



PLEASE POST

# City of Emeryville

INCORPORATED 1896

1333 Park Avenue. Emeryville, CA 94608-3517  
t (510) 596-4300 | f (510) 596-4389

Chair John Bauters  
Member Dianne Martinez

## BUDGET AND GOVERNANCE COMMITTEE

Special Meeting

### TELECONFERENCE

1) Zoom Meeting Information:

<https://emeryville->

[org.zoom.us/j/89353987737?pwd=ZlIFMEU3QW4rR0ljK2pTNUpsN2RuZz09](https://emeryville-)

Password 140872.

2) Audio Only: Call in to 669-900-6833, Meeting ID 893 5398 7737, Password 140872.

**May 12, 2022 – 12:00 PM**

### AGENDA

1. Call to Order
2. Roll Call
3. Public Comment
  - 3.1. *Submit an Online Speaker Card at [www.emeryville.org/advisorybodies](http://www.emeryville.org/advisorybodies)*
4. Approval of the April 14, 2022, Special Meeting Action Minutes
5. Action Items
  - 5.1. Review Draft Final Budget FY 2022-23
  - 5.2. Review and recommend a threshold for recorded leases in accordance with GASB 87
6. Information Items - None
7. Future Agenda Items <https://emeryville->  
[org.zoom.us/j/89353987737?pwd=ZlIFMEU3QW4rR0ljK2pTNUpsN2RuZz09](https://emeryville-)
  - 7.1. Discussion of a Possible Policy for Term Limits on City Contracts. Fall 2022
  - 7.2. Provide an Update of the Future Housing Bond Issuance, Including Steps to Take for the Issuance of the Bond in Calendar Year 2022 – Fall 2022
  - 7.3. Develop a policy to administratively approve cabaret licenses or renewal without having to bring each license to the Council for approval. Fall 2022.
8. Announcements / Member Comments
9. Next Meeting – October 13, 2022
10. Adjournment

**Actions taken by Advisory Bodies are not official actions of the City Council, but must be considered and potentially ratified at a regular City Council meeting.**

All writings that are public records and relate to an agenda item, which are distributed to a majority of the legislative body less than 72 hours prior to the meeting is noticed, will be made available via email by request to the Committee Secretary. In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid, or service to participate in this meeting should contact the Committee Secretary as far in advance as possible, but no later than 72 hours prior to the scheduled event. The best effort to fulfill the request will be made.


**Pursuant to California Assembly Bill 361, the City is authorized to hold public meetings via teleconferencing and to make public meetings accessible electronically to all members of the public seeking to participate in the meeting during a declared state of emergency. As such, Committee Members will be participating in the meeting via teleconference, and the City will provide various options for the public to participate in the conduct of the meeting remotely until the state of emergency is lifted by the Governor.**

Public comment for agenda items can be submitted online via our new online speaker card at [www.emeryville.org/advisorybodies](http://www.emeryville.org/advisorybodies). Written comments can also be submitted by email to the Committee Secretary. If you would like to support, oppose, or otherwise comment on an upcoming agenda item, please send in your comments prior to the meeting as you will be unable to attend in person until the current state of emergency is lifted by the Governor.

**FURTHER INFORMATION** may be obtained by contact Brad Farmer, Committee Secretary, at 510-596-4352 or [bfarmer@emeryville.org](mailto:bfarmer@emeryville.org).

**DATED: MAY 9, 2022**

Post On: MAY 9, 2022  
Post Until: MAY 13, 2022

  
Sheri Hartz, City Clerk

**City of Emeryville  
Budget and Governance Committee, Special Meeting Minutes  
April 14, 2022, 11:00 a.m.**

**Members**

John J. Bauters, Chair and Mayor (Bauters)  
Dianne Martinez, Council Member (Martinez)

**Staff Present:**

Christine Daniel, City Manager (Daniel)  
Peggy Xu, Senior Accountant (Xu)  
Andrea Arriaga, Finance Technician (Arriaga)

**Public Present:**

None

1. **Call to Order:** The meeting was called to order by Bauters at 11:00 a.m.
2. **Roll Call** – Both Bauters and Martinez were present.
3. **Public Comment:** None.
4. **Approval of Meeting Action Minutes from March 14, 2022, Special Meeting**  
No Changes    Motion: Martinez – Second: Bauters    Vote: Unanimous approval

**5. Action Items**

**5.1. Review and Recommend Approval of Mid-Year Budget Adjustments for FY 2021-2022**

Daniel provided the Committee with an overview of the proposed budget adjustments. The Committee approved a motion to recommend the Mid Year Budget Adjustments to the City Council.

Motion: Martinez – Second: Bauters

Vote: Unanimous approval

**5.2 Review and Recommend Approval of the Master Fee Schedule for FY 2022-2023**

The Committee waived presentation of the item. Martinez asked when the next full review of the Master Fee Schedule was to occur. Daniel responded that it should have been done this current year but due to staffing limitations will occur next year. Martinez requested that the review specifically consider changes related to ages/birth dates for universal pre-K entry and the possible impact on ECDC enrollment and fees. The Committee approved a motion to recommend the Master Fee Schedule for FY 2022-2023 to the City Council

Motion: Martinez – Second: Bauters

Vote: Unanimous approval

**5.3 Review and Recommend the Proposed Preliminary Budget for FY 2022-2023**

Daniel reviewed the preliminary proposed City Budget for FY 2022-2023 including projected revenues and expenditures, and proposed City Council goals and priority

projects. Daniel noted that the preliminary expenditure figures did not yet include cost of living and other compensation adjustments for represented employees. Daniel also requested that the Committee consider the addition of an Assistant City Manager (ACM) position in the Budget.

