

City of Piedmont  
COUNCIL AGENDA REPORT

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DATE: June 2, 2025

TO: Mayor and Council

FROM: Rosanna Bayon Moore, City Administrator

SUBJECT: Public Hearing on the Proposed FY 2025-26 Budget, Including the Potential Addition of Full Time Personnel, Proposed Levy for the Municipal Services Special Tax, and Proposed Levy for the Special Municipal Sewer Tax

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RECOMMENDATION

Conduct the first public hearing on the proposed FY 2025-26 Budget, including the potential addition of full time personnel, proposed levy of the Municipal Services Special Tax, and proposed levy of the Special Municipal Sewer Tax.

BACKGROUND

The City Charter requires that a public hearing be held prior to adoption of the budget, the proposed levy of the Municipal Services Special Tax, and the proposed levy for the Special Municipal Sewer Tax. This is the first of two scheduled public hearings, with the second hearing to be held on June 16, 2025.

DISCUSSION

The Proposed 2025-26 Budget projects an Operating Net Income of \$1.2 million in the General Fund. After Capital Transfers of \$1.6 million to the Facilities Maintenance and Capital Improvements Fund, and \$0.85 million to the Equipment Replacement Fund, and \$0.5 million (ARPA funds) to the Facilities Capital Fund, the General Fund will experience a Net Loss estimated at \$1.8 million, which results in a projected ending General Fund Balance of \$8.1 million, or 20% of operating expenditures.

A number of key factors provide important context for the next fiscal year and the foreseeable future:

In April of 2025, the City Council convened two interactive Budget Study Sessions. At the first session on April 7, 2025, the City Council revisited and re-committed to five overarching goals established in 2024:

1. **Financial Stability** – Prioritize financial health and stability with efficient staffing, responsible budgeting, and long-range forecasting.

2. **Community Wellness & Inclusion** – Focus on public safety, civic engagement, and program offerings as pathways to community vitality.
3. **City Infrastructure** – Maintain and improve reliable municipal infrastructure and facilities for public use and enjoyment.
4. **Effective Government** – Support policies and structures that provide for the delivery of high-quality city services.
5. **Environmental Stewardship** – Encourage the reduction of the community’s carbon footprint and ways to positively influence consumer choice.

The City Council also reviewed top priorities in the last budget cycle when it comes to committing organizational capacity. The Community Pool, the Dispatch Center Relocation project, the Dearing Memorial project and a future Public Safety Building in the civic center area were discussed at length. It was noted that the scale, complexity and duration of the first two projects have delayed progress with the others. However, the consensus of the City Council is that these topics are no less important today than they were when first established as priorities, and they are in alignment with the five overarching goals developed in 2024.

City accomplishments were discussed, including but not limited to:

- **Improved access to City services:** Building on the successful launch of online planning and building permit applications in FY 2023-24, the City continues expanding digital services. New tools introduced this year allow residents to request public records, apply for and renew business licenses, and receive instant approval for rooftop solar permits – all from the convenience of home.
- **Investments in public spaces:** The City continues to deliver projects that enhance the beauty and character of Piedmont’s parks and public facilities. In FY2024-25, completed improvements include the replacement of an aging pedestrian bridge over Bushy Dell Creek, restoration of the Exedra and City Hall fountains, and the full resurfacing of Linda Beach Courts.
- **Expanded recreational programming:** Responding to needs identified by a Recreation Commission subcommittee, the City introduced new programs to meet growing interest in adult-focused recreational offerings. The popular *80Ince/month* event series has quickly become a community favorite, creating space for connection and fun. The inaugural Adult Recreation Expo brought together a wide array of program opportunities from local organizations, highlighting the many ways adults can stay active, engaged, and connected in Piedmont.
- **Planning for new housing and a resilient future:** The City reached a major milestone in the Moraga Canyon Specific Plan process in April 2025 with the release of the Public Review Draft Specific Plan. This document reflects nearly two years of public engagement and technical analysis to define a community vision for a new neighborhood featuring housing for all income levels, enhanced recreation facilities, multimodal transportation safety improvements, and best practices in wildfire-resilient design. Community review will continue through the summer, with public hearings planned for Fall 2025.

Other topics covered at the first study session included transparency improvement projects, space needs for community programming, disaster planning and ways to improve the City's risk profile, the ADA transition Plan, future infrastructure funding strategies, PD's leadership transition and recruitment challenges in law enforcement. Council consensus was expressed in a number of areas that have shaped preparation of the budget document.

At the second budget study session on April 21, 2025, the City Council devoted their attention to several topics: library services, the transfer tax, capital projects and the Piedmont Recreation Department's (PRD's) cost recovery model. It was recognized that in addition to the \$34.9 million Pool project and the \$3.1 million Dispatch Center project, an ambitious capital projects program was approved in July of 2024 with nearly 20 of the roughly 25 projects in progress and expected to continue into the new fiscal year.

The PRD's need for space was a central theme of discussion to deliver programs, maintain service levels and achieve overall cost recovery. Securing space is essential as the observation of the 2005 Agreement for Use of Facilities with Piedmont Unified School District declines. The City must look to rent alternative spaces which means the increase in program costs will be passed on to participants. At the close of the study session, the City Council provided direction in a number of areas, including several property related topics.

### **A CLEAR PATH FORWARD**

FY 2025-26 spans a period when numerous transitions, projects and activities are or will soon be in full swing. In the upcoming fiscal year, the City will appoint a new Finance Director and Police Chief, two essential roles in the organization. Piedmont will also witness the completion of a critical public safety hub - the relocation of the Dispatch Center and the City's largest ever capital project – an all-electric Community Pool.

In November 2020, voters approved Measure UU allowing the sale of up to \$19.5 million in bonds to be used for the construction of a new community pool and related facilities. In December 2021, after obtaining a Standard & Poor's "AAA" rating, the City successfully sold \$19.5 million in General Obligation bonds at favorable interest rates. Bond proceeds and interest from Measure UU have provided \$25.2 million for the project. At the time, the original all in total estimated budget was \$28.9 million and included community donations from Piedmont Recreational Facilities Organization's (PRFO's) fundraising campaign, the Piedmont Beautification Foundation (PBF), a long-term no-interest loan from AVA Community Energy, and State grant funds that support clean energy projects.

Since construction began in 2023, a number of unforeseen challenges were encountered that have required address. These have included utility delays, buried fuel tanks and remediation, ground water intrusion, an entire site with soil that requires disposal as opposed to allowable reuse, and design challenges, including but not limited to an all-electric pool with emerging technology in a municipal setting. The project budget was augmented in December 2023, July 2024 and December 2024 in the amount of \$5 million, \$2.8 million of which was from the City's Facilities Capital Fund, for a total project cost of \$34.9 million.

The City continues to pursue funding sources that will assist with offsetting costs incurred, including Inflation Reduction Act credits currently estimated at \$180,000 and a \$300,000

reimbursement for removal of the buried fuel tanks and remediation of contaminated soils through the State of California's Removing or Upgrading Underground Storage Tanks (RUST) Program.

The Community Pool project is currently 92% complete and in the early phases of the commissioning process. A healthy start to operation of the Piedmont Community Pool is essential as the project approaches its next phase. The City continues to learn from the City of Mountain View's all-electric facility and actively seek ways to best prepare for the start up of a complex, automated building management system. While Mountain View held water in their pools for 12 months before opening to the public, the City recognizes that important ground can be gained from the commissioning experience of another agency with the same design team.

The City is excited to open the Community Pool's doors and deliver a year round facility with two FTEs, and an estimated 80-90 part time staff and contract instructors that will be on boarded within the next 12 months. Next fiscal year, a General Fund subsidy of \$400,000 is scheduled, with \$200,000 in years to follow. The financial model looks to achieve subsidy independence and 100% cost recovery by FY 2028-29. Reaching that endpoint will require discipline and focus.

#### Capital Improvement Projects

Major projects in the FY 2025-26 Budget include, but are not limited to:

- Dispatch Center Relocation
- Piedmont Community Pool
- Public Safety Building - Civic Center Master Plan
- Dearing Family Memorial
- Linda Beach Park Playground Improvements
- Piedmont Park Playground Improvements
- Sharon Avenue Storm Drain Improvements
- EV Charging Stations
- 801 Magnolia East Wing
- Park Pathway Repairs
- Park Sustainability Study
- Fairway/Grand Green Infrastructure
- Street Resurfacing Project
- Phase VI Sewer Project

#### Systems Related Costs

The following project costs are included in the proposed FY 2025-26 Budget:

In addition to routine hardware replacements (desktop computers, printers etc.) that have reached their useful life, and recurring costs for software maintenance, the budget includes funds for the following one-time costs:

- Door Access Control System for Recreation \$150,000
- Server Replacements \$80,000

#### One Time & Cyclical Expenses

All employee agreements expire on June 30, 2025. A compensation study was completed, and negotiations with all bargaining units began in February. No agreements have been reached at

this time; however, the Proposed Budget includes a placeholder increase for personnel that will need to be revised pending the outcome of final agreements reached with bargaining groups.

#### Annual City Vacancies, Recruitment, and Retention Efforts Pursuant to AB 2561

On September 22, 2024, Governor Newsom signed Assembly Bill 2561 (AB 2561) into law, requiring public agencies to present information on vacancy status, as well as recruitment and retention efforts, during a public hearing before their governing board at least once per fiscal year. The Legislature finds and declares as follows:

- (a) Job vacancies in local government are a widespread and significant problem for the public sector affecting occupations across wage levels and educational requirements.
- (b) High job vacancies impact public service delivery and the workers who are forced to handle heavier workloads, with understaffing leading to burnout and increased turnover that further exacerbate staffing challenges.
- (c) There is a statewide interest in ensuring that public agency operations are appropriately staffed and that high vacancy rates do not undermine public employee labor relations.

