

City of Piedmont
COUNCIL AGENDA REPORT

DATE: May 21, 2018
 TO: Mayor and Council
 FROM: Paul Benoit, City Administrator
 SUBJECT: Public Hearing on the Proposed 2018-19 Budget, Proposed Levy for the Municipal Services Special Tax, and Proposed Levy for the Special Municipal Sewer Tax

RECOMMENDATION

Conduct public hearing on the proposed 2018-19 Budget, proposed levy of the Municipal Services Special Tax, and the 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 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 4, 2018. Following the June 4, 2018 public hearing, staff is recommending that the City Council consider adoption of the budget and levying the taxes.

DISCUSSION

GENERAL FUND REVENUES

The City is projecting General Fund revenues in 2018-19 of \$27,923,000 compared to the 2017-18 projection of \$27,878,600. Revenue is reported and tracked in the following categories:

Category	2018-19		2017-18		\$ Change	%
	Proposed Budget	% of Budget	Projected	% of Total		
Property Related Taxes	\$18,935,000	68%	\$18,592,000	67%	\$ 343,000	2%
Other Taxes & Franchises	2,383,000	9%	2,322,000	8%	61,000	3%
Revenues from Other Agencies	1,518,000	5%	2,004,000	7%	(486,000)	-24%
Charges for Current Services	3,582,000	13%	3,469,600	12%	112,400	3%
Other	1,505,000	5%	1,491,000	5%	14,000	1%
Total Budget	\$ 27,923,000	100%	\$ 27,878,600	100%	\$ 44,400	0%

Property-related taxes are the City's primary revenue source and account for \$18,935,000 or 68% of General Fund revenues. This amount is an increase of \$343,000 over the 2017-18 projected actual. The 2018-19 Proposed Budget consists of:

- Property Tax revenues, which consists of tax on secured and unsecured property, is budgeted at \$13,873,000, an increase of \$679,000 or 5% as compared to the 2017-18 projection.
- Real Property Transfer Tax revenue is budgeted at \$2,800,000, this is \$400,000 below our projection for 2017-18, but consistent with the prior fiscal year budget.
- Parcel Tax revenue, based on the measure approved by 71% of voters in June 2016, is estimated at \$2,262,000, an increase of \$64,000 over the 2017-2018 projection.

The housing market continues to be strong and is a key factor in maintaining the stability of City revenues.

Other Taxes and Franchises revenue relates to Business License, Sales and Utility Users taxes, and Franchise fees. These revenues are budgeted at \$2,383,000, an increase of \$61,000 over the 2017-18 projection.

Revenues from Other Agencies is revenue received from state and regional agencies. These funds are unrestricted, except for limited revenue directed to public safety purposes, and are allocated for General Fund use. The budget projects revenues of \$1,518,000, which is \$486,000 less than 2017-18. The decline is primarily due to \$475,000 in revenue received for our mutual aid assistance in last year's wildfires. Staff has not included any revenue for this in the 2018-19 budget due to the unpredictable nature of this revenue stream. In addition, the Alameda County FRALS (First Responder Advanced Life Support) program, from which the City received \$70,000 in revenue in 2017, has been discontinued. The decline is partially offset by the largest component of this section, the Motor Vehicle License Fee, which is budgeted at \$1,271,000, and \$49,000 higher than the 2017-18 projection.

Charges for Current Services consists of revenues generated from service fees and is budgeted at \$3,582,000 in 2018-19. The major components are:

- Recreation revenue is projected at \$2,623,000, an increase of approximately \$100,000 over 2017-18 projection. Recreation revenue has been strong as contract programs have grown in popularity.
- Ambulance Service charges are budgeted at \$300,000, the same as last year's projection.
- Planning and Plan Check fees are projected at \$525,000, the same amount as FY 2017-18.

Other Revenue consists of the following:

- Licenses and Permits – Building permits, dog licenses, and other permits.
- Revenue from use of Money and Property – Rent (Community and Veterans Hall, telecom) and interest.
- Other – Employee contribution to OPEB and miscellaneous one time receipts.

