

City of Piedmont
COUNCIL AGENDA REPORT

DATE: October 16, 2023

TO: Mayor and Council

FROM: Rosanna Bayon Moore, City Administrator

SUBJECT: Consideration of FY 2022-23 Year End Fund Transfers

RECOMMENDATION

By motion, approve fiscal year 2022-2023 year-end transfers from the General Fund of \$1,500,000 to the Facilities Capital Fund and \$690,000 to the Equipment Replacement Fund.

BACKGROUND

In FY 2022-23, favorable revenue trends coupled with lower than budgeted expenses resulted in General Fund net income approximately \$3.1 million higher than budget.

GENERAL FUND (in thousands)	FY 2022-23 (Unaudited)		
	Projected	Budget	Variance
Beginning Balance	\$ 7,403	\$ 7,423	\$ (20)
Revenues	36,430	33,953	2,477
Operating Transfers In	880	877	3
Total Revenue	37,310	34,830	2,480
Expenditures:			
Operating	29,721	30,624	903
Non-Department	3,742	3,505	(236)
Operating Transfers Out	-	-	-
Total Expenditures and Transfers Out	33,463	34,129	667
Operating Net Revenue	3,847	701	3,147
Capital Transfers Out	1,617	2,704	1,087
Net Revenue	2,230	(2,003)	4,234
Ending Balance	\$ 9,634	\$ 5,420	\$ 4,214
Available for Transfer	2,190	-	2,190
Ending Balance - Adjusted	\$ 7,444	\$ 5,420	\$ 2,024
% of Operating Exp	22.2%	15.9%	

The following major categories accounted for the increase in revenue as compared to the FY 2022-23 budget:

GENERAL FUND Revenues (in thousands)	FY 2022-23 (Unaudited)		
	Projected	Budget	Variance
Transfer Tax	\$ 4,465	\$ 3,200	\$ 1,265
Property Tax	17,529	16,875	654
Recreation	3,637	3,184	453
Utility Users Tax	1,534	1,150	384
Miscellaneous	392	96	296
Permits & Planning Fees	1,662	1,462	200
Interest \ Investment Gain (Loss)	155	-	155
Business License	391	250	141
Ambulance Charges	372	300	72
ARPA funds	233	1,332	(1,099)
All Others	6,061	6,105	(44)
Total Revenue	\$ 36,430	\$ 33,953	\$ 2,477

Revenue exceeded annual budget by \$2,477,000

Major variances include:

Transfer tax receipts totaled \$4.5 million,

- \$1.3 million HIGHER than budget, but \$1.5 million LESS than last year
- Home sales 27% LESS than last year (111 vs 152)
- Average Sales Price increased 2% to \$3.1 million
- Median Sales Price flat at \$2.6 million

Property taxes exceeded annual budget by \$0.7 million driven by strong supplemental assessments which comprised \$0.4 million of the increase.

Recreation revenue up \$0.5 million primarily due to strong recreation classes and camp receipts.

Utility User Tax receipts up \$0.4 million due to increased gas and electric prices.

Building Permits and Planning Fees \$0.2 million higher than budget.

Given the volatile nature of these revenue sources, it is prudent to treat any net revenue as one-time savings and appropriate the funds to address the City's outstanding needs, such as facilities maintenance, equipment replacement, future pension obligations, and the condition of the City's

infrastructure.

All operating department expenditures were lower than budget, except for Public Works and Recreation.

Public Works department exceeded budget by \$27,000. The major variances were:

- Park Stabilization & Maintenance - \$170,000 over as increased services were needed due to heavy storms in December and January. The majority of the overage may be eligible for FEMA reimbursement.
- Offset by lower than budgeted personnel related and other professional services costs.

Although Recreation Department expenditures were higher than budget by approximately \$472,000, it was completely offset by increased recreation revenue, resulting in net revenue of approximately \$25,000 for the recreation department.

Below is a recap of expenditures by department compared to budget:

GENERAL FUND Expenditures (in thousands)	FY 2022-23 (Unaudited)		
	Projected	Budget	Variance
Administration	\$ 3,719	\$ 4,249	\$ (531)
Public Works	4,562	4,535	27
Planning & Building	2,170	2,927	(757)
Recreation	3,725	3,253	472
Police	7,503	7,608	(105)
Fire	8,043	8,052	(9)
Non-Departmental	3,742	3,505	236
Total Expenditures	\$ 33,463	\$ 34,129	\$ (667)

The unassigned balance of the General Fund on June 30, 2023 is estimated to be \$9.6 million.

For FY 2022-23, staff recommends the following transfers from the General Fund to:

Facilities Capital Fund	\$ 1,500,000
Equipment Replacement Fund	<u>\$ 690,000</u>
Total	\$ 2,190,000

These transfers would result in a General Fund ending balance of \$7.4 million, or 23% of Operating Expenditures which falls above the target level of 18% of operating expenses and below the 25% maximum allowed by the City Charter. Staff recommends a balance above 18% due to continued economic uncertainty caused by rising inflation and interest rates.

Facilities Capital Fund (\$1.5 million)

The maintenance and improvement of city facilities are a high priority for the City Council. City infrastructure is aged and in need of extensive renovations as well as ongoing maintenance. The Facilities Capital Plan includes specific projects for the renovation and improvement of most City facilities, including buildings, parks, storm drains and infrastructure. The top projects scheduled for FY 2023-24 are relocation of the dispatch center, various park improvements (including ADA), Recreation building improvements, and Community Pool frontage and right of way improvements. Based on our current project plan, the fund will be depleted by FY 2026-27. Given the substantial needs, staff recommends a transfer of \$1.5 million from the General Fund to the Facilities Capital Fund in FY 2022-23.

It is also noted that the City is currently implementing the largest capital project undertaken in its history. With construction of the Piedmont Community Pool project substantially underway, the recommended fund transfer shall also allow for funds to be used to support project completion should they be needed.

Equipment Replacement Fund (\$690,000)

The Equipment Replacement Fund sets aside funds in anticipation of the orderly replacement of City vehicles, heavy equipment, general equipment, as well as IT infrastructure. A replacement schedule has been developed detailing all equipment including the estimated year of replacement and estimated replacement cost.

Included in the FY 2023-24 Approved Budget is a \$690,000 transfer from the General Fund to the Equipment Replacement Fund. Staff recommends the transfer of \$690,000 from the General Fund to the Equipment Replacement Fund be completed in FY 2022-23.

After these transfers, the General Fund balance will be approximately \$7.4 million, or 22% of expenditures, which is consistent with the past several years.

This proposal for transfer of General Fund net revenue is consistent with past practice. This proposal was unanimously supported by the Budget Advisory and Financial Planning Committee at their September 7th meeting.

By: Michael Szczech, Finance Director