The City has 99 full-time positions budgeted in Fiscal Year 2024-25. The 99 full-time positions are represented by four bargaining groups: Piedmont Firefighters, Local 2683, IAFF (PFA), Piedmont Firefighters, Local 2683, IAFF, Fire Captain Bargaining Unit, Piedmont Police Officers Association (PPOA) Service Employees International Union (SEIU) Local 1021, as well as unrepresented employees including Department Heads.

#### Piedmont Firefighters Vacancy Rates and Recruitment Efforts

Piedmont Firefighters has 21 budgeted positions, with 20 filled, and one vacant Firefighter/Paramedic position, for a vacancy rate of 4.76%. The recruitment for the open position is expected to begin in Fall 2025.

#### Piedmont Fire Captains Vacancy Rates and Recruitment Efforts

Piedmont Fire Captains has three budgeted positions, with all three positions filled.

#### Piedmont Police Officers Vacancy Rates and Recruitment Efforts

Piedmont Police Department has 18 budgeted sworn positions, consisting of 14 Police Officers and four Police Sergeants. Of the 18 positions, three are currently vacant, resulting in a vacancy rate of 16.67%. The City conducts recruitments for entry-level, academy graduate, and laterals on an ongoing basis. At present, three candidates are in the background investigation process.

Recruiting Police Officers continues to be a challenge for agencies in the region, and the City of Piedmont is no exception. The Police Department has established a dedicated recruitment team that visits academies and sets up booths at college career days and sporting events. Captain Monahan personally follows up on each incoming employment application with a phone call or email and is actively seeking qualified candidates to join the department. In addition, the City is currently in negotiations with public safety unions, with recruitment and retention identified as top priorities.

Service Employees International Union (SEIU) Local 1021 Vacancy Rates  
& Recruitment Efforts

SEIU has 16 budgeted positions—seven in the Public Works Unit and nine in the General Unit. Currently, there is one vacancy in each unit, resulting in a total vacancy rate of 12.50%.

For the Public Works opening, the City began recruitment for a Maintenance Worker position in April 2025 and received 30 applications. These have been reviewed, and the most qualified candidates will be invited to interview in mid-June. The City anticipates filling the position in early July.

In the General Unit, a lateral Dispatcher candidate is nearing the end of the background process. The City expects them to begin employment by the end of June.

Unrepresented Vacancy Rates and Recruitment Efforts

Unrepresented employees include Department Heads, mid-management staff, and employees in the Confidential Unit, Childcare Group, and Professional-Technical-Supervisory Group—a total of 41 positions. There is currently one vacancy, resulting in a vacancy rate of 2.44%. The vacant position is the Finance Director role, for which an offer has been accepted by a qualified candidate who will begin employment in early July.

**Budgeted Filled and Vacant Position Report Summary**

| Bargaining Unit | FTE | Vacancies | Vacancy Rate |
|-----------------|-----|-----------|--------------|
| Fire Captains   | 3   | 0         | 0.00%        |
| Firefighters    | 21  | 1         | 4.76%        |
| Police Officers | 18  | 3         | 16.67%       |
| SEIU            | 16  | 2         | 12.50%       |
| Unrepresented   | 41  | 1         | 2.44%        |
|                 | 99  | 7         | 7.07%        |

Currently, the City has not identified any necessary changes to policies, procedures, and recruitment activities that are leading to obstacles in the recruitment process. However, the City remains committed to considering any needed changes.

## GENERAL FUND REVENUES

The City is projecting General Fund revenues, not including grant pass-throughs, in FY 2025-26 of \$39,600,734 compared to the current FY 2024-25 projection of \$38,748,187. Revenue by category is as follows:

| Category                         | 2025-26         |             | 2024-25       |            | \$ Change  |      |
|----------------------------------|-----------------|-------------|---------------|------------|------------|------|
|                                  | Proposed Budget | % of Budget | Projected     | % of Total |            |      |
| Property Related Taxes           | \$ 25,731,100   | 63%         | \$ 25,068,000 | 62%        | \$ 663,100 | 3%   |
| Recreation Related               | 4,106,000       | 10%         | 4,041,432     | 10%        | 64,568     | 2%   |
| City Service Taxes               | 3,342,500       | 8%          | 2,804,300     | 7%         | 538,200    | 19%  |
| Building Permits & Planning Fees | 2,130,800       | 5%          | 2,088,000     | 5%         | 42,800     | 2%   |
| UUT & Franchise Fees             | 2,094,200       | 5%          | 2,033,255     | 5%         | 60,945     | 3%   |
| Other Agencies                   | 1,247,634       | 3%          | 1,841,500     | 5%         | (593,866)  | -32% |
| Business and Sales Taxes         | 991,800         | 2%          | 962,500       | 2%         | 29,300     | 3%   |
| Other                            | 978,700         | 2%          | 1,331,200     | 3%         | (352,500)  | -26% |
| Total                            | \$ 40,622,734   | 100%        | \$ 40,170,187 | 100%       | \$ 452,547 | 1%   |
| Pass Thru (ARPA,etc)             | (1,022,000)     |             | (1,422,000)   |            | 400,000    |      |
| Adjusted Total                   | \$ 39,600,734   |             | \$ 38,748,187 |            | \$ 852,547 | 2%   |

The major sources of revenue in each category are:

### **Property Related Taxes**

| Category                 | 2025-26              |             | 2024-25              |             | \$ Change         |           |
|--------------------------|----------------------|-------------|----------------------|-------------|-------------------|-----------|
|                          | Proposed Budget      | % of Budget | Projected            | % of Total  |                   |           |
| Property Tax             | \$ 19,641,800        | 76%         | \$ 19,023,460        | 76%         | \$ 618,340        | 3%        |
| MVLF / Homeowners Relief | 1,889,300            | 7%          | 1,844,540            | 7%          | 44,760            | 2%        |
| <b>Sub-Total</b>         | <b>21,531,100</b>    | <b>84%</b>  | <b>20,868,000</b>    | <b>83%</b>  | <b>663,100</b>    | <b>3%</b> |
| Transfer Tax             | 4,200,000            | 16%         | 4,200,000            | 17%         | -                 | 0%        |
| <b>Total</b>             | <b>\$ 25,731,100</b> | <b>100%</b> | <b>\$ 25,068,000</b> | <b>100%</b> | <b>\$ 663,100</b> | <b>3%</b> |

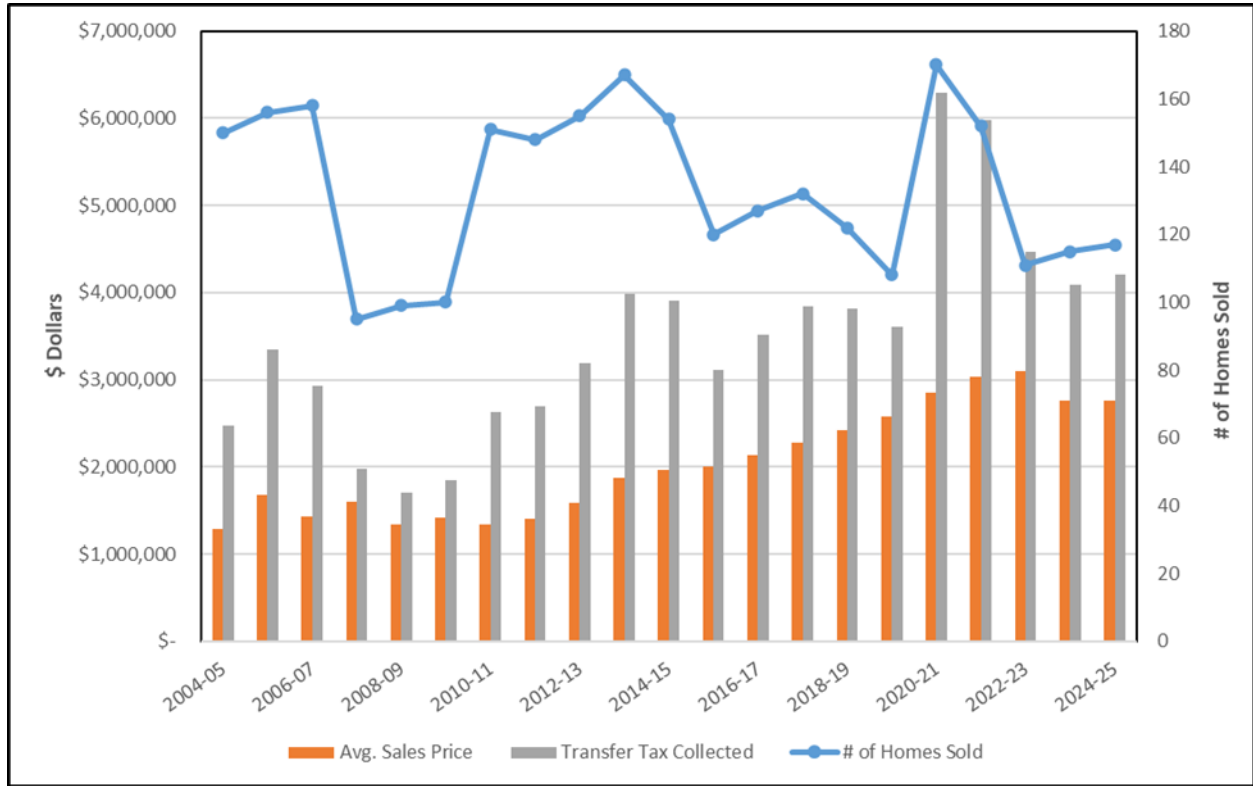
Property-related taxes are the City's primary revenue source and account for \$25,731,100 or 63% of General Fund revenues. This amount is an increase of \$663,100 over the 2024-25 projected actual revenues received.

