.

As importantly, the City has negotiated with employees to have them cover 50% of increased CalPERS contribution costs above certain levels. For Tier I Safety, that level of sharing occurs at 18.921% and so 50% of the increase that has occurred and will occur is being paid for by the employee. For Tier I Miscellaneous, the level at which employees share is 22.089% and so based on the projections, Tier I Miscellaneous employees will begin sharing in the future. It is important that the City maintain this sharing in a cost effective way going forward.

**OPEB:** On OPEB, it is worth noting that in addition to the unfunded liability, the City currently does not fund the annual actuarial costs (the “Normal Cost”) of what benefits employees accrue in the current years which will lead to even higher unfunded liabilities in the future. On the other hand, the City does fund all current costs of retiree healthcare premiums out of the General Fund instead of out of the OPEB trust (these are referred to as pay as you go costs “Paygo”). As shown in the chart below, the City has done a reasonable job of funding OPEB (including the Paygo) in an amount almost equal to the Normal Cost (\$4.345 million funded versus \$4.458 million required), but did not fund enough to begin to amortize the unfunded liability

#### OPEB Funding Shortfall

	Actual			Unaudited	Budget	5 Year Total
	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	
<i>Funds Coming In:</i>						
OPEB Trust Revenue	216,865	512,000	1,131,354	887,647	312,000	3,059,866
Pay As You Go	149,730	165,318	232,858	329,000	409,000	1,285,906
<b>Total Funding</b>	<b>366,595</b>	<b>677,318</b>	<b>1,364,212</b>	<b>1,216,647</b>	<b>721,000</b>	<b>4,345,772</b>
<i>Funds Required:</i>						
Normal Cost	906,000	935,000	965,000	814,000	838,000	4,458,000
Unfunded Liability Amortization	417,000	506,000	582,000	689,000	745,000	2,939,000
<b>Total Required</b>	<b>1,323,000</b>	<b>1,441,000</b>	<b>1,547,000</b>	<b>1,503,000</b>	<b>1,583,000</b>	<b>7,397,000</b>
<b>Shortfall</b>	<b>956,405</b>	<b>763,682</b>	<b>182,788</b>	<b>286,353</b>	<b>862,000</b>	<b>3,051,228</b>

It is worth noting that the City's Normal Costs have been reduced since the 2012-2014 period primarily due to funding in excess of initial assumptions (the report in 2012 assumed much less funding than occurred). Although the City is not reducing the liability directly and it is growing, there is another source to help address that liability as discussed below.

**Police and Fire Pension Fund:** The tables above do not include a pension trust run by the City for the benefit of certain safety employees that retired prior to Piedmont becoming part of CalPERS, known as the Piedmont Police and Fire Pension Fund (“PFPP”). The PFPP is a “closed” fund which means there are no new beneficiaries coming into it, and it is managed by

the City through an outside advisor as opposed to CalPERS. As a result of this closed nature and above average outside investment management performance, the fund has become significantly overfunded. As of the last measurement date of June 30, 2014, the PFPF had an estimated present value pension liability of \$2.6 million, but assets in excess of \$11.7 million providing for a surplus of \$9.1 million. Over time, once the pension beneficiaries are paid out, the City should have a substantial amount of excess funds (the assets should earn far more than the payout over time). For our analysis, we have assumed that these funds can be “applied” to the underfunded OPEB and would make up a significant portion of the current underfunding, making the OPEB unfunded liability much smaller (from \$12.4 million to \$3.3 million) and thus a much smaller dollar amount to amortize the OPEB Unfunded Liability Amortization than shown in the table above (see Financial Projections and Analysis section for more information).

**Employee Benefits – Active and Retiree Medical**

This section of the report discusses the benefits of implementing a CalPERS-approved cafeteria plan to provide the City with more control over the rising cost of medical insurance premiums for its active employees and provide significant savings over time in reducing the cost of retiree medical.

**Background:**

The Piedmont Municipal Tax Review Committee (MTRC) 2011 report noted the rising cost of employee benefits over the past decade, and that if nothing is done to address the rising costs, it is not financially sustainable into the future. It was noted that fringe benefit costs have been increasing nearly twice as fast as salaries. The MTRC 2011 report recommended the commissioning of an expert independent analysis of employee benefit obligations, including a possible dollar cap on the costs of employee fringe benefits.

To illustrate, the following table shows the insurance premiums for the Kaiser health care plan over the past 7 years.

<b>Kaiser Premiums</b>							
	2016	2015	2014	2013	2012	2011	2010
Single	746.47	714.45	742.72	668.63	610.44	568.99	532.56
Employee + 1	1,492.94	1,428.90	1,485.44	1,337.26	1,220.88	1,137.98	1,065.12
Family	1,940.82	1,857.57	1,931.07	1,738.44	1,587.14	1,479.37	1,384.66
<b>Increase over the prior year:</b>							
Single	4.48%	-3.81%	11.08%	9.53%	7.28%	6.84%	
Employee + 1	4.48%	-3.81%	11.08%	9.53%	7.28%	6.84%	
Family	4.48%	-3.81%	11.08%	9.53%	7.28%	6.84%	
<b>Compounded rate of increase over 6 years:</b>				<u>5.79%</u>			

Like many California cities, Piedmont’s employees and retirees receive medical benefits through the California Public Employees Retirement System (CalPERS). The City’s participation in the

CalPERS health plan for active and retired employees became effective on January 1, 1997. The City of Piedmont at that time adopted the CalPERS “Unequal Method” for retiree medical benefits. The Unequal Method meant that the City would provide 5% a year till it reached 100% of retiree medical costs for single only, over a 20 year period. Due to IRS rules, the married and family rates grew at a much slower pace and is capped at \$1,200 annually. The table below shows the contribution rates for retired employees prior to Medicare age of 65:

**Kaiser Health Plan Rates for Retirees**

Health Plan Kaiser	Rate:	Total Employer Contribution:	% of Premium:
Employee	714.45	643.01	90.00%
Employee + 1	1,428.90	1,067.36	74.70%
Employee + Family	1,857.57	1,147.26	61.76%

At the direction of the City Council, staff selected and retained *Management Partners* to analyze the City’s existing health care benefits and associated costs for current and retired employees with the objective of identifying options for reorganizing benefits to limit future costs, while ensuring the City remains an attractive employer in the local government market.

In June 2013, one of the recommendations that *Management Partners* provided to the City Council was to consider the CalPERS Public Employees’ Medical and Hospital Care Act (PEMHCA) minimum option which would require an approved cafeteria or flexible benefits option. Many cities and agencies had established cafeteria plans to have more control over health care and benefits costs by limiting the dollar amount that they will contribute to the plan for employees. The cafeteria or flexible benefit plan ensures that the difference between PEMCHA minimum and medical premiums do not become taxable to current retirees. In order to comply with PEMHCA, cafeteria plans must meet a number of requirements, such as:

- The City must establish a PEMHCA monthly contribution amount for both active and retired employees, required to meet or exceed a minimum amount set by CalPERS, which is adjusted annually by the medical CPI index - currently \$122 for 2015 and \$125 for 2016. The PEMHCA minimum amount would not affect current retirees or current employees when they retire – they receive the same retiree health benefit as is now in place. However, after adoption of the PEMCHA minimum, new hires that eventually retire would receive a significantly reduced promise to retiree medical since it could set at the minimum amount of \$122 for 2015 compared to the Kaiser single rate of \$714.
- The City must establish the amount that it will contribute each month to the cafeteria plan for active employees.
- The City must offer at least one other benefit in addition to medical coverage (e.g., dental, vision, life or disability). (The City of Piedmont currently offers medical, dental, vision, life and long-term disability to its employees).
- The employee must have discretion in assigning the available monies in the cafeteria plan.
- The City could provide a cash-in-lieu option assuming the employee has coverage through a spouse or parent (assuming under age of 26).

Per *Management Partners'* report, they surveyed 49 Bay Area cities and found that 43 of the 49 cities contract with CalPERS for health care benefits and 22 of those 43 cities utilizes a cafeteria plan to control retiree health costs within the constraints of CalPERS regulations. A CalPERS-approved cafeteria plan for active employee health care affords the City a way to manage the cost of retiree health care coverage within the context of the CalPERS program. *Management Partners* was also able to obtain benchmarking information of the cafeteria plans offered by six cities: Belmont, Campbell, Fremont, Half Moon Bay, Los Altos Hills, and Millbrae. The benchmarking data included the contribution amount to PEMHCA, benefits included in their cafeteria plan, cafeteria plan contributions (employee, employee + 1, family), and whether an incentive is offered to employees who opt out of medical coverage. Steps in developing and implementing a cafeteria plan were also included in their report.

It is difficult to determine the retiree medical cost savings of going to a cafeteria plan given the great number of variables, both controllable and uncontrollable. *Management Partners* estimated cost savings of \$85,000 for fiscal year 2015-16, but noted that an actuarial study would yield the best results.

The City was already engaged in labor negotiations, since labor agreements had expired as of January 2013, and there wasn't sufficient time to plan and provide the City Council or the labor unions a fully designed and approved cafeteria plan.

The City Council and labor unions did agree on a couple of issues related to medical in the last negotiations. First, both sides agreed that employees would begin sharing equally on Kaiser medical premium increases above 2013 Kaiser rates. Secondly, the City adopted the CalPERS "Vesting Method" for retiree medical insurance. The Vesting Method was for employees hired on and after March 1, 2014, whereby the City paid contributions are based upon the employee's completed years of credited service. Under the Vesting Method, a minimum of ten years of service credit is required to receive 50% of the employer contribution, with five of those ten years of service as an employee of the City of Piedmont. Each additional service credit year after ten years increases the employer contribution percentage by 5%, until the retiring employee is eligible for 100% of the employer contribution after 20 years of service. This was considered an intermediate step and was to address the issue of some retirees who had minimal service to Piedmont but receiving retiree medical for life from the City.

Even with these changes, the City is still paying for a large portion of retiree medical coverage and City Council engaged *Bartel and Associates*, actuaries, to review the financial impact of adopting the PEMCHA minimum option. The Committee recently received a draft actuarial report, dated November 5, 2015, from *Bartel Associates* outlining the potential cost savings for retiree health care by implementing a CalPERS-approved PEMCHA minimum option. CalPERS' regulations only allow us to provide two tiers for retiree health care. Given that constraint, the City would need to eliminate its new Tier 2 plan for employees hired on or after 3/1/2014.

There are a total of 21 Tier 2 employees that would be adjusted to Tier 1 consisting of 9 Miscellaneous (i.e., City Administrator) and 12 Safety (i.e., Police & Firefighters) employees. This information was considered in the calculation of the normal cost percent of payroll for employees hired after 6/30/2015, and payroll for new entrants was based on replacement of terminations from the existing workforce. The Normal Cost (funding by current employees for their retiree medical) differential for converting Tier 2 employees to Tier 1, for those employees hired between 3/1/2014 to 6/30/2015, is 0.1% (from 8.1% to 8.2%) or \$2,000 (from \$89,000 to

\$91,000). The impact to converting these employees to Tier 1 is minimal because of years of service accrued with other CalPERS member or reciprocal agencies (i.e., County or other City plans in California).

