PINOLE CITY COUNCIL FINANCE SUBCOMMITTEE MEETING AGENDA
APRIL 14, 2022
3:00 PM

Please note: HYBRID MEETING FORMAT

Attend in person : PINOLE CITY COUNCIL CHAMBERS - 2131 PEAR STREET

OR

Attend VIA ZOOM TELECONFERENCE – Details provided below

Please note: Updated COVID-19 safety protocols will be posted outside the City Council Chambers. Please review this information before entering the Council Chambers.

How to Submit Public Comments:

In Person: Attend meeting at the Pinole City Council Chambers, fill out a yellow public comment card and submit it to the City Clerk.

Via Zoom:

Members of the public may submit a live remote public comment via Zoom video conferencing. Download the Zoom mobile app from the Apple Appstore or Google Play. If you are using a desktop computer, you can test your connection to Zoom by clicking here. Zoom also allows you to join the meeting by phone.

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Webinar ID: 893 3500 0272

By phone: +1 (669) 900-6833 or +1 (253) 215-8782 or +1 (346) 248-7799

- Speakers will be asked to provide their name and city of residence, although providing this is not required for participation.
- Each speaker will be afforded up to 3 minutes to speak (subject to modification by the Mayor)
- Speakers will be muted until their opportunity to provide public comment.

When the Mayor opens the comment period for the item you wish to speak on, please use the “raise hand” feature (or press *9 if connecting via telephone) which will alert staff that you have a comment to provide and press *6 to unmute. To comment with your video enabled, please let the City Clerk know you would like to turn your camera on once you are called to speak.

Written Comments: All comments received **before 12:00 pm the day of the meeting** will be posted on the City's website on the agenda page (Agenda Page Link) and provided to the City Council prior to the meeting. Written comments will not be read aloud during the meeting. **Email comments to comment@ci.pinole.ca.us** Please indicate which item on the agenda you are commenting on in the subject line of your email.

Please note: Updated COVID-19 safety protocols will be posted outside the City Council Chambers. Please review this information before entering the Council Chambers.

OTHER WAYS TO WATCH THE MEETING

LIVE ON CHANNEL 26. They are retelecast the following Thursday at 6:00 p.m. The Community TV Channel 26 schedule is published on the city's website at www.ci.pinole.ca.us.

VIDEO-STREAMED LIVE ON THE CITY'S WEBSITE, www.ci.pinole.ca.us. and remain archived on the site for five (5) years.

If none of these options are available to you, or you need assistance with public comment, please contact the City Clerk, Heather Bell at (510) 724-8928 or hbell@ci.pinole.ca.us .

Americans With Disabilities Act: In compliance with the Americans With Disabilities Act of 1990, if you need special assistance to participate in a City Meeting or you need a copy of the agenda, or the agenda packet in an appropriate alternative format, please contact the City Clerk's Office at (510) 724-8928. Notification at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Note: Staff reports are available for inspection on the City Website at www.ci.pinole.ca.us. You may also contact the City Clerk via e-mail at hbell@ci.pinole.ca.us .

Finance Subcommittee Membership:
Mayor Salimi, Mayor Pro Tem Murphy and Treasurer Swearingen

Staff: City Manager, Andrew Murray
Finance Director, Markisha Guillory
City Clerk, Heather Bell
Deputy City Clerk, Roxane Stone

A. **CALL TO ORDER**

B. **PUBLIC COMMENT**

C. **CONSENT ITEMS**

D. **BUSINESS ITEMS**

1. Status Quo Financial Forecast for the Long-Term Financial Plan for Fiscal Year (FY) 2022/23 - FY 2026/27 **[Receive Report (Guillory)]**

2. Fiscal Year (FY) 2022/23 General Fund Baseline Budget **[Receive Report (Guillory)]**

3. Overview Of Draft FY 2022-23 Through 2026-27 Five-Year Capital Improvement Plan **[Receive Report, Discuss and Provide Recommendations (Mishra)]**

No action is requested. The Subcommittee is an advisory committee which makes recommendations to the City Council.

E. **ADJOURNMENT**

Posted: April 11, 2022 at 3:00 p.m.

Heather Bell, CMC
City Clerk

FINANCE SUBCOMMITTEE REPORT D1

DATE: APRIL 14, 2022

TO: FINANCE SUBCOMMITTEE MEMBERS

FROM: MARKISHA GUILLORY, FINANCE DIRECTOR

SUBJECT: STATUS QUO FINANCIAL FORECAST FOR THE LONG-TERM FINANCIAL PLAN FOR FISCAL YEAR (FY) 2022/23 - FY 2026/27

RECOMMENDATION

City staff recommends that the Finance Subcommittee receive an overview of the "status quo" financial forecast for the Long-Term Financial Plan (LTFP) for Fiscal Year (FY) 2022/23 - FY 2026/27.

BACKGROUND

In February 2020, the City Council adopted the City of Pinole Strategic Plan 2020 – 2025. The Strategic Plan identified four goals for the City (safe and resilient, financially stable, vibrant, and beautiful, and high performance), and 22 individual strategies (special projects) to complete over a five-year timeframe.

One of the strategies under the goal of a financially stable Pinole is to "develop a long-term financial plan (LTFP) and use it to guide budget and financial decisions (including policies regarding reserves and management of liabilities)." In spring 2021, the City developed its first Long-Term Financial Plan for Fiscal Year (FY) 2021/22 - 2025/26 to address this Strategic Plan strategy.

The objective of the LTFP is to forecast the City's budget condition over the next five years, identify the major financial challenges and opportunities that the City might face over that period, and recommend policy/program changes to ensure that the City's financial resources are sufficient to cover the City's financial needs. The LTFP will serve as a reference to staff and the City Council for development of the operating and capital budget and other financial and operational decisions.

As a part of the annual budget and long-term financial planning processes, staff updates the long-term financial forecast to incorporate anticipated changes to future revenues and expenditures. Attached is the status quo financial forecast for FY 2022/23 - FY 2026/27 as well as last year's Long-Term Financial Plan, for reference. (Note that the City's current LTFP, developed last year, did not include prescriptive key actions and strategies.)

REVIEW AND ANALYSIS

Financial Forecast for Long-Term Financial Plan for FY 2022/23 – FY 2026/27

The status quo long-term financial forecast indicates that the City's ongoing revenues are sufficient to cover its ongoing expenditures. This is mainly due to increased revenue, particularly form retirement of former Redevelopment debt. Also, the City will be able to continue to fully fund the General Reserve.

Following are the assumptions that were used to develop the status quo long-term financial forecast for LTFP for FY 2022/23 – FY 2026/27.

Revenues

Property Tax

Property tax is an ad valorem tax imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (movable property). The fixed statutory rate is 1% of assessed valuation. Assessed value is based on the 1975 property values with subsequent increases limited to 2% or CPI growth, whichever is less. However, when there is a change in property ownership, property renovation or new construction, property is reappraised at its full current market value.

Property tax is made up of four components—secured (basic and Redevelopment Property Tax Trust Fund (RPTTF); unsecured; supplemental; and property transfer tax. The 22% growth in FY 2023/24 is due to the residual property tax revenue resulting from the dissolution of the former Redevelopment Agency forecasted to increase by approximately $908,511 (61%), after outstanding Redevelopment bonds are retired.

Sales Tax

The overall sales tax rate on purchases made in Pinole is 9.75%. Of that amount, the City receives the statewide standard 1% (referred to as the Bradley Burns sales tax) plus 0.5% due to Measure S 2006 and 0.5% due to Measure S 2014. The forecast assumes an average 2% growth rate in the City's sales tax revenue, consistent with projections provided by HdL, the City's sales tax consultant.

