

City of Piedmont  
COUNCIL AGENDA REPORT

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DATE: January 18, 2022

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Consideration of FY 2021-22 Mid-Year General Fund Appropriations and Receipt of FY 2021-22 Mid-Year Fiscal Report

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RECOMMENDATION

By motion, approve the FY 2021-22 mid-year General Fund appropriations as follows:

Overtime – Fire Department	\$ 490,000
City Engineering Service	\$ 280,000
Juvenile Officer Expense	\$ 115,000
Total	\$ 885,000

BACKGROUND

The City Council-approved City of Piedmont FY 2021-22 Budget is the annual fiscal outline, resource allocation, and expenditure plan that guides and ensures implementation of City programs and Council operating policies. The annual Midyear Fiscal Report analyzes and examines the financial condition of the City budget at the mid-point of the fiscal year. This analysis measures the conformity of all revenues and expenditures from July 1, 2021 through December 31, 2021 to the adopted FY 2021-22 budget.

The adopted Budget incorporates the estimated revenues, planned expenditures, and transfers for all funds. This Midyear Fiscal Report focuses on the General Fund and the Capital Projects Funds (Facility Maintenance, Equipment Replacement and Street Related).

Staff recommends the following budget adjustments as detailed below be approved by City Council. Please note, Staff is only requesting additional appropriations for variances caused by known operational changes. Expense variances based only on estimation of current trends (i.e., recreation program expense and insurance claims) will be re-evaluated at year end.

## **Midyear FY 2021-22 General Fund Summary**

Based on mid-year trends, we estimate year-end positive General Fund operating net income, before capital transfers, of \$3.2 million and an ending General Fund Balance of \$7.7 million which is 24% of total expenditures. The General Fund remains in a sound position, with revenues exceeding expenses. This is the result of conservative budgeting, a strong real estate market, and prudent management of day to day operations. We are very fortunate to be in this position considering the adverse effect COVID-19 has had on many municipalities. This is due to the continued strength of the real estate market and that the majority of our revenue base is property related. If the favorable revenue trends of the first half of the year continue, the City may have the ability to add to the funding of its backlog in facilities maintenance. There can be no assurance these trends will continue as the COVID-19 pandemic continues to evolve and spawn new variants.

The General Fund finances the basic municipal services provided by the City. General Fund revenues are budgeted at \$30.5 million (which includes Operating Transfers-In of \$0.9 million, primarily from the Sewer Fund). General Fund expenditures are budgeted at \$30.4 million. The adopted budget also includes Capital Transfers-Out of \$361,000 to the Equipment Replacement fund and \$600,000 to the Facilities Maintenance fund.

Based on current trends and known expense variances, we are projecting General Fund revenues to exceed budget by approximately \$4.5 million and expenses to be higher than budget by approximately \$1.4 million.

The increase in revenue is primarily from higher than expected real property transfer tax receipts (+\$1.7 million), American Rescue Plan Act receipts (+\$1.3 million), recreation and facility rental revenue (+\$0.6 million), mutual aid revenue for wildfire assistance (+\$0.4 million), increased building permits and planning related fee activity (+\$0.2 million), and Other Taxes (+\$0.2 million).

The increase in expenditures is primarily due to the following:

- Higher overtime costs in the fire department due to mutual aid strike team activity, vacant positions, and workers compensation issues.
- Additional costs incurred to process the backlog of building permit applications which has accumulated due to the robust remodel\construction market.
- Partial funding of the Juvenile Officer position due to the loss of the associated grant monies,
- Higher costs in the recreation departments, including contract program and personnel costs, due to higher than expected activity from recreation programs and rental facilities. These revenue generating activities were budgeted conservatively due to the uncertainty caused by the COVID-19 pandemic.

### General Fund Revenues

Total General Fund revenue through December 31, 2021 was \$17.9 million, which is 58% of the annual revenue budget. Included in this amount is \$1.3 million received under the American Rescue Plan Act (ARPA) which was not included in the budget.

We are projecting General Fund Revenues to be \$35.1 million for FY 2021-22, an increase of \$4.5 million as compared to the budget.

The increase is summarized as follows:

(in thousands)	Projected	Budget	Variance	
	2021-22	2021-22	\$	%
<b>CATEGORY</b>				
Property Taxes	15,980	15,927	53	0%
Real Property Transfer Tax	4,500	2,800	1,700	61%
Parcel Tax	2,424	2,422	2	0%
Other Taxes and Franchises	2,610	2,440	170	7%
License and Permits	595	495	100	20%
Revenue from Use of Money or Property	635	425	210	49%
Revenue from Other Agencies	3,655	1,932	1,723	89%
Charges for Current Services	3,728	3,162	566	18%
Other Revenue	89	84	5	6%
Transfers In	855	855	-	0%
	35,071	30,541	4,529	15%

The major revenue categories (property tax, parcel tax, and transfer tax) which account for 69% of the General Fund budgeted revenue are discussed below:

- We have received property tax revenues of \$8.2 million through December 31, 2021 which is 51% of the annual budget of \$15.9 million. This is 4% higher than the amount received in the same period last year. Based on the total amount of secured and unsecured property taxes to be received as communicated to us by Alameda County, we are projecting total property tax revenue to be approximately \$16.0 million, which is \$53,000 (1%) higher than the adopted budget.
- Parcel tax revenue received through December 31, 2021 was \$1.2 million, which is 50% of the annual budget. This revenue increased \$6,000 as compared to the same period last year. We expect parcel tax revenue to be in line with budget for the year.
- Real property transfer tax revenue received through December 31, 2021 was \$2.9 million, which is 106% of the annual budget of \$2.8 million, and 13% higher than the amount received in the same period last year. The increase was due to a 1% increase in the number of homes sold (85 homes sold compared to 84 in the same period last year), and a 6% increase in the average home sale price to \$3.0 million from \$2.8

million in the same period last year. For FY 2021-22, we are projecting transfer tax to be \$4.5 million, which is \$1.7 million over the adopted budget.

Other revenue categories to note are:

**American Rescue Plan Act (ARPA).** The City was allocated \$2.6 million in ARPA funds, \$1.3 million of which was received in July 2021 and the remainder expected in July 2022. As noted, the receipt of the ARPA funds was not included in the approved budget. In order to move forward the two priority projects approved by Council in October 2021 (Dispatch relocation/renovation and Police/Fire/City Hall master plan), staff anticipates utilizing ARPA monies during the second half of FY 21-22 to hire project management support for these efforts.

**Mutual aid revenue** received from the deployment of strike teams to battle wildfires throughout California is projected at \$0.4 million. This category is not budgeted due to the uncertainty of this revenue stream. The Piedmont Fire Department assisted in the Dixie fire, logging over 3,800 hours of mutual aid.

**Building Permits and Planning related fees** (which includes the General Plan Maintenance Fee and Records Management Fee). This category continues to surprise as the construction/remodel market has exceeded all expectations. FY 2020-21 was a record year, increasing \$1.6 million or, 28%, over the prior year. The strength has continued into the current fiscal year and we are projecting to exceed the annual budget by \$0.2 million (17%).

**Revenue from Recreation Programs and Facility.** As of December, recreational programs and facility rentals have returned to a “near normal state”. Assuming this trend continues, we expect this category to exceed the approved budget by approximately \$0.6 million. It should be noted that the majority of Recreation expenses are variable in nature, and accordingly, we also expect an increase in expenses.

### **General Fund Expenditures**

General Fund expenditures are budgeted at \$30.4 million. Total estimated expenditures for FY 2021-22 are \$31.8 million, or \$1.4 million (4 %) higher than budget. Expenses directly related to COVID, and funded by our ARPA allocation, were \$137,000 for the first 6 months of the fiscal year as follows:

- Premium Pay               \$54,000
- Technology                \$40,000
- Legal\Consulting        \$26,000
- Supplies\Misc.           \$17,000

We expect to incur approximately \$146,000 of COVID related expense in the second half of the fiscal year, consisting of \$100,000 to support Piedmont Unified School District’s COVID response and \$46,000 for continuing COVID related expenses. The remaining \$1.0 million in ARPA funds received will be transferred to the Facilities Maintenance Fund and be used for the capital projects approved by the City Council at its October 4, 2021 meeting.

The following table compares budget and projected expenditures for the full fiscal year:

(in thousands)	Projected 2021-22	Budget 2021-22	% of Total	Variance	
				\$	%
<b>CATEGORY</b>					
Personnel Costs	20,456	19,868	65%	588	3%
Operating Expenses	8,008	7,427	24%	581	8%
Non-Departmental	3,307	3,095	10%	212	7%
	31,771	30,390	100%	1,381	5%

Personnel related costs, the largest expenditure component of the General Fund representing 65% of the total expenditure budget, are estimated at \$20.5 million, an increase of \$0.6 million compared to budget. The variance is primarily due to:

- Increased overtime (\$0.5 million) in the Fire Department due to the strike team deployments to assist in battling California wildfires and backfilling positions due to retirements and personnel injuries. The majority of the overtime is offset by mutual aid revenue received of \$390,000.
- The adopted budget included \$190,000 in grant revenue to fund a Juvenile Officer. After the adoption of the annual budget, the City was informed it would not be receiving the grant revenue. As the Juvenile Officer program is vital to the Police Department's operations, it was decided to retain this position and not backfill a police officer position through anticipated attrition. This vacancy is anticipated to commence in February and holding it vacant will save approximately \$75,000, resulting in a budget overage of \$115,000.
- Benefit costs are expected to be lower by approximately \$100,000 due to open positions.

Operating expenses are expected to be higher than budget by approximately \$0.6 million primarily due to:

- Higher costs in the recreation departments (+\$230,000), including contract program and personnel costs, due to higher than expected revenues from recreation programs and rental facilities. These expenses are tied to revenue generating programs which were budgeted conservatively due to the uncertainty caused by the COVID-19 pandemic.
- Additional costs incurred to process the backlog of building permit applications (+\$280,000). To date, the City has utilized Coastland Engineering's services to assist the Building Division in addressing the influx of building permit applications and reduce the backlog of permit applications. Staff is planning to recruit a part time Permit Technician to provide the same services processing permits, reducing the backlog of permits, serving customers at the counter, and to phase out the need for Coastland's permit processing and inspection support later this year.