The annual required contribution (ARC) for funding retiree medical is comprised of: 1) the Normal Cost for current employees and 2) the Unfunded Actuarial Accrued Liability (UAAL) amortization for retired employees. The City has been contributing a minimum of \$312K to the OPEB Trust each year (with additional amounts contributed of \$200K in FY 12/13, \$819K in FY 13/14, and \$575K in FY 14/15) to accelerate the reduction in the UAAL, as previously discussed in the prior section of this report. We recommend that the City continue its practice of contributing additional amounts annually, to accelerate the reduction of its UAAL for retiree medical.

The ARC contribution with a CalPERS-approved cafeteria plan (“Alternative Benefits”) will result in significant savings over time as compared to the existing plan (“Current Benefits”), as reflected in the following table.

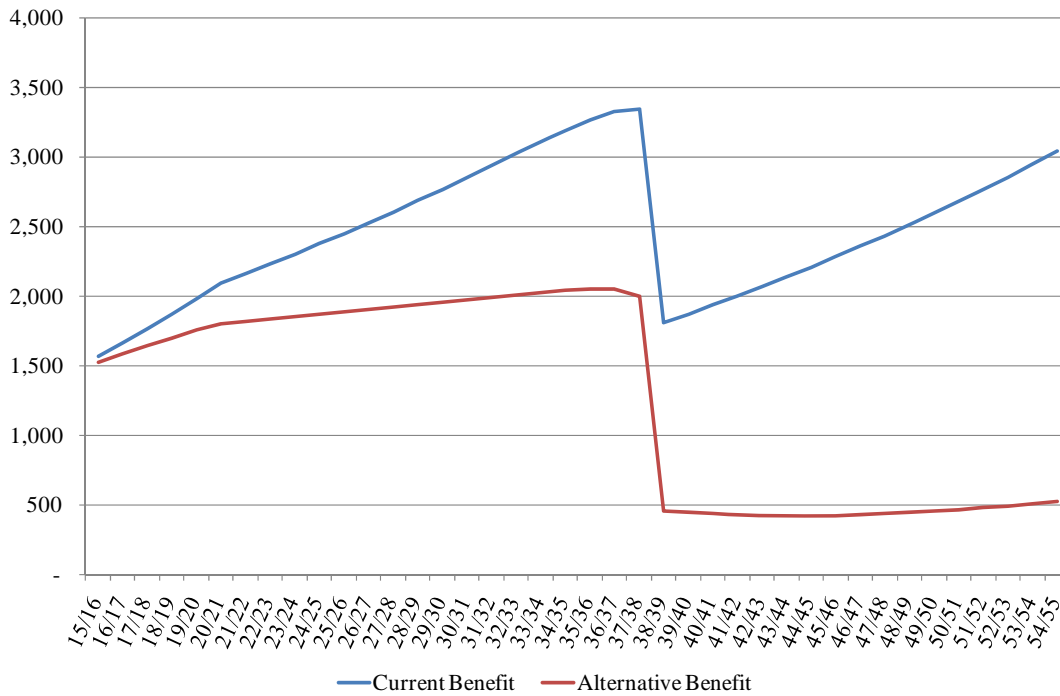
	<b>10-Year ARC Projection</b>		
	(Amounts in 000's)		
<b>FYE 6/30</b>	<b>Current Benefits</b>	<b>Alternative Benefits</b>	<b>Increase/ (Decrease)</b>
2016	\$ 1,564	\$ 1,525	\$ (39)
2017	1,660	1,584	(76)
2018	1,762	1,643	(119)
2019	1,871	1,699	(172)
2020	1,985	1,754	(231)
2021	2,095	1,802	(293)
2022	2,167	1,816	(351)
2023	2,235	1,834	(401)
2024	2,305	1,852	(453)
2025	2,377	1,868	(509)

Please note that the increase in savings is the result of the normal cost for the new hires (after the effective date of the CalPERS-approved cafeteria plan) is lower than current active employees since the new hires are pre-funding a much lower post-retirement benefit (at least the PEMHCA minimum, which is currently \$122/month).

As noted above, the savings are significant over time, as reflected in the graph below.



### ARC Projection (Amounts in 000's)



Note: The top line is the Current Benefit and the bottom line is the Alternative Benefit

The City of Dublin, CA recently implemented a CalPERS-approved cafeteria plan, effective the beginning of calendar year 2015. We recommend that staff meet with the Human Resources Director at the City of Dublin to get more information as to their CalPERS-approved cafeteria plan. In reviewing the City of Dublin’s employee benefit summary, they have limited their contribution to a maximum of \$1,426.83 per month for health insurance coverage, which is equal to the Kaiser premium for an employee plus one or the 2-party plan.

**Recommendation:**

**The City of Piedmont should implement a cafeteria plan (or flexible spending plan) and adopt the CalPERS PEMCHA minimum for retiree medical for new hires, since there is a minimal cost increase from moving current employees from Tier 2 to Tier 1 for retiree medical, and the significant savings in the short and long term.**

## **PART 4**

### **FACILITIES MAINTENANCE AND REPLACEMENT PLANNING**

The Piedmont Municipal Tax Review Committee (MTRC) in 2011 recommended that the City conduct an assessment of each facility's basic systems and condition in order to plan for and schedule facility maintenance and repair work over the lifetime of each facility. This recommended approach is similar to that taken by the City to manage the Equipment Replacement Fund.

#### **Recommendations**

Comprehensive Analysis: Continue work initiated by city staff (Draft Facilities Maintenance Plan or FMP, May 2015) to create a comprehensive facilities maintenance plan. Our estimate is that the draft plan provides a solid foundation however is less than 50% complete. Dedicating resources to completing the plan, with a specific focus on civic buildings, will improve the accuracy of this forecast and enable the City to effectively plan for future facilities maintenance needs.

Tracking: For improved planning purposes, the Committee recommends tracking facilities-related spending in multiples categories, by building, based on the type of expenditure and nature of investment:

- Operations and repairs: consisting of on-going contractual services and minor repairs;
- Facility maintenance: projects undertaken to maintain existing structures;
- Capital improvements: projects providing new or expanded facilities or requiring debt obligation or borrowing.

Improved tracking, by building, as has been done for on-going contractual services this past year, will enable to the City to more accurately predict and plan for expected future expenses in the upkeep of its existing facilities.

Budgeting: The Committee recommends that the City allocate resources to complete deferred maintenance work while simultaneously planning for future replacement needs. The Facilities Maintenance Fund should be funded at a sustainable level with a focus on an appropriate fund balance instead of solely annual funding. Like the Equipment Replacement Fund, the Facilities Maintenance Fund should be itemized for specific projects to more prudently prioritize and avoid less discriminate expenditures when fund balances are high.

#### **Proposed Spending**

Absent comprehensive building-by-building analysis, the MTRC 2011 committee estimated steady state Facilities Maintenance funding at \$420K, roughly a weighted-average of five prior years' spending, which ranged from \$100-\$700K per year. (Note: funding in these years included capital improvements projects as part of the spending.) However, the 2011 analysis did not take into account the current state of city facilities, known or potential deferred maintenance, or anticipated facilities maintenance costs required over the life of each facility.

As facilities maintenance spending has been nominal in recent years, significant increases in facilities maintenance spending will be required to address the deferred maintenance backlog and

allocate funds for future expenses. Based on our analysis, the City could spend up to \$2.6 million annually for the next several years to begin to address the inherent backlog and save for future needs. See below for an explanation of deferred maintenance needs.

<b>Recommended Annual Facilities Maintenance Spending</b>	
	<u><b>Budget</b></u>
Annual Investment in Future Replacement	\$ 641,000
Deferred Maintenance in FMP	810,000
Additional Deferred Maintenance	<u>1,189,000</u>
<b>Total</b>	<b>\$ 2,640,000</b>

## **Background**

Piedmont owns and operates more than 22 facilities, with a total capacity of over 78K ft<sup>2</sup>, plus numerous park structures, such as play structures, park restrooms and tennis courts. The average building age is almost 60 years old: many of buildings date back to the early 1900's (e.g. City Hall built 1908; Community Hall, Public Works, Corporation Yard, and Utility buildings, 1920; Linda Beach Restroom, 1950; Community Pool building, 1964.)

Insurance appraisals estimate the total replacement value of Piedmont buildings at \$17.8 million (Appraisals by Asset Works, as of 2011 and 2014 assessments). The Committee posits that a significant portion of the value of each city facility will be spent again in the lifetime of the facility in order to maintain, restore, and refurbish the structure, its infrastructure, component systems, and contents. For example, while the foundation might not be replaced on a 60-year old building, the City should anticipate replacing a building's roof on average every twenty years (or three times) and replacing carpets and refinishing hardwood flooring every 10 years (or six times) during the life of that building. As these are known and anticipated costs, the Committee recommends planning and budgeting for such expenses so that resources are available to maintain and extend the life of city facilities.

For example, if all of the city's roofs were new today, then in approximately 20 years the city would need to replace each roof at a total cost of \$958K (see Roof Replacement Analysis in Appendix for details.) Our recommendation is that the city budget for the anticipated costs to replace city roofs (and all other components) annually, in this case \$48K for anticipated future roof costs. These costs are in addition to any deferred maintenance the city may have as a current liability to restore the current condition of its facilities.

To complete such an analysis, the Committee studied the following components of city facilities in order to assess the on-going maintenance costs the city should anticipate spending to replace these basic building components, plus park structures (for further detail, see Appendix C):

- Roofing
- HVAC
- Electrical
- Painting
- Plumbing
- Flooring
- Windows
- Facility Contents

## **Future Spending Requirements**

Our analysis identified total costs of \$10.7 million to maintain and repair each of the buildings' basic components. This estimate captures more than half of the insurance estimated replacement value of city facilities. Plus an additional \$1.4 million is required to replace park structures equates to a \$12.1 million total. Based on the expected useful life of each component, our recommended annual budget is \$641K for future anticipated facilities maintenance needs of these buildings and park structures.

There are several limitations to this analysis; therefore, the costs identified here may be assumed to be a minimum as the actual costs are likely underestimated for the following reasons:

- Assumes current costs as of September 2015 for labor and materials, with no increases to account for future inflation or changes in code,
- Building component list evaluated is not a comprehensive list of all costs associated with remodeling or maintaining a building (e.g. missing components include information technology infrastructure, drywall, doors, trim, system upgrades, etc.), and
- Costs for engineering, design, and planning to initiate maintenance and repairs are not included, which will increase the total cost of facilities maintenance.

Further maintenance or replacement costs for the Piedmont Community Pool are NOT captured in this analysis, only the pool building. As this is a significant city asset that is currently being analyzed by an independent consultant, these costs should be captured separately.

## **Deferred Maintenance**

The City identified the potential for unspecified deferred maintenance as past budget constraints have limited the city's ability to invest in facility maintenance. As a result, the City's drafted a five-year Facilities Maintenance Program (FMP) to provide the City with "a long-range program for facility management projects." The development of this program was based on needs identified by individual departments. The first draft of this program identified facilities costs of \$4.0 million over the next four years (FY2015-16 and beyond) or an average of \$810K annually. The majority of these costs, \$2.6 million, are for improvements to park structures, with only \$1.3K allocated to the City's 22 civic buildings.