The Committee supported the addition of the ACM position, supported the continuation of the pause on the policy for allocation of commercial transfer tax, supported the proposed Council goals and priority projects and supported discussing a sustainable expenditure plan for Measure F proceeds commencing mid-year 2022-2023. The Committee noted the importance of its Reserve policies in support of a holistic approach to the City Budget. The Committee approved a motion to recommend the preliminary budget for FY 2022-2023 to the City Council.

Motion: Martinez – Second: Bauters

Vote: Unanimous approval

**6. Information Item**

**6.1 1999 Bond Analysis—Available Assessment District Funds**

Daniel provided a brief overview of the available funds remaining in the East Bay Bridge (EBB) and Shellmound Assessment Districts now that the bonds have been paid off. Bauters suggested that the funds available from the EBB District could be allocated to the 40<sup>th</sup> Street redesign project and that the Shellmound funds could remain to be programmed during a future Capital Improvement Plan. Martinez supported the suggestion. Daniel confirmed that the Committee's comments on that funding suggestion could be included in the May 3d budget report to the City Council.

**7. Future Agenda Items:**

The Committee requested to add a discussion of a Measure F Expenditure Plan during Winter 2022-2023

**8. Announcements / Member Comments: None**

**9. Next Meeting – May 12, 2022, 11:00 a.m.**

**10. Adjournment: The meeting was adjourned at 11:40 a.m.**



**MEMORANDUM**

**DATE:** May 12, 2022  
**TO:** Christine Daniel, City Manager  
**FROM:** Brad Farmer, Finance Director  
**SUBJECT:** **Review Draft Final Budget FY 2022-23**

**RECOMMENDATION**

Staff recommends that the Committee review and recommend the Draft Final Budget for the Fiscal Year (FY) 2022-23 to the City Council.

**BACKGROUND**

The City of Emeryville, along with the rest of the world, is recovering from the prolonged COVID-19 pandemic and related economic shutdown. The City's primary revenue streams (sales tax, hotel tax, business license tax and cardroom tax) were all negatively affected by the pandemic. Industries recover differently and, therefore, each will take a different amount of time. The City must continue to plan accordingly and make prudent fiscal decisions about how to best use its resources to sustain services for the long term. The proposed Budget for Fiscal Year 2022-2023 represents the thoughtful work of the Budget & Governance and Budget Advisory Committees over the last year, as well as staff throughout City Departments who prepared careful and reasonable expenditure budgets that maintain services while respecting resource constraints.

The Draft Final Fiscal Year 2022-2023 Budget represents the second single year budget, rather than the normal two-year budget the City has adopted during non-pandemic operating cycles. This Budget continues to focus on sustaining operations, and on major City projects as outlined in the existing Capital program as the economy recovers and a new normal operating cycle evolves. A new five-year Capital Plan will be revisited in FY 2023-24 and it is expected that the City will return to a two-year budgeting cycle starting in FY 2023-24.

The Draft Final Budget for the City of Emeryville has total revenues of \$135,375,035 and expenditures of \$190,505,403 (Operating Expenses of \$112,531,298 and Capital Expenses of \$77,974,103) for Fiscal Year 2022-23.

The following table summarizes the projected FY 2021-22 General Fund year end results and the proposed FY 2022-23 General Fund Budget. The preliminary proposed budget includes both the cost-of-living adjustments and the addition of two full time employees (an Assistant City Manager and a Building Inspector).

	YE Estimate FY 2021-22	Proposed FY 2022-23	Percent Change
Revenues *	\$ 49,341,947	\$ 45,467,139	-7.85%
Expenses	47,458,515	47,828,173	0.78%
Net	<b>\$ 1,883,431</b>	<b>\$ (2,361,035)</b>	
Projected Surplus (Use) of Fund	\$ 1,883,431	\$ (2,361,035)	
* Revenues -			
FY 2021-22 includes \$3.8 million in one-time funds (\$1.36 million - Measure F, and \$1.0 million American Recovery Plan Funds			
FY 2022-23 includes \$1/4 million American Recovery Plan Funds			

The economy is starting to rebound gradually compared to the pre-pandemic growth pace. However, Emeryville continues to experience increasing inflationary pressure and cost of living increases (CPI 5.2% in February 2022) similar to the greater San Francisco Bay Area. The City will also continue to see increases in the cost of the pension obligations due to the CalPERS Board’s decision to decrease the discount rate applied to future earnings.