Utility Users' Tax

The City levies an 8% utility users' tax (UUT) on the value of public utilities services consumed within the City limits for electricity, gas, and telecommunications. The forecasted growth rate averages 1% per year. The growth rate aligns with the trend of very low to flat growth in UUT, notably in the telecommunications subcategory.

Franchise tax

The City levies a 5% franchise tax on public utilities and other corporations who furnish gas, electric, water, refuse, and cable television or similar services to citizens living within the City's boundaries. The fees are defined in the franchise fee agreements and are paid directly to the City by these franchisees. The forecasted growth rate averages 1% per year. While franchise tax revenue has grown collectively, one of the major services, cable, has had flat to low growth. One factor is the change in consumer preference from traditional cable to streaming services.

Intergovernmental Taxes

Motor vehicle in-lieu fee (VLF) is the City's share of motor vehicle license fees levied, collected and apportioned by the State. VLF is a tax on the ownership of registered motor vehicles which takes the place of taxation of this personal property. The VLF is paid annually at the time vehicle licenses are renewed based on current value adjusted for depreciation. The forecast assumes an average 6% growth rate, consistent with projections provided by HdL, the City's property tax consultant.

Transient Occupancy Tax

Transient occupancy tax (TOT) is a 10% tax levied by the City for the privilege of occupying quarters on a transient basis in accordance with Chapter 3.24 of Municipal Code. This tax is imposed upon persons staying 30 days or less in a motel or lodging facility. The forecast assumes a 5% growth rate based on industry trends.

Business License Tax

Business license tax is assessed on all businesses doing business within City limits in accordance with Municipal Code Title 5. The City charges business license tax in accordance with the provisions of Government Code 37101. Pinole's tax is computed based on a flat tax (currently $152) per year combined with a variable tax component based on number of employees engaged in each business. The forecast assumes a 5% growth rate based on trends.

Public Safety Charges

Public safety charges are received for dispatch services provided to the cities of Hercules and San Pablo under an Intergovernmental Service Sharing agreement. A portion of the costs of this activity are reimbursed by the City of Hercules and City of San Pablo. Under the current agreement, the City's recovers approximately 67% of the activity's budget. The forecast assumes a 7% increase based on the established formula.

Other Revenues

Other revenues is made up of all other revenue sources, such as fees, permits, interest income, grants, reimbursements, and other miscellaneous revenue. These revenues are projected primarily using historical trend analysis. The forecast assumes a 1% growth rate and was adjusted to exclude a $600,000 one-time revenue that was expected in FY 2021/22.

Transfers In

The transfer in comes from the Pension Section 115 Trust to offset the increase in pension costs in the General Fund. The amount transferred is based on the difference between the City's base year (FY 2018/19) contribution toward employee pensions and the forecasted required City contribution in future years.

Expenditures

Salaries & Wages

Salaries and wages expenditures in the baseline budget are computed based on the City's current staffing level (123 FTEs) and agreed-upon changes to salaries and wages for different classifications. It should be noted that the baseline budget captures several new positions that were added to the budget in FY 2021/22. These critical positions were added as a result of the City's organizational assessment, the fire service delivery study, and operational needs. The forecast assumes the standard 3% growth rate. The same growth rate is assumed for annual salary increases under the new labor agreement that is in progress with the Pinole Police Employees Association (PPEA).

Benefits – Retirement

Retirement benefits are the City's annual required contribution as determined by the most recent actuarial valuation reports as of July 2020 provided by the California Public Employees' Retirement System (CalPERS). The forecast reflects the cost net of the required employer contribution minus employee contributions. As a result of recent negotiations between the City and most of the unions representing City employees, City employees' contribution toward their pension benefit was reduced in FY 2021/22. This reduced employee contribution is included in the forecast per the labor memorandums of understanding (MOUs).

Benefits – Other

Other benefits costs include employee medical/dental/vision care, workers' compensation, general liability, and others. The benefits cost in the forecast is based primarily on rate schedules provided by outside agencies, such as CalPERS. The forecast assumes an average 5% growth rate.

Operations and Maintenance

Operations and maintenance is primarily discretionary and non-personnel related expenditures, such as professional services, utilities, and materials and supplies. The forecast assumes an average 3% increase to account for anticipated increases in the price of goods and services.

Several non-recurring budget additions (professional services) that were previously included in the forecast and funded by the General Fund Measure S are not reflected in the status quo forecast going forward.

Capital Outlay

Capital outlay in the status quo forecast includes non-major asset acquisition and improvements, such as computer equipment and furniture. The forecast assumes an average 3% growth rate to account for anticipated increases in the price of products.

Major capital improvements that were previously included in the budget projection and funded by the General Fund and Measure S are not reflected in the status quo forecast. Though they may span multiple fiscal years, capital projects are non-recurring in nature and are not accounted for in the forecast.

The City develops a separate Five-Year Capital Improvement Plan (CIP) to plan for and appropriate funds to capital improvement projects. Each year, capital needs are assessed and prioritized through the capital improvement planning process.

Debt Service

Debt service includes the payment of principal and interest on the 2006 pension obligation bonds (POBs) that were issued to finance the City's unfunded accrued actuarial liability with CalPERS. The future years are forecasted based on the long-term debt obligation schedule. This debt will be fully paid and retired in FY 2035/36.

Transfers Out

Transfers out includes the transfer of funds from the General Fund and Measure S to other funds to support Recreation and Pinole Community Television (PCTV) operations. The transfer helps to stabilize the budgets in those areas as the operating costs are not fully recoverable. The forecast assumes a flat dollar amount consistent with past practice.

City staff invites the feedback of the Finance Subcommittee and members of the public on the methodology, organization and scope, and content (particularly the major challenges and opportunities and expenditure and revenue options) of the LTFP.

Return to Agenda

Next Steps

Staff will incorporate feedback from the Finance Subcommittee in the LTFP for the Preliminary Proposed version, which will be presented to the City Council.

FISCAL IMPACT

The presentation of the status quo financial forecast for the LTFP does not itself have any fiscal impact to the City.

ATTACHMENTS

A – Status Quo Financial Forecast for Long-Term Financial Plan for FY 2022/23 – FY 2026/27