The FY 2025-26 Proposed Budget consists of:

- Property Tax revenues, comprised of taxes on secured and unsecured property, is budgeted at \$19,641,800, an increase of \$618,340 or 3% as compared to the FY 2024-25 projection.
  - The 3% increase is based on estimates received from Alameda County.
- Property Tax In-Lieu Motor Vehicle License Fee (MVLF) / Homeowners Tax Relief is budgeted at \$1,889,300, which represents a modest 2% increase over the prior year.
- Real Property Transfer Tax revenue is budgeted at \$4,200,000, flat to last year. Staff continues to estimate cautiously in this area.

Below is a table which summarizes the volatility of the housing market over the last several years (FY 2024-25 is estimated):

### Annual Statistics Related to Real Property Transfer Tax Revenue



### City Service Taxes

| Category        | 2025-26             |             | 2024-25             |             | \$ Change         |            |
|-----------------|---------------------|-------------|---------------------|-------------|-------------------|------------|
|                 | Proposed Budget     | % of Budget | Projected           | % of Total  |                   |            |
| Parcel Tax      | \$ 3,228,000        | 97%         | \$ 2,690,000        | 96%         | \$ 538,000        | 20%        |
| Paramedic Tax   | 69,500              | 2%          | 69,300              | 2%          | 200               | 0%         |
| Water Users Tax | 45,000              | 1%          | 45,000              | 2%          | 0                 | 0%         |
| <b>Total</b>    | <b>\$ 3,342,500</b> | <b>100%</b> | <b>\$ 2,804,300</b> | <b>100%</b> | <b>\$ 538,200</b> | <b>19%</b> |

- Parcel Tax revenue is estimated at \$3,228,000, an increase of \$538,000 or 20% over the FY 2024-25 projection.

- In March 2024, 76% of Piedmont voters approved a 20% increase to the tax and extended the term for 12 years, effective July 1, 2025.
- Future annual tax increase is limited to the lower of CPI or 4%
- The Paramedic and Water Users Taxes remain unchanged. They are levied at \$18.46 and \$12.00 per parcel, respectively.

### **Building Permits and Planning Fees**

This category consists of the following construction related activities: Building Permits, Planning Fees, Plan Check Fees, General Plan Maintenance Fee, and Records Management Fees.

Proposed Revenue for FY 2025-26 is \$2,130,800 compared to a projection of \$2,088,000 for the current fiscal year, an increase of 2% primarily due to an anticipated modest increase in volume.

### **Utility User Taxes & Franchise Fees**

Utility User Taxes are taxes collected from residents for the use of electricity, gas, and telephone. Franchise Fees are contractual obligations collected from PG&E, Republic Services, and Comcast for the right to operate in the City.

- Utility User Taxes are budgeted at \$1,532,500, which is 3% higher than the current year's projection. The increase is due to expected rate hikes by PG&E.
- Franchise Fees are budgeted at \$606,700, a 3% increase over the current year projection of \$590,000.

### **Revenues from Other Agencies**

Revenues from Other Agencies are budgeted at \$1,247,634, a decrease of \$593,866 from the FY 2024-25 projection. The decrease is primarily due to the bulk of ARPA funds being expended in FY 2024-25.

### **Other Revenue**

The major components of Other Revenue consist of these miscellaneous items: Ambulance Service Charges, Lease Revenue, Reimbursable Services, Interest and Unrealized Investment Results, and other miscellaneous receipts.

Staff is budgeting \$978,700 for FY 2025-26 compared to a projection of \$1,331,200 in the current fiscal year, a decrease of \$352,500. The primary reason for the variance is the collection of \$300,000 in mutual aid for wildfire assistance in FY 2024-25. This item is historically budgeted at \$-0- due to its unpredictability.

## **GENERAL FUND EXPENDITURES**

The City is budgeting \$40,456,012 in General Fund expenditures, an increase of 7% from last year's projected expenditures. In developing the Proposed Budget, the City continues efforts to control and contain operating costs in all departments.

The following is a summary by cost categories:

| Category                 | 2025-26         |             | 2024-25       |            | \$ Change    |      |
|--------------------------|-----------------|-------------|---------------|------------|--------------|------|
|                          | Proposed Budget | % of Budget | Projected     | % of Total |              |      |
| Personnel Costs          | \$ 25,682,391   | 63%         | \$ 23,907,414 | 63%        | \$ 1,774,977 | 7%   |
| Maintenance & Operations | 9,797,286       | 24%         | 9,165,142     | 24%        | 632,144      | 7%   |
| Non-Departmental         | 4,576,335       | 11%         | 4,478,073     | 12%        | 98,262       | 2%   |
| Aquatics Subsidy         | 400,000         | 1%          | 200,000       | 1%         | 200,000      | 100% |
| Total                    | \$ 40,456,012   | 100%        | \$ 37,750,629 | 100%       | \$ 2,705,383 | 7%   |

### **General Fund Budget by Expenditure Category**

#### **Personnel Costs**

Personnel related costs, which include salaries & wages, benefits, and retirement costs, are the largest overall expenditure in the General Fund at \$25,682,391, which is \$1,774,977 (7%) higher than the prior year projection. Such costs make up 63% of the total FY 2025-26 General Fund budget.

The tables below summarize projected personnel costs by department and by type:

### Personnel Budget by Department

| Category            | 2025-26              |             | 2024-25              |             | \$ Change %         |           |
|---------------------|----------------------|-------------|----------------------|-------------|---------------------|-----------|
|                     | Proposed Budget      | % of Budget | Projected            | % of Total  |                     |           |
| Administration      | \$ 2,002,116         | 8%          | \$ 1,937,880         | 8%          | \$ 64,236           | 3%        |
| Communications      | 389,704              | 2%          | 274,510              | 1%          | 115,194             | 42%       |
| Public Works        | 2,604,891            | 10%         | 2,391,640            | 10%         | 213,251             | 9%        |
| Planning & Building | 1,903,432            | 7%          | 1,868,090            | 8%          | 35,342              | 2%        |
| Recreation          | 2,313,528            | 9%          | 2,078,631            | 9%          | 234,897             | 11%       |
| Police              | 8,010,258            | 31%         | 7,318,120            | 31%         | 692,138             | 9%        |
| Fire                | 8,458,462            | 33%         | 8,038,543            | 34%         | 419,919             | 5%        |
| <b>Total</b>        | <b>\$ 25,682,391</b> | <b>100%</b> | <b>\$ 23,907,414</b> | <b>100%</b> | <b>\$ 1,774,977</b> | <b>7%</b> |

### Personnel Budget by Type

| Category         | 2025-26              |             | 2024-25              |             | \$ Change %         |           |
|------------------|----------------------|-------------|----------------------|-------------|---------------------|-----------|
|                  | Proposed Budget      | % of Budget | Projected            | % of Total  |                     |           |
| Salaries         | \$ 17,043,452        | 66%         | \$ 16,390,178        | 69%         | \$ 653,274          | 4%        |
| Health Insurance | 2,305,017            | 9%          | 2,004,923            | 8%          | 300,094             | 15%       |
| Retirement       | 5,335,291            | 21%         | 4,646,223            | 19%         | 689,068             | 15%       |
| Other Benefits   | 998,631              | 4%          | 866,090              | 4%          | 132,541             | 15%       |
| <b>Total</b>     | <b>\$ 25,682,391</b> | <b>100%</b> | <b>\$ 23,907,414</b> | <b>100%</b> | <b>\$ 1,774,977</b> | <b>7%</b> |

FY 2024-25 is the final year of the four-year agreements entered into with all bargaining units.

Salaries expense for FY 2025-26 is budgeted at \$17,043,452. The increase reflects:

- Planning and Building - Two new full time positions replacing part time staff.
- Assumption of full staffing.

These increases are partially offset by:

- Lower overtime costs as the Fire Departments is at full staff.
- Decline in part-time costs in the Planning and Building Department.

In addition, as compared to the prior year projection, the most significant changes in personnel costs are as follows:

- Health Insurance – The proposed budget reflects an increase of \$300,094 over last year. The increase is primarily due to an assumed 5.0% increase in premium rates and the assumption of full staffing.
- Retirement - Employee retirement costs are projected to increase \$689,068 over last year.
  - In FY 2018-19 CalPERS began phasing in the lowering of its discount rate from 7.5% to 7.0%. The full impact of this phase in was completed in FY 2024-25.
  - In FY 2020-21, CalPERS experienced a very favorable investment return of 21.3%. The large gain triggered the CalPERS Risk Mitigation Policy which lowered the discount rate to 6.8%. Then in FY 2021-22, the CalPERS portfolio lost 6.1%. These events resulted in a lower Unfunded Accrued Liability (UAL) payment ONLY in FY 2023-24, but Normal Cost increasing dramatically in FY 2023-24 and then stabilizing going forward.
  - For FY 2025-26, staff is projecting that the Normal Cost, net of employee cost share, will increase by 10%, from \$1,598,400 in FY 2024-25 to \$1,797,411 in FY 2025-26. The \$ increase is primarily due to two new full time positions in Planning and Building and the assumption of full staffing.
  - The Unfunded Liability Payment will jump 16% to \$3,537,880, an increase of \$490,057.
- Normal Cost is projected to increase slightly below the same rate as payroll expense going forward. As Tier 1 employees retire, the overall rate being paid declines.
- The Cost Share offset will continue to decline as CalPERS Tier One employees retire.
- Unfunded liability payments are projected to increase at an average rate of 9% for the next 7 years, then begin to flatten out.

| Category                         | 2025-26         |             | 2024-25      |            | \$ Change  |     |
|----------------------------------|-----------------|-------------|--------------|------------|------------|-----|
|                                  | Proposed Budget | % of Budget | Projected    | % of Total |            |     |
| Normal Cost                      | \$ 2,195,028    | 41%         | \$ 1,987,600 | 43%        | \$ 207,428 | 10% |
| Cost Share                       | (397,617)       | -7%         | (389,200)    | -8%        | (8,417)    | 2%  |
| Net Normal Cost                  | 1,797,411       | 34%         | 1,598,400    | 34%        | 199,011    | 12% |
| Unfunded Accrued Liability (UAL) | 3,537,880       | 66%         | 3,047,823    | 66%        | 490,057    | 16% |
| Total                            | \$ 5,335,291    | 100%        | \$ 4,646,223 | 100%       | \$ 689,068 | 15% |

### **Maintenance and Operations**

Maintenance and Operations costs are budgeted at \$9,797,286, amounting to 24% of the FY 2025-26 General Fund budget and an increase of \$632,144 compared to the FY 2024-25 projection.