Given the fiscal constraints resulting from the pandemic, Councilmembers indicated their interest in completing major projects that were underway at the start of the FY 2021-22 Budget. Below is an update on the Council Goals for FY 2021-22:

1. **Complete South Bayfront Bridge and Horton Landing Park:** Completed and opened to the public December 3, 2021
2. **Advance Corporation Yard remediation:** Funding approved, and remediation consultant commenced work July 1, 2021; draft remediation plan submitted to the state; pilot testing of remediation efforts conducted April 2022
3. **Complete 40<sup>th</sup> Street Redesign:** AHSC grant awarded for construction of a portion of the project; retention of design consultant underway
4. **Complete Art Center:** redesign rejected by Planning Commission; staff directed to pursue original design with developer.
5. **Commence construction of Rail Safety/Quiet Zone:** construction contract awarded spring 2022

6. **Develop Revenue Generating Ballot Measures for 2022:** fiscal analyses complete and initial community survey conducted fall 2021; community engagement underway spring 2022
7. **Develop a plan to electrify the City's vehicle fleet:** deployed all electric parking enforcement vehicles; purchased new all electric passenger bus for Community Services; purchased new hybrid vehicles for Emeryville Police Department

Proposed Goals and Priorities for FY 2022-23 continue to concentrate on completing existing projects are outlined below:

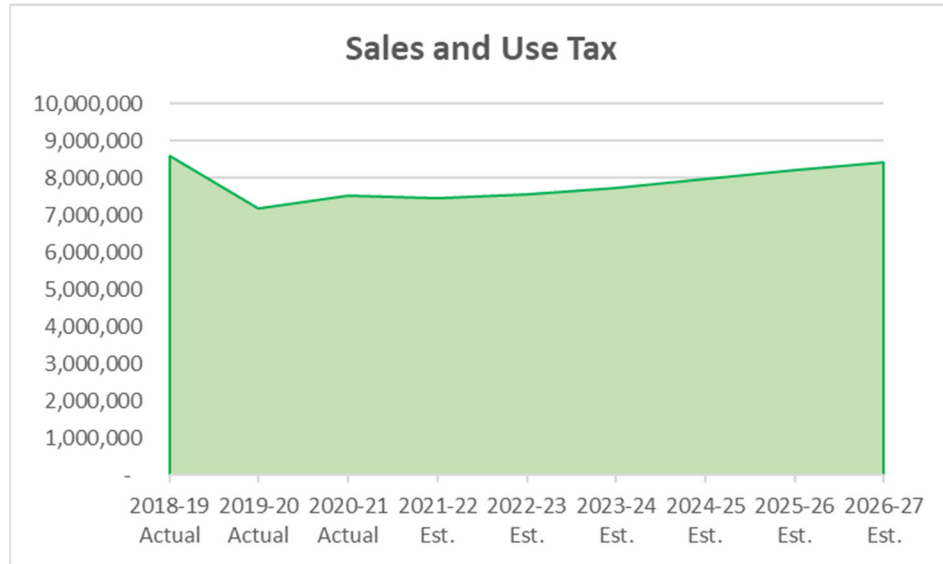
1. Commence Old Corporation Yard remediation construction.
2. Develop affordable housing: 3600 San Pablo, 4300 San Pablo, and Christie Sites
3. Prioritize bicycle and pedestrian focused projects: 40th Street Redesign, San Pablo Avenue Corridor, Ashby Interchange.
4. Construct Rail Safety/Quiet Zones.
5. Continue advancing Art Center Project.
6. Develop Revenue Generating Ballot Measure for 2022.
7. Electrify the City's vehicle fleet.

## **Revenue Impacts**

As the world recovers from the crippling economic slowdown due to the global pandemic, the City's revenues will continue to be negatively affected until consumer confidence returns and the economy fully recovers. Sales and Use, Business Licenses, Cardroom, and Transient Occupancy taxes have been and will continue to be impacted the most.

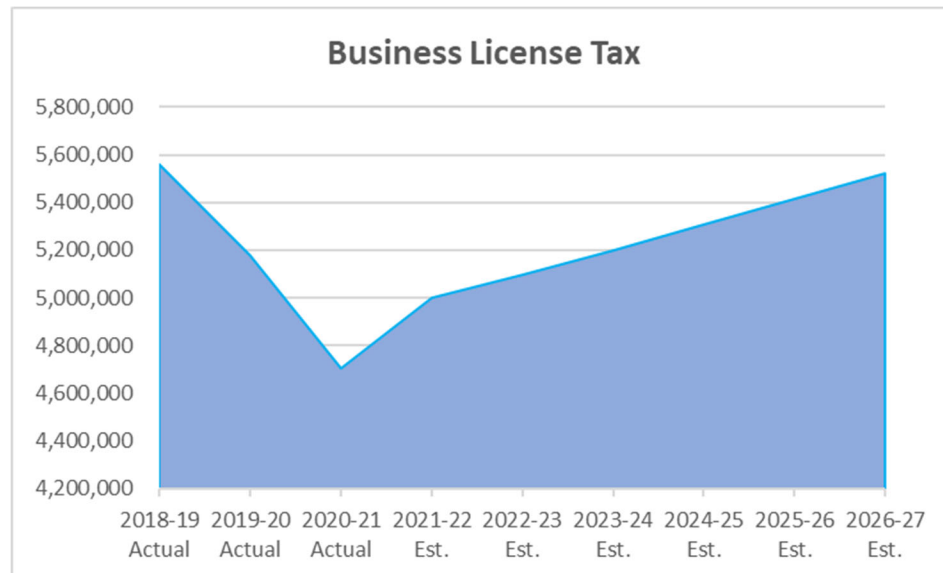
### Sales and Use Tax

The Sales and Use Tax received by the City is dependent upon consumer confidence and the reopening of retail establishments. The pandemic continues to impact the Sales and Use Tax. In FY 2021-22, the tax is projected to be .9% lower than FY 2020-21 with a modest 1.2% increase in FY 2022-23, followed by modest growth over the next few years. We are projecting the FY 2022-23 revenue to be just over \$1 million short of the level seen in FY 2018-19.



