



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

Prepared by: Nadine Atieh Hade,
Administrative Services Director

City Manager Approval: _____

TOPIC: FISCAL YEAR 2021-2022 CITY-WIDE BUDGET AMENDMENTS AND FISCAL YEAR 2022-2023 UPDATE

SUBJECT: RESOLUTION ADOPTING AMENDMENTS TO THE CITY OF SAN RAFAEL BUDGET FOR FISCAL YEAR 2021-2022 FOR THE PURPOSE OF CONFIRMING AUTHORIZED APPROPRIATIONS AND TRANSFERS

RECOMMENDATION: Adopt resolution as presented.

BACKGROUND: During the process of developing and recommending the fiscal year 2021-22 budget, staff provided updates on the fiscal performance of the General Fund and projections through fiscal year-end.

The fiscal year 2021-22 City-wide budget was last presented to the City Council on [June 21, 2022](#), during the budget approval process for the fiscal year 2022-23. At that point, staff shared updated projections and noted adjustments would be formally requested as part of the year-end update. Since the close of the fiscal year on June 30, 2022, staff has reviewed the revenues and expenditures in the General Fund, special revenue funds and other special purpose funds. This review has yielded adjustments that are specific to year-end and clean up in nature to special revenue funds and other special purpose funds. Aside from the adjustments recommended during the June 21, 2022 meeting, staff is recommending year-end adjustments to align the budget with actuals. These budget adjustments are recommended by the City's outside auditors as the approval by the City Council provides for complete budget accountability.

The purpose of these amendments is to formally authorize the expenditures and transfers required in certain funds to fulfill their respective purposes and functions through June 30, 2022.

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

ANALYSIS:

General Fund

Revenues and Other Sources:

Revenues: The original FY 2021-22 budget, adopted on [June 21, 2021](#), projected \$87,861,080 in revenues. The City worked with two revenue consulting companies (HdL and Management Partners) and other local agencies to project revenues for FY 2021-22. As the recovery from the pandemic continued to outpace projections, the mid-year budget review (updated budget) presented on [March 7, 2022](#), estimated an increase in revenues of \$5,060,000 for a projected balance of \$92,921,080 citing higher than anticipated sales and use tax receipts.

On [June 21, 2022](#), revenues were projected to be \$93,160,919, which was 0.3% above the updated budget, based on activity through April. At this time the projected increase did not include the impact of recognition of American Rescue Plan Act (ARPA) funds in the amount of \$16,088,886, which was noted in the June staff report. With the addition of these revenues, staff now projects revenues to be \$109,009,966 inclusive of ARPA revenue.

As the remainder of the year has come to a close, we've begun to see a macro-economic shift as the highs of the recent pandemic recovery have given way to recessionary fears. Sales and use taxes, which account for approximately 48% of the adjusted general fund budget, began to pull back a bit in the fourth quarter from the stellar returns of the second and third quarters to end the year roughly flat when compared to prior the prior year. This is owing to both the general economic slow-down to end the fiscal year as well as an approximately \$600,000 adverse action by the California Department of Tax and Fee Administration regarding prior period misallocations of sales tax revenues to the City.

Property taxes, which account for about 30% of the general fund budget, have continued to achieve strong growth at 4.4% year-over-year and an average of 5% over the last three years. Growth can be expected to slow a bit in the coming year with the rise in interest rates cooling the frenzied housing market of late, however, it remains a strong and stable revenue stream for City.

In other revenue items, investment earnings took a sharp decline as high inflation and interest rate increases combined to take a heavy toll on the overall bond market. The City recorded a net investment loss of \$2,062,074 as a result, however, these losses are unrealized and are caused by fair value measurement as of the report date (i.e., the City cannot currently sell its securities for a price commensurate with its amortized cost) as well as the erosion of prior year unrealized gains as a result of declining interest rates. As the City intends to hold the securities to maturity, these temporary losses will give way to offsetting gains in the future. Also notable is the recognition of ARPA funds in the amount of \$16,088,886 during the year. These are Federal funds that have been earmarked for a variety of important projects throughout the City that will be discussed further in this report. Staff requests the budget be revised to reflect the recognition of these grant funds.