GENERAL FUND EXPENDITURES

The proposed budget has \$26,060,929 in General Fund expenditures (Departmental, Capital Outlay, and Non-Departmental). In developing the proposed budget, the City continues efforts to control and contain operating costs in all departments. The following is a summary of proposed expenditures by cost categories.

General Fund Budget by Expenditure Category

Category	2018-19		2017-18		\$ Change	%
	Proposed Budget	% of Budget	Projected	% of Total		
Personnel Costs	\$ 17,935,100	69%	\$ 17,235,658	67%	\$ 699,442	4%
Maintenance & Operations	5,839,358	22%	5,563,130	22%	276,228	5%
Capital Outlay	22,000	0%	26,015	0%	(4,015)	-15%
Non-Departmental	2,264,471	9%	2,791,171	11%	(526,700)	-19%
Total Budget	\$ 26,060,929	100%	\$ 25,615,974	100%	\$ 444,955	2%

Personnel related costs, which includes salaries, benefits, and retirement costs, is the largest overall expenditure in the General Fund at \$17,935,100, which is \$699,442 (4%) higher than the prior year projection. Such costs make up 69% of the proposed 2018-19 General Fund budget.

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

Personnel Budget by Department

Category	2018-19		2017-18		\$ Change	%
	Proposed Budget	% of Budget	Projected	% of Total		
Administration	\$ 1,524,400	8%	\$ 1,429,233	8%	\$ 95,167	7%
Public Works	2,897,700	16%	2,744,542	16%	153,158	6%
Recreation	1,907,100	11%	1,855,197	11%	51,903	3%
Police	5,799,800	32%	5,396,958	31%	402,842	7%
Fire	5,806,100	32%	5,809,728	34%	(3,628)	0%
Total Budget	\$ 17,935,100	100%	\$ 17,235,658	100%	\$ 699,442	4%

Personnel Budget by Type

Category	2018-19		2017-18		\$ Change	%
	Proposed Budget	% of Budget	Projected	% of Total		
Salaries	\$ 12,845,000	72%	\$ 12,675,000	74%	\$ 170,000	1%
Health Insurance	2,067,800	12%	1,801,400	10%	266,400	15%
Retirement	2,693,500	15%	2,444,600	14%	248,900	10%
Other Benefits	328,800	2%	314,658	2%	14,142	4%
Total Budget	\$ 17,935,100	100%	\$ 17,235,658	100%	\$ 699,442	4%

Between 2010 and 2012, City employees did not receive pay raises. Between 2013 and 2016 the City provided its workforce with annual cost of living adjustments of 3%. That adjustment, however, was offset by employees assuming a greater share of the cost of medical and retirement benefits. For a majority of employees, the increased cost-sharing resulted in a net decrease in take-home pay over the last four years.

During 2017-18, the City finalized negotiations and the Council entered into multi-year (3 or 4) labor agreements with its four unions and all unrepresented employees. Recognizing the continued challenges the City faces with the rising cost of benefits, our employees have agreed with a City proposal to restructure post-retirement health insurance benefits for future employees. This restructuring will significantly reduce the ongoing cost of maintaining a retiree health plan, saving the City an estimated \$6.6 million in the first fifteen years alone. In addition to containing costs for retiree healthcare, the benefit cost-sharing agreements negotiated in 2012 remain in place.

While continuing the cost-sharing agreements and significantly reducing our future obligations for retiree medical, the new contracts approved by the City Council include adjustments to base pay designed to bring employee compensation to within -3% of the median for comparable cities in our region. In addition, employees will receive compensation adjustments in each of the next three years designed to result in a 3% annual net pay increase. These compensation changes, after almost 7 years of declining net pay, bring our employees closer to median a result in an overall 9% increase in salaries as compared to the prior year budget, which conservatively assumed a 2% salary increase.