The backlog was caused by the unexpected surge in applications coupled with the need to begin electronic processing before we were ready due to the pandemic. Processing

applications became more cumbersome as the necessary software to do so was not in place. Staff has been making progress with the recent purchase of software to aid with digital submissions and review and will be upgrading TRAKiT later this year.

- Increased legal fees due to personnel disciplinary issues and COVID-19 related policy updates. (+\$100,000)

Non-Departmental costs will be higher than budget due to:

- Increased workers compensation claims (+160,000)
- Support Piedmont Unified School District in the hiring of temporary COVID response support staff. (+\$100,000 funded by our ARPA allocation)
- Higher than expected insurance premiums (+\$46,000)

These increases are being offset by the following:

- Lower Retiree Medical premiums (-\$55,000) and Unemployment Insurance claims (-\$40,000).

Please see the following pages for detailed charts showing this information.

CITY OF PIEDMONT									
GENERAL FUND ANALYSIS									
2016-17 to 2021-22									
(000's)									
	Actual					Projected 2021-22	Budget 2021-22	Variance	
	2016-17	2017-18	2018-19	2019-20	2020-21			\$	%
<b>General Fund Beginning Balance</b>	\$ 4,719	\$ 4,688	\$ 5,533	\$ 5,289	\$ 5,592	\$ 6,509	\$ 5,940	\$ 569	10%
Property Taxes	12,512	13,375	14,079	14,790	15,442	15,980	15,927	53	0%
Real Property Transfer Tax	3,522	3,845	3,820	3,603	6,287	4,500	2,800	1,700	61%
Parcel Tax	1,746	2,198	2,262	2,353	2,411	2,424	2,422	2	0%
Other Taxes and Franchises	2,474	2,412	2,481	2,527	2,664	2,610	2,440	170	7%
License and Permits	577	589	512	548	710	595	495	100	20%
Revenue from Use of Money or Property	616	738	853	437	209	635	425	210	49%
Revenue from Other Agencies	1,699	2,037	2,002	1,830	2,436	3,655	1,932	1,723	89%
Charges for Current Services	3,342	3,545	3,252	2,194	2,977	3,728	3,162	566	18%
Other Revenue	169	268	303	321	128	89	84	5	6%
	26,657	29,007	29,564	28,603	33,266	34,216	29,686	4,529	15%
<b>Operating Transfers in</b>	1,109	790	827	1,001	1,008	855	855	-	0%
<b>Total Revenue</b>	<b>27,766</b>	<b>29,797</b>	<b>30,391</b>	<b>29,604</b>	<b>34,274</b>	<b>35,071</b>	<b>30,541</b>	<b>4,529</b>	<b>15%</b>
<b>Departmental Expenditures</b>									
Administration	2,528	2,854	2,919	3,230	3,603	3,884	3,794	90	2%
Public Works	4,161	4,216	3,273	3,586	3,795	3,909	3,929	(20)	-1%
Planning & Building			1,300	1,232	1,455	2,625	2,365	260	11%
Recreation	2,772	2,829	2,918	2,666	2,405	2,951	2,687	264	10%
Police	5,757	5,937	6,333	6,514	6,715	7,383	7,298	85	1%
Fire	5,441	5,889	6,143	6,323	6,875	7,712	7,222	490	7%
<b>Departmental Expenditures</b>	<b>20,659</b>	<b>21,725</b>	<b>22,886</b>	<b>23,551</b>	<b>24,848</b>	<b>28,464</b>	<b>27,295</b>	<b>1,169</b>	<b>4%</b>
<b>Non Departmental Expenditures</b>									
Library	350	350	350	350	350	350	350	-	0%
Unemployment Insurance	8	8	-	54	134	35	75	(40)	-53%
Workers Compensation	555	615	794	673	722	876	725	151	21%
Liability Insurance	435	553	686	784	1,015	1,176	1,120	56	5%
Pension rate stabilization	2,000	750	-	-	1,000	-	-	-	#DIV/0!
OPEB - Retiree payments		446	520	614	654	770	825	(55)	-7%
OPEB - Contributions	312	86	99	87	-	-	-	-	#DIV/0!
Other	1	2	7	2	-	100	-	100	#DIV/0!
<b>Non Departmental Expenditures</b>	<b>3,661</b>	<b>2,810</b>	<b>2,456</b>	<b>2,564</b>	<b>3,875</b>	<b>3,307</b>	<b>3,095</b>	<b>212</b>	<b>7%</b>
<b>Operating Transfers-out</b>	<b>1,477</b>	<b>1,518</b>	<b>1,688</b>	<b>1,377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>#DIV/0!</b>
<b>Total Expenditures and Transfers-out</b>	<b>25,797</b>	<b>26,053</b>	<b>27,030</b>	<b>27,492</b>	<b>28,723</b>	<b>31,771</b>	<b>30,390</b>	<b>1,381</b>	<b>5%</b>
<b>Operating Net Income</b>	<b>1,969</b>	<b>3,744</b>	<b>3,361</b>	<b>2,112</b>	<b>5,550</b>	<b>3,299</b>	<b>151</b>	<b>3,148</b>	<b>2088%</b>
<b>Capital Transfers-out</b>									
Equipment Replacement Fund	400	400	400	400	610	361	361	-	0%
Facility Maintenance\Sidewalk	1,600	3,332	3,205	1,050	3,500	1,650	600	1,050	175%
Capital Improvements			-	359	523	-	-	-	#DIV/0!
<b>Total Capital Transfers</b>	<b>2,000</b>	<b>3,732</b>	<b>3,605</b>	<b>1,809</b>	<b>4,633</b>	<b>2,011</b>	<b>961</b>	<b>1,050</b>	<b>109%</b>
<b>Net Income after Capital Transfers</b>	<b>(31)</b>	<b>12</b>	<b>(244)</b>	<b>303</b>	<b>917</b>	<b>1,288</b>	<b>(810)</b>	<b>2,098</b>	<b>-259%</b>
Prior Year Adjustment (audit)		833							
<b>General Fund Ending Fund Balance</b>	<b>\$ 4,688</b>	<b>\$ 5,533</b>	<b>\$ 5,289</b>	<b>\$ 5,592</b>	<b>\$ 6,509</b>	<b>\$ 7,798</b>	<b>\$ 5,130</b>	<b>\$ 2,668</b>	<b>52%</b>
<b>Fund Balance as % of Operating Exp</b>	<b>19%</b>	<b>23%</b>	<b>21%</b>	<b>21%</b>	<b>23%</b>	<b>25%</b>	<b>17%</b>		