Revised revenues of \$109,009,966 are 24% above the originally adopted budget for the reasons stated above.

Other sources: No adjustments are requested at this time pertaining to other sources of revenue in the general fund.

Expenditures and Other Uses:

Expenditures: The original approved FY 2021-22 budget expenditures totaled \$87,562,734 and were increased by \$1,083,374 to \$88,646,108 during the mid-year review process. As presented during the June 21, 2022, meeting an additional \$2,700,000 in appropriations are requested to cover liabilities resulting from the City’s Workers’ Compensation and Liability program actuarial studies performed during the year. Total expenditures are \$91,346,108.

Other uses: An increase to transfers out in the amount of \$9,000 is requested as a transfer to the Loch Lomond Marina assessment district to reimburse the fund for staff time charged by the City in the prior year for services that were ultimately not rendered.

Staff recommends the transfer from the general fund to the essential facilities fund in the amount of \$714,885. When Measure E, the use tax of 0.75%, was voted into place in November 2013, it was approved by Council that 1/3 of the tax would be transferred to the essential facilities fund at year-end to assist in construction costs and debt servicing. This year, the amount was approximately \$4.9 million but the general fund made principal and interest payments towards the debt on the facilities in the amount of \$4.3 million. This leaves a balance of \$714,885 to transfer to the essential facilities fund to support capital projects.

Proposed changes to the general fund revenues, expenditures and transfers are detailed in the table below.

General Fund	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	87,861,080	5,060,000	92,921,080	16,088,886	109,009,966
Transfers in	1,755,022		1,755,022	-	1,755,022
Total Resources	89,616,102	5,060,000	94,676,102	16,088,886	110,764,988
Expenditures	87,562,734	1,083,374	88,646,108	2,700,000	91,346,108
Operating Transfer out	2,000,000	250,000	2,250,000	723,885	2,973,885
Total Appropriations	89,562,734	1,333,374	90,896,108	3,423,885	94,319,993
Net Result	53,368	3,726,626	3,779,994	12,665,001	16,444,995
Allocations					
Use/(Source) of Emergency Reserves	(720,651)	(47,960)	(768,611)	(324,548)	(1,093,159)
Use of Prior Period funds	-	533,374	533,374	-	533,374
Available Funds	(667,283)	4,212,040	3,544,757	12,340,453	15,885,210

The net impact of all proposed changes on the general fund is \$12,665,001 of additional revenues and transfers.

Other Funds

Staff is requesting the approval of \$3,765,205 in increased resources and \$4,613,564 in increases of appropriations to other funds that are detailed in Attachment A.

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The net impact of all proposed changes on other funds of \$848,360 in additional expenditures and transfers is summarized below:

Other Funds	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	50,163,304	50,000	50,213,304	2,725,463	52,938,767
Transfers in	2,085,000	1,562,000	3,647,000	1,039,742	4,686,742
Total Resources	52,248,304	1,612,000	53,860,304	3,765,204	57,625,508
Expenditures	54,400,936	37,017,905	91,418,841	4,297,707	95,716,548
Transfers out	1,840,022	1,312,000	3,152,022	315,857	3,467,879
Total Appropriations	56,240,958	38,329,905	94,570,863	4,613,564	99,184,427
Net Results	(3,992,654)	(36,717,905)	(40,710,559)	(848,360)	(41,558,919)

Other year-end communications:

The City’s Pension liability has achieved significant progress that will be reflected on the city-wide statement of net position as of the fiscal year ending June 30, 2022. When the Marin County Employees’ Retirement Association (MCERA) Valuation from June 30, 2020, was updated to June 30, 2021, for financial reporting purposes in the actuary’s annual GASB 67/68 report, the result was full funding of the City’s pension liability. This was the result of extraordinary investment income during the year ended June 30, 2021, that is used as the measurement period for reporting June 30, 2022 and is the measure that is used for financial statement and related disclosure preparation. Therefore, our Annual Comprehensive Financial Report for fiscal 2022 will disclose a fully funded pension liability. However, when the new June 30, 2021, valuation was completed in February of 2022 the City’s funded ratio dropped to 95.8% and with the market declines experienced in fiscal 2022 it can be expected to be reduced further with the results being reported in the City’s June 30, 2023, annual report.