To supplement the FMP, the Committee identified additional potential deferred maintenance of \$5.9 million, with only \$455K needed for additional improvements to park structures, the remainder for civic buildings. If one assumed the City tried to "play catch-up" on deferred maintenance over the next 5 years, the City would expect an additional facilities maintenance spending of \$1.2 million annually. Again, this number is in addition to what the City has included the City's Facilities Maintenance Program (\$810K), developed May 2015, and in addition to the budget required to plan for future facilities replacement (\$641K).

## **Current Budget**

Current budgeting is inadequate to fund the needs this committee identified as much of the current budget addresses costs other than actual facilities maintenance. The FY15-16 budget allocates \$989K in Facilities Maintenance as shown in the table below.

<b>FY 2015-16 Facilities Maintenance Spending</b>	
<b>Spending Category</b>	<b><u>FY 15-16</u></b>
On-going Operations	\$ 280,000
Analysis, Design, Assessments	390,468
Facilities Maintenance and Repair	318,735
<b>Total Facilities Maintenance Fund</b>	<b>\$ 989,203</b>

First, the City captured "Various City Facilities Maintenance" of \$280K (based on FY2014-15 actuals); these costs cover committed service agreements and other on-going operations expenses (e.g. pest control, security system monitoring, HVAC servicing, etc.); these are not investments in maintaining and repairing city structures.

Further, as the City tackles significant deferred maintenance projects, these efforts often initiate needs assessments and project analysis and design (e.g. from the current budget: Community Hall seismic analysis & design, recreation department low voltage assessment and electrical assessments, Veterans Hall renovation design, etc.). The City has allocated \$391K for renovation analysis, design, and assessments in FY2015-16 alone. Therefore, the remaining \$319K is planned for investment in facilities maintenance and repair for FY2015, which is deferred maintenance, not an investment in the future replacement of city facilities. As a result, the City risks deferring additional maintenance items leading to a larger unfunded balance in the future.

This Page Intentionally Left Blank

Appendix A								
7 Year Projections								
	Estimated FY15-16	Estimated FY16-17	Estimated FY17-18	Estimated FY18-19	Estimated FY19-20	Estimated FY20-21	Estimated FY21-22	Average Growth
<b>General Fund Beginning Balance</b>	<b>4,582</b>	<b>\$4,409</b>	<b>\$4,259</b>	<b>\$4,064</b>	<b>\$3,925</b>	<b>\$4,207</b>	<b>\$4,879</b>	
<b>Revenues</b>								
Property Taxes	\$11,188	\$11,691	\$12,246	\$12,840	\$13,482	\$14,156	\$14,864	4.85%
Real Property Transfer Tax	2,800	2,800	2,800	2,800	2,800	2,800	2,800	0.00%
Parcel Tax	1,689	1,735	1,784	1,837	1,892	1,949	2,007	2.92%
Other Taxes and Franchises	2,251	2,296	2,342	2,389	2,437	2,486	2,536	2.01%
License and Permits	449	457	467	479	492	506	521	2.53%
Revenue from Use of Money or Property	383	387	391	395	399	403	407	1.02%
Revenue from Other Agencies	1,367	1,388	1,411	1,436	1,465	1,494	1,524	1.83%
Charges for Current Services	2,683	2,759	2,840	2,925	3,013	3,103	3,196	2.96%
Other Revenue	80	81	82	83	84	85	86	1.21%
<b>Total Revenue</b>	<b>\$22,888</b>	<b>\$23,594</b>	<b>\$24,363</b>	<b>\$25,184</b>	<b>\$26,064</b>	<b>\$26,982</b>	<b>\$27,941</b>	<b>3.38%</b>
<i>Growth of revenues</i>		3.08%	3.26%	3.37%	3.49%	3.52%	3.55%	
<b>Operating Transfers in</b>	<b>\$1,089</b>	<b>\$1,091</b>	<b>\$1,092</b>	<b>\$1,093</b>	<b>\$1,094</b>	<b>\$1,059</b>	<b>\$1,059</b>	<b>-0.46%</b>
<i>Growth of transfers-in</i>		0.18%	0.09%	0.09%	0.09%	-3.19%	0.00%	
<b>Total Revenue and Transfers In</b>	<b>\$23,977</b>	<b>\$24,685</b>	<b>\$25,455</b>	<b>\$26,277</b>	<b>\$27,158</b>	<b>\$28,041</b>	<b>\$29,000</b>	<b>3.22%</b>
<i>Growth</i>		2.95%	3.12%	3.23%	3.35%	3.25%	3.42%	
<b>Expenditures</b>								
3% Miscellaneous salaries & benefits		150	307	469	638	812	993	
3% Safety salaries & benefits		214	438	672	916	1,170	1,435	
Miscellaneous salaries	3,974	3,974	3,974	3,974	3,974	3,974	3,974	
Safety salaries	5,521	5,521	5,521	5,521	5,521	5,521	5,521	
Other salaries (growth is total salaries)	1,551	1,597	1,620	1,642	1,665	1,688	1,712	3.57%
Miscellaneous benefits	1,890	1,898	1,985	2,050	2,117	2,185	2,255	2.99%
Safety benefits	2,676	2,814	2,977	3,097	3,221	3,343	3,466	4.40%
Other benefits	102	105	111	118	127	137	150	6.62%
Personnel services	251	256	261	266	271	277	282	2.00%
Supplies and services	4,170	4,254	4,339	4,426	4,514	4,604	4,697	2.00%
<b>Total</b>	<b>\$20,135</b>	<b>\$20,783</b>	<b>\$21,532</b>	<b>\$22,235</b>	<b>\$22,964</b>	<b>\$23,712</b>	<b>\$24,484</b>	<b>3.31%</b>
<i>Growth of expenditures</i>		3.22%	3.60%	3.26%	3.28%	3.26%	3.25%	
<b>Non Departmental Expenditures</b>								
Library	350	350	350	350	350	350	350	0.00%
Unemployment insurance	20	20	20	20	20	20	20	0.00%
PERS medical/OPEB	312	312	312	312	312	1,000	1,000	21.42%
Workers compensation	572	583	594	606	618	638	651	2.17%
Liability insurance	444	456	467	480	501	513	527	2.89%
	<b>1,698</b>	<b>1,721</b>	<b>1,744</b>	<b>1,768</b>	<b>1,801</b>	<b>2,522</b>	<b>2,548</b>	<b>6.99%</b>
<b>Operating transfers-out</b>								
Aquatics	130	135	135	135	135	135	135	0.63%
2014 Pension Obligation Fund	1,337	1,347	1,388	1,429	1,126	0	0	-100.00%
	<b>1,467</b>	<b>1,482</b>	<b>1,523</b>	<b>1,564</b>	<b>1,261</b>	<b>135</b>	<b>135</b>	<b>-32.81%</b>
<i>Growth of transfers-out</i>		1.00%	2.78%	2.69%	-19.39%	-89.29%	0.00%	
<b>Total expenditures and transfers-out</b>	<b>23,300</b>	<b>23,986</b>	<b>24,799</b>	<b>25,566</b>	<b>26,026</b>	<b>26,370</b>	<b>27,167</b>	<b>2.59%</b>
<b>Operating net income</b>	<b>677</b>	<b>699</b>	<b>656</b>	<b>710</b>	<b>1,132</b>	<b>1,671</b>	<b>1,833</b>	<b>18.05%</b>
<i>Growth of operating income</i>		3.28%	-6.23%	8.33%	59.38%	47.61%	9.67%	
<b>Capital transfer-out</b>								
Facility maintenance	450	450	450	450	450	500	500	1.77%
Equipment replacement fund	400	400	400	400	400	500	500	3.79%
<b>Total capital transfers</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>1,000</b>	<b>1,000</b>	<b>2.75%</b>
<b>Net income after capital transfers</b>	<b>(\$173)</b>	<b>(\$151)</b>	<b>(\$194)</b>	<b>(\$140)</b>	<b>\$282</b>	<b>\$671</b>	<b>\$833</b>	
<b>General Fund Ending Fund Balance</b>	<b>4,409</b>	<b>4,259</b>	<b>4,064</b>	<b>3,925</b>	<b>4,207</b>	<b>4,879</b>	<b>5,712</b>	
<i>Growth of general fund balance</i>		-3.42%	-4.56%	-3.43%	7.19%	15.96%	17.08%	
<b>Fund balance as % of operating expenditures</b>	<b>21.91%</b>	<b>20.49%</b>	<b>18.88%</b>	<b>17.65%</b>	<b>18.32%</b>	<b>20.57%</b>	<b>23.33%</b>	
<b>Fund balance as % of all expenditures &amp; capital</b>	<b>18.26%</b>	<b>17.15%</b>	<b>15.85%</b>	<b>14.86%</b>	<b>15.65%</b>	<b>17.83%</b>	<b>20.28%</b>	

## APPENDIX B PROPERTY TAX COMPARATIVE ANALYSIS

The Committee performed a property tax comparison analysis between Piedmont and other comparable as well as neighboring cities. Our analysis compared property taxes of cities deemed similar to Piedmont based on size, population, home value, household income and needs and requirements for safety and non-safety services. The table below includes Oakland and Berkeley which are not similar to Piedmont but share Alameda County taxes, and they are Piedmont's closest neighbors.

This analysis, summarized in the table below, gave us an idea of what the total tax burden is to the citizens of Piedmont compared to these other cities. A typical California property tax bill consists of many taxes and charges including:

- the 1 percent rate,
- voter-approved debt rates (used primarily to repay general obligation bonds issued for local infrastructure projects, including the construction and rehabilitation of school facilities as shown in the table below in the "Tax Rate" columns),
- parcel taxes, (used to fund a variety of local government ongoing services tailored to the needs and desires of the community as shown as "City/School Services" and "County/Regional"),
- the Mello-Roos Community Facilities Act taxes, (used to pay for the public services and facilities associated with residential and commercial development), and
- other assessments which ultimately contribute to a higher quality of life and protect property values.

As noted elsewhere in this report, Piedmont is very dependent on property tax related revenues due in part to its relative lack of commercial activities, and other cities may have higher non-property tax options such as sales taxes, investments, rental fees or other sources of revenues to finance a greater share of the cost of local government enabling them to have lower property taxes.

Although the rating of services provided by property taxes is not included in this analysis, we believe Piedmont to be amongst the highest (if not the highest) in terms of quality of services provided by the town and the school system. As shown in the table below, if the value of a home was \$1.6 million, the highest taxes would be in Tiburon, followed by Oakland and then Piedmont. (*Note that Tiburon includes a special assessment for what appears to be an underground utilities project.* The calculations below do not account for levies that may fluctuate based on the size of a parcel (such as the Piedmont Parcel Tax), square footage, number of rooms, or other characteristics that may be part of the tax structure.

Based on a home value of \$1.6 million, property taxes in Piedmont would be an estimated \$23,080. The amount of taxes dedicated to City/School Services is about 15.10%. The average for like cities is 12.31%. Most of the taxes for City/School Services in Piedmont and all other like cities include an allowance for schools. The majority of like cities include taxes for sewer and paramedic/emergency services. Half of the cities have a special assessment for library services ranging from \$39 in Orinda to \$588 in Berkeley. Although Piedmont is at the high end, the differences in taxes are not great whereas the service/school level is significantly different.