		General Fund Revenue (000's)								
		Actual - Fiscal Year Ended:				Fiscal Year 2021-22				
Account #	Description	June-18	June-19	June-20	June-21	6 Months	Budget	% Attained	Projected	\$ Variance
See Below for Details	PROPERTY TAX - SECURED	12,292	12,961	13,611	14,271	7,486	14,919	50%	14,971	52
See Below for Details	PROPERTY TAX - UNSECURED	581	612	676	724	620	703	88%	704	1
101-0301-005-000	PROPERTY TAX-SUPPLEMENTAL	494	498	498	438	69	300	23%	300	0
101-0301-006-000	PROPERTY TAX-DELINQ & PENLTY	7	8	6	9	0	5	0%	5	0
	<b>SUB-TOTAL Property Tax</b>	<b>13,375</b>	<b>14,079</b>	<b>14,790</b>	<b>15,442</b>	<b>8,175</b>	<b>15,927</b>	<b>51%</b>	<b>15,980</b>	<b>53</b>
101-0302-003-000	REAL PROPERTY TRANSFER TAX	3,845	3,820	3,603	6,287	2,917	2,800	104%	4,500	1,700
101-0302-005-000	PARCEL TAX: MUNI TAX	2,198	2,262	2,353	2,411	1,212	2,422	50%	2,424	2
	<b>TOTAL Property Related Taxes</b>	<b>19,418</b>	<b>20,160</b>	<b>20,746</b>	<b>24,140</b>	<b>12,304</b>	<b>21,149</b>	<b>58%</b>	<b>22,904</b>	<b>1,755</b>
See Below for Details	BUSINESS LICENSE TAX	262	253	269	255	112	225	50%	275	50
See Below for Details	REAL ESTATE RENTAL TAX	302	308	334	366	4	355	1%	355	0
101-0302-001-000	SALES & USE TAXES	192	200	200	245	68	200	34%	220	20
	<b>TOTAL Business &amp; Sales Taxes</b>	<b>755</b>	<b>761</b>	<b>803</b>	<b>865</b>	<b>183</b>	<b>780</b>	<b>23%</b>	<b>850</b>	<b>70</b>
101-0302-002-002	ELECTRIC FRANCHISE FEE	81	76	95	103	0	100	0%	100	0
101-0302-002-003	GARBAGE FRANCHISE FEE	165	250	257	257	145	250	58%	260	10
See Below for Details	CABLE T.V. FRANCHISE FEE	162	218	215	201	51	205	25%	205	0
	<b>TOTAL Franchise Fees</b>	<b>408</b>	<b>543</b>	<b>567</b>	<b>561</b>	<b>196</b>	<b>555</b>	<b>35%</b>	<b>565</b>	<b>10</b>
101-0302-008-000	GAS & ELECTRIC USERS TAX	811	759	899	1,003	311	850	37%	950	100
See Below for Details	TELEPHONE USERS TAX	392	373	213	190	60	210	28%	200	-10
101-0302-010-000	WATER USERS TAX	45	45	45	45	23	45	50%	45	0
	<b>TOTAL Utility Users Tax</b>	<b>1,249</b>	<b>1,177</b>	<b>1,157</b>	<b>1,238</b>	<b>393</b>	<b>1,105</b>	<b>36%</b>	<b>1,195</b>	<b>90</b>
See Below for Details	BUILDING & OTHER PERMITS	565	489	527	689	341	477	72%	575	98
101-0307-001-000	PLANNING FEES	251	267	228	252	103	200	51%	225	25
See Below for Details	PLAN CHECK FEES	271	243	278	366	151	280	54%	300	20
101-0307-001-001	GENERAL PLAN MAINT. FEES	0	0	212	280	155	325	48%	400	75
101-0307-004-000	RECORDS MANAGEMENT FEES	0	0	31	41	11	30	37%	30	0
	<b>TOTAL Permits &amp; Planning fees</b>	<b>1,086</b>	<b>999</b>	<b>1,276</b>	<b>1,628</b>	<b>761</b>	<b>1,312</b>	<b>58%</b>	<b>1,530</b>	<b>218</b>
101-0305-002-001	COMMUNITY HALL - RENT	415	449	134	47	289	250	116%	490	240
101-0305-002-002	VETERANS HALL - RENT	115	95	59	19	20	40	51%	40	0
See Below for Details	RECREATION PROGRAMS	1,974	1,776	630	1,355	1,100	1,367	81%	1,950	584
See Below for Details	PRE-SCHOOL	579	510	438	338	210	618	34%	410	-208
	<b>TOTAL Recreation Revenue</b>	<b>3,083</b>	<b>2,831</b>	<b>1,261</b>	<b>1,760</b>	<b>1,619</b>	<b>2,275</b>	<b>71%</b>	<b>2,890</b>	<b>616</b>