As staff completes its preparation of the government wide financial statements for the year-end audit, net results are estimated at \$16-17 million, with the vast majority already allocated to planned expenses in the coming year(s). Staff will not have a finalized amount until the audit is completed as there could be other revenues pertaining to FY 2021-22 that trickle in through the end of September and the auditors could have proposed adjustments based on their review. Staff is recommending that the bulk of the net unassigned funds be assigned as following:

- \$1,093,159 to the emergency and cash flow reserve to adhere to the City Council approved policy which requires minimum target reserve levels at 10% of general fund operating expenditures. Staff has deferred its recommendation to increase the reserve level to 12% of general fund operating expenditures as there are currently projects on the horizon that are supported by grants and require a City match. Staff recommends keeping net available funds for purposes of matching the grants when the time comes.
- \$14,971,510 earmarked for approved projects funded by ARPA proceeds supporting the City’s policy focus areas of economic recovery, housing & homelessness, racial equity, and sustainability, climate change & disasters.
- Any remaining fund balance following the above requested assignments earmarked for required grant matching for the Pickleweed Park Field Renovation project of which a total of \$4.24 million is needed.

The Parking Services Fund continues to reel from the adverse effects of the pandemic. Although ending the year with a positive change in net position of \$1,128,068, the Fund benefitted from large favorable adjustments for Pension and OPEB expense related to investment gains of the prior fiscal year. The Parking Fund is an Enterprise Fund and, therefore, follows the accrual basis of accounting and economic resources measurement focus as opposed to governmental funds, which use a modified accrual basis and current financial resources measurement focus. Pension and OPEB balances are adjusted a year in arrears as they require actuarial analyses of final balances that is not completed prior to issuance of the annual report. For the fiscal year ended June 30, 2022, the Parking fund recorded favorable adjustments to expense line items in the amounts of \$1,319,144 and \$306,839 for Pension and OPEB, respectively. So, on an operational basis, the fund experienced a loss of approximately \$500,000 during the fiscal year and staff has been analyzing the fund to provide recommendations of actions needed in order to be profitable again.

FISCAL YEAR 2022-2023 UPDATE

General Fund

It is too early in the year to predict the status of revenues and expenses. The City is focused on achieving its [Goals and Objectives](#) established for the fiscal year, implementing an updated master fee schedule, analyzing funds that continue to be adversely affected by COVID-19, such as Parking and Childcare to modify operations to be self-sustaining, and following the market closely so we can start preparing for recessionary times if needed.

The use of ARPA funds continues to be focused towards the City's policy focus areas of economic recovery, housing & homelessness, racial equity, and sustainability, climate change & disasters. Expenditures are separately tracked and accounted for to ensure detailed accounting and transparency of eligible uses. Staff continues to submit compliance reports to the Federal government as scheduled.

FISCAL IMPACT: This action authorizes the formal appropriation of resources in the 2021-22 fiscal year to support the actual expenditure and transfer activity through June 30, 2022, as described in this report. No spending authority beyond what was spent or committed as of June 30, 2022, is created through this action.

RECOMMENDATION: Staff recommends that the City Council adopt the Resolution as presented.

ATTACHMENT:

1. Attachment A
2. Resolution approving fiscal year 2021-22 amendments with Exhibit I

Resources	
Proposed revenue changes	
Increased funding for Workers' Compensation Program following actuarial analysis (606)	\$2,100,000
Increased funding for Liability Program following actuarial analysis (605)	600,000
999 3 rd Street loan legal expense reimbursements (243)	24,563
Library grant from Sothern California Library Cooperative (215)	900
Proposed transfers in changes	
Loch Lomond Marina Community Facilities District transfer to correct prior year charges (237)	\$17,544
Paramedic tax capital transfer to the Essential Facilities Fund (420)	307,313
Measure E use tax transfer to the Essential Facilities Fund (420)	714,885
Total proposed changes to resources	\$3,765,205
Uses	
Proposed expenditure changes	
Increased appropriations to the Abandoned Vehicle Abatement Fund for additional personnel costs in connection with the repayment of furloughs (200)	\$6,020
Increased appropriations to Library Special Assessment Fund for additional grant received during the year (215)	900
Increased appropriations for legal costs associated with 999 3 rd Street loan completed earlier in the year (243)	40,574
Increased appropriations for the Measure C Wildfire Prevention Fund to match additional funding provided for Core programs during the year (242)	552,400
Increased appropriations to the East San Rafael Traffic Mitigation Fund for project support (246)	427,000