B – Adopted Long-Term Financial Plan for Fiscal Year (FY) 2021/22 - FY 2025/26

Return to Agenda

ATTACHMENT A

CITY OF PINOLE
LONG-TERM FINANCIAL FORECAST

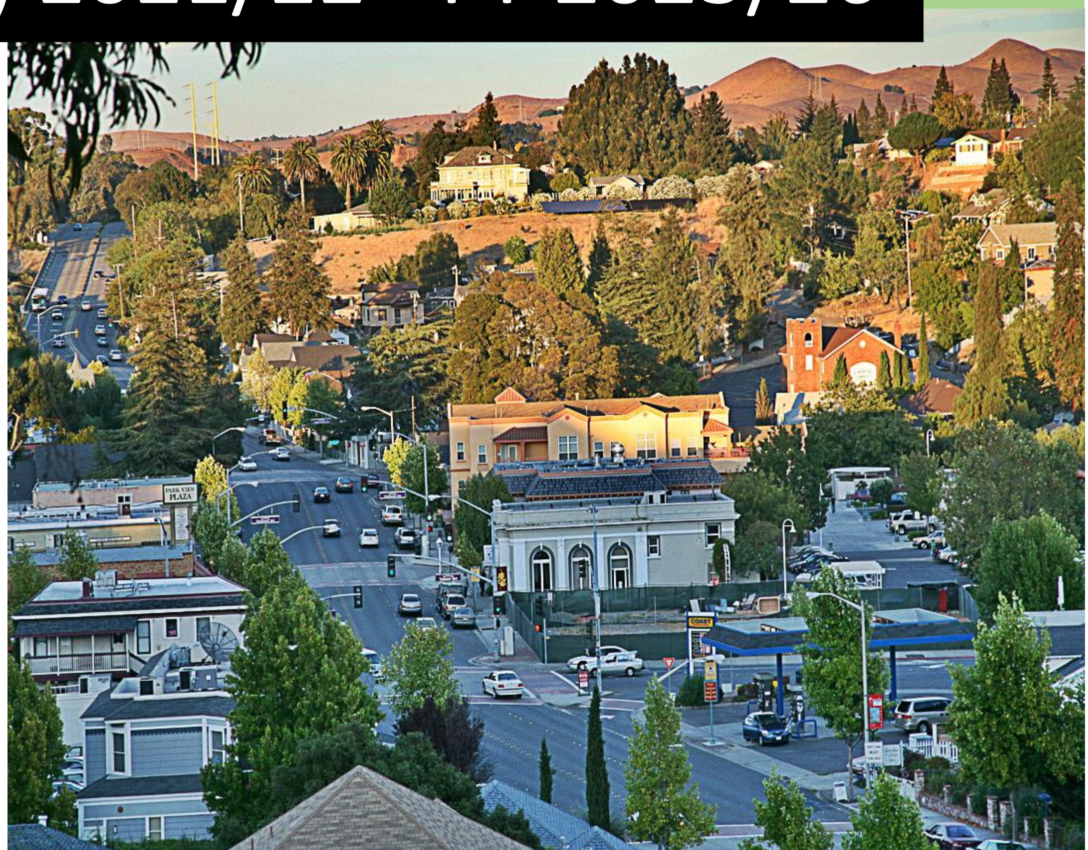
GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Revised Budget	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
REVENUE									
PROPERTY TAX	3,837,167	4,514,755	4,091,345	4,230,122	4,642,585	5,649,469	5,801,568	5,959,970	6,138,769
SALES TAX	3,994,720	3,788,080	4,303,800	4,483,848	4,582,095	4,695,271	4,803,262	4,913,737	5,026,753
MEAS S 2006 & 2014 LOCAL SALES TAX	4,286,328	3,901,837	4,623,561	4,840,000	4,902,000	5,022,000	5,122,440	5,224,889	5,329,387
UTILITY USERS TAX	1,812,844	1,809,832	1,939,726	1,915,000	1,934,150	1,953,492	1,973,026	1,992,757	2,012,684
FRANCHISE TAX	735,311	750,001	751,598	779,000	786,790	794,658	802,604	810,631	818,737
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,034,203	2,082,883	2,215,948	2,317,376	2,421,681	2,531,220	2,645,775
TRANSIENT OCCUPANCY TAX	485,499	444,453	446,105	418,000	440,000	453,200	466,796	480,800	495,224
BUSINESS LICENSE TAX	399,258	382,051	349,733	382,000	400,000	412,000	424,360	437,091	450,204
CHARGES FOR SERVICES	967,318	1,260,013	1,345,588	1,339,796	1,428,005	1,498,155	1,571,813	1,649,154	1,731,612
OTHER REVENUE	2,367,313	1,116,846	833,313	518,140	523,321	528,555	533,840	539,179	544,570
ONE-TIME REVENUE				600,000	-				
Total Revenue	**20,722,259**	**19,920,585**	**20,718,971**	**21,588,789**	**21,854,894**	**23,324,175**	**23,921,392**	**24,539,427**	**25,193,715**
TRANSFERS IN	6,290,688								
PENSION TRANSFER IN (FY 19/20 alloc)			667,859						
PENSION TRANSFER IN			476,366	853,686	1,434,048	1,553,724	1,709,302	1,807,316	1,908,271
Total Sources	**27,012,947**	**19,920,585**	**21,863,196**	**22,442,475**	**23,288,942**	**24,877,898**	**25,630,693**	**26,346,743**	**27,101,985**
EXPENDITURES									
SALARIES	8,593,887	9,184,283	9,683,813	10,553,426	10,870,029	11,304,830	11,757,023	12,227,304	12,716,396
BENEFITS - PERS RETIRE	1,792,051	2,451,619	2,771,676	3,447,080	3,688,376	3,909,678	4,144,259	4,392,914	4,656,489
BENEFITS - OTHER	3,079,527	2,864,038	2,720,468	3,374,993	3,543,743	3,720,930	3,906,976	4,102,325	4,266,418
OTHER OPERATING EXPENSES	2,056,418	3,460,467	2,685,146	3,082,147	3,174,611	3,238,104	3,302,866	3,401,952	3,504,010
DEBT SERVICE	590,433	606,553	558,607	576,107	596,150	611,150	677,150	677,150	677,150
CAPITAL OUTLAY	211,292	429,470	1,397,824	157,186	161,902	166,759	171,761	176,914	182,222
TRANSFERS OUT	21,732,833	1,255,058	1,588,652	1,418,455	1,418,455	1,461,009	1,504,839	1,549,984	1,596,484
Total Expenditures	**38,056,441**	**20,251,487**	**21,406,186**	**22,609,394**	**23,453,265**	**24,412,459**	**25,464,874**	**26,528,543**	**27,599,169**
Surplus/Deficit	**(11,043,494)**	**(330,902)**	**457,010**	**(166,919)**	**(164,323)**	**465,440**	**165,819**	**(181,801)**	**(497,184)**
Fund Balance, July 1	23,478,448	12,434,954	12,104,052	12,726,083	11,609,449	10,794,202	11,146,160	11,210,863	10,924,408
Preliminary Fund Balance, June 30	**12,434,954**	**12,104,052**	**12,561,062**	**12,559,164**	**11,445,126**	**11,259,641**	**11,311,979**	**11,029,062**	**10,427,224**
General Reserves Adjustment			-	(949,715)	(650,925)	(113,481)	(101,116)	(104,654)	(108,825)
Fund Balance, June 30	**12,434,954**	**12,104,052**	**12,726,083**	**11,609,449**	**10,794,202**	**11,146,160**	**11,210,863**	**10,924,408**	**10,318,400**
Pension Fund Balance, July 1	16,287,510			19,432,089	19,655,464	19,321,433	18,848,352	18,202,255	17,420,670
Revenues - Interest	924,669	1,010,988	2,566,660	1,127,061	1,140,017	1,120,643	1,093,204	1,055,731	1,010,399
Expenditure - Transfers Out			1,144,225	853,686	1,434,048	1,553,724	1,709,302	1,807,316	1,908,271
Expenditures	52,921	81,434	79,159	50,000	40,000	40,000	30,000	30,000	30,000
Pension Fund Balance, June 30	**17,159,258**	**18,088,812**	**19,432,089**	**19,655,464**	**19,321,433**	**18,848,352**	**18,202,255**	**17,420,670**	**16,492,798**
Fund Balance, July 1			7,457,116	7,492,770	8,517,413	9,395,369	9,771,183	10,162,031	10,568,512
Revenues - Interest			35,654	74,928	227,031	262,333	289,731	301,827	313,916
Revenues - Transfer In				949,715	650,925	113,481	101,116	104,654	108,825
General Reserve Balance, June 30	**7,137,963**	**7,457,116**	**7,492,770**	**8,517,413**	**9,395,369**	**9,771,183**	**10,162,031**	**10,568,512**	**10,991,252**

Return to Agenda

ATTACHMENT B

City of Pinole

Long-Term Financial Plan for Fiscal Year (FY) 2021/22 - FY 2025/26



Adopted June 2021

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TABLE OF CONTENTS

ELECTED OFFICIALS AND DEPARTMENT HEADS

ELECTED OFFICIALS

Mayor	Norma Martinez-Rubin
Mayor Pro Tem	Vincent Salimi
Council Member	Devin Murphy
Council Member	Anthony Tave
Council Member	Maureen Toms
Treasurer	Roy Swearingen

DEPARTMENT HEADS

City Manager	Andrew Murray
Assistant City Manager	Hector De La Rosa
City Attorney (Contract)	Eric Casher
City Clerk	Heather Iopu
Development Services Director	Tamara Miller
Finance Director	Markisha Guillory
Fire Chief	Chris Wynkoop
Police Chief	Neil Gang

STRATEGIC PLAN 2020 – 2025 VISION, MISSION, AND GOALS

VISION

Pinole is safe, vibrant, and innovative community with small town charm and high quality of life.