This category includes the following major expenses:

- Employee related – Conferences, travel, training, and memberships
- Supplies – Department supplies
- Equipment – Vehicle maintenance and repair, fuel, and rentals
- Contract Services – Third party recreational activity providers, legal, consulting, crossing guards
- IT related – Computer Courage contract, software licenses and strategic planning
- Other – Public Works services (including street patching, landscaping, and tree pruning)
- Utilities

The following summarizes maintenance and operations costs by department:

### Maintenance and Operations Budget by Department

| Category            | 2025-26             |             | 2024-25             |             | \$ Change         |           |
|---------------------|---------------------|-------------|---------------------|-------------|-------------------|-----------|
|                     | Proposed Budget     | % of Budget | Projected           | % of Total  |                   |           |
| Administration      | \$ 2,933,111        | 30%         | \$ 2,541,775        | 28%         | \$ 391,336        | 15%       |
| Communications      | 168,300             | 2%          | 150,000             | 2%          | 18,300            | 12%       |
| Public Works        | 2,348,500           | 24%         | 2,169,500           | 24%         | 179,000           | 8%        |
| Planning & Building | 617,984             | 6%          | 645,650             | 7%          | (27,666)          | -4%       |
| Recreation          | 1,964,500           | 20%         | 1,878,655           | 20%         | 85,845            | 5%        |
| Police              | 1,206,815           | 12%         | 1,091,762           | 12%         | 115,053           | 11%       |
| Fire                | 558,076             | 6%          | 687,800             | 8%          | (129,724)         | -19%      |
| <b>Total</b>        | <b>\$ 9,797,286</b> | <b>100%</b> | <b>\$ 9,165,142</b> | <b>100%</b> | <b>\$ 632,144</b> | <b>7%</b> |

The most significant increases in Maintenance and Operations costs in the FY 2025-26 Proposed Budget as compared to the FY 2024-25 projection are as follows:

- Administration – Expenses are projected to be \$391,336 (15%) higher year over year. The increase is primarily due to:
  - Records Management Project - \$128,000.
  - IT-related expenses – Reflects consolidation of Client First consulting and software expenses across departments - \$108,000.
  - Legal Expense - \$60,000.
  - Election expenses - \$63,000.
- Public Works – Staff is budgeting an increase of \$179,000. This increase consists of the following:
  - Increased utility costs - \$45,000
  - Maintenance and operating expenses increase due to inflationary pressures - \$134,000
- Police – Staff is projecting an increase of \$115,053 over last year primarily due to increased training, crossing guard, and vehicle costs.
- Fire – A decrease of \$129,724 is budgeted as lower Emergency Preparedness costs are planned.

### **Non-Departmental**

Non-Departmental costs are budgeted at \$4,576,335, comprising 11% of the FY 2025-26 General Fund budget. The following costs are included:

| Category                        | 2025-26             |             | 2024-25             |             | \$ Change %      |           |
|---------------------------------|---------------------|-------------|---------------------|-------------|------------------|-----------|
|                                 | Proposed Budget     | % of Budget | Projected           | % of Total  |                  |           |
| <b>Insurance</b>                | \$ 3,115,000        | 68%         | \$ 3,152,272        | 70%         | \$ (37,272)      | -1%       |
| <b>Retiree Medical Premiums</b> | 1,100,000           | 24%         | 975,000             | 22%         | 125,000          | 13%       |
| <b>Library</b>                  | 360,985             | 8%          | 350,471             | 8%          | 10,514           | 3%        |
| <b>Miscellaneous</b>            | 350                 | 0%          | 330                 | 0%          | 20               | NA        |
| <b>Total</b>                    | <u>\$ 4,576,335</u> | <u>100%</u> | <u>\$ 4,478,073</u> | <u>100%</u> | <u>\$ 98,262</u> | <u>2%</u> |

- Insurance costs, which include General Liability and Workers Compensation, comprise \$3,115,000 and present a \$37,272 decrease from the estimated FY 2024-25 expense. The decrease is primarily due to:
  - Flat Workers Compensation premiums and the assumption of lower claims. A large amount of claims in the past 18 months have been trending favorably in recent months. Budget is based on the average of the past five years experience.
- Retiree Medical Premiums - Premiums are budgeted at \$1,100,000 compared to \$975,000 last year. The increase is due to three retirements in FY 2024-25, a 5% budgeted increase in premium costs, and an estimated four retirements in FY 2025-26.
- Library Services – \$360,985 is budgeted as a contribution to the City of Oakland, a three percent increase from the prior year.

## GENERAL FUND BALANCE

The FY 2025-26 Proposed Budget projects Operating Net Income of approximately \$1.2 million. Proposed Capital transfers for essential capital needs are:

- \$ 1,100,000 - Facilities Maintenance, including sidewalk replacement\repair
- \$ 850,000 – Equipment Replacement Fund
- \$ 522,000 - Capital Improvements (ARPA & Prop 68 Funds)
- \$ 500,000 – 2025 Street Paving Project (Alameda CTC Funds)

After these transfers, the General Fund ending balance will be approximately \$8.1 million, or 20% of Operating Expenses. No further transfers are recommended at this time as the City's goal is to maintain a General Fund reserve of +/- 18% of Operating Expenses.

## **RECREATION DEPARTMENT \ SCHOOLMATES \ AQUATICS**

While the Recreation Department is a component of the General Fund, two programs under its purview, Schoolmates and Aquatics, are accounted for in separate funds.

Below is a recap of the proposed 2025-26 budget and actual results from the prior five years:

|                               | FISCAL YEAR ENDED |              |              |              |              | Proposed     | Projected    |              |
|-------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                               | June-20           | June-21      | June-22      | June-23      | June-24      | BUD 2026     | FY 24-25     | \$ VAR       |
| <b><u>RECREATION (GF)</u></b> |                   |              |              |              |              |              |              |              |
| Revenue                       | \$ 1,261,674      | \$ 1,761,020 | \$ 3,149,170 | \$ 3,666,420 | \$ 3,954,182 | \$ 4,085,800 | \$ 4,023,832 | \$ 61,968    |
| Salaries                      | 1,315,680         | 1,182,494    | 1,460,424    | 1,500,586    | 1,560,119    | 1,754,629    | 1,584,878    | 169,751      |
| Benefits & Taxes              | 321,674           | 309,749      | 415,922      | 444,553      | 477,661      | 558,899      | 493,753      | 65,146       |
| Operating Exp                 | 1,028,856         | 912,727      | 1,419,944    | 1,781,636    | 1,864,415    | 1,964,500    | 1,878,655    | 85,845       |
| Total Expenses                | 2,666,210         | 2,404,969    | 3,296,290    | 3,726,775    | 3,902,196    | 4,278,028    | 3,957,286    | 320,742      |
| % of Revenue                  | 211%              | 137%         | 105%         | 102%         | 99%          | 105%         | 98%          | 518%         |
| Net Income/(Loss)             | \$ (1,404,536)    | \$ (643,950) | \$ (147,120) | \$ (60,356)  | \$ 51,987    | \$ (192,228) | \$ 66,546    | \$ (258,774) |
| Cost Recovery %               | 47%               | 73%          | 96%          | 98%          | 101%         | 96%          | 102%         |              |
| <b><u>SCHOOLMATES</u></b>     |                   |              |              |              |              |              |              |              |
| Revenue                       | \$ 632,868        | \$ 586,126   | \$ 1,101,085 | \$ 1,558,831 | \$ 1,546,448 | \$ 1,560,000 | \$ 1,497,000 | \$ 63,000    |
| Salaries                      | 459,301           | 495,839      | 468,108      | 554,394      | 718,181      | 996,556      | 778,756      | 217,800      |
| Benefits & Taxes              | 139,243           | 123,680      | 147,117      | 202,017      | 219,968      | 301,489      | 242,800      | 58,689       |
| Operating Exp                 | 111,409           | 86,836       | 91,808       | 180,634      | 119,055      | 264,600      | 154,500      | 110,100      |
| Total Expenses                | 709,953           | 706,355      | 707,033      | 937,044      | 1,057,204    | 1,562,645    | 1,176,056    | 386,589      |
| % of Revenue                  | 112%              | 121%         | 64%          | 60%          | 68%          |              |              |              |
| Net Income/(Loss)             | \$ (77,085)       | \$ (120,229) | \$ 394,052   | \$ 621,786   | \$ 489,244   | \$ (2,645)   | \$ 320,944   | \$ (323,589) |
| Cost Recovery %               | 89%               | 83%          | 156%         | 166%         | 146%         | 100%         | 127%         |              |
| <b><u>AQUATICS</u></b>        |                   |              |              |              |              |              |              |              |
| Revenue                       | \$ 338,829        | \$ (1,034)   | \$ -         | \$ -         | \$ -         | \$ 1,613,657 | \$ -         | \$ 1,613,657 |
| Salaries                      | 375,765           | 74,792       | 5,205        | 1,989        | -            | 1,217,426    | 66,700       | 1,150,726    |
| Benefits & Taxes              | 52,802            | 16,174       | (2,618)      | 161          | -            | 176,897      | 30,400       | 146,497      |
| Operating Exp                 | 190,320           | 45,293       | 14,330       | 19,476       | (6,777)      | 525,625      | -            | 525,625      |
| Total Expenses                | 618,888           | 136,258      | 16,918       | 21,627       | (6,777)      | 1,919,948    | 97,100       | 1,822,848    |
| % of Revenue                  | NA                | NA           | NA           | NA           | NA           |              |              |              |
| Net Income/(Loss)             | \$ (280,059)      | \$ (137,292) | \$ (16,918)  | \$ (21,627)  | \$ 6,777     | \$ (306,291) | \$ (97,100)  | \$ (209,191) |
| Cost Recovery %               | 55%               | -1%          | 0%           | 0%           | 0%           | 84%          | 0%           |              |

Staff has historically targeted the Recreation Department to be cost neutral.