Increased appropriations for the Grants Fund for expenditures related to an additional sustainability grant received during the year (283)	96,150
Increased appropriations to the Capital Improvement Fund for project support (401)	197,675
Increased appropriations to the Parks Capital Improvements Fund for rekeying tennis court locks (407)	279
Increased appropriations to the Low and Moderate Income Housing Fund for legal costs associated with the Centertown project (495)	46,040
Energy efficient lighting improvements to both the Albert J. Boro Community Center and Department of Public Works building (603)	74,300
Increased appropriations to the Employee Benefits Fund for additional payments of accrued vacation and sick leave to employees upon termination in excess of budget (604)	119,420
Increased appropriations for the Liability Program to support increased claims during the year (605)	248,000
Increased appropriations for the Workers Compensation Program to fund additional claims (606)	2,325,200
Increased appropriations for the Communication Replacement Fund for increased telecommunications charges (609)	163,750
Proposed transfers out changes	
Transfer from the Paramedic Tax Fund to the Essential Facilities Fund (210)	307,313
transfers out from the Loch Lomond CFD #10 to reimburse for the prior year's expenditure charged to Loch Lomond CFD #2 (236)	8,544
Total proposed changes to uses	\$4,613,564
Net proposed changes to Other Funds (Resources less Uses)	\$(848,360)
Expenditures and Transfers out as adopted fiscal year 2021-2022	\$56,240,958
Expenditures and Transfers out as approved through June 30, 2022	\$94,570,863
Expenditures and Transfers out with proposed changes	\$99,184,427

RESOLUTION NO.

RESOLUTION OF THE SAN RAFAEL CITY COUNCIL ADOPTING AMENDMENTS TO THE CITY OF SAN RAFAEL BUDGET FOR FISCAL YEAR 2021-2022 FOR THE PURPOSE OF CONFIRMING AUTHORIZED APPROPRIATIONS AND TRANSFERS

WHEREAS, the City Council approved Resolution No. 14938 adopting the fiscal year 2021-2022 budget; and

WHEREAS, the City Council approved Resolution No. 15043 amending the fiscal year 2021-2022 budget, and took other actions during the year to authorize spending; and

WHEREAS, as part of the fiscal year-end closing process, staff has reviewed and analyzed actual revenues, expenditures and transfers through June 30, 2022, has identified a need for additional budget adjustments, and has submitted its analysis and recommendations in a report to the City Council; and

WHEREAS, after examination, deliberation and due consideration, the City Council has approved the same report and recommendations;

NOW, THEREFORE, BE IT RESOLVED, by the San Rafael City Council that Resolution No. 14938 for fiscal year 2021-2022 is further amended to authorize the following adjustments to resources and appropriations, which are reflected in the Consolidated Funds Schedule (Exhibit I attached hereto and incorporated herein by reference):

Revenues:

Fund	Current Budget	Resources	Transfers in	Revised Budget
001 - General Fund	94,676,102.00	16,088,886.00		110,764,988.00
215 - Library Special Assessment Fund	1,101,827.68	900.00		1,102,727.68
237 - Loch Lomond-Marina CFD #2	80,851.00		17,544.00	98,395.00
243 - Affordable Housing In-Lieu-SR	869,880.74	24,562.50		894,443.24
420 - Measure E-Public Safety Facility	17,695.22		1,022,197.61	1,039,892.83
605 - Liability Insurance Fund	1,775,494.02	600,000.00		2,375,494.02
606 - Workers Compensation Fund	2,402,621.36	2,100,000.00		4,502,621.36
Total Revenue Adjustments	100,924,472.02	18,814,348.50	1,039,741.61	120,778,562.13