MISSION

Pinole will be efficient, ethical, and effective in delivering quality services with community involvement and fiscal stewardship.

GOALS

1. **Safe and Resilient Pinole**: Develop and communicate resilience through quality public safety service delivery, property maintenance policies and practices, and disciplined investment in community assets.

2. **Financially Stable Pinole**: Ensure the financial health and long-term sustainability of the City.

3. **Vibrant and Beautiful Pinole**: Facilitate a thriving community through development policies and proactive relationship building.

4. **High Performance Pinole**: Build an organization culture that is efficient, ethical, and effective in delivering quality services with community involvement and fiscal stewardship.

EXECUTIVE SUMMARY

The City of Pinole's Long-Term Financial Plan (LTFP) for Fiscal Year (FY) 2021/22 - FY 2025/26 has been created to help implement the City's Strategic Plan 2020 – 2025. It has been developed in conformance with public finance best practices.

The LTFP identifies any major economic or demographic trends that might impact future requests for City services and City revenues. It includes a five-year forecast of General Fund, including Measure S funds, revenues and expenditures based on the City's current services and revenue sources and assumptions about the future. The forecast anticipates that the General Fund will be structurally balanced over the five-year period.

The LTFP identifies the major challenges and opportunities that the City will likely face over the planning horizon, as well as the main discretionary service level/expenditure options and new revenue options that the City can consider and should bear in mind as it makes future financial and operational decisions.

This inaugural LTFP does not recommend any specific new service levels or programs for the City, nor identify specific matching revenue sources to support them. Rather, this LTFP forecasts the City's budget condition over the next five years and identifies a number of revenue and expenditure options the City Council can consider implementing in the future. City staff anticipates creating an updated LTFP on a biennial basis going forward, and expects that future LTFPs will have more specific recommendations on service levels and programs and associated funding sources.

INTRODUCTION

BACKGROUND

In February 2020, the City Council adopted the City of Pinole Strategic Plan 2020 – 2025. The Strategic Plan identified four goals for the City (safe and resilient, financially stable, vibrant and beautiful, and high performance), and 22 individual strategies (special projects) to complete over a five-year timeframe.

One of the strategies under the goal of a financially stable Pinole is to "develop a long-term financial plan (LTFP) and use it to guide budget and financial decisions (including policies regarding reserves and management of liabilities)." The City of Pinole Long-Term Financial Plan (LTFP) for Fiscal Year (FY) 2021/22 - FY 2025/26 has been created to address this Strategic Plan strategy.

PURPOSE

The purpose of the LTFP is to inform the City's financial and operational decision making. The LTFP can be used as a guide to many planning and decision-making processes, such as the development of future budgets and Capital Improvement Plans (CIP). The LTFP also marks the beginning of the FY 2021/22 annual budget development process.

SCOPE

The Long-Term Financial Plan (LTFP) for Fiscal Year (FY) 2021/22 - FY 2025/26 covers the revenues and expenditures of the City's General Fund, including the Measure S 2006 and Measure S 2014 funds, over a five-year period. Future LTFPs will cover all City funds.

DEVELOPMENT PROCESS

City staff (the City Manager, Finance Director, Finance Department staff, and other department heads and staff) began developing the LTFP in winter 2020/2021. The LTFP was created using public finance best practices. City staff consulted numerous resources to determine how to approach the project and create sound analysis. Best practices are well summarized in the key publication on municipal long-term financial planning, the Government Finance Officers Association's (GFOA) Financing the Future: Long-Term Financial Planning for Local Government. GFOA, one of the leading professional associations in the public finance field, defines financial forecasting and long-term financial planning as follows:

- Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.
- Long-term financial planning is the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.

The main tasks required to create the LTFP were the following:

- Forecast revenues and expenditures using key assumptions about the City's operating environment;
- Identify the major challenges and opportunities that the City will face over the next five years;
- Identify policy alternatives, including changes to revenue sources and expenditures, that will result in a sustainable, long-term balance between desired service levels and City financial resources; and
- Gather feedback on a draft LTFP and gain Council approval of the final LTFP.

City staff has completed the necessary tasks using best practices. This has resulted in a LTFP that is consistent with GFOA's Long-Term Financial Planning best practice, which requires that a long-term financial plan:

- Use a planning horizon of at least five years;
- Include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms; and
- Be visible.

The LTFP development process was structured to support participation from a variety of stakeholders. Staff shared information and received input from Council Members and the public at multiple Finance Subcommittee and City Council meetings in spring 2021. Staff also gathered input from interested stakeholders through an online survey that specifically focused on identifying the most important challenges and opportunities that the City will face over the five-year planning period. The participatory development process has resulted in a LTFP that reflects the interests of the City Council and community.

City staff anticipates creating an updated LTFP on a biennial basis going forward.

LONG-TERM FINANCIAL FORECAST

INTRODUCTION

One of the key steps in creating a LTFP is to create a long-term financial forecast. A long-term financial forecast estimates future revenues and expenditures based on assumptions about the City's future operating environment. Over the past few years, the City has included a long-term financial forecast covering the General Fund, including the Measure S funds, in the annual budget. (The City also issued an updated five-year forecast in October 2020.)

FORECAST METHODOLOGY

As noted above, City staff followed public finance best practices when creating the LTFP, including when designing the forecast methodology. Staff reviewed the City's past forecasting work, the work of peer jurisdictions and other leading municipalities, and academic and professional materials on the topic. Staff used the FY 2020/21 revised mid-year budget as the base year of the five-year forecast and applied quantitative and qualitative methods. Quantitative methods involve using historic numerical data to forecast future numeric values. As an example, staff looked at average annual historic growth rates for various revenues and expenditures, then used those average growth rates to forecast future values for those revenues and expenditures. Qualitative forecasting methods involve using information other than historic numerical data to conduct forecasting. This might involve factoring into a forecast the opinions of experts regarding issues such as future economic conditions and changes in the regulatory environment. Staff incorporated some qualitative forecasting into the LTFP.

MAJOR ECONOMIC AND DEMOGRAPHIC TRENDS

Forecasting future conditions requires identifying the major current trends that will shape the future. The primary determinants of a city's financial sustainability are the demands for city services, the city's revenues, and service delivery methods. These are primarily driven by demographic and cultural changes as well as economic changes.

Demographic and Cultural Changes

City staff is not anticipating any significant changes to the demographics or cultural characteristics of Pinole's population over the five-year period covered by the LTFP. The City's total population has remained very stable over the past decade, growing less than 1% annually on average, and there are a limited number of sites available for significant new housing development, which would allow for a population increase. The Association of Bay Area Governments (ABAG) projects that Pinole's population will increase by 1,775 residents between

2020 and 2040, to a total of 21,280, which represents an annual growth rate of 0.44%. According to the 2019 American Community Survey (latest available), the City's median age is 38.1 years. Its race and ethnic composition are as follows: White alone (43.0%), Asian alone (27.4%), Black or African American alone (11.8%), American Indian and Alaska Native alone (0.6%), Native Hawaiian and Other Pacific Islander alone (0.1%), Hispanic or Latino (may be of any race, so also are included in applicable race categories) (21.4%), and two or more races (9.6%). The female to male ratio is 53.6% to 46.4%. There are approximately 6,748 households with an average of 2.84 persons per household. Pinole's median household income is $100,315.