		General Fund Revenue (000's)								
		Actual - Fiscal Year Ended:				Fiscal Year 2021-22				
Account #	Description	June-18	June-19	June-20	June-21	6 Months	Budget	% Attained	Projected	\$ Variance
101-0306-003-017	MOTOR VEHICLE LICENSE FEE	1,229	1,300	1,362	1,429	740	1,477	50%	1,480	3
101-0306-003-005	HOMEOWNER PROP. TAX RELIEF	85	84	82	79	0	80	0%	78	-2
101-0306-003-011	MISCELLANEOUS RECEIPTS-STATE	19	40	50	212	6	190	3%	190	0
101-0306-003-018	MISCELLANEOUS-COUNTY	0	11	185	19	0	0	#DIV/0!	0	0
101-0306-002-000	FEDERAL GRANTS	0	0	0	0	1,332	0	#DIV/0!	1,332	1,332
	<b>TOTAL Other Agency Revenue</b>	<b>1,332</b>	<b>1,435</b>	<b>1,679</b>	<b>1,739</b>	<b>2,078</b>	<b>1,747</b>	<b>119%</b>	<b>3,080</b>	<b>1,333</b>
101-0306-003-015	FORESTRY & FIRE PROTECTN	481	383	59	513	0	0	#DIV/0!	390	390
101-0306-004-002	PARAMEDIC TAX	69	69	70	70	35	70	50%	70	0
101-0307-005-000	AMBULANCE SERVICE CHARGE	346	311	214	226	99	180	55%	250	70
101-0307-011-004	FIRE CPR COURSES	0	1	0	0	0	0	#DIV/0!	0	0
	<b>TOTAL Fire Related Revenue</b>	<b>896</b>	<b>764</b>	<b>342</b>	<b>809</b>	<b>134</b>	<b>250</b>	<b>54%</b>	<b>710</b>	<b>460</b>
101-0306-019-000	1/2% SALES TAX FOR PUB SAFE	85	112	104	109	52	105	50%	105	0
101-0306-003-009	P.O.S.T.	2	3	24	6	0	10	1%	10	0
101-0307-003-000	EMERYVILLE ANIMAL CONTROL	83	102	107	91	0	106	0%	106	0
101-0307-011-001	CROSSING GUARD	32	34	52	21	0	55	0%	55	0
101-0307-011-000	SPECIAL SERVICES	10	6	3	5	2	0	#DIV/0!	2	2
101-0303-001-000	DOG LICENSES	24	23	21	21	11	18	62%	20	2
	<b>TOTAL Police Related Revenue</b>	<b>235</b>	<b>280</b>	<b>312</b>	<b>253</b>	<b>65</b>	<b>294</b>	<b>22%</b>	<b>298</b>	<b>4</b>
101-0305-001-001	INTEREST	120	192	109	87	12	70	18%	50	-20
101-0320-008-000	UNREALIZED GAIN/LOSS	0	25	38	-46	-23	-30	76%	-45	-15
	<b>TOTAL Investment Income\Loss</b>	<b>120</b>	<b>217</b>	<b>147</b>	<b>41</b>	<b>-10</b>	<b>40</b>	<b>-26%</b>	<b>5</b>	<b>-35</b>
101-0305-002-005	RENT - TELECOMMUNICATIONS	87	89	96	100	52	95	55%	100	5
101-0308-003-005	SALE OF MISC. PROPERTY	8	23	1	28	0	0	#DIV/0!	0	0
101-0308-008-000	MISCELLANEOUS REVENUE	259	280	213	101	89	84	106%	89	5
101-0325-030-103	TRANSFER IN	790	827	1,001	1,008	0	855	0%	855	0
See Below for Details	OTHER REVENUE	1	4	2	2	1	1	88%	1	0
	<b>TOTAL Miscellaneous Revenue</b>	<b>1,145</b>	<b>1,223</b>	<b>1,313</b>	<b>1,239</b>	<b>141</b>	<b>1,035</b>	<b>14%</b>	<b>1,045</b>	<b>10</b>
	<b>TOTAL GENERAL FUND REVENUE</b>	<b>29,728</b>	<b>30,391</b>	<b>29,604</b>	<b>34,274</b>	<b>17,865</b>	<b>30,541</b>	<b>58%</b>	<b>35,072</b>	<b>4,530</b>