Expenditures

Fund	Current Budget	Appropriations	Transfers out	Revised Budget
001 - General Fund	90,896,108.00	2,700,000.00	723,884.69	94,319,992.69
200 - Abandoned Vehicle Abatement	171,464.23	6,020.00		177,484.23
210 - Emergency Medical Services	8,561,587.30		307,312.92	8,868,900.22
215 - Library Special Assessment Fund	1,230,295.98	900.00		1,231,195.98
236 - Loch Lomond CFD #10	19,148.00		8,544.00	27,692.00
237 - Loch Lomond-Marina CFD #2	350,000.00	40,573.50		390,573.50
242 - Measure C Wildfire Prevention Parc	1,817,116.32	552,400.00		2,369,516.32
246 - East SR Traffic Mitigation	1,498,837.04	427,000.00		1,925,837.04
283 - Grants Fund - Other	120,005.77	96,150.00		216,155.77
401 - Capital Improvement Fund-City	1,570,559.46	197,675.00		1,768,234.46
407 - Parks Capital Improvements Fund	-	278.81		278.81
495 - Successor RDA-L & M Housing-City	95,000.00	46,040.00		141,040.00
603 - Building Maintenance Fund	745,098.15	74,300.00		819,398.15
604 - Employee Benefits Fund	1,041,759.71	119,420.00		1,161,179.71
605 - Liability Insurance Fund	2,528,985.93	248,000.00		2,776,985.93
606 - Workers Compensation Fund	2,017,859.25	2,325,200.00		4,343,059.25
609 - Communication Replacement Fund	487,735.00	163,750.00		651,485.00
Total Expenditure Adjustments	113,151,560.14	6,997,707.31	1,039,741.61	121,189,009.06

I, LINDSAY LARA, Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a special meeting of the Council of said City on Monday, the 19th day of September 2022 by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

LINDSAY LARA, City Clerk

TABLE I
CHANGES TO GENERAL FUND REVENUES AND OTHER SOURCES

General Fund	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	87,861,080	5,060,000	92,921,080	16,088,886	109,009,966
Transfers in	1,755,022		1,755,022	-	1,755,022
FY 21-22 Resources	89,616,102	5,060,000	94,676,102	16,088,886	110,764,988
FY 20-21 Rollover	-	-	-	-	-
Total Resources	89,616,102	5,060,000	94,676,102	16,088,886	110,764,988

TABLE II
CHANGES TO GENERAL FUND EXPENDITURES AND OTHER USES

General Fund	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Expenditures	87,562,734	1,083,374	88,646,108	2,700,000	91,346,108
Transfer out	2,000,000	250,000	2,250,000	9,000	2,259,000
Transfer out-CIP	-	-	-	714,885	714,885
Total Appropriations	89,562,734	1,333,374	90,896,108	3,423,885	94,319,993

TABLE III
CHANGES TO OTHER FUND EXPENDITURES AND OTHER USES

Other Funds	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	50,163,304	50,000	50,213,304	2,725,463	52,938,767
Transfers in	2,085,000	1,562,000	3,647,000	1,039,742	4,686,742
FY 21-22 Resources	52,248,304	1,612,000	53,860,304	3,765,204	57,625,508
FY 20-21 Rollover	-	-	-	-	-
Total Resources	52,248,304	1,612,000	53,860,304	3,765,204	57,625,508
Expenditures	54,400,936	37,017,905	91,418,841	4,297,707	95,716,548
Transfer out	1,840,022	1,312,000	3,152,022	315,857	3,467,879
Total Appropriations	56,240,958	38,329,905	94,570,863	4,613,564	99,184,427
Net Results	(3,992,654)	(36,717,905)	(40,710,559)	(848,360)	(41,558,919)

TABLE IV
CITY-WIDE APPROPRIATION SUMMARY

All Funds	Adopted Budget FY 2021-22	Approved Changes	Current Budget	Proposed Changes	Revised Budget
General Fund	89,562,734	1,333,374	90,896,108	3,423,885	94,319,993
Other Funds	56,240,958	38,329,905	94,570,863	4,613,564	99,184,427
Total Expenditures	145,803,692	38,351,279	184,154,971	8,037,449	192,192,420