The City is expecting to receive applications for some new housing projects at infill sites, but it is not possible at this point to forecast how many new housing units might be created as a result, nor to forecast how such projects, if constructed, might impact the City's population and service demands. The City's demographics have also remained fairly stable, and staff is not anticipating any significant changes to demographics over the five-year planning horizon.

Economic Changes

Prior to the onset of COVID-19 in early 2020, the City was experiencing a steady, modest economic expansion, similar to that experienced by many other cities in the aftermath of the Great Recession. COVID-19 created an unanticipated shock to the national economy. Many of Pinole's businesses were significantly impacted by the shelter-in-place health orders, which disrupted many retail, restaurant, entertainment, and personal service activities. Due to public health interventions and the growing availability of vaccines, the local and national economies are expected to recover to pre-COVID-19 levels by late 2021, and thereafter resume the steady, modest growth of the pre-COVID period. Therefore, City staff is not anticipating any economic changes during the five-year planning horizon that would significantly influence the City's finances.

Due to the specific forms of taxation through which Pinole receives the majority of its General Fund revenue, particularly sales tax (including from online sales) and property tax, the City did not experience a significant loss of revenue due to COVID-19. For the purpose of the LTFP's long-term forecast, City staff is assuming a return to steady, modest revenue growth commensurate with steady, modest economic growth.

City staff expects that City operations will generally experience modest productivity gains consistent with those realized in the economy generally over the next five years. City staff also expects that if the federal government makes a significant new investment in infrastructure, perhaps through a new infrastructure bill, the cost of capital project materials and labor will increase. City staff does not have a precise sense of how that would likely impact the cost of City capital projects, and therefore has not included any related increased cost in the LTFP. Forthcoming CIPs will incorporate the City's estimate of any increase in the cost of capital projects due to additional federal investment.

STATUS QUO FORECAST

The five-year forecast that the City has included in recent annual budgets and updated in October 2020 is a “status quo” forecast. A “status quo” forecast assumes that the City continues current (status quo) staffing levels, service levels, and programs in the future and that the City does not establish any new revenue-generating mechanisms.

City staff has created an updated status quo five-year forecast for the General Fund, including Measure S funds, for FY 2021/22 through FY 2025/26. This forecast will be used as the basis of the development of the FY 2021/22 budget. For the status quo forecast, staff assumed that future City service levels would remain at the levels of FY 2020/21. Staff then forecasted revenues and expenditures for the five succeeding years by applying assumptions about future changes in economic conditions that impact revenues and expenditures.

Based on specific assumptions, detailed below, the City forecasts that the General Fund and the Measure S funds will be structurally balanced over the five-year forecast period.

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2018-19 Actual	2019-20 Actual	2020-21 Revised Budget	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
REVENUE								
PROPERTY TAX	3,837,167	4,514,755	4,146,109	4,230,162	4,642,585	5,649,469	5,801,568	5,959,970
SALES TAX	3,994,720	3,788,080	3,991,200	4,155,000	4,305,000	4,446,000	4,576,000	4,710,000
MEAS S 2006 & 2014 LOCAL SALES TA	4,286,328	3,901,837	4,092,000	4,284,000	4,454,000	4,600,000	4,734,000	4,874,000
UTILITY USERS TAX	1,812,844	1,809,832	1,896,000	1,914,960	1,934,110	1,953,451	1,972,985	1,992,715
FRANCHISE TAX	735,311	750,001	750,000	757,500	765,075	772,726	780,453	788,258
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,006,163	2,082,883	2,142,701	2,218,061	2,298,695	2,382,941
OTHER TAXES	884,757	826,359	785,000	800,700	816,714	833,048	849,709	866,703
CHARGES FOR SERVICES	967,318	1,260,013	1,306,115	1,371,421	1,428,005	1,498,155	1,571,813	1,649,154
OTHER REVENUE	2,367,313	1,116,846	541,818	527,205	545,039	552,800	560,715	568,790
ONE-TIME REVENUE			619,756	600,000	-			
TRANSFERS IN	6,290,688		1,933,025	1,147,758	1,411,356	1,537,642	1,706,785	2,045,623
Total Revenue	**27,012,947**	**19,920,440**	**22,067,186**	**21,871,589**	**22,444,584**	**24,061,351**	**24,852,724**	**25,838,154**
EXPENDITURES								
SALARIES	8,593,887	9,184,283	9,872,536	10,168,712	10,473,773	10,787,987	11,111,626	11,444,975
BENEFITS - PERS RETIRE	1,792,051	2,451,619	3,077,528	2,939,809	3,203,407	3,329,693	3,498,836	3,603,462
BENEFITS - OTHER	3,079,527	2,864,038	3,052,813	3,185,910	3,342,288	3,506,368	3,646,623	3,892,040
PROFESSIONAL SERVICES	2,033,715	2,284,342	2,706,141	2,787,325	2,870,945	2,957,073	3,045,785	3,137,159
OTHER OPERATING EXPENSES	472,703	1,176,125	377,332	300,468	307,341	314,406	321,670	329,136
ONE-TIME EXPENDITURES			1,126,380		22,500		22,500	
DEBT SERVICE	590,433	606,553	556,107	576,150	596,150	611,150	677,150	677,150
CAPITAL PROJECTS	211,292	429,470	2,040,649	315,000	324,450	334,184	344,209	354,535
TRANSFERS OUT	21,732,833	1,255,058	1,395,962	1,313,058	1,275,435	1,293,318	1,311,222	1,329,664
Total Expenditures	**38,506,441**	**20,251,487**	**24,205,447**	**21,586,431**	**22,416,288**	**23,134,178**	**23,979,620**	**24,768,121**
Surplus/Deficit	**(11,493,493)**	**(331,047)**	**(2,138,261)**	**285,158**	**28,296**	**927,174**	**873,104**	**1,070,033**
Fund Balance, July 1	23,478,448	11,984,955	11,653,908	8,567,045	8,973,211	8,772,038	9,648,456	10,451,820
Preliminary Fund Balance, June 30	**11,984,955**	**11,653,908**	**9,515,647**	**8,852,203**	**9,001,507**	**9,699,212**	**10,521,560**	**11,521,853**
General Reserves Adjustment			(948,601)	121,008	(229,469)	(50,756)	(69,740)	(61,844)
Fund Balance, June 30	**11,984,955**	**11,653,908**	**8,567,045**	**8,973,211**	**8,772,038**	**9,648,456**	**10,451,820**	**11,460,009**
Fund Balance, July 1	16,287,510	17,159,258	18,088,812	17,144,938	16,941,587	16,472,843	15,850,626	15,033,177
Revenues - Interest	924,669	1,010,988	1,049,151	994,406	982,612	955,425	919,336	871,924
Expenditure - Transfers Out	6,290,688	-	1,933,025	1,147,758	1,411,356	1,537,642	1,706,785	2,045,623
Expenditures	52,921	81,434	60,000	50,000	40,000	40,000	30,000	30,000
Pension Fund Balance, June 30	**17,159,258**	**18,088,812**	**17,144,938**	**16,941,587**	**16,472,843**	**15,850,626**	**15,033,177**	**13,829,479**
Fund Balance, July 1	2,386,489	7,137,963	7,457,116	8,629,431	8,738,848	9,234,113	9,555,008	9,909,875
Revenues - Interest	150,668	319,153	223,713	230,425	265,796	270,139	285,128	295,204
Revenues - Transfer In	4,600,806	-	948,601	(121,008)	229,469	50,756	69,740	61,844
General Reserve Balance, June 30	**7,137,963**	**7,457,116**	**8,629,431**	**8,738,848**	**9,234,113**	**9,555,008**	**9,909,875**	**10,266,923**

Revenues

As shown in the table above, the status quo forecast anticipates that General Fund revenue, including the Measure S funds, will grow from 21.9 million in FY 2021/22 to $25.8 million in FY 2025/26, primarily due to increases in the property tax and sales tax categories.