## **Recreation Related Operations**

The City's recreational activities were the most impacted by the COVID-19 pandemic. The department had to be very flexible and adapt to the constant changes in rules as dictated by the County Health Department in response to the evolving circumstances of the pandemic. The Adopted Budget had assumed our recreational activities would be approximately 33% below pre-pandemic levels and that rental facilities would be operating at 50% capacity. The first half of the year yielded better than expected results as restrictions softened. We are assuming the trends of the first half of the year will continue into the second half. However, the second half of the year still faces some uncertainty with the emergence of the Omicron variant.

Below is a summary of operations and second half projections for each of the Recreation areas:

	<b>Fiscal Year 2021-22</b>				
	<b>Actual</b>	<b>Next</b>	<b>Annual</b>		
	<b><u>6 Months</u></b>	<b><u>6 Months</u></b>	<b><u>Total</u></b>	<b><u>Budget</u></b>	<b><u>Variance</u></b>
<b><u>SCHOOLMATES (415)</u></b>					
Revenue	\$ 516,828	\$ 400,000	\$ 916,828	\$ 754,740	\$ 162,088
Salaries	231,979	220,000	451,979	495,165	(43,186)
Benefits & Taxes	46,639	45,000	91,639	112,781	(21,142)
Operating Exp	32,849	50,000	82,849	95,000	(12,151)
Total Expenses	311,468	315,000	626,468	702,946	(76,478)
% of Revenue					
Net Income/(Loss)	<b>\$ 205,361</b>	<b>\$ 85,000</b>	<b>\$ 290,361</b>	<b>\$ 51,794</b>	<b>\$ 238,567</b>

	Fiscal Year 2021-22				
	Actual 6 Months	Next 6 Months	Annual Total	Budget	Variance
<b>TOTAL RECREATION - GF</b>					
Revenue	\$ 1,620,236	\$ 1,270,000	\$ 2,890,236	\$ 2,274,500	\$ 615,736
Salaries	728,067	688,000	1,416,067	1,305,105	110,962
Benefits & Taxes	164,662	158,000	322,662	329,361	(6,699)
Operating Exp	597,676	615,000	1,212,676	969,200	243,476
Total Expenses	1,490,405	1,461,000	2,951,405	2,603,666	347,739
% of Revenue					
Net Income/(Loss)	\$ 129,831	\$ (191,000)	\$ (61,169)	\$ (329,166)	\$ 267,997
<b>RECREATION (404)</b>					
Revenue	\$ 1,100,444	\$ 850,000	\$ 1,950,444	\$ 1,366,500	\$ 583,944
Salaries	486,506	450,000	936,506	829,394	107,112
Benefits & Taxes	116,462	105,000	221,462	216,594	4,868
Operating Exp	542,910	550,000	1,092,910	826,950	265,960
Total Expenses	1,145,878	1,105,000	2,250,878	1,872,938	377,940
% of Revenue					
Net Income/(Loss)	\$ (45,433)	\$ (255,000)	\$ (300,433)	\$ (506,438)	\$ 206,005
<b>PRE-SCHOOL (407)</b>					
Revenue	\$ 209,676	\$ 200,000	\$ 409,676	\$ 618,000	\$ (208,324)
Salaries	176,450	180,000	356,450	395,673	(39,223)
Benefits & Taxes	30,446	35,000	65,446	82,432	(16,986)
Operating Exp	27,247	30,000	57,247	62,500	(5,253)
Total Expenses	234,143	245,000	479,143	540,605	(61,462)
% of Revenue					
Net Income/(Loss)	\$ (24,468)	\$ (45,000)	\$ (69,468)	\$ 77,395	\$ (146,863)
<b>COMMUNITY HALL (405)</b>					
Revenue	\$ 289,848	\$ 200,000	\$ 489,848	\$ 250,000	\$ 239,848
Salaries	57,499	50,000	107,499	61,430	46,069
Benefits & Taxes	14,648	15,000	29,648	24,109	5,539
Operating Exp	18,700	25,000	43,700	56,000	(12,300)
Total Expenses	90,848	90,000	180,848	141,539	39,309
% of Revenue					
Net Income/(Loss)	\$ 199,000	\$ 110,000	\$ 309,000	\$ 108,461	\$ 200,539
<b>VETERAN'S HALL (406)</b>					
Revenue	\$ 20,269	\$ 20,000	\$ 40,269	\$ 40,000	\$ 269
Salaries	7,612	8,000	15,612	18,608	(2,996)
Benefits & Taxes	3,105	3,000	6,105	6,226	(121)
Operating Exp	8,819	10,000	18,819	23,750	(4,931)
Total Expenses	19,536	21,000	40,536	48,584	(8,048)
% of Revenue					
Net Income/(Loss)	\$ 733	\$ (1,000)	\$ (267)	\$ (8,584)	\$ 8,317