In addition, as compared to the prior year projection (2017-18), the most significant changes in personnel costs are as follows:

- Health Insurance – Increasing \$266,400 over last year primarily due to an estimated 10% increase in medical premiums and the conversion of two positions from non-benefited to benefit eligible. Premiums are adjusted by health care providers on January 1, 2019 and any increase above the established baseline will be shared equally between the City and employees.
- Retirement - Employee retirement costs are increasing \$248,900 over last year. After a 4-year phased approach to benefit cost sharing, all City employees have assumed the full cost of their “Employee Contribution” in 2017-18. In addition, employees will continue to contribute a portion of the Employer’s Contribution. In 2018-19, CalPERS will begin phasing in the lowering of the discount rate from 7.5% to 7.0%. As a result, the City expects its contribution and unfunded liability payments to increase by 10%. In total, the City expects to pay approximately 18.3% of salaries in 2018-19 compared to 17.0% in the prior year.

Maintenance and operations costs are budgeted at \$5,839,358, amounting to 22% of the 2018-19 General Fund budget, and is an increase of \$276,228 as compared to the 2017-18 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, crossing guards
- IT related – Computer Courage contract, Software licenses and Strategic Planning
- Other – Public works services (including street patching, landscaping, and tree pruning)
- Utilities – Please note the utility budget for the City Hall building was moved from the Recreation Department to the Administration Department this year. Accordingly, the prior year budget was adjusted for comparison purposes.

The following summarizes maintenance and operations costs by department:

Operations and Maintenance Budget by Department

Category	2018-19		2017-18		\$ Change	%
	Proposed Budget	% of Budget	Projected	% of Total		
Administration	\$ 1,488,660	25%	\$ 1,439,245	26%	\$ 49,415	3%
Public Works	1,705,273	29%	1,589,513	29%	115,760	7%
Recreation	1,388,750	24%	1,284,432	23%	104,318	8%
Police	829,925	14%	803,190	14%	26,735	3%
Fire	426,750	7%	446,750	8%	(20,000)	-4%
Total Budget	\$ 5,839,358	100%	\$ 5,563,130	100%	\$ 276,228	5%

The most significant increases in Maintenance and Operations costs in the 2018-19 Proposed Budget as compared to the 2017-18 projection are as follows:

- Recreation – Contract Services, which are payments to third party vendors who operate recreational activities, are increasing \$101,000. These costs are fully offset by associated revenue and entail minimal involvement of City staff and resources.
- Public Works – An increase of approximately \$116,000 over last year is expected due to the following special projects slated for this year:
 - Planning Department Services:
 - A comprehensive update and expansion of the Interim Design Guidelines (which have not been updated since 1988) to conform to the goals and policies of the 2009 General Plan.
 - The development of design standards and regulations related to wireless communication facilities.
 - The development of a FEMA required Hazard Mitigation Plan in partnership with the Fire Department.
- Administration – \$50,000 and \$10,000 are budgeted in the current year for election expenses and employee development, respectively, compared with \$2,000 and \$0-,

respectively, in the prior year. This increase is offset by the absence of legal costs associated with the negotiation of labor agreements, as they were completed in FY 2017-18.

Non-Departmental costs are budgeted at \$2,264,471, comprising 9% of the 2018-19 General Fund budget. The following costs are included:

- Insurance costs, which include General Liability, Workers Compensation, and Unemployment, comprise \$1,250,000 and is an \$110,000 increase from the estimated 2017-18 actual expense. The increase is due to higher premium costs due to increased payroll and overall actuarial adjustments to the risk pool.
- Library services – \$350,471 is budgeted as a contribution to the City of Oakland, unchanged from prior years.
- OPEB Trust – The City plans to transfer only the employee contributions, estimated at \$110,000, into the Trust. Last year, the City supplemented the employee contributions and contributed a total of \$312,000. The City has suspended its supplemental contributions as it believes it will eventually be able to use funds from the overfunded legacy Police and Fire Pension plan to satisfy the liability.
- Retiree Medical Premiums - Please note, the budget for all retiree medical premiums from each operating department was moved into the Non-Departmental section this year. Accordingly, the prior year budget was adjusted for comparison purposes. Premiums are budgeted at \$554,000 compared to \$450,700 last year. The increase is due to a 10% budgeted increase in premium costs coupled with 2018-19's planned retirements.