## City Tax Comparisons

City	County	City/School Services	County/Regional Services	Tax Rate Taxing Agency	Tax Rate amount based on \$1.6M	Total Estimated Taxes	City Services % of Total Est. Taxes	County/Regional % of Total Est. Taxes
Piedmont	Alameda	\$3,486	\$304	1.2057%	\$19,291	\$23,080	15.10%	1.32%
Oakland	Alameda	\$524	\$331	1.4376%	\$23,002	\$23,856	2.20%	1.39%
Berkeley	Alameda	\$2,612	\$314	1.2447%	\$19,915	\$22,841	11.43%	1.37%
Hillsborough	San Mateo	\$3,665	\$10	1.0936%	\$17,498	\$21,173	17.31%	0.05%
Atherton	San Mateo	\$1,389	\$10	1.0853%	\$17,365	\$18,764	7.40%	0.06%
Mill Valley	Marin	\$3,192	\$87	1.1087%	\$17,739	\$21,018	15.19%	0.41%
Larkspur	Marin	\$4,111	\$586	1.1148%	\$17,837	\$22,533	18.24%	2.60%
Sausalito	Marin	\$2,478	\$87	1.0934%	\$17,494	\$20,059	12.35%	0.43%
Tiburon	Marin	\$6,886	\$87	1.0951%	\$17,522	\$24,494	28.11%	0.36%
Moraga	Contra Costa	\$624	\$366	1.0819%	\$17,310	\$18,301	3.41%	2.00%
Orinda	Contra Costa	\$867	\$391	1.0938%	\$17,501	\$18,759	4.62%	2.08%
Los Altos Hills	Santa Clara	\$0	\$867	1.1046%	\$17,673	\$18,540	0.00%	4.68%
San Marino	Los Angeles	\$0	\$0	1.0847%	\$17,355	\$17,355	0.00%	0.00%
<b>Average *</b>		<b>\$2,712</b>	<b>\$234</b>	<b>1.15%</b>	<b>\$18,407</b>	<b>\$21,353</b>	<b>12.31%</b>	<b>1.10%</b>

*\* Excludes Los Altos Hills and San Marino due to the unavailability of municipal tax information*

According to the California Tax Foundation there were 60 Parcel Tax elections in the calendar year 2014. The purposes of those taxes were: 20 for Education, 11 for Fire Protection Services, 7 for Emergency Medical Services, 7 for Library, 4 for Infrastructure, 4 for Parks and Recreation, 3 for Public Safety, 2 for health Care, 1 for Mosquito Abatement and 1 for Cemetery.

In October 2013, the California Tax Foundation launched a study to obtain data on all parcel taxes, contacting every local entity that levies a parcel tax. Below is an effort at classifying the responses to the Foundation.

LEVY TYPE	Total	
Acquisition/Infrastructure	51	2.83%
Cemetery	4	0.22%
Community Facilities/Services	440	24.33%
Emergency Response/Ambulance/Paramedic Medical Care/Health Care	45	2.49%
Fire	350	19.46%
Law Enforce/Police/Public Safety	18	1.00%
Infrastructure/Road/Streets/Storm Drains/Transportation	100	5.55%
Library	37	2.05%
Mosquito	2	0.11%
New Residential Development	44	2.44%
No Description/Other	22	1.22%
Parks/Open Space	69	3.82%
School	550	30.54%
Utilities/Water	71	3.93%
	1803	

Based on data collected as reported in The California Taxpayers Association's (CalTax) California Tax Foundation

Piedmont's Parcel Tax is included in the Levy Type, Community Facilities/Services, and described as:

“To maintain essential police, fire, and paramedic service, to prevent the reduction in maintenance in City parks, green spaces and other public areas, and to prevent the loss of youth, family, and senior recreational and safety services, shall the City of Piedmont continue to authorize a parcel tax, replacing the existing Municipal Services Tax, as is more specifically set forth in Or. 707 N.S. which is on file with the Piedmont City Clerk? (Measure Y, 11/6/2012.)”  
This Parcel Tax will sunset 06/30/2017.

## **APPENDIX C FACILITIES COMPONENT ESTIMATES**

### **Roofing**

To estimate the cost of replacing the roofing for all the city buildings the Committee reviewed the data from the Asset Works Insurance Appraisals that were prepared for the City in October 2011 and December 2014. These appraisals provided information on building footprint size, number of levels and type of roof material by building. The Committee estimated the cost of each roof utilizing two roofing cost estimators, Homewyse.com website, described in the plumbing section and RoofingCalculator.org website to get average costs. A 20% premium was applied to the costs provided to account for prevailing wage labor costs.

Chip Upshaw, a local industry expert from Fidelity Roof, validated the cost estimates utilizing his knowledge of the City's facilities and local costs. Based on each location, Mr. Upshaw used a more sophisticated tool that measured slope and actual square footage of each roof to refine the estimates.

Further, the City's Five Year Facilities Maintenance Program provided estimates for the Recreation Center and the Aquatics Center. Lastly, for the Community Hall there is currently a bid for repair; however to estimate replacement the Roofing Calculator website provided an estimate of \$20/ft<sup>2</sup> for clay tile; this amount was validated by a recent bid of \$17/ft<sup>2</sup> for a similar clay tile roof project.

The total estimated cost to replace all the roofs for every facility is \$958K. Assuming an average useful life of 40 years for clay tile (50 years modified to allow for interim repairs) and 20 years for all other types of roofing, results in an annual replacement cost of \$45K, which should be included in the annual facility maintenance budget.

### **HVAC**

To estimate the cost of replacing all HVAC systems in city buildings, the Committee conducted a physical inventory of what equipment was installed at each location with manufacture name and model number. Actual costs were used if the City recently upgraded the equipment, such as City Hall and the east wing of 801 Magnolia. Further, a technician from Atlas Heating and Air Conditioning Company, who performs most of the maintenance for the City's HVAC systems, provided additional information regarding the current equipment. Lastly, Gary Hennings of H&M Engineering and Construction, who installed the new City Hall heat pump system, provided estimates for the other locations where the City did not have purchase information.

The total cost to replace the HVAC systems for the city buildings is estimated to be \$659K. Assuming an average useful life of 20 years for HVAC systems results in annual replacement costs of \$33K, which should be included in the annual facility maintenance budget. This does not include upgrades for new equipment, such as adding air conditioning where it currently is not installed.

#### **Additional Recommendations:**

- Identify locations with additional needs, such as zone heating or air conditioning, so that reserves can be allocated in future budgets.
- Recommended priority deferred maintenance item is a replacement of the furnaces at the Community Center, which are over 40-years old, as suggested by the Atlas technician. This

project would be captured in the project's estimate of 50% deferred maintenance on HVAC systems.

## **Electrical**

With limited past history of actual expenses, the Committee asked one of our main electrical contractors, Dan Pitcock of Roberts Electric to provide three years' worth of expense data to identify average actual spending. The total spending for three years on electrical expenses with Roberts Electric was \$62K. Therefore, the average annual spending on electrical repairs is \$21K over the three years. Looking at the specifics of the projects provided, they include repair or replacement of CFCI outlets, duplex outlets, fixtures and switches, etc.

The Committee recommendation would be to budget \$21K annually, which is the average spending for the last three years for the City of Piedmont provided by Roberts Electric, instead of the \$17.5K from a local industry average, as explained below. This number should be included in our annual facility maintenance budget for basic maintenance and repair.

In the Five Year Plan for Facilities Maintenance Program drafted May 2015, there are three electrical projects slated for 2015-2016 to upgrade outdated wiring in City Hall (\$50K design/construction), the Police Department (\$50K design/construction), and a low voltage and electrical assessment for the Recreation Department (\$20K). This indicates that the age and condition of at least three of the buildings are at the point of needing immediate replacement; so additional funds would need to be captured in the budget to complete this work.

The Five-year Facilities Maintenance Plan captured deferred maintenance of \$50K per building, for the two buildings noted above. Therefore, the Committee used that number as a realistic estimate for each of the city buildings. Thus, it could cost approximately \$700K additional to replace the electrical infrastructure for the remaining 14 buildings. This estimate does not include wiring at park locations for tennis courts or restrooms, or street lighting or other electrical needs. Assuming an average life of 50 years for electrical wiring, the Committee recommends including an additional \$16K on an annual basis to build up reserves for the electrical infrastructure, in addition to the \$21K for repair and maintenance for a total of \$37K.

An alternative method was used to estimate electrical maintenance costs for city facilities that is to estimate based on industry standards. The Committee consulted Paul Richards, an experienced property manager in San Francisco for his expertise. Mr. Richards recommended using the BOMA Office Experience Exchange Report (Office EER). He advised that past cost history coupled with age, condition of the building and past maintenance levels would also need to be considered.

Mr. Richard shared his access to this information that is updated annually and provides local costing. BOMA (Building Owners and Manager Association) is used as an expense benchmarking resource. It provides information collected from thousands of office buildings in markets across the U.S. and Canada. The report he used for Electrical Repair and Maintenance (R&M) includes expense numbers from approximately 93 buildings comprising approximately 18 million square feet. The report provides costs based on average, median, low and high range. From the above sampling, electrical costs ranged between \$0.18/ft<sup>2</sup> per year = average and \$0.25/ft<sup>2</sup> per year = high. Because city projects require contractors to provide prevailing wage, the Committee selected the higher estimate of \$0.25/ft<sup>2</sup>.

The assumption we used was \$0.25/ft<sup>2</sup> for all buildings 2,500 ft<sup>2</sup> or larger, and flat cost of \$500 per year for any building less than 2,500 ft<sup>2</sup>. For example, the electrical repair estimate for the City Hall/Fire

building (16,942 ft<sup>2</sup>) would be \$4K and for the Aquatics Building (2,001 ft<sup>2</sup>.) a flat \$500 would be budgeted.

Using the above cost formula applied to each building based on square footage the total was \$18K. To validate our numbers, Mr. Richards took the approximate square footage of all buildings = 69,206 ft<sup>2</sup> x \$0.25 and came up with \$17K total estimated cost. The result was very close using the \$0.25 cost per square foot. This would be a reasonable budget number for this line item based on peer building costs.

Mr. Richards indicated that the overriding factor is past expense history, and when tracking is available for actual expenses by building, the city staff would be able to modify the cost per square foot up or down and adjust the final budget cost estimates. In addition to expense history, the age of the wiring, condition of the building and past maintenance levels would also need to be considered.

We then looked at actual FY2014-15 spending for electrical expenses in the Facility Maintenance Fund where city staff has tracked one year of data. The annual expenses associated with electrical repairs was \$28K, which is 54% more than what was estimated using the expense benchmarking process with BOMA data. This could be a combination of factors such as age and condition of the wiring/fixtures, deferred maintenance and new projects. All three methods of estimating provided annual expense numbers that are within a range of reasonableness.

Additional recommendations:

- Track the costs for electrical repair and maintenance for each building on an ongoing basis and use this information to validate and modify the reserves set aside for electrical repairs and maintenance on an annual basis.
- Create an inventory by building to track condition of wiring/fixtures and necessary replacement to adjust the reserves as needed. This has been started with the Five-Year Facilities Maintenance Program developed by Chester Nakahara. Set aside reserves to replace and upgrade the electrical infrastructure.