Property Tax

Property tax is an ad valorem tax levied on real property. The fixed statutory rate is 1% of assessed valuation. The City receives approximately 19% of the total ad valorem properties taxes levied on property located within its boundaries (exclusive of Redevelopment Project Areas).

The 22% growth in FY 2023/24 is due to the residual property tax revenue resulting from the dissolution of the former Redevelopment Agency forecasted to increase by approximately $908,511 (61%), after outstanding redevelopment bonds are retired. The forecast also reflects one-time revenue of $600,000 in FY 2021/22 for the anticipated sale of former Redevelopment property, Pinole Shores II. The sale is expected to net approximately $3,000,000, of which the City's share is 18.75%, or $600,000.

The status quo forecast, provided by HDL, the City's property tax consultant, assumes that property tax revenue will grow from $4.2 million in FY 2021/22 to $6 million in FY 2025/26.

Sales Tax

The City levies a 9.75% sales tax on all merchandise. The use tax portion differs from sales tax in that it generally applies to storage, use or consumption of goods purchased from retailers in transactions not subject to sales tax. Additionally, use tax may apply to purchases shipped to California consumers from another state.

The City's sales tax rate comprises the following components:

- State of California – 7.25%;
- Contra Costa County – 1.5%;
- Pinole (Measure S 2006) – 0.5%; and
- Pinole (Measure S 2014) – 0.5%.

This category includes the General Fund, Measure S 2006, and Measure S 2014, and is the City's largest source of general revenue. The forecasted growth rate averages 3% and 4% for standard sales tax and Measure S, respectively. The growth rates are different due to the county share of the standard sales tax. The status quo forecast, provided by HDL, the City's sales tax consultant, assumes that sales tax revenue, including the General Fund and the Measure S funds will grow from $8.5 million in FY 2021/22 to $9.7 million in FY 2025/26.

Utility Users Tax (UUT)

The City levies an 8% utility users tax (UUT) on the value of public utilities services consumed within the City limits for electricity, gas, and telecommunications. The forecasted growth rate averages 1% per year. The growth rate aligns with the trend of very low to flat growth in UUT, notably in the telecommunications subcategory. The status quo forecast assumes that utility users tax revenue will grow from $1.9 million in FY 2021/22 to $2 million in FY 2025/26.

Franchise Tax

The City levies a 5% franchise tax on public utilities and other corporations who furnish gas, electric, water, refuse, and cable television or similar services to citizens living within the City's boundaries. The fees are defined in the franchise fee agreements and are paid directly to the City by these franchisees. The forecasted growth rate averages 1% per year. While franchise tax revenue has grown collectively, one of the major services, cable, has had flat to low growth. One factor is the change in consumer preference from traditional cable to streaming services. The status quo forecast assumes that franchise tax revenue will grow from $757,000 in FY 2021/22 to $788,258 in FY 2025/26.

Intergovernmental Tax

This category primarily comprises the vehicle license fee (VLF) which is an annual fee collected on the ownership of a registered vehicle in California, in lieu of levying personal property tax on vehicles. The forecast is based on projections provided by HDL, the City's property tax consultant. The forecasted growth rate averages 4% per year. The status quo forecast assumes that intergovernmental tax revenue will grow from $2.1 million in FY 2021/22 to $2.4 million in FY 2025/26.

Other Taxes

This category includes the business license tax which is levied on businesses located within the City and those that do business with Pinole but are located outside of City boundaries. It also includes the transient occupancy tax (TOT) for which the City levies a 10% for occupancy of 30 days or less in a motel or lodging facility. The forecasted growth rate averages 2% per year. The status quo forecast assumes that the total business license tax and TOT revenue will grow from $800,700 in FY 2021/22 to $866,703 in FY 2025/26.

Other Revenue

This category includes all other non-major revenue sources, such as grants; licenses and permits; fees; fines and forfeitures; investment income; and other miscellaneous revenue. The forecasted growth rate averages 1% per year. The status quo forecast assumes that total other revenue will grow from $527,205 in FY 2021/22 to $568,790 in FY 2025/26.

Transfers In

This category includes transfers from the Pension Section 115 Trust Fund to the General Fund. The amount transferred is based on the difference between the City's base year (FY 2018/19) contribution toward employee pensions and the forecasted required City contribution in future years. The status quo forecast assumes that transfers in from the Trust will grow from $1.1 million in FY 2021/22 to $2 million in FY 2025/26.

Expenditures

As shown in the table above, the status quo forecast anticipates that General Fund expenditures, including the Measure S funds, will grow from $21.6 million in FY 2021/22 to $24.8 million in FY 2025/26, primarily due to increases in the salaries and benefits categories.

Salaries

Salaries comprise approximately 47% of total General Fund expenditures. Salaries are forecasted to increase by the standard 3% per year unless a different cost-of living-adjustment (COLA) is agreed upon through labor agreements. The status quo forecast assumes that salaries will grow from $10.2 million in FY 2021/22 to $11.4 million in FY 25/26.

Benefits-Retirement

Retirement benefits comprise approximately 13% of total General Fund expenditures. The City's annual required contribution is forecasted based on the most recent actuarial valuations report as of July 2019 provided by the California Public Employees' Retirement System (CalPERS). The forecast reflects the net cost of the required employer contribution minus employee contributions. The status quo forecast assumes that retirement benefits will grow from $2.9 million in FY 2021/22 to $3.6 million in FY 2025/26.

Benefits-Other

Other benefits comprise approximately 15% of total General Fund expenditures. This category includes all other benefits other than retirement, such as medical, dental, vision, life insurance, and long-term disability benefits. The status quo forecast assumes that other benefits will grow from $3.2 million in FY 2021/22 to $3.9 million in FY 2025/26.

Professional Services

This category includes City Attorney services, temporary services, network and software maintenance, and equipment and building maintenance. Contract services with other government agencies, such as the County animal services and library services, are also included in professional services. The status quo forecast assumes that professional services will grow from $2.8 million in FY 2021/22 to $3.1 million in FY 2025/26.

Other Operating Expenditures

This category includes all other expenditure categories, such as travel/training, office expenses, utilities, indirect costs, and materials and supplies. The status quo forecast assumes that other operating expenditures will grow from $300,468 in FY 2021/22 to $329,136 in FY 2025/26.

Capital Outlay

This category includes capital improvement projects mainly for facility and park upgrades. Each year, capital needs are assessed and prioritized through the capital improvement planning process. The amount of Measure S funds allocated to capital projects varies as reflected in the prior years' actuals and budget. The forecast is therefore based on the estimated minimum Measure S funds that will be needed for capital projects. The status quo forecast assumes that capital outlay will increase from $315,000 in FY 2021/22 to $354,000 in FY 2025/26.

The City develops a separate five-year Capital Improvement Plan (CIP) to plan for and appropriate funds to capital improvement projects. Capital projects are primarily funded by Measure S, Gas Tax, Measure J, Sewer enterprise funds, and other miscellaneous funding, such as grants.

Debt Service

This category includes the payment of debt for the 2006 pension obligation bonds (POBs) that were issued to finance the City's unfunded accrued actuarial liability with CalPERS. The future years are forecasted based on the long-term debt obligation schedule. This debt will be fully paid and retired in FY 2035/36.