GENERAL FUND BALANCE

The 2018-19 Proposed Budget projects an Operating Net Income of approximately \$1,357,000. Capital transfers are proposed for essential capital needs as follows:

- \$850,000 - Facilities Maintenance Fund
- \$400,000 - Equipment Replacement Fund.

After these transfers, the General Fund will have Net Income of approximately \$98,000 and an ending Fund Balance of \$5,386,000, or 21% of Operating Expenses which is the same as our projection for 2017-18.

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 2018-19 budget and the prior two years.

	Recreation	School- mates	Aquatics	Total
ACTUAL 2016-17				
Revenues	\$ 2,717,875	\$ 900,647	\$ 544,321	\$ 4,162,843
Expenses:				
Salary & Benefits	1,532,240	756,525	427,762	2,716,527
Other	1,183,916	113,609	169,800	1,467,325
Less: July 4th & Harvest	(23,486)			(23,486)
Total Expenses	2,692,670	870,134	597,562	4,160,366
Revenues less Expenses	\$ 25,205	\$ 30,513	\$ (53,241)	\$ 2,477
Cost Recovery %	101%	104%	91%	100%
PROJECTED 2017-18				
Revenues	\$ 3,048,000	\$ 654,000	\$ 540,000	\$ 4,242,000
Expenses:				
Salary & Benefits	1,855,197	684,058	439,800	2,979,055
Other	1,310,447	83,000	249,715	1,643,162
Less: July 4th & Harvest	(25,273)			(25,273)
Total Expenses	3,140,371	767,058	689,515	4,596,944
Revenues less Expenses	\$ (92,371)	\$ (113,058)	\$ (149,515)	\$ (354,944)
Cost Recovery %	97%	85%	78%	92%
BUDGET 2018-19				
Revenues	\$ 3,149,000	\$ 690,000	\$ 540,000	\$ 4,379,000
Expenses:				
Salary & Benefits	1,907,100	634,800	507,400	3,049,300
Other	1,405,750	67,000	293,800	1,766,550
Less: July 4th & Harvest	(26,000)			(26,000)
Total Expenses	3,286,850	701,800	801,200	4,789,850
Revenues less Expenses	\$ (137,850)	\$ (11,800)	\$ (261,200)	\$ (410,850)
Cost Recovery %	96%	98%	67%	91%

The Recreation Department has historically been targeted to be cost neutral. In 2018-19, staff is projecting approximately 91% total department cost recovery (96% General Recreation; 98% Schoolmates; and 67% Aquatics). General Recreation cost recovery is projected to be down \$45,000 in 2018-19 due to the addition of a Recreation Coordinator in 2017-18, higher overall personnel costs due to the new labor agreements, and an increase in the minimum wage.

In 2017-18, Schoolmates cost recovery dropped from 104% to 85% due to significant revenue decline associated with the Piedmont Unified School District’s change to full day Kindergarten. Due to this decline, Schoolmates expenditures are projected to exceed revenue by approximately \$113,000 in 2017-18. In 2018-19 staff is proposing to adjust the personnel and fee structures to reduce the loss to approximately \$12,000 and 98% cost recovery.

For Aquatics, in 2018-19, the staff is proposing to add \$40,000 to the budget for lifeguard salaries to be more competitive with other area pools and increase the budget for maintenance and contract services by \$13,500. This results in an annual projected loss of \$261,000. In order to maintain a reasonable reserve in the Aquatics Fund, staff proposes to transfer a subsidy from the General Fund of \$250,000.

Street Infrastructure Maintenance & Replacement

The City’s FY2018-19 budget for street infrastructure maintenance and replacement is \$1,507,500. Funding sources include Measure B, Measure BB, Measure F, and the Gas Tax, which also now includes funds from SB-1 that was recently approved by the state legislature. The majority of available funding is to be employed for street resurfacing and sidewalk repair work, but portions of the funding are restricted to be spent on 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.