## **Community Pool**

The Community Pool is permanently closed which is consistent with the adopted budget, which included \$40,000 to cover shutdown and utility costs. We are now projecting shutdown costs to be approximately \$25,000 to \$30,000.

On Thursday, November 18, 2021, the City of Piedmont successfully priced \$19,500,000 in General Obligation Bonds to rebuild the Piedmont Community Pool pursuant to voter-approved Measure UU. The transaction closed on December 8, 2021. The Bonds were issued as a single series bearing a tax-exempt fixed rate of 5.0% to maturity in an aggregate principal amount of \$19.5 million resulting in an original issue premium of \$5,829,463.85. The bonds will have a final maturity of September 1, 2051 and be subject to redemption at the option of the City on any date on or after September 1, 2031.

After paying bond issuance costs and capitalized interest, the City will have approximately \$24.4 million available to complete the Community Pool Project. Given escalating construction costs, inflation, and supply chain challenges, we are fortunate that this should provide significant contingency to support development of a Community Pool that reflects the conceptual design approved in 2016 and serves the aquatic needs of Piedmont.

## **Capital Funds**

### **FACILITY MAINTENANCE**

As of December 31, 2021, the City has spent approximately \$650,000 of the \$2.6 million of expenditures included in the FY 21-22 Approved Budget. Projects completed during the first six months of FY 2021-22 using the Facilities Maintenance fund included various sidewalk replacement and repairs, City Hall upgrades including restoration of the Council Chamber seating, Corey Reich Tennis Center signage, as well as many miscellaneous ongoing and deferred maintenance projects within the City's facilities.

As noted in the Overview section of the Approved Budget, based on our current long-term plan, Facilities Maintenance will not be adequately funded in the near future.

The schedule on the following page summarizes fund activity for the next seven years, excluding major projects:

	ACTUAL	PROJECTED						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
<b>BEGINNING BALANCE</b>	<b>\$ 6,528,756</b>	<b>\$ 9,341,209</b>	<b>\$ 8,942,987</b>	<b>\$ 6,941,615</b>	<b>\$ 4,677,931</b>	<b>\$ 3,134,831</b>	<b>\$ 1,913,636</b>	<b>\$ 831,220</b>
<b>REVENUES:</b>								
General Fund	4,022,707	600,000	300,000	300,000	300,000			
Contributions	22,204	-	-	-	-			
Interest	24,324	21,596	42,834	33,803	24,011			
ARPA		1,050,682	1,331,865					
<b>TOTAL REVENUE</b>	<b>4,069,235</b>	<b>1,672,278</b>	<b>1,674,698</b>	<b>333,803</b>	<b>324,011</b>	<b>11,255</b>	<b>11,593</b>	<b>11,941</b>
<b>EXPENDITURES:</b>								
Repairs & Maintenance	156,427	250,000	230,570	237,487	244,612	251,950	259,509	267,294
Scheduled Maintenance	200,220	420,500	645,500	760,000	722,500	380,500	234,500	340,000
Capital Projects	377,428	800,000	2,200,000	1,000,000	300,000	-	-	-
Sidewalks	522,707	600,000	600,000	600,000	600,000	600,000	600,000	600,000
<b>TOTAL EXPENDITURES</b>	<b>1,256,782</b>	<b>2,070,500</b>	<b>3,676,070</b>	<b>2,597,487</b>	<b>1,867,112</b>	<b>1,232,450</b>	<b>1,094,009</b>	<b>1,207,294</b>
<b>ENDING BALANCE</b>	<b>\$ 9,341,209</b>	<b>\$ 8,942,987</b>	<b>\$ 6,941,615</b>	<b>\$ 4,677,931</b>	<b>\$ 3,134,831</b>	<b>\$ 1,913,636</b>	<b>\$ 831,220</b>	<b>\$ (364,134)</b>

The facilities maintenance fund does not include major and necessary capital improvements including the Fire Department/City Hall, the Police Department, the Veterans Hall, the Recreation Department Building, Coaches Field and Linda Beach Park. The total estimated costs of these projects exceeds \$60 million.

As noted previously, if the revenue and expense trends of the first half of the year continue, the City may have the ability to add to the funding of its backlog in facilities maintenance. We will revisit the ability and need for further funding at fiscal year-end.