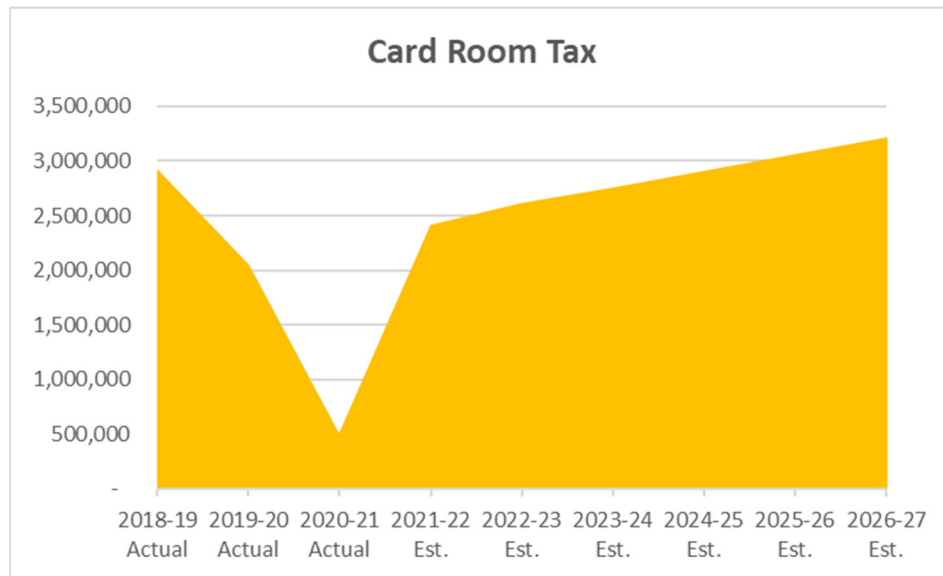
**Business License Tax**

The Business License Taxes collected reflect the health of the business community in Emeryville. As illustrated in the chart below, FY 2019-20 saw a reduction of 7% in business license revenue followed by a 9.1% reduction in FY 2020-21. With the recovery under way, FY 2021-22 has seen a 6.3% growth in Business License Taxes and we are assuming a growth factor of 2% in the next few years.



### Card Room Tax

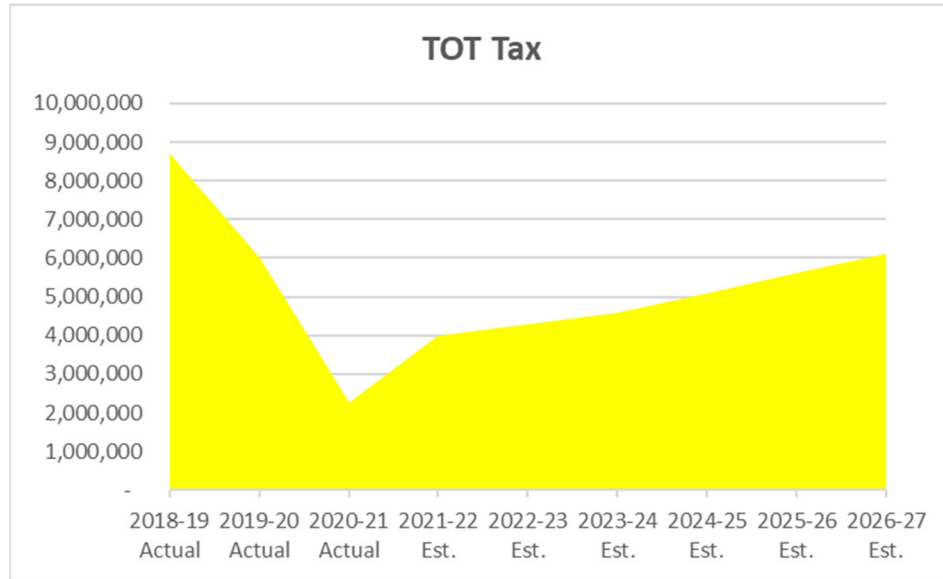
The revenue received through the Card Room Tax declined by 30% in FY 2019-20, and 76% in FY 2020-21. However, with the lifting of restrictions in Alameda County, the Card Room Tax has rebounded nicely. Assuming the restrictions are not reinstated, a moderate growth is projected for the coming years.



### Transient Occupancy Tax

The revenues from the hotel industry referred to as Transient Occupancy Tax (TOT) have been and continue to be the most significantly impacted revenue source for the City. Even after the restrictions were lifted, both business and personal travel remain low. This has impacted the City and the City's hotel industry. The City's TOT revenues saw a 31% reduction for FY 2019-20, followed by a 62% reduction in FY 2020-21 compared to the prior years. While travel is picking up, revenues in FY 2022-23 are projected to be less than 50% of those in FY 2018-19. Based upon consultation with outside consultants, this is an area projected to recover slowly and could be affected greatly by a variant associated with the pandemic. Therefore, only moderate growth is projected for future years, as shown in the graph below.