Aquatics Fund –The Proposed Budget assumes twelve months of operation. The budget is consistent with the operational analysis prepared by the Isaac Sports Group. Included in the Proposed Budget are the following expenses:

- Aquatics Supervisor - hired 8 months prior to opening
- Aquatics Coordinator - hired 4 months prior to opening
- Maintenance Technician (Part-Time) - hired 2 months prior to opening
- Lifeguards – Training
- Operating expenses

The residual balance in the Aquatics Fund plus a General Fund subsidy of \$400,000 is proposed to cover the anticipated loss in the first year of operation.

## **OTHER FUNDS**

In addition to the General Fund, the City maintains a number of major funds to provide for the long-term capital needs of the organization.

### **Street Infrastructure Maintenance & Replacement**

Funding sources for street infrastructure maintenance and replacement, including sidewalk repair, are the Gas Tax, SB1, Measure BB, and Measure F. In addition, the City competes for and obtains funding through the Alameda County Transportation Commission for \$500,000. The majority of available funding is dedicated to street resurfacing, 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.

The PCI (Pavement Condition Index) for the streets within the City of Piedmont is currently 61. This is down from the 63 reported last year and 67 reported in 2019. This keeps the City's overall average within the "Good" range.

| <b><u>PCI Range</u></b> | <b><u>Description</u></b> | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>2022</u></b> | <b><u>2019</u></b> |
|-------------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | <b>OVERALL</b>            | <b>61%</b>         | <b>63%</b>         | <b>65%</b>         | <b>67%</b>         |
| >70                     | Very Good                 | 47%                | 50%                | 58%                | 49%                |
| 50-69                   | Good                      | 22%                | 23%                | 17%                | 28%                |
| 24-49                   | Poor                      | 22%                | 20%                | 20%                | 20%                |
| 0-24                    | Very Poor                 | 9%                 | 7%                 | 5%                 | 3%                 |

In order to maintain a PCI of 67 over the next 5 years, approximately \$1.5 million in funding for maintenance and repairs would be needed annually. To increase the PCI to 72 over the next 5 years, approximately \$2.2 million in funding for maintenance and repairs would be needed annually.

| Summary Street Report     |                     |                   |                   |                   |               |                       |                     |                    |                    |
|---------------------------|---------------------|-------------------|-------------------|-------------------|---------------|-----------------------|---------------------|--------------------|--------------------|
|                           | Measure<br>BB       | Gas Tax           | SB 1              | Measure<br>F      | Measure<br>B  | Traffic<br>Congestion | Total<br>Sources    | General<br>Fund    | Grand<br>Total     |
| <b>ACTUAL 2022-23</b>     |                     |                   |                   |                   |               |                       |                     |                    |                    |
| <b>Total Revenues</b>     | <b>1,334,264</b>    | <b>291,104</b>    | <b>265,516</b>    | <b>44,940</b>     | <b>3,238</b>  | <b>-</b>              | <b>1,939,062</b>    |                    |                    |
| Streets - Spent YTD       | (1,017,988)         | -                 | (670,941)         | (104,963)         | (215,788)     | -                     | (2,009,680)         |                    | (2,009,680)        |
| Streets - To be Spent     |                     |                   |                   |                   |               |                       | -                   |                    | -                  |
| Sidewalks                 |                     |                   |                   |                   |               |                       | -                   | (601,662)          | (601,662)          |
| Total Expenditures        | (1,017,988)         | -                 | (670,941)         | (104,963)         | (215,788)     | -                     | (2,009,680)         | (601,662)          | (2,611,342)        |
| <b>Ending Balance</b>     | <b>\$ 739,182</b>   | <b>\$ 292,217</b> | <b>\$ 57,919</b>  | <b>\$ 56,064</b>  | <b>\$ (0)</b> | <b>\$ 0</b>           | <b>\$ 1,145,381</b> |                    |                    |
| <b>ACTUAL 2023-24</b>     |                     |                   |                   |                   |               |                       |                     |                    |                    |
| <b>Total Revenues</b>     | <b>1,111,598</b>    | <b>316,185</b>    | <b>296,837</b>    | <b>47,793</b>     | <b>-</b>      | <b>-</b>              | <b>1,772,413</b>    |                    |                    |
| Streets - Available       | (141,423)           | (572,281)         | (144,190)         | -                 | -             | -                     | (857,893)           |                    | (857,893)          |
| Sidewalks                 |                     |                   |                   |                   |               |                       | -                   | (753,080)          | (753,080)          |
| <b>Total Expenditures</b> | <b>(141,423)</b>    | <b>(572,281)</b>  | <b>(144,190)</b>  | <b>-</b>          | <b>-</b>      | <b>-</b>              | <b>(857,893)</b>    | <b>(753,080)</b>   | <b>(1,610,974)</b> |
| <b>Ending Balance</b>     | <b>\$ 1,709,357</b> | <b>\$ 36,121</b>  | <b>\$ 210,566</b> | <b>\$ 103,857</b> | <b>\$ (0)</b> | <b>\$ 0</b>           | <b>\$ 2,059,901</b> |                    |                    |
| <b>PROJECTED 2024-25</b>  |                     |                   |                   |                   |               |                       |                     |                    |                    |
| <b>Total Revenues</b>     | <b>1,185,000</b>    | <b>300,900</b>    | <b>294,000</b>    | <b>43,000</b>     | <b>-</b>      | <b>-</b>              | <b>1,822,900</b>    |                    |                    |
| Streets - Available       | (340,000)           | (15,000)          | (200,000)         | -                 | -             | -                     | (555,000)           | (500,000)          | (1,055,000)        |
| Sidewalks                 |                     |                   |                   |                   |               |                       | -                   | (700,000)          | (700,000)          |
| <b>Total Expenditures</b> | <b>(340,000)</b>    | <b>(15,000)</b>   | <b>(200,000)</b>  | <b>-</b>          | <b>-</b>      | <b>-</b>              | <b>(555,000)</b>    | <b>(1,200,000)</b> | <b>(1,755,000)</b> |
| <b>Ending Balance</b>     | <b>\$ 2,554,357</b> | <b>\$ 322,021</b> | <b>\$ 304,566</b> | <b>\$ 146,857</b> | <b>\$ (0)</b> | <b>\$ 0</b>           | <b>\$ 3,327,801</b> |                    |                    |
| <b>PROPOSED 2025-26</b>   |                     |                   |                   |                   |               |                       |                     |                    |                    |
| <b>Total Revenues</b>     | <b>1,195,000</b>    | <b>330,000</b>    | <b>300,000</b>    | <b>44,500</b>     | <b>-</b>      | <b>-</b>              | <b>1,869,500</b>    |                    |                    |
| Streets - Available       | (2,482,000)         | (544,000)         | (593,000)         | (100,000)         | -             | -                     | (3,719,000)         |                    | (3,719,000)        |
| Sidewalks                 |                     |                   |                   |                   |               |                       | -                   | (650,000)          | (650,000)          |
| <b>Total Expenditures</b> | <b>(2,482,000)</b>  | <b>(544,000)</b>  | <b>(593,000)</b>  | <b>(100,000)</b>  | <b>-</b>      | <b>-</b>              | <b>(3,719,000)</b>  | <b>(650,000)</b>   | <b>(4,369,000)</b> |
| <b>Ending Balance</b>     | <b>\$ 1,267,357</b> | <b>\$ 108,021</b> | <b>\$ 11,566</b>  | <b>\$ 91,357</b>  | <b>\$ (0)</b> | <b>\$ 0</b>           | <b>\$ 1,478,301</b> |                    |                    |

Piedmont's sidewalks are increasingly in disrepair. It is especially important to repair sidewalks as soon as possible to reduce the liability associated with accidents caused by unsafe sidewalks. Staff has proposed a budget of \$650,00 for sidewalk repair and replacement, which will be funded from the Facilities Maintenance Fund.

The City currently does not have the tools to adequately track the required maintenance of sidewalks. Staff have included in the Proposed Budget the implementation of an Enterprise Asset Management system to satisfy this and other maintenance related needs.

### **Facilities Maintenance Fund**

The City Council established the Facilities Maintenance Fund in 2013 to provide a long-term plan for addressing City-owned facilities. In 2014, responsibility for facilities was transferred from the Recreation Department to the Public Works Department. Since that time, staff has been working to develop a thorough and well-documented plan that addresses deferred maintenance, ongoing maintenance and repair, and, importantly, the desire to build reserves to address long-term, life-cycle maintenance and replacement costs. The plan will continue to evolve and improve as staff closely monitors City needs.