EQUIPMENT REPLACEMENT

On the following page is a summary schedule of activity in the Equipment Replacement fund. We are projecting current year expenditures to be consistent with the Adopted Budget. As evidenced in the below schedule, we believe Equipment Replacement is fully funded barring any unforeseen circumstances.

<b>EQUIPMENT REPLACEMENT FUND ACTIVITY</b>					
<b>Fiscal</b>	<b>Begin</b>	<b>Planned</b>			<b>End</b>
<b>Year</b>	<b>Balance</b>	<b>Funding</b>	<b>Interest</b>	<b>Expenditures</b>	<b>Balance</b>
<b>17/18</b>	\$ 3,937,414	\$ 517,193		\$ (651,165)	\$ 3,803,442
<b>18/19</b>	3,803,442	433,000	81,148	(1,216,799)	3,100,791
<b>19/20</b>	3,100,791	400,000	76,067	(513,171)	3,063,687
<b>20/21</b>	3,063,687	610,500	13,195	(590,280)	3,097,101
<b>21/22</b>	<b>3,097,101</b>	<b>360,841</b>	<b>30,971</b>	<b>(1,698,800)</b>	<b>1,790,114</b>
<b>22/23</b>	1,790,114	516,210	17,901	(984,026)	1,340,198
<b>23/24</b>	1,340,198	440,379	26,804	(978,267)	829,115
<b>24/25</b>	829,115	427,869	19,070	(675,522)	600,532
<b>25/26</b>	600,532	776,132	15,013	(430,792)	960,884
<b>26/27</b>	960,884	829,639	24,022	(484,078)	1,330,467
<b>27/28</b>	1,330,467	927,868	33,262	(660,380)	1,631,218
<b>28/29</b>	1,631,218	716,501	40,780	(793,697)	1,594,801
<b>29/30</b>	1,594,801	608,244	39,870	(1,828,031)	414,884
<b>30/31</b>	414,884	490,593	10,372	(107,382)	808,468
<b>31/32</b>	808,468	514,954	20,212	(664,749)	678,884
<b>32/33</b>	678,884	431,079	16,972	(275,134)	851,801

### **Street\Sidewalk Related Funds**

Funding sources for streets and sidewalks include Measure B, Measure BB, Measure F, Gas Tax, and SB-1. The majority of available funding is dedicated to street resurfacing and sidewalk repair work, with the balance dedicated to important sub-categories such as the implementation of projects prioritized by the approved Pedestrian & Bicycle Master Plan, and those related to the Complete Streets program.

Funding for streets for the Fiscal Year 2021-22 is just over \$2.8 million, \$1.3 million of which is being carried forward from Fiscal Year 2020-21 due to the 2021 Paving Project being delayed due to the pandemic. In addition to the 2021 Paving Project, major projects planned for this year are the Oakland Ave. rehabilitation project and the Oakland Ave. and San Carlos Ave. Retaining walls project.

Sidewalk repair work is also a focus as the list of sidewalks in need of repair has been growing. The City budgeted \$900,000 for sidewalk repair and replacement, utilizing the Facility Maintenance Fund (\$600,000) and all Gas Tax fund revenue (approximately \$300,000).

On the following page is a recap of the current status of the street related funds:

<b>Street Related Funds</b>										
<b>Activity Thru:</b>										
<b>12/31/2021</b>										
	Measure B (131)			Measure BB (136)			Measure		Traffic	
	LSR	Bike\Ped	Total	LSR	Bike\Ped	Total	F 143	Gas Tax 121	SB 1 133	Congestion 132
<b>Fund Balance - 7/1/2021</b>	\$ 295,861	\$ 11,509	\$ 307,370	\$ 438,833	\$ 33,852	\$ 472,685	\$ 73,366	\$ 7,137	\$ 448,362	\$ 38,429
<b>Revenue - BUDGET</b>										
STATE \ COUNTY FUNDS	329,216	28,482	357,698	507,723	38,110	545,833	40,000	293,000	223,000	-
<b>Actual Expenses</b>										
STREET RESURFACING	16,257		16,257	371,898		371,898	-	-	56,435	-
DESIGN STREET RESURFACING	2,611		2,611			-				
BIKE & PEDESTRIAN		236	236		68,914	68,914	-	-	-	-
SIDEWALKS & CURBS		-	-		-	-	-	299,408	-	-
<b>Total Expenditures</b>	<b>18,869</b>	<b>236</b>	<b>19,104</b>	<b>371,898</b>	<b>68,914</b>	<b>440,812</b>	<b>-</b>	<b>299,408</b>	<b>56,435</b>	<b>-</b>
<b>Open to Spend</b>	<b>\$ 606,208</b>	<b>\$ 39,756</b>	<b>\$ 645,964</b>	<b>\$ 574,658</b>	<b>\$ 3,048</b>	<b>\$ 577,706</b>	<b>\$ 113,366</b>	<b>\$ 729</b>	<b>\$ 614,927</b>	<b>\$ 38,429</b>

By: Michael Szczech, Finance Director