Transfers Out

This category includes the transfers from the General Fund and Measure S to other funds to support Recreation programs, Pinole Community Television (PCTV), vehicle and equipment replacement, and capital improvement projects. The status quo forecast assumes that transfers out will remain constant, at $1.3 million per year in FY 2021/22 through FY 2025/26. This is consistent with the City's historic practice, such as in prior Measure S expenditure plans and General Fund forecasts.

Fund Balance

Fund balance is basically an accumulation of funds as a result of revenues minus expenditures. When total revenue exceeds total expenditures at the end of a fiscal year, a surplus of funds results and increases fund balance (reserves). On the opposite end, when total expenditures exceed total revenue, a deficit results and reduces fund balance (reserves).

General Fund Balance and General Reserves

The preliminary fund balance is the estimated General Fund fund balance before any transfers out to the General Reserve as per the Reserve Policy. The Reserve Policy requires that an amount equal to 50% of total General Fund ongoing expenditures be set aside in a separate fund, the General Reserve, to maintain adequate financial resources in the event of financial distress.

If the General Reserve balance falls short of the policy requirement, funds are transferred from the General Fund unassigned fund balance in an amount equal to the difference between the General Reserve fund balance and the amount required as per the policy. As such, the ending General Fund fund balance is the result of the preliminary fund balance minus the General Reserve adjustment.

Pension Fund Balance

In June 2018, the Section 115 Trust was established to set aside resources to offset anticipated significant increases in the future City pension costs. The intent was to withdraw resources from the trust each year to cover the increase between the City's contribution toward employee pensions in FY 2018/19, the baseline year, and the City's required contribution in future years.

The pension fund balance for each fiscal year is calculated by starting with the fund balance at July 1, add estimated interest earnings, subtract transfers out to offset increases in pension costs, and subtract administrative costs. The pension fund balance will continue to decrease as funds are withdrawn each year because the trust was funded with one-time proceeds as its only source of funding.

FY 2021/22 PROPOSED BUDGET STAFFING LEVEL FORECAST

The status quo forecast presented above assumes that the staffing levels, service levels, and revenue sources that are incorporated into the FY 2020/21 mid-year revised budget continue over the five-year forecast period. This is a standard approach to forecasting.

Based on various analyses that the City has conducted over the past year, including the Organizational Assessment, City staff will be recommending the addition of three net new City positions in staff's proposed FY 2021/22 budget, as well as potentially others. These three positions include a new Human Resources Director or new Community Services Director (depending on which of the two positions the incumbent Assistant City Manager assumes). Human Resources and Community Services (Recreation) are currently the responsibility of the Assistant City Manager in the City Manager's Office. A dedicated Human Resources Director is needed for this critical internal support function to address matters, such as hiring, staff development, work performance, compensation, and benefits. The creation of a standalone Community Services department with a dedicated director is needed to manage the City's recreation programs, Pinole Community Television, and the animal control and library contracts. The second position is a new Community Development Director or new Public Works Director (depending on which of the two positions the incumbent Development Services Director / City Engineer assumes). The Community Development and Public Works functions are currently the responsibility of the Development Services Director, which is not reasonable given the magnitude of these operations. The separation of Development Services into two departments with a director dedicated to each one adds capacity to provide important planning and community development services, and to achieve capital projects and economic development goals. The third position is a new Administrative Fire Captain position that would oversee report management system (RMS) administration, electronic daily staffing software administration, policy/procedure implementation, emergency medical services (EMS) administration, fire training, vehicle maintenance, cost recovery, and departmental projects. These three additional positions are critical to the City attaining the bandwidth needed to perform bare minimum services in all City departments. Staff believes that the addition of these three positions creates a much-needed new normal for staffing at the City.

Given staff's belief that the City must add these three net new positions to attain the minimum bandwidth needed in all City departments, staff believes that it is valuable to present a five-year financial forecast that assumes these three positions as part of the baseline. As such, staff has created a FY 2021/22 proposed budget staffing level forecast. This forecast is identical to the status quo forecast except for the addition of these three positions. The table below summarizes this forecast. Note that a portion of each of these three new positions is funded by sources other than the General Fund.

GENERAL FUND SUMMARY INCLUDES MEASURE S 2006 & 2014	2018-19 Actual	2019-20 Actual	2020-21 Revised Budget	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
REVENUE								
PROPERTY TAX	3,837,167	4,514,755	4,146,109	4,230,162	4,642,585	5,649,469	5,801,568	5,959,970
SALES TAX	3,994,720	3,788,080	3,991,200	4,155,000	4,305,000	4,446,000	4,576,000	4,710,000
MEAS S 2006 & 2014 LOCAL SALES TA	4,286,328	3,901,837	4,092,000	4,284,000	4,454,000	4,600,000	4,734,000	4,874,000
UTILITY USERS TAX	1,812,844	1,809,832	1,896,000	1,914,960	1,934,110	1,953,451	1,972,985	1,992,715
FRANCHISE TAX	735,311	750,001	750,000	757,500	765,075	772,726	780,453	788,258
INTERGOVERNMENTAL TAX	1,836,501	1,952,717	2,006,163	2,082,883	2,142,701	2,218,061	2,298,695	2,382,941
OTHER TAXES	884,757	826,359	785,000	800,700	816,714	833,048	849,709	866,703
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OTHER REVENUE	2,367,313	1,116,846	541,818	527,205	545,039	552,800	560,715	568,790
ONE-TIME REVENUE			619,756	600,000	-			
TRANSFERS IN	6,290,688		1,933,025	1,257,758	1,531,256	1,662,338	1,837,715	2,180,481
Total Revenue	**27,012,947**	**19,920,440**	**22,067,186**	**21,981,589**	**22,564,484**	**24,186,047**	**24,983,654**	**25,973,013**
EXPENDITURES								
SALARIES	8,593,887	9,184,283	9,872,536	10,599,162	10,917,137	11,244,651	11,581,991	11,929,450
BENEFITS - PERS RETIRE	1,792,051	2,451,619	3,077,528	3,049,809	3,323,307	3,454,389	3,629,766	3,738,321
BENEFITS - OTHER	3,079,527	2,864,038	3,052,813	3,325,910	3,489,288	3,660,718	3,807,147	4,063,801
PROFESSIONAL SERVICES	2,033,715	2,284,342	2,706,141	2,787,325	2,870,945	2,957,073	3,045,785	3,137,159
OTHER OPERATING EXPENSES	472,703	1,176,125	377,332	300,468	307,341	314,406	321,670	329,136
ONE-TIME EXPENDITURES			1,126,380		22,500		22,500	
DEBT SERVICE	590,433	606,553	556,107	576,150	596,150	611,150	677,150	677,150
CAPITAL PROJECTS	211,292	429,470	2,040,649	315,000	324,450	334,184	344,209	354,535
TRANSFERS OUT	21,732,833	1,255,058	1,395,962	1,313,058	1,275,435	1,293,318	1,311,222	1,329,664
Total Expenditures	**38,506,441**	**20,251,487**	**24,205,447**	**22,266,881**	**23,126,551**	**23,869,888**	**24,741,439**	**25,559,216**
Surplus/Deficit	**(11,493,493)**	**(331,047)**	**(2,138,261)**	**(285,292)**	**(562,067)**	**316,159**	**242,215**	**413,797**
Fund Balance, July 1	23,478,448	11,984,955	11,653,908	8,567,045	8,062,536	7,389,543	7,658,503	7,831,085
Preliminary Fund Balance, June 30	**11,984,955**	**11,653,908**	**9,515,647**	**8,281,753**	**7,500,469**	**7,705,702**	**7,900,718**	**8,244,882**
General Reserves Adjustment			(948,601)	(219,217)	(110,926)	(47,200)	(69,633)	(61,841)
Fund Balance, June 30	**11,984,955**	**11,653,908**	**8,567,045**	**8,062,536**	**7,389,543**	**7,658,503**	**7,831,085**	**8,183,041**
Fund Balance, July 1	16,287,510	17,159,258	18,088,812	17,144,938	16,831,587	16,236,563	15,475,945	14,505,835
Revenues - Interest	924,669	1,010,988	1,049,151	994,406	976,232	941,721	897,605	841,338
Expenditure - Transfers Out	6,290,688	-	1,933,025	1,257,758	1,531,256	1,662,338	1,837,715	2,180,481
Expenditures	52,921	81,434	60,000	50,000	40,000	40,000	30,000	30,000
Pension Fund Balance, June 30	**17,159,258**	**18,088,812**	**17,144,938**	**16,831,587**	**16,236,563**	**15,475,945**	**14,505,835**	**13,136,692**
Fund Balance, July 1	2,386,489	7,137,963	7,457,116	8,629,431	9,079,073	9,455,794	9,783,340	10,145,057
Revenues - Interest	150,668	319,153	223,713	230,425	265,796	280,346	292,084	302,263
Revenues - Transfer In	4,600,806		948,601	219,217	110,926	47,200	69,633	61,841
General Reserve Balance, June 30	**7,137,963**	**7,457,116**	**8,629,431**	**9,079,073**	**9,455,794**	**9,783,340**	**10,145,057**	**10,509,161**