## **Painting**

Estimates for repainting city facilities and structures were developed by Matt Jessee of MB Jessee, Inc. a frequent painting vendor employed by the City for over 15 years. In September 2015 Mr. Jessee and his professional estimator conducted a walkthrough of city facilities to determine 1) estimates of paint costs, including material and labor; 2) repainting frequency recommended based on surface, wear, and exposure to the natural elements; separate estimates were provided for facility interior and exterior finishes by building. Generally a useful life range was provided and our estimates assumed the longest time period recommended. Further, items excluded from the painting estimate are fire hydrants, curbs, parking striping, and fencing.

The total estimated cost to repaint every city facility is \$487,000 if all of the painting were completed in 2015 (see Table #.) Using the recommended painting frequency suggested (on average 10 years) results in annual expenses of \$48,000. Recommendations for extending the useful life of the painting investment include bi-annual exterior power washing including miscellaneous touch-ups to maintain the appearance and extend the life of the paint finish. Additionally, the City may incur costs to repaint other items such as street curbs, fire hydrants, parking striping, and fencing as these were not included in our estimates.

Some facilities have been painted as recently as 2013-2015, including the pool building interior, portions of City Hall interior, portions of the recreation building interior, exterior of the corporate yard and related buildings at 989 Red Rock Rd. The total cost of these projects are estimated at \$89,000 and the

assumption is that all or most of the useful life of these buildings remains. Therefore the City only needs to plan for the future painting of these buildings based on the paint cycle recommended.

However, Mr. Jessee identified several buildings, which are in immediate or near-term need of repainting such as the Recreation Center, Carriage House, and the Pool building exteriors and others. Our assumption is the costs to repaint these and other buildings that have not been repainted recently are assumed to be deferred maintenance that the City needs to plan for in the next five years. Therefore, the deferred maintenance for painting city facilities is estimated at \$401K. These costs are in addition to the total \$487K that the City would be expending to repaint all of city structures over time.

## **Plumbing**

To determine a budget for plumbing costs, we conducted a manual count of fixtures then applied cost estimates per fixture to calculate total costs for replacing fixtures over time. The Public Works Department conducted a toilet and urinal inventory for the purposes of a potential water conservation study. We added sink, stall, and other fixture numbers to the total inventory to determine current needs.

Fixture costs were estimated using the online estimating tool available through homewyse.com. The Homewyse website is a “vendor neutral, comprehensive online reference for the house and home. Homewyse is published by home design and construction professionals committed to creating a ‘level playing field’ of information for consumers and trade professionals.” Our cost estimates assumed the following: 94611 zip code area, vendor-supplied labor, medium fixture-quality, installed, fall of 2015 current costs, plus a 20% premium for using prevailing wages which homeowners are not required to employ.

The total estimated costs to install new plumbing fixtures in every city facility is \$110K. Assuming an average useful life of 20 years on plumbing fixtures in use in public spaces, results in annual replacement costs of \$5.5K which should be reflected in yearly budgets.

The scope of this work could be expanded with additional resources to complete a full city-wide inventory which would include locker rooms and kitchen facilities which we not included in this estimate. Further, the City may incur additional retrofitting costs when new fixtures are installed in older buildings. To offset these costs, the City may recognize water-savings available through modern technology, however those benefits have not been quantified in this analysis.

Additionally, the City has recognized deferred maintenance for most of its bathrooms and kitchens; some of these costs are captured in the 2015 Facilities Maintenance Plan; however there may be additional deferred maintenance yet to be identified as the plan is currently in development. The CIP process is currently evaluating the need for improvements to the Veterans Hall kitchen and the Linda/Beach bathrooms. The annual plumbing fixture costs estimated here are in addition to the planned costs to refurbish the City’s bathrooms and kitchen facilities which were not assessed.

## **Flooring**

To estimate the cost for replacing the flooring in all city buildings, we reviewed the Asset Works Insurance Appraisal that were prepared for the City in October 2011 and December 2014. These reports provide information to identify all buildings, square footage and the flooring material used in each building. The Committee then computed the cost per square foot and computed the total replacement cost.

Flooring costs were estimated using the same online estimating tool noted above - [homewyse.com](http://homewyse.com). Our cost estimates assumed the following: 94611 zip code area, vendor-supplied labor, medium fixture-quality, installed, fall of 2015 current costs, plus a 20% premium for using prevailing wages which homeowners are not required to employ. To calculate the wages portion, we assumed that 10% of the total cost was labor cost. We then added a 20% premium to this labor cost.

In some buildings, the Insurance Appraisal's noted multiple flooring types. For this analysis, we estimated the percentage of flooring type based on Committee knowledge of the building, visible inspection or assumption based on the type of flooring (e.g. vinyl would be in bathrooms and thus a smaller portion of the building).

The total estimated cost to install new flooring in every city facility is \$600K. Assuming an average useful life of 10 years on flooring, this results in annual replacement costs of \$60K which we recommend be reflected in yearly budget appropriations. Further the City may anticipate deferred maintenance costs as high as \$525K as there are no records of floor replacement in the facilities maintenance spending since FY2010-11, with the exception of the \$75K planned to replace the Community Hall wood floor in the current 2015 budget. As the useful life of flooring averages 10 years, the assumption is that at least half of the City's flooring are in need or replacement if not all of them.

## **Windows**

To estimate the cost for replacing windows in all city buildings, we reviewed the Asset Works Insurance Appraisals that were prepared for the City in October 2011 and December 2014. These reports provide information to identify all buildings, square footage and photos of the buildings which helped the team assess the types of windows in each building. We then estimated the cost based on a square footage ratio and computed the total replacement cost.

Window costs were estimated using example window quotes from Madonia Construction based in Oakland, CA. The cost estimates assumed either aluminum or wood framed windows and a labor cost to install the windows. From the examples, we consolidated the cost into an average cost per square foot to install the window. We also assumed the overall labor cost of the total was 30% and added a 20% premium to this cost for using prevailing wages.

Based on our review of the Insurance Appraisals and our knowledge of the buildings, we assumed the approximate window square footage for each building.

The total estimated cost to install new windows in every city facility is \$1.0 million. Assuming an average useful life of 20 years on windows, this results in annual replacement costs of \$50K which we recommend be reflected in yearly budget appropriations. We did not analyze potential deferred maintenance of windows, however, we do not find any record of window investments in the FMP since FY2010-11; therefore the City can anticipate deferred maintenance in this area as well. This project assumes 50% deferred maintenance exists for windows.

## **Contents**

The replacement cost for the contents of city buildings are estimated using the contents value as provided by Asset Works, Piedmont's insurance appraiser. "Contents were valued utilizing a modeling concept, which matched each building's contents value with a similar model in our database of previously appraised buildings. The values generated by the system not only reflect the cost of all standard type furniture and equipment found within a particular building, but also include all computer equipment, machinery, business machines, consumables, spare parts, supplies, software and books." These

assessments were completed in late 2011 for about half the City's buildings (based on asset value), the remainder were assessed in 2014, with the exception of City Hall which is due to be assessed in early 2016.

According to insurance estimates, the City's building contents are valued at \$5.0 million (\$4.85 million insurance estimate inflated at 3.0% for one year). Assuming a conservative estimate of 20 years for the useful life of the contents, the City should anticipate annual needs of \$249K to replace furnishings. Currently, the majority of these costs are carried in specific department budgets when they are allocated; however our assumption is that most of these costs are deferred based on current spending levels.

### **Park Structures**

Piedmont's public parks contain a variety of city-owned structures including ten (10) tennis courts, four (4) restroom buildings, four (4) play structures, and a turf field at Linda Beach. Cost estimates to replace these structures were provided by city staff based on recent project estimates or analysis completed as a part of the Capital Improvement Project process.

The City's ten tennis courts at four city locations are planned to be replaced on a rotating cycle so two-to-four courts are replaced yearly or biannually, with each court requiring resurfacing every seven years. None of the City's four play structures have been replaced since Dracena Park was completed in 2005. The expected useful life of such structures are approximately 20 years; therefore replacing these structures is considered deferred maintenance and should be planned for in the City's 5-year plan. Similarly, replacing the four park restroom buildings is considered deferred maintenance as the Dracena Park restrooms are the only restrooms to have been replaced within the past 20 years of their useful life, as these facilities were added in 2004. The remaining restroom facilities are much older and are at the end of their useful life. Lastly, the Linda Beach turf field was replaced in late 2014, therefore it holds most all of its expected useful life (10 years total) and would not be captured in the City's current deferred maintenance estimates.

The total estimated cost to replace all city-owned park structures is \$1.4 million if all of the work were completed in 2015. Using the relevant replacement frequency (7-20 years) for each of these structures results in an expected annual allocation of \$110K, which should be set aside to plan for the eventual replacement of park structures. Excluding its recent \$250K investment in a new turf field and several tennis courts, the City should anticipate additional expenses of \$1.1 million in deferred maintenance as most of the city's park structures are at the end of their useful life. In the City's 2015-16 Facilities Maintenance Budget over the next several years several projects have been identified including some tennis courts, restrooms at Beach, Dracena Park and Coaches Field, and some play structures; however \$455K is not identified in the FMP for the deferred maintenance of several park structures.



2015 FACILITIES MAINTENANCE ANNUAL SPENDING ESTIMATES						
Total Spending and Deferred Maintenance Estimates						
<u>Component</u>	<u>Replacement (yrs)</u>	<u>Annual Costs</u>	<u>Total Costs</u>	<u>Additional Deferred Maintenance (a)</u>	<u>Deferred Maintenance Identified in 2015 FMP</u>	<u>Total Deferred Maintenance</u>
Roofing (b)	20	\$47,905	\$958,100	\$479,050		
HVAC (b)	20	\$32,936	\$658,725	\$329,363		
Electrical (b)	50	\$37,000	\$1,850,000	\$700,000		
Painting (a)	3-12	\$48,183	\$487,900	\$401,100		
Plumbing Fixtures (b)	20	\$5,528	\$110,566	\$55,283		
Windows (b)	20	\$50,450	\$1,009,000	\$504,500		
Flooring (a)	10	\$60,008	\$600,077	\$525,077		
Contents (b)	20	\$249,629	\$4,992,572	\$2,496,286		
<i>Total Civic Buildings</i>				<b>\$5,490,658</b>	<b>\$1,270,000</b>	<b>\$6,760,658</b>
Park Structures (a)	7-20	\$109,796	\$1,386,000	\$455,000		
<i>Total Park Improvements</i>				<b>\$455,000</b>	<b>\$2,779,500</b>	<b>\$3,234,500</b>
<b>TOTAL</b>						
<b>Annual Deferred Maintenance</b>		<b>\$641,436</b>	<b>\$12,052,939</b>	<b>\$5,945,658</b>	<b>\$4,049,500</b>	<b>\$9,995,158</b>
<b>Total Unidentified Annual Facilities Maintenance costs</b>				<b>\$1,189,132</b>	<b>\$809,900</b>	<b>\$1,999,032</b>
(a) deferred maintenance in addition to that already captured in FMP						
(b) deferred maintenance not itemized; assumed 50% deferred exists						
<b>Recommended Annual FM Spending</b>	<b>Budget</b>					
Annual Investment in Future Replacement	\$641,000					
Deferred Maintenance in FMP	\$810,000					
Additional Deferred Maintenance	\$1,189,000					
<b>Total</b>	<b>\$2,640,000</b>					