	Gas Tax	Measure B	Measure BB	Measure F	Total Street
PROJECTED 2017-18					
Beginning Balance	\$ 152,283	\$ 75,556	\$ 238,316	\$ 4,932	\$ 471,087
HUTA	235,000				235,000
SB 1	76,150				76,150
Alameda County		449,000	417,993	44,333	911,326
Total Revenues	311,150	449,000	417,993	44,333	1,222,476
Expenses:					
Street/Sidewalk Work	(60,000)	(490,000)	(585,000)	(44,000)	(1,179,000)
General Fund transfer	(300,000)				(300,000)
Total Expenses	(360,000)	(490,000)	(585,000)	(44,000)	(1,479,000)
Ending Balance	\$ 103,433	\$ 34,556	\$ 71,309	\$ 5,265	\$ 214,563
BUDGET 2018-19					
Beginning Balance	\$ 103,433	\$ 34,556	\$ 71,309	\$ 5,265	\$ 214,563
HUTA	276,000				276,000
SB 1	199,000				199,000
Alameda County		450,000	415,000	47,500	912,500
Total Revenues	475,000	450,000	415,000	47,500	1,387,500
Expenses:					
Street/Sidewalk Work	(215,000)	(470,000)	(475,000)	(47,500)	(1,207,500)
General Fund transfer	(300,000)				(300,000)
Total Expenses	(515,000)	(470,000)	(475,000)	(47,500)	(1,507,500)
Ending Balance	\$ 63,433	\$ 14,556	\$ 11,309	\$ 5,265	\$ 94,563

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, routine and on-going maintenance and repair, and, importantly, the desire to build reserves to address long-term, life-cycle maintenance and replacement costs. While advances have been made in refining the plan since 2013, it should be viewed as a work in progress and will continue to evolve and improve as facility investigations present new, more detailed data.

The Facilities Maintenance Fund is estimated to have a fund balance of approximately \$3,416,000 as of June 30, 2018. The proposed General Fund transfer in 2018-2019 is \$850,000.

The fund balance at the end of 2018-19 is estimated at \$1,932,000, with an unrestricted fund balance of \$1,122,000 and a restricted balance of \$810,000. The restriction is the City Council-approved loan to the Sewer Fund for system rehabilitation and the Facility Maintenance Scheduled Reserve.

Capital Improvement Projects Fund

The Capital Improvement Projects Fund is used to account for resources that are restricted and committed to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Historically, prior to creation of the Facilities Maintenance Fund and the Equipment Replacement Fund, the Capital Improvement Projects Fund was used to account for a very wide range of projects and activities.

Appropriation of resources to this fund will be considered following a receipt of a report on projects recommended by the Capital Improvement Projects Review Committee. The Committee, on an annual basis, initiates a process to solicit community input, conduct site visits, analyze the merits of potential projects, and make recommendations to the City Council as to which projects should be funded.

The Capital Improvement Projects Review Committee has evaluated projects and presented their findings to Council at the May 12th budget study session for consideration. Based on future City Council direction, the Capital Improvement Project Fund will be adjusted to incorporate new projects and initiatives.

The Capital Improvement Fund has an estimated balance of \$278,000 as of June 30, 2018. Of this amount, staff is projecting spending \$177,000 on projects that were approved in prior years and have been carried forward to FY 2018-19.

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 including the replacement year(s) and an estimated replacement cost.

The Equipment Replacement Fund is estimated to have a fund balance of approximately \$3,350,000 as of June 30, 2018. The fund balance at the end of 2018-19 is projected at \$1,819,000, with an unrestricted fund balance of \$1,219,000 and a restricted balance of \$600,000. The restriction is the City Council approved system rehabilitation loan to the Sewer Fund. The proposed General Fund transfer in 2018-19 is \$400,000.