In 2019-20, staff removed janitorial type expenses from this fund and are now accounting for them in the General Fund. Further, to better identify and quantify long term capital needs as opposed to ongoing maintenance costs, beginning in FY 2022-23 staff split this fund into two separate funds:

- Facilities Maintenance Fund (111) – Repairs and maintenance, scheduled maintenance, and sidewalk replacement/repair is funded annually by transfers from the General and Schoolmates Funds based on need.
- Facilities Capital Projects (112) – Capital projects for all City facilities including parks. Funding is determined each year based on budget surplus, if any.

The following schedule summarizes the current Facilities Maintenance Fund plan. It is a roll up of scheduled maintenance and estimated repairs and maintenance for each City facility, as well as sidewalk replacement/repair.

|                               | FISCAL YEAR    |              |                |                |                |
|-------------------------------|----------------|--------------|----------------|----------------|----------------|
|                               | 2023-24        | 2024-25      | 2025-26        | 2026-27        | FY 2027        |
|                               | Actual         | Forecast     | Budget         | Forecast       | & Beyond       |
| <b>FACILITIES MAINTENANCE</b> |                |              |                |                |                |
| Beginning Balance             | \$ 571,407     | \$ 377,729   | \$ 421,229     | \$ 23,329      | \$ 44,090      |
| General Fund Subsidy          | \$ 850,000     | \$ 850,000   | \$ 1,100,000   | \$ 1,550,000   | \$ 1,250,000   |
| Schoolmates Subsidy           | 29,910         | 32,000       | 95,600         | 64,104         | 81,628         |
| Contributions \ Other Funding | 8,900          | -            | -              | -              | -              |
| Interest                      | 16,071         | 15,000       | 23,000         | 24,000         | 19,000         |
| Total Revenue                 | \$ 904,881     | \$ 897,000   | \$ 1,218,600   | \$ 1,638,104   | \$ 1,350,628   |
| Expenditures:                 |                |              |                |                |                |
| Sidewalks                     | \$ (753,080)   | \$ (300,000) | \$ (650,000)   | \$ (650,000)   | \$ (600,000)   |
| Annual Maintenance            | (232,657)      | (315,000)    | (225,750)      | (234,780)      | (244,171)      |
| Scheduled Maintenance         | (112,823)      | (238,500)    | (740,750)      | (732,563)      | (512,941)      |
| Total Expenditures            | \$ (1,098,559) | \$ (853,500) | \$ (1,616,500) | \$ (1,617,343) | \$ (1,357,112) |
| Ending Balance                | \$ 377,729     | \$ 421,229   | \$ 23,329      | \$ 44,090      | \$ 37,607      |

The schedule summarizes the current Facilities Capital Fund plan. It is a roll up of capital projects for all City facilities, including parks. Supporting schedules which detail each project are included in the Facilities Program documents.

|                                | FISCAL YEAR    |                |                |                |                 |
|--------------------------------|----------------|----------------|----------------|----------------|-----------------|
|                                | 2023-24        | 2024-25        | 2025-26        | 2026-27        | FY 2027         |
|                                | Actual         | Forecast       | Budget         | Forecast       | & Beyond        |
| <b>FACILITIES CAPITAL FUND</b> |                |                |                |                |                 |
| Beginning Balance              | \$ 10,797,969  | \$ 10,457,363  | \$ 7,858,013   | \$ 346,902     | \$ (684,098)    |
| General Fund Subsidy           | \$ -           | \$ -           | \$ -           | \$ 419,000     | \$ 400,000      |
| Schoolmates Subsidy            | -              | -              | -              | -              | -               |
| ARPA Funding                   | 322,066        | 1,303,000      | 522,000        | -              | -               |
| Contributions \ Other Funding  | -              | 129,000        | 150,000        | 150,000        | -               |
| Interest                       | 572,179        | 450,000        | 140,000        | 140,000        | -               |
| Total Revenue                  | \$ 894,245     | \$ 1,882,000   | \$ 812,000     | \$ 709,000     | \$ 400,000      |
| Expenditures:                  |                |                |                |                |                 |
| Facilities                     | \$ (322,066)   | \$ (1,743,388) | \$ (2,720,735) | \$ (995,000)   | \$ (54,760,000) |
| Parks                          | (421,667)      | (594,069)      | (1,414,000)    | (465,000)      | (27,030,000)    |
| Tennis Courts                  | (27,741)       | (200,000)      | -              | -              | (810,000)       |
| Sustainability                 | (43,184)       | (26,500)       | (163,000)      | (130,000)      | (902,000)       |
| Storm Drains                   | (8,224)        | (150,000)      | (400,000)      | (100,000)      | -               |
| Green Infrastructure           | (200,000)      | (250,000)      | -              | (50,000)       | (900,000)       |
| Community Pool                 | (207,204)      | (1,487,393)    | (3,625,376)    | -              | -               |
| Miscellaneous                  | (4,765)        | (30,000)       | -              | -              | -               |
| Total Expenditures             | \$ (1,234,850) | \$ (4,481,350) | \$ (8,323,111) | \$ (1,740,000) | \$ (84,402,000) |
| Ending Balance                 | \$ 10,457,363  | \$ 7,858,013   | \$ 346,902     | \$ (684,098)   | \$ (84,686,098) |

The Facilities Capital Fund is estimated to have a Fund balance of approximately \$7.9 million as of June 30, 2025. Funding will be primarily from the General and Schoolmates Funds, when available. American Rescue Plan Act (ARPA) funds are being allocated for use on the Police Dispatch Center project in accordance with City Council direction. Construction began in FY 2023-24.

Annual funding is determined based on available funds in the General Fund after consideration of the needs of the equipment replacement fund, facilities maintenance fund, and a General Fund reserve set aside in the range of +/-18%.

The Facilities Capital Fund includes major capital improvements currently being evaluated by the City in the column “FY 2027 & Beyond”. High-level assessments of the Police Department and Fire Department indicate considerable deficiencies in Essential Services Buildings. Beyond the Essential Services Buildings, City staff anticipates future renovation of the City Hall basement and Recreation Center for accessibility and to address safety issues. Major improvements to Linda Beach and Coaches Field are also being evaluated. The total cost of all these projects may be upward of \$65 million and are reflected in the column “FY 2027 & Beyond”. Based on ten-year projections for the General Fund, the City does not have adequate funding to complete these projects, nor the recreation related conceptual plans developed in recent years.

### **Equipment Replacement Fund**

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.

The following is the proposed Equipment Replacement expenditures for FY 2025-26 of \$1,692,697:

| <b>Description</b>                       | <b>\$<br/>Amount</b> |
|------------------------------------------|----------------------|
| <b><u>Communications</u></b>             |                      |
| Broadcast Ctrl. and Council Chambers A/V | 635,000              |
| Video Server                             | 20,000               |
| <b><u>Public Works:</u></b>              |                      |
| CCTV Van                                 | 350,000              |
| <b><u>Recreation</u></b>                 |                      |
| Copy Machine                             | 15,000               |
| <b><u>Police:</u></b>                    |                      |
| Licences for CAD\CRM                     | 75,000               |
| <b><u>Fire:</u></b>                      |                      |
| LUCAS Device (CPR Machine)               | 50,000               |
| <b><u>IT:</u></b>                        |                      |
| Applications & Systems                   | 305,000              |
| IT Infrastructure                        | 197,000              |
| Desktops\Laptops\etc.                    | 45,697               |
|                                          |                      |
| <b>Total Proposed Expenditures</b>       | <b>\$ 1,692,697</b>  |

The Equipment Replacement Fund is estimated to have a Fund Balance of approximately \$2.8 million as of June 30, 2025; an unrestricted fund balance of \$2.2 million and a restricted balance of \$600,000. The restriction is the City Council approved system rehabilitation loan to the Sewer Fund.

Funding of \$850,000 is needed for FY 2025-2026. Staff recommends transferring these funds in FY 2024-25 if the projected surplus for such year is realized.

## **Sewer Fund**

The Sewer Fund is used to account for costs related to the inspection, maintenance, repair, and replacement of the sanitary sewer system in the City. In July 2014, the City and other East Bay jurisdictions entered into a Consent Decree Order (CDO) mandated by the U.S. Environmental Protection Agency (EPA) which requires the City to complete a rehabilitation of the sewer system and to establish a comprehensive monitoring of system performance. With the CDO finalized, and all of the mandated improvement measures identified, the City has moved forward with definitive plans to achieve full compliance.

To this end, the City Council previously approved loans totaling \$800,000 to the Sewer Fund from the Equipment Replacement Fund and the Facilities Maintenance Fund. These loans made the need for increasing the Sewer Tax or Real Property Transfer Tax unnecessary and provided the resources needed to initiate the next phase of required sewer rehabilitation.

With the approval of a low-interest loan by the State Water Resources Control Board (SWRCB), construction of Phase V of the sewer rehabilitation project began in FY 2017-18 and was completed in the first quarter of FY 2018-19. Thereafter, Phase VI design work began in FY 2022-23 with construction anticipated to begin in FY 2024-25. All phases of rehabilitation are projected to be completed over the next decade, ahead of the schedule established under the CDO.