**Asset Listing**

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Stories	Const Desc	Total Real Property	Total Personal Property	Total Rent	Total Values
1	BEACH SCHOOLMATES 100 LAKE AVENUE	1,440	1989	2014	SCHOOL-PORTABLE CLSRM	1	ALL COMB (WOOD FRAME)	\$347,400	\$30,200	\$290,000	\$667,600
2	RECREATION CENTER 358 HILLSIDE AVENUE	10,718	1920	2011	OFFICE BUILDING	3	ALL COMB (WOOD FRAME)	\$2,916,894	\$379,721	\$0	\$3,296,615
3	CARRIAGE HOUSE 358 HILLSIDE AVENUE	2,244	1920	2011	RESIDENCE	2	ALL COMB (WOOD FRAME)	\$414,579	\$0	\$0	\$414,579
4	COMMUNITY HALL BUILDING 711 HIGHLAND AVENUE	6,424	1920	2011	COMMUNITY HALL	2	ALL COMB (WOOD FRAME)	\$1,466,399	\$114,590	\$240,000	\$1,820,989
5	TEA HOUSE W/DECK 711 HIGHLAND AVENUE	400	1920	2011	TEA HOUSE	1	ALL COMB (WOOD FRAME)	\$380,649	\$7,149	\$0	\$387,798
6	PIEDMONT PARK RESTROOM 711 HIGHLAND AVENUE	132	1997	2000	PARK RESTROOM	1	MASONRY CONST/WOOD ROOF	\$189,414	\$0	\$0	\$189,414
7	CORPORATE YARD OFFICES 989 RED ROCK ROAD	2,008	1920	2011	OFFICES/SHOP BUILDING	2	ALL COMB (WOOD FRAME)	\$264,546	\$71,185	\$0	\$335,731
8	PUBLIC WORKS - LOCKER ROOM/LUNCH ROOM 989 RED ROCK ROAD	1,145	1996	2011	SCHOOL - OFFICE BUILDING	1	ALL COMB (WOOD FRAME)	\$151,093	\$38,299	\$0	\$189,392
9	PUBLIC WORKS 988 RED ROCK ROAD	4,780	1920	2014	PUBLIC WORKS GARAGE	2	ALL COMB (WOOD FRAME)	\$408,900	\$280,600	\$0	\$689,500
10	UTILITY BUILDING 989 RED ROCK ROAD	4,508	1920	2011	WAREHOUSE	2	ALL COMB (WOOD FRAME)	\$426,772	\$127,765	\$0	\$554,537
11	HAZARDOUS MATERIAL BUILDING 989 RED ROCK ROAD	207	1992	2011	SCHOOL - STORAGE CONTAINER 160 SF	1	ALL STEEL	\$6,362	\$5,107	\$0	\$11,469
12	STORAGE BUILDING 100 BLOCK MAGNOLIA AVE.	3,014	1910	2000	PARKING GARAGE	NA	ALL COMB (WOOD FRAME)	\$276,862	\$109,495	\$0	\$386,357
13	RESTROOM & STORAGE HOWARD & OAKLAND AVENUE	512	1950	2000	PARK RESTROOM	1	MASONRY CONST/WOOD ROOF	\$130,511	\$92,505	\$0	\$223,016
14	City of Piedmont 120 Vista Avenue	16,942	1908	2013	City Hall and Fire Station	2	MIXED NON-COMB COMB	\$5,301,916	\$1,715,941	\$72,000	\$7,089,857
15	HAMPTON PLAY SCHOOL VETERAN'S MEMORIAL/POLICE STATION 401 HAMPTON ROAD	1,978	1999	2011	SCHOOL - CLASSROOM	1	ALL COMB (WOOD FRAME)	\$495,041	\$64,343	\$0	\$559,384
16	BUILDING 403-404 HIGHLAND AVENUE	11,522	1950	2011	POLICE STATION/RECREATION BUILDING	2	MASONRY CONST/WOOD ROOF	\$2,673,554	\$579,079	\$80,000	\$3,332,633
17	PIEDMONT CENTER FOR THE ARTS 801 MAGNOLIA AVENUE	5,259	1978	2014	MUSEUM	2	CONCRETE BLOCK	\$995,900	\$7,500	\$0	\$1,003,400
18	WILDWOOD SCHOOLMATES 301 WILDWOOD AVENUE	1,975	1989	2014	SCHOOL-PORTABLE CLSRM	1	ALL COMB (WOOD FRAME)	\$419,500	\$53,500	\$220,000	\$693,000
19	DRACENA PARK RESTROOMS 101 DRACENA AVENUE	143	2006		DRACENA PARK RESTROOMS LEASE OF SITE FOR	1	ALL COMB (WOOD FRAME)	\$62,202	\$0	\$0	\$62,202
20	HAVENS SCHOOLMATES - CONTENTS ONLY 323 HIGHLAND AVENUE	1,450	2010	2014	SCHOOLMATES CHILDCARE FACILITY	1	ALL COMB (WOOD FRAME)	\$0	\$108,900	\$270,000	\$378,900
21	POOL BUILDING 777 MAGNOLIA AVENUE	2,001	1964	2011	POOL DRESSING-SHOWER BLDG	1	ALL COMB (WOOD FRAME)	\$492,511	\$1,061,278	\$580,000	\$2,133,789
22	OAKLAND AVE BRIDGE (a) OAKLAND AVENUE										
23	COACHES FIELD RESTROOMS (a) MORAGA AVENUE										
24	PIEDMONT PARK ENTRANCE/FOUNTAIN (a) 777 MAGNOLIA AVENUE				PARK RESTROOM						
<b>Average</b>		<b>3,752</b>	<b>1956</b>								
<b>Total Buildings</b>		<b>78,802</b>						<b>\$17,819,005</b>	<b>\$4,847,157</b>	<b>\$1,752,000</b>	<b>\$24,418,162</b>

Source: Asset Works

(a) Not included in insurance appraisal list

This Page Intentionally Left Blank

# Paint

Facility	Piedmont Address	Sq Feet	Year Built	Repainting Frequency (Yrs) (1)	Interior Paint Estimate	Notes (i.e. date last painted, current condition, life of current paint, other assumptions)	Repainting Frequency (Yrs) (1)	Exterior Paint Estimate	Total repainting by building	Annual Cost	Notes (i.e. date last painted, current condition, life of current paint, other assumptions)	Potential Deferred maintenance
1	BEACH SCHOOLMATES	1,440	1989	8	\$4,000		10	\$6,000	\$10,000	\$11,000	due 2020 or earlier	\$10,000
2	RECREATION CENTER	10,718	1920	12	\$35,000	portion of bldg painted 2015; remainder due 2015	10	\$45,000	\$80,000	\$7,417	due by 2018	\$97,500
3	CARRIAGE HOUSE	2,244	1920	10	\$4,500		10	\$8,000	\$12,500	\$12,500	due 2015	\$12,500
4	COMMUNITY HALL BUILDING	6,424	1920	12	\$20,000	good shape	10	\$13,500	\$33,500	\$3,017	looks good now	
5	TEA HOUSE W/DECK	400	1920	12	\$2,200		10	\$6,500	\$8,500	\$813	house exterior looks good; \$1,800 for decks required every 3 years	\$2,200
6	PIEDMONT PARK RESTROOM (2)	132	1997	5	\$700	due 2015	8	\$1,500	\$2,000	\$303	due 2016	\$2,000
7	CORPORATE YARD OFFICES	2,008	1920	8	\$2,500		10	\$2,500	\$5,000	\$563	painted in 2013; due 2023	\$2,500
8	PUBLIC WORKS - LOCKER ROOM/LUNCHROOM	1,145	1996	8	\$1,300		10	\$1,500	\$2,800	\$313	painted in 2013; due 2023	\$1,300
9	PUBLIC WORKS	4,780	1920	8	\$6,000		10	\$5,500	\$11,500	\$1,300	painted in 2013; due 2023	\$6,000
10	UTILITY BUILDING	4,508	1920	8	\$5,000		10	\$4,500	\$9,500	\$1,075	painted in 2013; due 2023	\$5,000
11	HAZARDOUS MATERIAL BUILDING	207	1992		\$0	No interior needed	10	\$800	\$800	\$80		\$800
12	STORAGE BUILDING	3,014	1910	12	\$3,500		10	\$5,000	\$8,500	\$792		\$8,500
13	LINDA BEACH RESTROOM & STORAGE (2)	512	1950	8	\$1,500	due in 2016	8	\$2,000	\$3,500	\$438	due in 2016	\$3,500
14	CITY HALL	16,942	1908	12	\$40,000	complete in stages; portion completed in 2015; another portion due in 2016	12	\$30,000	\$70,000	\$5,833	good shape now; FMP estimates ext painting \$81,500 for 2018	\$20,000
15	HAMPTON PLAY SCHOOL	1,978	1999	8	\$5,000		10	\$7,500	\$12,500	\$1,375	bathrooms due in 2015; remainder good shape	\$5,000
16	VETERAN'S MEMORIAL/POLICE STATION BUILDING	11,522	1950	10	\$30,000	complete in stages	10	\$20,000	\$50,000	\$5,000	due 2020 or earlier	\$80,000
17	PIEDMONT CENTER FOR THE ARTS	5,259	1978	10	\$30,000		10	\$18,000	\$48,000	\$4,800	painted 2012	\$30,000
18	WILDWOOD SCHOOLMATES	1,975	1989	8	\$4,000		8	\$7,000	\$11,000	\$1,375	due 2020 or earlier	\$11,000
19	DRACENA PARK RESTROOMS (2)	143	2006	3	\$900		8	\$1,500	\$2,400	\$488	FMP estimates bathroom upgrade \$87,500	\$2,400
20	HAVENS SCHOOLMATES - CONTENTS ONLY	1,450	2010	12	\$3,000			\$0	\$3,000	\$250	no exterior estimated	\$3,000
21	POOL BUILDING	2,001	1964	12	\$5,000	painted in 2015	10	\$8,000	\$13,000	\$1,217	Due in 2015; FMP estimates ext painting at \$30,000 for 2016	\$8,000
22	OAKLAND AVE BRIDGE				\$0		10	\$84,000	\$84,000	\$8,400	FMP estimates ext painting \$884,000 in 2018	\$84,000
23	COACHES FIELD RESTROOMS (2)			3	\$900		8	\$1,500	\$2,400	\$488	Not estimated by professional; used Dracena Restrooms as a proxy.	\$2,400
24	PIEDMONT PARK ENTRANCE/FOUNTAIN				\$0		7	\$3,500	\$3,500	\$500		\$3,500
	TOTAL PAINTING COSTS				\$205,000			\$282,900	\$487,900	\$48,183		\$401,100

NOTES: (1) If a range of years was provided, the longest date in the range is listed here  
(2) Included in PARK STRUCTURES estimate  
Many of the structures would do very well on a maintenance schedule  
Bi-annual pressure washing to clean building plus miscellaneous touch-ups helps to maintain the appearance and extend the life of paint finish  
Other items to consider: Fire hydrants, curbs, parking striping, misc. fencing