The following is the detail of proposed Equipment Replacement expenditures for 2018-19 of \$1,984,600:

Equipment Replacement Expenditure Detail

Description	Replacement Budget
<u>Administration:</u>	
Video Server (KCOM)	\$ 15,000
<u>Public Works:</u>	
Automobiles: 2 Trucks	110,000
<u>Recreation:</u>	
Automobile: Van	34,000
Copy Machine	12,000
<u>Police:</u>	
2 Patrol Units	110,000
Motorcycle	35,000
Copy Machine	10,000
Automated License Plate Readers	60,000
<u>Fire:</u>	
Fire Engine (Pumper)	700,000
Cardiac EKG Monitor	35,000
<u>IT:</u>	
Applications & Systems	522,500
Infrastructure & Operations	241,100
Hardware	100,000
Total Proposed Expenditures	<u>\$ 1,984,600</u>

Sewer Fund

The Sewer Fund is used to account for costs related to the inspection, maintenance, repair, and replacement of the sanitary sewer and storm sewer system in the City. In July 2014, the City and other East Bay jurisdictions entered into a Consent Decree (CD) 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 CD 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 2017-18 and will be completed in the first quarter of FY 2018-19. Thereafter, Phase VI design work will begin in FY 2018-19 with construction anticipated to begin in FY 20-21. All phases of rehabilitation are projected to be completed over the next decade, ahead of the schedule established under the CD.

A significant benchmark affirming Piedmont's strategy for compliance to the EPA Consent Decree was reinforced in April of 2018. After the first EPA performance review of all participants, it was determined that Piedmont was in compliance and would not be assessed any stipulated penalties.

Sewer Fund Recap

SEWER FUND	2017-18 Projected	2018-19 Proposed Budget
Beginning Balance	\$1,303,950	\$ 1,177,049
Sewer Service Charges \ Interest	2,502,516	2,574,514
Loan Proceeds	2,883,000	1,417,000
Total Revenue	5,385,516	3,991,514
Operating Costs	(1,272,051)	(1,590,152)
Capital Costs	(3,682,402)	(394,602)
Debt Service	(557,963)	(557,963)
Total Expenditures	(5,512,416)	(2,542,717)
Ending Balance	\$ 1,177,049	\$ 2,625,846

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 capture actual costs related to personnel, supplies, and services. Based on the data collected, the proposed transfer for 2018-19 is projected at \$824,000, an increase of \$79,000 over last fiscal year.

2014 Taxable Pension Obligation Fund

In 2003, CalPERS required pension plans with less than 100 active members to be assigned to risk sharing pools with other agencies offering similar benefits. The City's Miscellaneous and Safety plans had small numbers of active members and CalPERS assigned these plans to risk pools and established Side Fund debt equal to the unfunded accrued liability for the plans. CalPERS amortized the obligation over a fixed period and charged interest at 7.5%.

In May 2014, the City Council authorized issuing \$7,305,000 in Taxable Pension Obligation Bonds to refinance the CalPERS Side Fund debt with an annual interest rate of 2.79%. Debt service for 2018-19 will be approximately \$1,430,000. The final payment is scheduled for March 30, 2020. After this date, the City plans to use the newly available funds to address long term facilities needs and underfunded liabilities.

Pension Rate Stabilization Fund

In 2016-17, a Pension Rate Stabilization Fund was established with a \$2.0 million transfer from the General Fund to address our future pension costs. In 2018, the City partnered with the Public Agency Retirement Services (PARS) to establish a Section 115 Trust. The trust will allow us to smooth the effect 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 the State law from making purchases of higher yield equities.

Changes from Published Budget

As discussed at the Budget Workshop held on May 12, 2018, several changes were made to the budget published on April 30, 2018. For a detailed listing of these changes, please see Attachment A.

MUNICIPAL SERVICES SPECIAL TAX

On June 7, 2016, Piedmont voters approved Measure F (Municipal Services Special Tax), authorizing the City Council to levy a parcel tax for a four-year period through 2020-21. Commencing with FY 2018-19, the rate for Measure F may be adjusted based upon the Consumer Price Index for all Urban Consumers for San Francisco-Oakland-San Jose, California as published by the United States Department of Labor, Bureau of Labor Statistics. Based upon this index, the rate adjustment for FY 2018-19 is 2.90%. After applying this rate adjustment, the proposed rate was rounded down to the nearest whole dollar for ease of assessment.