### Expenditure Strategies

At the beginning of the budget process, Department Heads were asked to maintain costs as close to the FY 2021-22 level as possible, to minimize the shortfall being faced. In addition to those cost containment approaches; the following strategies were implemented in the proposed budget:

1. Using \$1.4 million in American Recovery Act Funds, one-time funds
2. Deferring transfers into the Litigation Fund,
3. Using \$2.36 million of the unallocated General Fund balance and
4. Maintaining the current allocation for the Residual Property Tax Reserve and Use Policy, which was altered for the fiscal year budgets 2019-20 and 2020-2021, as follows:

	Allocation per Policy	Allocation effective July 1, 2020	Allocation used for FY 2022-23
General Fund 101	26.0%	25.0%	50.0%
General Capital Improvement Fund 475	50.0%	47.5%	22.5%
Affordable Housing Fund 299	20.0%	20.0%	20.0%
Public Art Fund 243	0.0%	2.5%	2.5%
Economic Development Fund 202	5.0%	5.0%	5.0%
	100%	100%	100%

## **Overview of Funds other than the General Fund**

The other funds of the City are more restrictive due to the nature of the revenues associated with them. However, where possible, staff was asked to reduce cost as outlined above to ensure their long-term viability. The other funds were budgeted with the use and restrictions allowable for each fund. All other funds budgets provide for a positive ending balance in accordance with their requirements, except for three funds. The Grant Fund (Fund 254) is budgeted based upon a reimbursement basis and the timing varies based upon the grants. This fund typically has a negative budgeted fund balance. The other two funds with a negative fund balance are Funds 832 & Fund 833 which are debt service funds for the Successor Agency (Fund 282). The Successor Agency will have an overall negative fund balance until the debt is retired as the associated property taxes will be assessed in future years to offset the negative balances.

Regarding the City's adopted Capital Improvement Program (2019-2024), the proposed budget annually appropriates funding for capital projects, such as Measure B and BB sales tax revenue and state gas tax funds. However, as noted above, no major new capital projects are proposed for FY 2022-23, except for allocation of \$76,914 from Fund 721 to the 40<sup>th</sup> San Pablo Transit Project (CIP T-13). Additionally, included in the current budget are allocations previously approved to capital projects in the CIP Plan that were not budgeted for in FY 2021-22. The budget is focused on completing major projects that are either underway or have not yet commenced but already funded. The capital appropriations will be included in the proposed operating budget for Council consideration in June.

Concerning Measure F (Fund 267), the ¼ cent local sales and use tax approved by voters in 2020, for FY 2022-23 no expenses have been programmed except administrative costs the City must pay to the State to collect the funds. In FY 2021-22 the ending fund balance is projected to be \$1.35 million, and the projected FY 2022-23 revenue is \$2.2 million. For the past two years, Measure F funds have been used to support ECDC operations. With the recovery now underway, staff recommends developing a sustainable expenditure plan for use of these funds, consistent with their authorized restricted uses, during FY 2022-23.

### **Reserve Requirement**

The proposed budget does not utilize any of the General Fund Reserve. Instead, it relies on use of a portion of the unassigned General Fund balance. Accordingly, the overall reserve requirements established by Council remain intact, meeting the 50% of the budgeted expenditures policy.

### **FISCAL IMPACT**

The proposed budget for FY 2022-23 will establish the Operating and Capital Budgets for both the City of Emeryville and for the Successor Agency to the Former Redevelopment Agency of the City of Emeryville, as outlined in the "Draft Final FY 2022-23 Budget

Summary". The proposed budget relies on limited use of one-time funds, as described above, and the City's reserves remain intact.

## **CONCLUSION**

Staff requests that the Committee review and recommend the Draft Final Budget for Fiscal Year 2022-2023.

## **ATTACHMENTS**

Draft Final FY 2022-23 Budget Summary  
General Fund Expenditure Summary by Department