ESTIMATED BY: MB JESSEE  
DATE: SEPTEMBER 2015

# Plumbing

Facility	Piedmont Address	Sq Feet	Year Built	# Stalls	# Sinks	# Toilets/ Urinals	# Mirror	# vanity	#shower+ valve installed	\$/stall installed	\$/sink installed	\$/toilet installed	\$/mirror installed	\$/vanity installed	\$/shower +valve installed	Total replacement cost
REPLACEMENT FREQUENCY (YEARS)																20
OVERHEAD FOR																20%
COMPONENT COSTS										\$1,662	\$694	\$808	\$848	\$5,173	\$398	
1	BEACH SCHOOLMATES	1,440	1989	0	4	3		0		\$0	\$2,774	\$2,423	\$0	\$0	\$0	\$5,197
2	RECREATION CENTER	10,718	1920	4	8	5	2	0		\$6,648	\$5,549	\$4,038	\$1,697	\$0	\$0	\$16,235
3	CARRIAGE HOUSE	2,244	1920	0	1	1		0		\$0	\$694	\$808	\$0	\$0	\$0	\$1,501
4	COMMUNITY HALL BUILDING	6,424	1920		4	5	2	2		\$0	\$2,774	\$4,038	\$1,697	\$797	\$0	\$6,812
5	TEA HOUSE W/DECK	400	1920	0	0	0				\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	PIEDMONT PARK RESTROOM (3)	132	1997		1	1				\$0	\$694	\$808	\$0	\$0	\$0	\$1,501
7	CORPORATE YARD OFFICES	2,008	1920		2	3				\$0	\$1,387	\$2,423	\$0	\$0	\$0	\$3,810
8	PUBLIC WORKS - LOCKER ROOM/LUNCHROOM	1,145	1996							\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	PUBLIC WORKS	4,780	1920							\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	UTILITY BUILDING	4,508	1920							\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	HAZARDOUS MATERIAL BUILDING	207	1992							\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	STORAGE BUILDING	3,014	1910	0	0	0				\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	LINDA BEACH RESTROOM & STORAGE (3)	512	1950	2	2	2				\$3,324	\$1,387	\$1,615	\$0	\$0	\$0	\$6,326
14	CITY HALL/FIRE DEPT	16,942	1908	2	8	11		2		\$3,324	\$5,549	\$8,884	\$0	\$797	\$0	\$17,756
15	HAMPTON PLAY SCHOOL	1,978	1999	0	3	2				\$0	\$2,081	\$1,615	\$0	\$0	\$0	\$3,696
16	VETERAN'S MEMORIAL/POLICE STATION BUILDING	11,522	1950	2	4	5				\$3,324	\$2,774	\$4,038	\$0	\$0	\$0	\$10,136
17	PIEDMONT CENTER FOR THE ARTS	5,259	1978	0	4	6				\$0	\$2,774	\$4,846	\$0	\$0	\$0	\$7,620
18	WILDWOOD SCHOOLMATES	1,975	1989	0	4	3				\$0	\$2,774	\$2,423	\$0	\$0	\$0	\$5,197
19	DRACENA PARK RESTROOMS (3)	143	2006	0	1	1				\$0	\$694	\$808	\$0	\$0	\$0	\$1,501
20	HAVENS SCHOOLMATES	1,450	2010	0	4	3				\$0	\$2,774	\$2,423	\$0	\$0	\$0	\$5,197
21	POOL BUILDING	2,001	1964	4	4	7		12		\$6,648	\$2,774	\$5,653	\$0	\$0	\$4,781	\$15,076
23	COACHES FIELD RESTROOMS (3)				2	2	2			\$0	\$1,387	\$1,615	\$1,697	\$0	\$0	\$3,002
<b>TOTAL COSTS</b>	<b>CITY OF PIEDMONT</b>			<b>14</b>	<b>56</b>	<b>60</b>	<b>6</b>	<b>4</b>	<b>12</b>	<b>\$23,268</b>	<b>\$8,842</b>	<b>\$48,456</b>	<b>\$5,090</b>	<b>\$1,594</b>	<b>\$4,781</b>	<b>\$110,566</b>
<b>ANNUAL PLUMBING COSTS</b>																<b>\$5,528</b>

Cost Source:  
 Stalls [http://www.homewise.com/costs/cost\\_of\\_bathroom\\_stalls.html](http://www.homewise.com/costs/cost_of_bathroom_stalls.html); average cost installed for area 94611  
 Toilets [http://www.homewise.com/costs/cost\\_of\\_low\\_flow\\_toilets.html](http://www.homewise.com/costs/cost_of_low_flow_toilets.html); assumes standard fixtures not stainless outdoor models; urinals counted as toilets  
 Vanity [http://www.homewise.com/costs/cost\\_of\\_bathroom\\_vanity\\_tops.html](http://www.homewise.com/costs/cost_of_bathroom_vanity_tops.html)  
 Sink [http://www.homewise.com/costs/cost\\_of\\_bathroom\\_sinks.html](http://www.homewise.com/costs/cost_of_bathroom_sinks.html)  
 Shower Head [http://www.homewise.com/costs/cost\\_of\\_low\\_flow\\_shower\\_heads.html](http://www.homewise.com/costs/cost_of_low_flow_shower_heads.html)  
 Shower Base [http://www.homewise.com/costs/cost\\_of\\_shower\\_bases.html](http://www.homewise.com/costs/cost_of_shower_bases.html)  
[http://www.homewise.com/costs/cost\\_of\\_bathroom\\_mirrors.html](http://www.homewise.com/costs/cost_of_bathroom_mirrors.html); average cost installed for area 94611, 53 sq. ft. size

(1) Quantity of fixtures was manually counted by building or confirmed by staff  
 (2) Data from Piedmont Public Works Toilet/Urnal Inventory  
 (3) Included in PARK STRUCTURES estimate  
 (4)

Assumptions: Costs include installation

This Page Intentionally Left Blank







# Windows

Building	Building Description	Year	Square Footage	Window Type	Assumed % of Build Sq. Footage			Assumed Window Sq. Footage			Replacement Cost	
					Aluminum	Wood	Aluminum	Wood	Aluminum	Wood		
Beach Elementary School	Beach Schoolmates	1989	1440	Aluminum Frame	30%		432			\$ 9,00	\$ 12,00	
Corporation Yard	Public Works Garage	1920	4780	Wood				478		\$ 3,888	\$ -	
Piedmont Center for the Arts	Piedmont Center for the Arts	1878	5259	Wood		10%				\$ -	\$ 5,736	
Wildwood Elementary School	Wildwood Schoolmates	1989	1095	Aluminum Frame	30%		328.5			\$ 2,957	\$ -	
Havens School	Havens Schoolmates (Contents only)	2010	1450	Wood						\$ -	\$ -	
Bay Cities Joint Powers Authority										\$ -	\$ -	
Hampton Play School	Hampton Play School	1999	1978	Wood		30%		593.4		\$ -	\$ 7,121	
Veteran's Memorial/Police Station	Veteran's Memorial/Police Station	1950	11522	Aluminum Frame	40%		4608.8			\$ 41,479	\$ -	
Pool Building	Pool Building	1964	2001	Aluminum Frame	40%		800.4			\$ 7,204	\$ -	
Recreation Center	Recreation Center	1920	10718	Aluminum Frame	30%		3215.4			\$ 28,939	\$ -	
Carriage House	Carriage House	1920	2244	Wood		20%		448.8		\$ -	\$ 5,386	
Community Hall Building	Community Hall Building	1920	6424	Wood		20%		1284.8		\$ -	\$ 15,418	
Tea House w/Deck	Tea House w/Deck	1920	400	None		0				\$ -	\$ -	
Corporate Yard Offices	Corporate Yard Offices	1920	2008	Aluminum Frame	10%		200.8			\$ 1,807	\$ -	
Public Works-Locker Room/Lunch Rot	Public Works-Locker Room/Lunch Rot	1996	1145	Wood		10%		114.5		\$ -	\$ 1,374	
Utility Building	Utility Building	1920	4508	Wood		10%		450.8		\$ -	\$ 5,410	
Hazardous Material Building	Hazardous Material Building	1992	207	None		0%				\$ -	\$ -	
										\$ 86,273	\$ 65,687	
										Total All	#####	

**Assumptions (to be refined) - The total cost needs further refinement**  
Listed the building square footage for each building from the Insurance listing  
Assessed from pictures (in the insurance listing) the type of windows in each building  
Assessed the approximate number of windows from the pictures in the insurance listing  
Based on the pictures, assumed the % windows to the Sq. Footage of the building (this needs further refinement and a walk-around each building)  
Received quotes on windows and computed an average per Sq. Foot - used this to calculate the Replacement cost.

This Page Intentionally Left Blank

# Roofing

BUILDING	ADDRESS	SQ FT	ROOF SQ FT	ROOF TYPE	# OF LEVELS	AVE LIFE	CURRENT AGE	REMAINING LIFE	ESTIMATED COST	ANNUAL COST
City Hall/ Fire *	120 Vista Ave.	16,942		PVC Memb	2	20 yr		14 year,	\$200,000	\$10,000
Recreation Center **	358 Hillside Ave	10,718		Asphalt Shingles	3	20 yr	TBI 2019		\$61,500	\$3,075
Veteran's/Police ***	401-403 Highland Ave	8,500		Built-Up Smooth	2	20 yr			102,000	\$5,100
Community Hall *	711 Highland Ave	6,424	4,800	Clay Tile	2	40 yr	TBI 2018-19		\$100,000	\$2,500
Aquatics Building **	777 Magnolia Ave	2,001		Built-Up Smooth	1	20-25 yr	TBI 2016		\$40,000	\$2,000
Carriage House *	699 Magnolia Ave	8,000		Asphalt Shingles-Steep Slope	3	20 yr			\$160,000	\$8,000
Center for the Arts *	801 Magnolia Ave	5,259	8,500	Asphalt Shingles	1	20 yr			\$93,500	\$4,675
Schoolmates - Havens ****	323 Highland Ave	1,450		Clay tile	1	50 yr				
Hampton Play School *	401 Hampton Rd	1,978	3,100	Clay Tile	1	40 yr			\$62,000	\$1,550
Tea House *	711 Highland	400		Wood Shingle	1	20-25 yr	2016	20-25 yr	\$12,000	\$600
Schoolmates- Wildwood *	308 Wildwood Ave	1,975	2,200	Built-up Roof	1	20 yr			\$24,000	\$2,000
Schoolmates- Beach *	100 Lake Ave	1,440	2,264	Built-up Roof	1	20 yr			\$24,000	\$2,000
Public Works Garage	898 Red Rock Rd	4,780		Asph/BUR					\$30,000	
Corp Yard - Lunch room ***	898 Red Rock Rd	1,145		Asphalt Shingles	1	20 yr			\$9,300	\$465
Corp Yard - Utility Bldg ****	898 Red Rock Rd	4,508		Asph/BUR	2	20 yr			\$27,800	\$1,390
Corp Yard - Haz Waste *****	898 Red Rock Rd	207		Metal	1	20 yr			\$2,000	\$100
Corp Yard Office	898 Red Rock Rd	2,008		Asphalt Shingles					\$16,300	
Corporation Yard - Fuels Station **	898 Red Rock Rd	500		Asphalt Shingles	1	20 yr	TBI 2016		\$40,000	\$2,000
898 Red Rock Rd									\$1,004,400	\$45,455