### **Sewer Fund Recap**

| SEWER FUND                       | Projected           | Proposed            | Projected         |                   |                     |
|----------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|                                  | 2024-25             | Budget<br>2025-26   | 2026-27           | 2027-28           | 2028-29             |
| <b>Beginning Balance</b>         | <b>\$ 4,134,659</b> | <b>\$ 5,130,441</b> | <b>\$ 776,312</b> | <b>\$ 619,835</b> | <b>\$ 328,898</b>   |
| Sewer Service Charges \ Interest | 3,292,000           | 3,367,000           | 3,439,260         | 3,454,934         | 3,550,843           |
| Loan Proceeds                    | 0                   | 445,227             | 4,885,000         | 1,770,000         | 6,195,000           |
| <b>Total Revenue</b>             | <b>3,292,000</b>    | <b>3,812,227</b>    | <b>8,324,260</b>  | <b>5,224,934</b>  | <b>9,745,843</b>    |
| Operating Costs                  | 1,343,000           | 1,742,150           | 1,443,408         | 1,472,828         | 1,527,469           |
| Capital Costs:                   |                     |                     |                   |                   |                     |
| General Sewer Replacement        | 250,000             | 262,500             | 275,625           | 289,406           | 303,877             |
| Capital Equipment                | 80,000              | 0                   | 0                 | 0                 | 0                   |
| Phase VI                         | 100,000             | 4,000,000           | 2,400,000         | 0                 | 0                   |
| Phase VII                        | 0                   | 850,000             | 4,000,000         | 3,000,000         | 1,000,000           |
| Other                            | 0                   | 950,000             | 0                 | 0                 | 0                   |
| Debt Service                     | 523,218             | 361,705             | 361,705           | 753,637           | 1,342,620           |
| <b>Total Expenditures</b>        | <b>2,296,218</b>    | <b>8,166,355</b>    | <b>8,480,738</b>  | <b>5,515,871</b>  | <b>4,173,966</b>    |
| <b>Ending Balance</b>            | <b>\$ 5,130,441</b> | <b>\$ 776,312</b>   | <b>\$ 619,835</b> | <b>\$ 328,898</b> | <b>\$ 5,900,775</b> |

In addition to the construction of rehabilitation projects, the Sewer Fund reimburses the General Fund for sewer related expenses charged to the General Fund. Public Works and Finance have refined expense estimates and captured actual costs related to personnel, supplies and services. Based on the data collected, the proposed transfer for FY 2025-26 is projected at \$927,000, an increase of \$27,000 over the last fiscal year.

### **Pension Rate Stabilization Fund**

In 2017-18, the City established a Pension Rate Stabilization Fund. The City partnered with the Public Agency Retirement Services (PARS) to establish a Section 115 Trust. The trust allows for the smoothing of rising pension costs which are expected to more than double over the next ten years. Through the deposit of funds into the Section 115 Trust Program, the City could expect to earn a rate of return greater than what would be attained through the City's investment with the State of California Local Agency Investment Fund (LAIF). The higher return is made possible because the Section 115 Trust Program is not prohibited by State law from making purchases of higher yield equities.

In May 2018, the City transferred \$2.0 million from the General Fund into the Pension Rate Stabilization Fund with an additional transfer of \$750,000 in November 2018. In February 2021, the City engaged actuarial firm Bartel & Associates to refresh the City's ten-year pension expense projections. The projections increased approximately \$3.0 million as compared to the long-range plan. The increase was due to CalPERS lower than expected investment results in FY 2019-20 and the effect of the changes in its amortization policy. Amortization periods for the Unfunded Accrued Liability have been shortened from 30 years to 20 years, which lowers overall liability, but increases annual payments. Due to this change, an additional \$1.0 million was transferred to PARS in October 2021.

The City's long-term plan now indicates that the City may need to draw down on the PARS fund as early as FY 2026-27 to pay annual pension payments and maintain a reasonable General Fund reserve.

### **MUNICIPAL SERVICES SPECIAL TAX**

In March 2024, Piedmont voters approved Measure F (Municipal Services Special Tax), authorizing the City Council to levy a parcel tax for a twelve-year period beginning with FY 2025-26. The rate for the first year was set by Measure F. Commencing with FY 2026-27, the rate for Measure F may be adjusted by the lower of 4.0% or the annual percentage change in the Consumer Price Index for all Urban Consumers for San Francisco-Oakland-San Jose, California (December) as published by the United States Department of Labor, Bureau of Labor Statistics

## Municipal Services Special Tax Rate Schedule

|                                            | Adopted<br>Rate<br>2024-25 | Proposed<br>Rate<br>2025-26 |
|--------------------------------------------|----------------------------|-----------------------------|
| <b>Single Family Residences</b>            |                            |                             |
| 0 to 4,999                                 | \$ 610                     | \$ 732                      |
| 5,000 to 9,999                             | \$ 686                     | \$ 823                      |
| 10,000 to 14,999                           | \$ 792                     | \$ 950                      |
| 15,000 to 20,000                           | \$ 904                     | \$ 1,084                    |
| Over 20,000                                | \$ 1,031                   | \$ 1,237                    |
| <b>Commercial Properties</b>               |                            |                             |
| 0 to 10,000                                | \$ 1,031                   | \$ 1,237                    |
| Over 10,000                                | \$ 1,547                   | \$ 1,856                    |
| <b>Multi-Family Residential: per unit</b>  | \$ 423                     | \$ 507                      |
| <b>Dual Jurisdiction Parcels: per unit</b> | \$ 625                     | \$ 750                      |
| <b>Estimated Revenue</b>                   | <b>\$ 2,690,000</b>        | <b>\$ 3,228,000</b>         |

## SPECIAL MUNICIPAL SEWER TAX

The proposed Sewer Fund budget assumes that revenues increase based on changes in the CPI that are needed to maintain sewer services and rehabilitation of the sewer system. The City Council is authorized per Municipal Code Chapter 20, Section 20E.3 to adjust the rate based upon changes in the Consumer Price Index (CPI) for All Urban Consumers for the San Francisco-Oakland-San Jose, California (December) as published by the United States Department of labor, Bureau of Labor Statistics. Based upon the change in this index, the proposed rate adjustment for FY 2025-26 is 2.4%. After applying this rate adjustment, the proposed rate was rounded down to the nearest whole dollar for ease of assessment.

**Special Municipal Sewer Tax Rate Schedule**

|                                            | <b>Adopted Rate<br/>2024-25</b> | <b>Proposed<br/>Rate<br/>2025-26</b> |
|--------------------------------------------|---------------------------------|--------------------------------------|
| <b>Single Family Residences</b>            |                                 |                                      |
| <b>0 to 4,999</b>                          | \$ 699                          | \$ 715                               |
| <b>5,000 to 9,999</b>                      | \$ 797                          | \$ 816                               |
| <b>10,000 to 14,999</b>                    | \$ 919                          | \$ 941                               |
| <b>15,000 to 20,000</b>                    | \$ 1,072                        | \$ 1,097                             |
| <b>Over 20,000</b>                         | \$ 1,263                        | \$ 1,293                             |
| <b>Commercial Properties</b>               |                                 |                                      |
| <b>0 to 10,000</b>                         | \$ 1,263                        | \$ 1,293                             |
| <b>Over 10,000</b>                         | \$ 1,742                        | \$ 1,783                             |
| <b>Multi-Family Residential: per unit</b>  | \$ 582                          | \$ 595                               |
| <b>Dual Jurisdiction Parcels: per unit</b> | \$ 699                          | \$ 715                               |
| <b>Estimated Revenue</b>                   | <b>\$ 3,140,000</b>             | <b>\$ 3,215,000</b>                  |

By: Michael Szczech, Finance Director

Attachment A: Budget Advisory & Financial Planning Committee FY 2025-26 Budget Letter

May 28, 2025

Ms. Mayor and City Council,

As part of our annual efforts and pursuant to its charge from the City Council, the Budget Advisory and Financial Planning Committee (the “Committee”) has completed its review of financial projections in the City budget and whether they provide a sustainable long-term financial future for the City. In a meeting on May 20, 2025, the Committee reviewed the most recent revised fiscal year 2025-26 budget and projections, as prepared and presented by Interim Finance Director Michael Szczech and his staff under the guidance of City Administrator Rosanna Bayon Moore.

From the May 20 presentation, we believe that the City’s understanding of its financial position, as in previous years, is very thorough and well communicated. The Interim Finance Director presented the projected financial results for the current fiscal year as well as projections for the upcoming budget year. The presentation included all material revenue sources and expense categories, and discussed potential revenue risks, projected pension costs in detail, Other Post-Employment Benefits (OPEB) funding, equipment replacement, facilities maintenance, and facilities capital projects. Overall, we believe the assumptions used, and the results presented, to be well-founded and consistent with past practices.

### **FY 24-25 Results and FY 25-26 Budget**

The City continues to maintain a strong financial condition, although recent allocations within the Facilities Capital Fund for additional costs related to the Community Pool project have significantly reduced the City’s flexibility to undertake future capital projects, both planned and unanticipated. Property tax-related revenue (including the Municipal Services Special Tax (“Parcel Tax”) and Real Property Transfer Tax (“Transfer Tax”) revenue), which generally makes up in excess of 60% of the City’s revenue, has been bolstered by the strong residential real estate market during and following the pandemic, even when accounting for the downward trend following the FY 20-21 peak and the current economic climate. In addition, other material revenue categories have rebounded and now equal or exceed their pre-pandemic levels. The combination of higher-than-expected revenues across several categories and lower expenditures helped the City achieve a projected budget surplus of approximately \$3.6 million for FY 24-25 before capital transfers.

The Committee supports the proposed uses of the FY 24-25 surplus: transferring \$850,000 to the Equipment Replacement Fund and retaining a higher balance in the General Fund to cover higher operating expenses, new initiatives and facilities capital projects budgeted for FY 25-26. This is consistent with both recent City practice and the Committee’s recommendations in prior years.

The proposed budget for FY 25-26 reflects the City's continued commitment to conservative budgeting and financial discipline. This approach ensures that the City can continue to provide high quality public services, replace aging equipment, and address infrastructure repairs, while retaining a strong General Fund.

The proposed FY 25-26 budget shows expense growth in excess of revenue growth. Overall revenues are essentially flat, while expenditures and operating transfers out are expected to grow by 7% due to higher personnel costs and a combination of one-time and cyclical costs. In addition, the proposed budget shows a number of capital projects, including the completion of the Community Pool and the dispatch center relocation, that will essentially deplete the Facilities Capital Fund in the coming fiscal year. The Community Pool project has required approximately \$5.4 million to be drawn from the Facilities Capital Fund (approximately 50% of this year's beginning fund balance). This will restrict the City's ability take on new capital projects absent revenue growth in excess of the amounts planned in the budget and long-term forecast. While the City may have flexibility to defer some projects for the short and intermediate terms, deferral will inevitably result in higher overall costs to complete the project given inflation and extension of wear / useful life .