City of Emeryville  
Preliminary FY 2022-23 Budget Summary

Fund	Name	Projected Beginning Balance	Revenues	Expenses	Projectd Ending Fund Balance	5/3/22 Council Presentation EFB	Difference	Description of Change
<b>GENERAL FUNDS</b>								
101	GENERAL FUND	\$ 12,511,652	\$ 45,467,139	\$ 47,828,173	\$ 10,150,618	\$ 10,217,668	\$ (67,050)	Additional Fire service fee due to labor negioations \$70k, minor cost reduction \$3k
202	ECONOMIC DEVELOPMENT FUN	2,562,163	307,000	77,000	2,792,163	2,792,163	-	
203	COMMUNITY PROGRAMS FUND	345,191	-	83,500	261,691	261,691	-	
275	RES FOR ECON UNCERT FUND	23,029,230	100,000	-	23,129,230	23,129,230	-	
277	EARTHQUAKE INSURANCE FUN	3,136,603	5,000	-	3,141,603	3,141,603	-	
712	PENSION TRUST FUND	173,283	800	27,050	147,032	147,032	-	
715	PERS LIABILITY FUND	13,844,001	300,000	60,000	14,084,001	14,084,001	-	
	<b>GENERAL FUNDS</b>	<b>\$ 55,602,123</b>	<b>\$ 46,179,939</b>	<b>\$ 48,075,724</b>	<b>\$ 53,706,338</b>	<b>\$ 53,773,388</b>	<b>\$ (67,050)</b>	
<b>SPECIAL REVENUE</b>								
205	HSG COMM DEVPT/CDBG FUND	\$ 235,795	\$ 16,500	\$ 23,500	\$ 228,795	\$ 228,795	\$ -	
208	CAL-HOME LOAN PROGRAM	1,005,762	60,000		1,065,762	1,065,762	-	
210	POLICE IMPOUND FUND-STAT	19,311	-	19,311	-	-	-	
211	POLICE IMPOUND FUND-FED	13,133	-	13,133	-	-	-	
212	SM LOCAL BUS SUPPORT FD	3,222	-	-	3,222	3,222	-	
213	POLICE IMP FD-FED-TREASU	27,487	-	-	27,487	27,487	-	
230	CHILD CARE PROGRAM	401,967	2,291,554	2,389,693	303,828	326,248	(22,420)	Additional Food Service Costs
235	PEG PROGRAM	11,013	1,050	10,675	1,388	1,388	-	
252	SUPPL LAW ENFORCE SERV F	24,639	100,000	100,000	24,639	24,639	-	
258	EMERGENCY MED SERVICE FD	532	192,500	192,500	532	532	-	
261	MEASURE B - PARATRANSIT	30,792	-	-	30,792	30,792	-	
263	MEASURE BB - PARATRANSIT	50,535	69,542	69,522	50,555	50,555	-	
267	MEASURE F FUND	1,353,021	2,199,400	7,500	3,544,921	3,544,921	-	
268	COMM DEV TECHNOLOGY FUND	1,074,551	282,500	53,940	1,303,111	1,303,114	-	
269	PARKING PROGRAM	558,762	366,000	699,933	224,829	224,828	-	
271	CODE ENFORCEMNT RESRVE FD	317,105	-	-	317,105	317,105	-	
510	SEWER OPER/MAINT FUND	4,600,495	1,051,700	730,844	4,921,352	4,913,563	7,789	Capital Project carryforward decrease
805	PROP/BUS IMP DISTR (PBID)	664,815	5,092,834	5,122,670	634,979	634,979	-	
	<b>SPECIAL REVENUE</b>	<b>\$ 10,392,939</b>	<b>\$ 11,723,580</b>	<b>\$ 9,433,220</b>	<b>\$ 12,683,299</b>	<b>\$ 12,697,930</b>	<b>\$ (14,631)</b>	

City of Emeryville  
Preliminary FY 2022-23 Budget Summary

Fund	Name	Projected Beginning Balance	Revenues	Expenses	Projectd Ending Fund Balance	5/3/22 Council Presentation EFB	Difference	Description of Change
<b>CAPITAL PROJECTS</b>								
204	ENVIRONMENTL PROGRAM FUN	\$ 134,587	\$ 28,100	\$ 26,500	\$ 136,187	\$ 136,187	\$ -	
215	CATELLUS CONTINGENT FUND	12,380	100	8,000	4,480	9,502	(5,022)	Capital Project carryforward increased
220	GAS TAX ST. IMPROV. FD	152,562	369,359	498,830	23,091	48,091	(25,000)	Capital FY 21-22 added to CY 22-23
221	ROAD MAINT & REHAB FUND	604,802	287,144	759,707	132,239	132,239	-	
225	GENERAL PLAN MAINTENANCE	3,795,428	705,000	1,033,079	3,467,349	3,467,349	-	
237	PARK/REC IMPACT FEE FUND	975,108	1,116,395	965	2,090,538	2,090,538	-	
238	MEASURE B - VLF FUND	84,416	49,050	83,234	50,232	50,232	-	
239	AFFORDABLE HSG IMP FEE F	770,575	264,030	400,000	634,605	634,605	-	
240	MEASURE B - STREETS/ROAD	655,486	-	491,562	163,924	163,924	-	
242	MEASURE BB - STREETS/ROA	926,366	625,631	1,086,450	465,546	620,047	(154,501)	CIP carryforward increase
243	EMERYVILLE PUBLIC ART FD	1,153,941	169,000	438,560	884,380	884,381	-	
247	BROWNFIELDS EPA GRNT-CIT	3,211,820	500	-	3,212,320	3,212,320	-	
250	TRAFFIC FAC IMPACT FEE F	1,246,515	820,479	945,451	1,121,543	1,121,543	-	
251	URBAN FORESTRY FEE FUND	68,473	25,500	4,057	89,916	89,916	-	
254	GRANT FUND	(2,276,290)	12,552,332	14,621,321	(4,345,279)	(15,138,405)	10,793,126	Reduction due to removing unfunded CIP
262	MEASURE B - BIKE/PED	148,844	100	86,165	62,779	62,779	-	
264	MEASURE BB - BIKE/PED	82,313	73,160	120,360	35,113	35,113	-	
265	SOURCE REDUC/RECYCLING F	13,255	5,050	5,000	13,305	13,305	-	
266	MEASURE D FUND	54,429	31,550	25,000	60,979	60,979	-	
298	HOUSING SUCCESSOR FUND	22,950,884	30,000	4,652,216	18,328,668	18,328,668	-	
299	AFFORDABLE HOUSING FUND	6,216,702	1,236,000	7,360,627	92,075	-	92,075	Reduced CIP carryforward H-01 completed
444	1999 PFA REV BD-ASSESSMN	57,544	77,014	97,335	37,223	37,223	-	
471	PEDESTRIAN PATH IMPR FUN	407,774	500	389,000	19,274	199,274	(180,000)	Capital FY 21-22 added to CY 22-23
472	RDA BOND FUND	1,413,687	5,000	177,861	1,240,827	1,240,827	-	
473	DEVELOPER CONTRIBUTION F	1,682,338	1,000	1,571,991	111,348	111,348	-	
475	GEN CAPITAL IMPROVE FUND	48,568,963	2,042,423	25,937,144	24,674,243	25,234,571	(560,328)	Capital FY 21-22 added to CY 22-23
477	ECCL PROJECT FUND	485,651	25,200	36,000	474,851	474,851	-	
479	IMPLEMENTATN PLAN 2010-1	4,169,116	-	3,800,000	369,116	369,116	-	
490	BAY/SHELLMOUND IMPR FUND	40	-	-	40	40	-	