\*The following numbers were estimated by Chip Upshaw of Fidelity Roofing

\*\* The following numbers were taken from the Maintenance report from Coastland - Aquatics, Rec Center roof replacement

\*\*\* Estimates made using <http://www.roofingcalculator.org> 20% premium was added for prevailing wage

\*\*\*\* According to "notes" in Roof Cal Clay Tile Roofs run \$20 per square foot - validated by recent bid of \$17+

\*\*\*\*\* [http://www.homewyse.com/services/cost\\_to\\_install\\_seam\\_metal\\_roof.html](http://www.homewyse.com/services/cost_to_install_seam_metal_roof.html)

Note: Park Restroom and Storage buildings are not included in these estimates

# HVAC

Buildings	SQ FT	HVAC Type	Bldg Type	# of Levels	Make/ Model	Estimated Cost
City Hall/ Fire 120 Vista Ave	8,400	Heat pump/AC - installed 2011*	Office/garage	2		\$273,000
Recreation Center 358 Hillside Ave	10,718	Boiler**	Classrooms/small office	3	? Original	\$19,000
Veteran's Hall	*sq ft incl with police	2 - FA can't be used at same time	Large Auditorium and sm ofc	1	Reznor	\$125,000
Police 401-403 Highland	11,522	FA/AC*** uses 2 furnaces and would need multi-zone	offices and dispatch	2	Bryant Plus-80/AC Bryant 113RNA060T	\$125,000
Community Hall 711 Highland	6,424	FA/ no AC****	Auditorium with small kitchen	2	upstairs -1 are Western TAB18-	\$15,000
Aquatics Building 777 Magnolia Ave	2,001	none	Dressing/showers/small office	1	none	0
Carriage House 799 Magnolia Ave	2,244	none	Storage area	2	none	0
Center for the Arts 801 Magnolia Ave	5,259	FA/AC - installed 2014 *****	½ auditorium/1/2 classroom and office	1	Nancy to provide info	\$20,000
Center for Arts - Est Wing	1200	FA/AC	after school care		York TG (S100C2mp11)	\$14,725
Schoolmates – Havens Highland Ave	323	*part of the Havens system	Classroom with bathroom	1	part of the school system	\$9,000
Hampton Play School Hampton Rd	401	FA/AC	Classroom with bathroom/small ofc	1	TBD	\$12,000
Tea House – near 711 Highland Ave	400	none	Open room for rental	1	none	0
Schoolmates- Wildwood Wildwood Ave	308	heat pumo/AC	Portable Classroom with bathroom	1	Baird "The Wall Mount"	10,000
Schoolmates- Beach Ave	100 Lake	Heat pump/AC	Portable Classroom with bathroom	1	MARVAIR	\$10,000
Corporation Yard-Lunch room -Utility Bldg-----Hazard Waste Red Rock Rd	898	none	Office Storage	2	none	0
Footnotes:						632725

\* Actual costs when purchased in 2011

\*\* \$18,000 for boiler and replace some coils. \$40,000 for full replacement

\*\*\* 401-403 has 4 furnaces, two of the Reznor are hanging in the police department and are for the Veterans Hall upstairs. According to the janitor only one furnace at a time can be run. The Atlas rep said that it is because of an exhaust issue. There is a Bryant Furnace in the small room near the ladies room upstairs that is for part of the police department and another Bryant in the police department near the two Reznor.

\*\*\*\*To add AC with a new furnace would require electrical and structural changes - rough estimate +\$60,000

\*\*\*\*\* Furnance purchased by Nancy Lerhkind

**Assumptions:**

Average life of furnances is 20 years

Estimates for replacements provided by Gary Hennings @ HM Engineering

Priority: Community Hall – furnances are 40 + years old

**RPTT receipts reported by city staff:**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (a)
July	\$214,942	\$99,888	\$292,883	\$346,451	\$425,855	\$332,328	\$288,813
August	130,553	152,118	283,252	262,314	368,287	302,523	487,629
September	267,657	228,103	168,918	190,768	221,180	185,428	282,242
October	127,836	193,907	140,902	128,329	294,937	251,647	362,363
November	53,825	217,641	296,296	160,968	242,797	146,917	235,333
December	87,146	71,255	154,638	169,509	206,659	108,217	139,080
Sub-total	881,958	962,911	1,336,889	1,258,338	1,759,714	1,327,060	1,795,459
January	68,776	79,730	52,712	48,948	101,154	336,347	104,710
February	131,690	35,609	103,050	98,522	166,443	151,898	254,970
March	101,260	139,353	194,488	176,668	143,241	383,419	322,464
April	142,345	148,690	384,022	271,789	290,244	497,928	553,675
May	120,247	240,016	244,519	281,138	389,425	972,438	429,821
June	265,462	237,342	313,241	565,523	335,781	331,923	440,152
Sub-total	829,780	880,740	1,292,032	1,442,587	1,426,288	2,673,953	2,105,792
<b>Total</b>	<b>\$1,711,738</b>	<b>\$1,843,651</b>	<b>\$2,628,921</b>	<b>\$2,700,925</b>	<b>\$3,186,001</b>	<b>\$4,001,012</b>	<b>\$3,901,251</b>

(a) The amounts do not include any transfer tax owed to City of Oakland which is adjusted at a later date for April through June. Piedmont must manually calculate this amount and transmit to Oakland.

**Select Recommendations from the 2011 Municipal Tax Review Committee:**

**Recommendations for Improved Financial Controls and Decision Making**

- To better improve fiscal controls and discipline going forward, and to help the current and future City Councils make better financial decisions in good and bad times, we recommend instituting a five-year annual planning process, created by City staff, that will enable City Councils to see a clearer picture of the fiscal impacts of their decisions.
- The City should establish a new Municipal Financing Planning Committee (“MFPC”) made up of volunteer citizens (serving staggered terms) to annually review the five-year plan and provide guidance to the Council. The MFPC charter would focus on providing for the long-term sustainable financial future of the City. This new committee would not replace the quadrennial parcel tax committee, but would meet only a limited number of times each year to review the 5-year plan and provide a “check” of the plan for the Council, as well as to provide a financial review of any new program commitments in excess of \$250,000 annually.
- Economic cyclicalities are a certainty and steps should be taken to characterize revenues received over specified levels and long-term growth rates as “temporary” with such amounts listed as such in budget documents and Council presentations and ideally specifically set aside in reserves. We believe City staff already tries to operate this way, but a more specific presentation would highlight the amounts as non-sustainable for future City Councils and identify the risks of committing these revenues for long-term commitments.
  - Transfer Tax—Starting from a base of \$2.5million per year, any annual growth above 2% should be considered temporary revenue
  - Property tax revenues growing over the FY2010-11base year at more than 4% should be considered temporary revenue
  - These levels should be periodically reviewed by future

## Municipal Tax Review Committees

- The committee recommends that the City undertake a prioritizing of City services and modify the detailed budget presentation designating certain services (costs, etc) as “mission-critical” and other services as not in that category in order to assist future Councils to create a priority of funding
- The City should adopt formal objectives for the appropriate fund balance levels of funds related to capital and equipment replacement and use these levels as guidelines in allocating revenues.

### Specific Expense Reduction Recommendations

- The committee has discussed several areas where expenses can be reduced from current trend lines:
  - Employee costs—specifically benefits
  - Net cost of non-essential services
  - Possible staffing changes, where it is possible to make directly relevant comparisons to a similar but lower-cost city (e.g., Albany, with whom Piedmont shares a Fire Chief).
- As noted above, employee benefits have substantially outgrown revenues and any reasonable measure of service, as well as other categories of expenditure over the past decade, and although the City employees provide excellent service, the benefit costs are not sustainable into the future. The committee recommends significant immediate action with regard to employee pension and other benefits to freeze these costs and to ultimately make changes that reduce the costs as a percent of salaries. Although the committee was not able to study the costs and implications of various potential benefit plans in depth, the committee recommends the City undertake a thorough review of long term projected pension and other benefit costs given likely conservative investment returns, medical cost growth rates, actuarial studies based on likely hiring, etc., and implement one or more of the following with the goal of capping employee benefit costs at the current level of \$5.18 million per year:
  - Institute a two-tier benefit system that at a minimum would apply lesser (and less expensive) CalPERS pension options to new employees. Since the City already offers a deferred compensation program (similar to a 401k), employees will still have the option of supplementing their pension plans with a tax-deferred private savings vehicle.
  - Negotiate to reduce current retirement benefit costs/growth rates by increasing employee contribution levels and strengthening the current partial cap on the City’s contribution so that the City’s benefits budget allocation remains constant going into the future.
  - Implement staffing and organizational changes that would maintain current services but at lesser costs. Although the committee does not recommend cuts in services, it does understand that making the changes proposed could result in service disruptions/hiring difficulties during any adjustment period. The goal is to reduce overall compensation cost growth rates and reduce the uncontrollable components of those costs – salary and defined contribution costs are controllable, defined benefit costs are not.
- In addition to employee benefit commitments, the City is currently evaluating or has recently undertaken several new programs including as noted above: operation and subsidy of the swimming pool, a possible major new sports complex at Blair Park, and continuing/expanding the library commitment, as well as other services/projects. Although the committee recognizes the multi-dimensional nature of the discussions around these programs, the committee feels it is very important for the City to understand the differences between these services and essential City functions from a fiscal perspective. Further, the City should take steps to make sure the costs of any new commitments are fully understood and paid for out of user fee revenues and not general fund revenues/parcel tax. Specifically,
  - General fund subsidies for the pools should be reduced to zero both in terms of actual costs and potential liabilities, or offsetting cuts made elsewhere in the budget if a pool subsidy is to be continued.
  - Blair Park should be structured so as to have zero impact on the future budget in terms of actual construction, long-term operation, capital maintenance and replacement; before committing to build the Blair

Park facility, the City must secure a professional estimate of construction and maintenance costs, and commit to a user fee schedule that will recover all operating costs.

- In the event there is evidence of a strong community interest in subsidizing these sorts of user-specific programs, the City should consider seeking a public vote for individual parcel taxes to support them, recognizing that the two-thirds vote required for passage would be the ultimate measure of public support

### **Parcel Tax Recommendation**

Although the committee in concept supports renewal of the parcel tax to be levied in its full amount and structure, the committee had much discussion concerning whether or not conditions should be placed on its recommendation. Fundamentally, the City's projected revenues and current expense commitments don't align and the committee recognizes that passing the current parcel tax without addressing expense commitments is not fiscally prudent. Further, the committee understands that certain expense reductions recommended above will take time and negotiations to implement – more time than is provided by the committee's current schedule for submitting its report. The committee has grave concerns that without implementing the above steps, not only will the parcel tax not cover planned expenditures, but also that renewal itself is at risk if the public lacks confidence in the City's fiscal management. The committee therefore suggests that the Council may want to defer the parcel tax vote from the current planned February date and instead put it on the ballot at a later time, preferably **June** 2012 (but November if necessary), to coincide with state elections. The City can use that extra time to accomplish the key spending constraints proposed in this report. This delayed election would apply only to the general parcel tax, not to the sewer tax proposal discussed immediately below.