Municipal Services Special Tax Rate Schedule

	Adopted Rate 2017-18 (Measure F)	Proposed Rate 2018-19
Single Family Residences		
0 to 4,999	\$501	\$515
5,000 to 9,999	\$563	\$579
10,000 to 14,999	\$650	\$668
15,000 to 20,000	\$742	\$763
Over 20,000	\$845	\$869
Commercial Properties		
0 to 10,000	\$845	\$869
Over 10,000	\$1,266	\$1,302
Multi-Family Residential: per unit	\$348	\$358
Dual Jurisdiction Parcels: per unit	\$514	\$528
Estimated Revenue	\$2,192,400	\$2,262,000

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 proposed rate increase of 2.90% for 2018-19 is recommended.

The City Council is authorized (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 rate adjustment for 2018-19 is 2.90%. 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

	Adopted Rate 2017-18	Proposed Rate 2018-19
Single Family Residences		
0 to 4,999	\$558	\$574
5,000 to 9,999	\$635	\$653
10,000 to 14,999	\$732	\$753
15,000 to 20,000	\$854	\$878
Over 20,000	\$1,004	\$1,033
Commercial Properties		
0 to 10,000	\$1,004	\$1,033
Over 10,000	\$1,383	\$1,423
Multi-Family Residential: per unit	\$465	\$478
Dual Jurisdiction Parcels: per unit	\$558	\$574
Estimated Revenue	\$2,383,000	\$2,563,000

By: Michael Szczech, Finance Director

Attachment A: Changes from Published Budget

CITY OF PIEDMONT						
PROPOSED BUDGET 2018-19						
CHANGES FROM PUBLISHED BUDGET						
				\$ Amount		
Section	Page	Account Name	Account #	From	To	Change
City Administrators Overview	12	Other Revenue	Federal Grant	\$ -	\$ 62,000	\$ 62,000
GENERAL FUND REVENUE INCREASE						\$ 62,000
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Administration & KCOM	2-7	Regular Salaries	400-010-001	\$ 954,000	\$ 962,000	\$ 8,000
Administration & KCOM	2-7	PERS	400-012-001	\$ 138,600	\$ 139,200	\$ 600
Administration & KCOM	2-7	FICA	400-012-002	\$ 61,400	\$ 61,900	\$ 500
Administration & KCOM	2-7	Life Insurance	400-013-001	\$ 3,700	\$ 3,800	\$ 100
Administration & KCOM	2-7	Medicare Insurance	400-013-005	\$ 14,400	\$ 14,500	\$ 100
Administration & KCOM	2-7	Employee Development	NEW	\$ -	\$ 10,000	\$ 10,000
Public Works Department	3-20	Planning Department Services	101-402-059-003	\$ 106,000	\$ 95,000	\$ (11,000)
Public Works Department	3-20	Hazard Mitigation Plan	NEW	\$ -	\$ 63,000	\$ 63,000
GENERAL FUND EXPENDITURE INCREASE						\$ 71,300
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Recreation - Schoolmates	4-25	Regular Salaries	415-010-001	\$ 303,000	\$ 314,000	\$ 11,000
Recreation - Schoolmates	4-25	Part Time Salaries	415-010-002	\$ 120,000	\$ 124,000	\$ 4,000
Recreation - Schoolmates	4-25	Medical Insurance	415-011-001	\$ 150,000	\$ 103,000	\$ (47,000)
Recreation - Schoolmates	4-25	Dental Insurance	415-011-002	\$ 15,300	\$ 10,500	\$ (4,800)
Recreation - Schoolmates	4-25	Vision Plan	415-011-003	\$ 1,600	\$ 1,100	\$ (500)
Recreation - Schoolmates	4-25	PERS	415-012-001	\$ 41,800	\$ 43,800	\$ 2,000
Recreation - Schoolmates	4-25	FICA	415-012-002	\$ 26,400	\$ 27,400	\$ 1,000
Recreation - Schoolmates	4-25	Life Insurance	415-013-001	\$ 1,300	\$ 1,000	\$ (300)
Recreation - Schoolmates	4-25	Medicare Insurance	415-013-005	\$ 6,200	\$ 6,400	\$ 200
OTHER FUNDS (SCHOOLMATES) EXPENDITURE DECREASE						\$ (34,400)
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