City of Emeryville  
Preliminary FY 2022-23 Budget Summary

Fund	Name	Projected Beginning Balance	Revenues	Expenses	Projectd Ending Fund Balance	5/3/22 Council Presentation EFB	Difference	Description of Change
495	MARINA IMPROVEMENT FUND	4,680,990	584,100	4,638,285	626,805	626,851	-	
511	SEWER REHAB/REPLAC FUND	7,173,495	303,000	1,694,501	5,781,994	6,381,994	(600,000)	Capital FY 21-22 added to CY 22-23
513	SEWER CONNECTION FEE FUN	2,513,539	178,000	70,000	2,621,539	2,621,539	-	
650	MAJOR MAINTENANCE FUND	5,600,490	1,176,032	5,829,214	947,309	947,309	-	
660	VEHICLE REPLACEMENT FUND	3,965,685	550,000	2,461,320	2,054,366	2,054,366	-	
670	INFO TECHNOLOGY FUND	2,813,688	438,700	1,662,705	1,589,683	1,589,683	-	
	<b>CAPITAL PROJECTS</b>	<b>\$ 124,515,597</b>	<b>\$ 23,769,449</b>	<b>\$ 81,012,439</b>	<b>\$ 67,272,607</b>	<b>\$ 57,912,305</b>	<b>\$ 9,360,350</b>	
	<b>DEBT SERVICE</b>							
345	1998A/2013 LEASE REV DS	3,051	367,200	367,200	3,051	\$ 3,051	\$ -	
721	E BAYBRIDGE REDEMPTION	76,914	-	76,914	0	76,914	(76,914)	CIP allocation to T-13
790	BAY/SM DIST REDEMPTION	900,148	-	-	900,148	900,148	-	
794	BAY/SM DIST CONTIN ASSES	2,102	-	-	2,102	2,102	-	
	<b>DEBT SERVICE</b>	<b>\$ 982,215</b>	<b>\$ 367,200</b>	<b>\$ 444,114</b>	<b>\$ 905,301</b>	<b>\$ 982,215</b>	<b>\$ (76,914)</b>	
	<b>INTERNAL SERVICE</b>							
270	LITIGATION FUND	\$ 1,851,150	\$ 12,120	\$ 250,000	\$ 1,613,271	\$ 1,613,271	\$ -	
295	MESA FUND	-	19,168,982	19,168,982	-	-	-	
600	WORKERS COMP SELF INS FD	2,276,622	1,151,502	1,403,100	2,025,024	2,025,024	-	
610	SELF-INS/DELTA DENTAL FD	7,297	238,932	236,797	9,432	9,432	-	
620	SELF-INS/UNEMPLOYMENT FD	100,150	102,522	75,000	127,672	127,672	-	
700	ACCRUED BENE SELF INS FD	(210,813)	542,532	309,800	21,920	21,920	-	
710	POST-RETIREMENT BENEFITS	7,292,472	284,216	263,500	7,313,188	7,313,188	-	
	<b>INTERNAL SERVICE</b>	<b>\$ 11,316,879</b>	<b>\$ 21,500,807</b>	<b>\$ 21,707,179</b>	<b>\$ 11,110,507</b>	<b>\$ 11,110,507</b>	<b>\$ -</b>	
	<b>SUCCESSOR AGENCY</b>							
282	RDA RETIREMENT FD (RPTTF)	\$ 56,169,822	\$ 20,716,755	\$ 17,932,414	\$ 58,954,164	\$ 58,942,423	\$ (11,741)	Reduced Admin Expense per DOF
832	SA-2014A DEBT SERVICE FD	(63,227,131)	9,768,000	10,553,180	(64,012,311)	(64,012,311)	-	
833	SA-2014B DEBT SERVICE FD	(7,609,947)	1,349,306	1,347,133	(7,607,774)	(7,607,774)	-	
	<b>SUCCESSOR AGENCY</b>	<b>\$ (14,667,256)</b>	<b>\$ 31,834,061</b>	<b>\$ 29,832,727</b>	<b>\$ (12,665,922)</b>	<b>\$ (12,677,662)</b>	<b>\$ (11,741)</b>	
		<b>\$ 188,142,496</b>	<b>\$ 135,375,036</b>	<b>\$ 190,505,403</b>	<b>\$ 133,012,130</b>	<b>\$ 123,798,683</b>	<b>\$ 9,190,015</b>	