### **Long-term Planning**

As discussed in our prior reports, the Committee believes the objective of long-term financial planning for the City is to enable it to take steps to ensure that current services are being paid for in the current year, to the extent possible, and that funds for known future requirements (including infrastructure needs) are set aside on a current basis. In short, current citizens should pay for the current costs of running the City and not defer those costs to future citizens.

In reviewing the City's long-term projections, the Committee notes the following:

- The financial projections continue to seek to maintain, over the long term, an 18% General Fund balance, which the Committee thinks is a prudent goal. It should be noted, however, that the current long-term projections now show the General Fund balance dipping to as low as 15% in several of the next nine years. This is a change from the prior year which showed the General Fund consistently at 18% or above. In addition, the long-term projections assume only minor transfers to the Facilities Capital Fund after FY 24-25. This lack of funding for facilities capital projects is addressed later in the report but the Committee wants to note here that achieving the General Fund balances in the long-term projections is at risk due to this lack of funds.
- The long-term forecast assumes a 3.3% increase in property tax revenue for FY 25-26 and then 4.9% annually for the remaining term of the forecast. While the 4.9% is the same as the 15 year average growth rate, this number may be

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Piedmont Budget Advisory and Financial Planning Committee

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- aggressive. Reaching this number requires the continued sale of homes with comparatively low assessed valuation due to Proposition 13 and the number of such homes is presumably decreasing. As noted in the May 20 presentation, the amounts that Sales Price has exceeded the Assessed Valuation has declined from 119% to 83% over the last four years and further deterioration in the ratio will make it difficult to reach the 4.9% growth projection.
- As in prior years, the projections continue to show that the long-term financial health of the City is heavily dependent on property-related taxes, including the collection of the Parcel Tax, robust Transfer Tax revenue and growth in assessed property values. The long-term projections assume that the Parcel Tax continues with a standard CPI adjustment each year, and the Committee supports this approach. The Committee supports continued careful review of property-tax-related revenue projections, given the City's reliance on these revenue sources.
  - Pension expenses are projected to increase substantially over the next decade, as has been anticipated for some time. While these increased expenses are fully met in the long-range projections (due to the City's active management and prior funding of the of the Public Agency Retirement Services Fund), the extreme volatility of the financial markets still presents risks to the extent that investment returns fail to achieve expected returns in the long run. The long-term projections assume the use of funds from the Pension Rate Stabilization Fund starting in FY 26-27 to mitigate the increase in pension expenses and show that the Fund will be exhausted in FY 28-29.
  - The long-term projections assume that salaries and benefits grow by 3.25% in FY 25-26 and then 3.0% annually thereafter. This increase will be significantly impacted by the results of the current and future labor negotiations. In addition, the Committee notes that the budget includes an operating subsidy for the pool of \$400,000 for FY 25-26 and \$200,000 per year thereafter. While the City intends to operate the pool on a revenue-neutral basis, the City has taken this conservative budgeting approach since the actual operating performance is not yet known. While the Committee supports this approach, there is also the risk that actual costs could exceed these numbers.
  - As discussed throughout this letter, the Facilities Capital Fund will be essentially depleted in FY 25-26.

Over the past decade, the City has done an excellent job planning for and controlling future costs of retirement commitments and equipment replacement. Below, the Committee highlights future needs that it believes require further attention now, followed by revenue considerations to address those needs.

## Infrastructure Needs

As the Council is aware, quantifying and planning for the future costs associated with the City's facilities, streets, and sidewalks – broadly, its infrastructure – have been and continue to be a focus of this Committee. The City staff have done an admirable job over the past several years in identifying these costs, especially for facilities maintenance and equipment replacement. Work remains to be done, however, in quantifying costs and allocating funding for major Facilities Capital projects, most notably for the City buildings in the City Center, including public safety.

The Facilities Maintenance Fund is separated into two funds: one focused on regular repairs and maintenance (Facilities Maintenance Fund), and the other for major capital projects and improvements (Facilities Capital Fund). Due primarily to both the increased Transfer Tax revenue in the recent years and the growth in assessed property values, the City is now able to fund its facilities maintenance costs over the term of the long-term projections. This contrasts with the practice in earlier years, in which contributions to the Facilities Maintenance Fund were generally not budgeted, and transfers would only be made to that Fund if and when budget surpluses were achieved. Despite the notable progress made for funding facilities maintenance, significant issues remain for the Facilities Capital Fund, including the following infrastructure needs:

- **Aging Buildings.** The Facilities Capital Fund projections include estimates for major capital projects to address the necessary replacement or renovation of aging buildings and parks to meet current standards and to improve operating capacity and efficiency. Staff has done a commendable job in identifying necessary renovations in the buildings and parks, but many numbers are rough estimates or based on outdated analyses at this point. Much more work remains to be done to more comprehensively detail and quantify the City's capital needs and to provide sufficient information for the Council to weigh strategic priorities. Nonetheless, based on existing information, the cost of such infrastructure needs (preliminarily estimated to be in excess of \$80 million) is well beyond the City's current funding capacity. The Committee continues to believe that continued quantification, prioritization, and planning for these capital projects is of high importance given the high cost for some of these projects, as well as the long lead time to identify funding and to implement these initiatives. The Committee supports that the FY 25-26 budget allocates funds to preliminarily assess the potential costs for capital projects related to the buildings in the Civic Center.
- **Stormwater Management/Storm Drain Infrastructure Needs.** The Regional Water Quality Control Board regulates local jurisdictions' stormwater management and has imposed new requirements on cities, including Piedmont, to control stormwater runoff. Currently, cities are being required to inventory their storm drain infrastructure and project the cost of

improvements to meet new standards. At present, no State funding sources are available to cover the potential costs, which are likely to be significant. While the City's assessment is ongoing, priority projects estimated at \$1.7 million have been identified and potential costs are expected to be much higher. These amounts are not fully included in the Facilities Capital Fund and underscores that inadequate funds are available to cover the costs associated with stormwater management requirements. The first FY 25-26 budget for the Facilities Capital Fund does include \$400,000 to address certain areas of known need where there has been flooding and/or failure of the storm drain infrastructure.

- **Road Conditions.** While the City has made efforts to step up its repaving activity and improve its roadways in recent years, the condition of Piedmont's roads has not improved since 2017. Piedmont's overall Pavement Conditions Index (PCI) was 64 in 2017 (where a score of 60 – 69 is in the "Fair" category), 67 in 2019, 65 in 2022, and 63 in 2023 in and 2024. An estimated \$700,000 in additional annual spending above recent levels would be required to improve the PCI to 71 and reach the "Good" category. The long-range projections do not include any additional annual amounts for paving beyond the dedicated street improvement funding sources (Measures BB & F, gas tax revenue and SB1) that the City has historically utilized to maintain its streets.

The long-term projections reflect that the Facilities Capital Fund will be essentially depleted after FY 25-26 given the significant outlays in the upcoming year for the Community Pool and other projects. While certain major capital projects may be funded through debt financing, this will not be feasible for all capital projects. The Facilities Capital Fund, as presented, is therefore inadequately capitalized for the duration of the projections. This projected underfunding is not realistic since there will undoubtedly be necessary replacement expenditures after FY 25-26. The Committee does recognize, however, that this funding shortfall may be alleviated to some degree if revenues, such as Transfer Tax revenue, come in higher than projected or if the City develops incremental or new broad-based tax sources.

### **Staffing Needs**

The City's staffing levels, along with the City's population, have held largely steady over the past two decades and the FY 25-26 budget and long-term projections assume only two full-time additions for replacing part-time positions. However, the provision of services is becoming increasingly complex due to a combination of factors including changing technologies and increasing requirements for local jurisdictions to address state and regional requirements and challenges. The City currently has staffing studies underway that may identify the need for additions to staffing levels and funding will need to be identified for these additions.

## Revenue Considerations

It is clear from our discussions and the May 20 presentation that the City has very limited ability, both currently and during the window of the long-term projections, to absorb future cost increases due to inflation, contract negotiations, new State mandates or the need to increase staff to provide the services that the City residents expect. The community's approval of Measure F in February 2024, which renewed the Parcel Tax for 12 years with an initial 20% increase starting in FY25-26, will provide necessary stability and some additional funds to the City's revenue stream.

Even with the renewal of the Parcel Tax, the Committee believes that the City will likely need additional revenue in the future to fund known capital projects, as well as to respond to both increasing public expectations for higher services and unplanned cost increases. Prior Committee reports, including its October 3, 2023 report on the Parcel Tax, identified the need for and examined potential additional revenue sources, including an increase in the Transfer Tax, that may be useful to the City. Staff and Council. The Committee believes that increasing the Transfer Tax continues to be the most broad-based and sustainable source for material additional revenue during the window of the 10-year projections

The Committee appreciates the opportunity to serve the City and is especially appreciative of the work of the Interim Finance Director in providing such a complete and thorough long-term financial plan, as well as the work of the Public Works Director in identifying and quantifying the City's facilities needs reflected in the long-term projections. The Committee believes the City is well positioned to address this next fiscal year but cautions that the City is likely to face challenges as it addresses the City's increasing service needs and capital projects, especially for its ever-aging facilities.

Please let us know if you have any questions or would like any additional analysis.

Thank you,



Budget Advisory and Financial Planning Committee

Frank Ryan, Chair  
Murat Bozkurt  
Andrew Flynn  
David Kimball  
Teddy King  
Robert McBain  
Paul Raskin  
Alice Cho (alternate)