Fiscal Year 2022-23 Budget			
General Fund Expenditure Summary			
	Dept. No.	Expenses	% of Budget
City Attorney	1400	\$ 787,403	1.6%
City Clerk	1250	739,500	1.5%
City Council	1100	234,726	0.5%
City Manager	1200	774,101	1.6%
Economic Development	1800	967,926	2.0%
Finance	1500	1,406,844	2.9%
Fire	3000	10,280,641	21.5%
Human Resources	1600	890,340	1.9%
IT	1280	847,654	1.8%
Non- Departmental	1900	4,885,837	10.2%
Police - Admin	2100	5,059,161	10.6%
PoliceD - Field Operations	2200	10,763,167	22.5%
<b>Total Police</b>		<b>15,822,328</b>	<b>33.1%</b>
Building	1730	2,087,687	4.4%
Planning	1700	595,449	1.2%
Planning - Reimbursables	1725	287,000	0.6%
<b>Total Community Development</b>		<b>2,970,137</b>	<b>6.2%</b>
PW - Engr/Envirt	4050	1,021,932	2.1%
PW - Maintenance	4060	2,860,467	6.0%
PW - Parking Fac Maint	4065	26,600	0.1%
PW - Reimbursables	4070	175,000	0.4%
<b>Total Public Works</b>		<b>4,083,999</b>	<b>8.5%</b>
Rec - Adult Services	5460	622,101	1.3%
Rec - Adult Sport/Classes	5470	192,612	0.4%
Rec - Aquatics	5420	300,693	0.6%
Rec - Comm Services	5000	750,800	1.6%
Rec - Facilities	5430	266,906	0.6%
Rec - Special Events	5410	89,893	0.2%
Rec - Youth Camps	5440	299,935	0.6%
Rec - Youth Services	5450	494,266	1.0%
Rec - Youth Sports/Classes	5480	119,531	0.2%
<b>Total Community Services</b>		<b>3,136,738</b>	<b>6.6%</b>
<b>Total</b>		<b>\$ 47,828,173</b>	<b>100.0%</b>



**MEMORANDUM**

**DATE:** May 12, 2022  
**TO:** Christine Daniel, City Manager  
**FROM:** Brad Farmer, Finance Director  
**SUBJECT:** **Review and recommend a threshold for recorded leases in accordance with Governmental Accounting Standards Board 87**

**RECOMMENDATION**

Staff recommends that the Budget and Governance Committee review and recommend a threshold for recording leases in accordance with Governmental Accounting Standards Board 87.

**BACKGROUND**

The new GASB lease accounting standard for governmental organizations, GASB Statement No. 87, Leases (GASB 87), was proposed during 2017 and released in June of 2017. It was initially effective for reporting periods beginning after December 15, 2019. In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which delayed the GASB 87 effective date by 18 months. This pronouncement now requires the adoption of GASB 87 for all fiscal years beginning after June 15, 2021.

**DISCUSSION**

The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.



## **Definition of a Lease**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

## **Lease Term**

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

- a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised. Lessees and lessors should reassess the lease term only if one or more of the following occur:

- a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- c. An event specified in the lease contract that requires an extension or termination of the lease takes place.

## **Short-Term Leases**

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and

lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

### **Lessee Accounting**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

### **Lessor Accounting**

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

### **Contracts with Multiple Components and Contract Combinations**

Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to

determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

### **Lease Modifications and Terminations**

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by remeasuring the lease liability and adjusting the related lease asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

### **Subleases and Leaseback Transactions**

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

Currently, the City would not have any leases that would be subject to GASB 87 as explained on the attached Exhibit A – City Leases, if the minimum threshold of \$400,000 is established.

### **Summary**

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring

notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

Staff has consulted with the City Auditors and recommends a minimum threshold in the amount of \$400,000 be established for any leases for reporting in accordance with GASB 87. This \$400,000 proposed amount is below the materiality level, considered for audit purposes, for the City's Sewer Fund.

### **Recommendation**

Staff recommends that the Budget and Governance Committee review and recommend a threshold for recording leases in accordance with Governmental Accounting Standards Board 87.

### **Attachment**

Exhibit A – City Leases

City of Emeryville Leases					
Fund	Lease	Annual Lease Payment	Term	Value	Status
101 General Fund	ECCL	\$1	66 years	\$ 66	Not subject to GASB 87 - Operating and Maintenance costs are not applicable to GASB 87
101 General Fund	Gilman Fields	\$ 15,000	25 years	\$ 375,000	Not subject to GASB 87 - Based upon 1. limit proposed and 2. materiality to General Fund
101 General Fund	Bridgecourt	\$ 25,000	7 years	\$ 175,000	Being Terminated in June 2022, Not subject to GASB 87
101 General Fund	Copiers	\$ 6,450	Month to Month	\$ 77,400	Not subject to GASB 87 - Based upon 1. limit proposed, 2. currently month to month and 3. materiality to General Fund
<p>Fund are most likely to hold leases. Materiality as determined by our external auditors is 2.5% of any Fund's expenditure. The General Fund's materiality limit based upon the current budget is over \$1.1 million and the Sewer Fund's materiality level in just over \$400,000. Staff is therefore, proposing a \$400,000 minimum threshold for the City. Should any other Fund in the future obtain a lease, staff will need to review the materiality level of any fund with a lease to ensure compliance with GASB 87.</p>					