MAJOR CHALLENGES AND OPPORTUNITIES OVER THE NEXT FIVE YEARS

One of the main objectives of a LTFP is for an organization to identify significant challenges and opportunities that it is likely to face in the future such that the organization can take steps, with an adequate runway, to overcome challenges and profit from opportunities while providing desired service levels through a structurally balanced budget. The City conducted an environmental scan as part of the development of the Strategic Plan. Additionally, the City deployed an online survey in May 2021 to gather input from the community on the major challenges and opportunities that the City will face over the next five years. The findings of the environmental scan and the community survey are integrated in the content below.

MAJOR CHALLENGES

Changes in demographics and economic conditions can create significant challenges for cities. As noted above, City staff does not anticipate that demographic or economic changes over the next five years will create any significant challenges for the City. The City will nonetheless face a number of other challenges over the next five years.

The City engaged a public opinion research firm to complete a poll in November 2019 of a representative sample of likely voters to identify their top concerns and prevailing opinions. The firm completed 426 surveys, via mixed mode (telephone and web). Participants provided the following responses to the question "What do you think is the most important issue facing the City of Pinole today?":

- Traffic/transportation (14%);
- Public services funding/spending (13%);
- Crime/policing (9%);
- City budget/policies (8%);
- Housing/overpopulation (7%);
- Infrastructure/roads/power issues (6%);
- Jobs/economy/development (6%);
- Schools/education (5%);
- Community improvements (4%);
- Wildfires/fire safety (4%);
- Homelessness (2%);
- Taxes (2%);
- None/nothing (7%);
- Other (3%); and
- Don't know (11%).

It is interesting to note that no single issue emerged as the most significant to a majority of respondents. Rather, different respondents felt that a wide variety of challenges were the most significant.

In addition to those listed above, City staff and the environmental scan identified the following additional items as major challenges that the City will face over the next five years:

- The City's extensive infrastructure, which needs upgrade and replacement;
- Retaining and developing staff, and succession planning;
- Climate change; and
- The changing nature of retail and the related impact to the City's sales and property tax revenues.

The City deployed a voluntary online survey specifically related to the LTFP from May 3, 2021 to May 17, 2021 using Survey Monkey. A total of 47 self-selected community members completed the survey and identified the following as the main challenges facing the City of Pinole over the next five years, some of which overlap with the major challenges identified in the environmental scan:

- Infrastructure maintenance and replacement, notably roads and parks;
- Climate change;
- Public safety, including policing and fire services; and
- Public transportation.

MAJOR OPPORTUNITIES

Changes in demographics and economic conditions can also create opportunities for cities. City staff does not anticipate that there will be any significant demographic or economic changes in the City over the next five years, therefore staff is not anticipating that demographic or economic changes will themselves present major opportunities. That said, the City currently faces and will continue to face a number of opportunities over the next five years.

Opportunities facing the City include the following:

- The opportunity to reimagine retail centers, potentially as mixed use or destination retail and entertainment developments, as the nature of retail changes and there is less need for large retail buildings and centers;
- The opportunity to redevelop other underdeveloped infill sites, such as vacant lots;
- The City's central location in the Bay Area, adjacent to I-80 and San Francisco Bay;
- The City's diverse population; and
- The City's historic downtown.

Respondents to the LTFP survey of May 2021 identified the following as the main opportunities facing the City of Pinole over the next five years, some of which overlap with the major opportunities identified in the environmental scan:

- Environmental initiatives, including the use of green and renewable energy;
- Economic development strategy to attract and support small businesses;
- Redevelopment of areas that can be used for new businesses and housing; and
- Revitalization of the historic downtown.

POLICY ALTERNATIVES - ADDITIONAL DISCRETIONARY EXPENDITURES

One goal of a LTFP is to identify the City services, and service levels, that residents desire, and can be afforded on an ongoing basis by a structurally balanced City budget.

In the United States, there are many levels of government (federal, state, county, city, and special districts), with distinct responsibilities. Cities are primarily responsible for public safety, land use, and public works. They are also often responsible for parks and recreation and sometimes responsible for providing utility services, such as clean water, wastewater, and power.

Pinole is considered a "full service" city, which means that it provides all traditional municipal services. It also provides some services, particularly fire protection and wastewater, that are provided by special districts in many other cities. Pinole provides a very broad range of services for a city of its size.

The majority of City of Pinole staff and resources are dedicated to public safety (police and fire services), land use regulation, building safety, local transportation infrastructure (streets, sidewalks, signals, bike lanes, etc.), and wastewater services. The City also invests significant staff and resources in additional public-facing services, such as outdoor recreation space and facilities, recreational and educational programs, cable television programming, and childcare and senior services. Some City staff and resources are also needed to provide internal services, such as finance, human resources, legal, information technology, records management, and facilities and equipment, to support the public-facing operations. Since having made reductions in staffing during the Great Recession, the City has been leanly staffed compared to many other cities.

Customer expectations for certain municipal services, such as wastewater, are fairly consistent across communities. Therefore, it is straightforward for a city to identify the optimal service level for that function. Customer expectations, and service levels, for other municipal services, vary significantly across communities, and are influenced by a number of factors. As noted above, the City of Pinole is leanly staffed, and provides a solid but basic level of service in most service areas.

As illustrated in the forecasts above, were the City to fund the status quo staffing levels and service levels and fund the three critical new positions that City staff is recommending in the proposed FY 2021/22 budget, without creating any new revenue mechanisms, the City is expected to experience a structurally balanced budget over the next five years. The City is not, however, expected to have significant surplus resources to invest in new programs or services.

Were the City to eliminate some of the status quo staffing and service levels and/or create new revenue sources, the City would have additional financial capacity to contribute to unfunded or deferred liabilities and/or increased services and programs. Over the course of the past year, members of the community and/or members of the City Council have expressed some interest in increasing the City's contributions toward unfunded or deferred liabilities and increased service levels or programs in several areas. In this inaugural LTFP, staff has listed some of the services and programs that the community and/or City Council have expressed some interest in expanding. Note that in general, addressing unfunded and deferred liabilities is best accomplished with one-time financial resources whereas expanding ongoing services is best addressed with ongoing financial resources.

UNFUNDED/DEFERRED LIABILITIES

The City has a number of unfunded liabilities and deferred maintenance needs that it could address with one-time resources, described below.

Unfunded Liabilities

The City has a number of unfunded liabilities, such as unfunded accrued compensated absences, unfunded liability for other post-employment benefits (OPEB), and unfunded retirement (pension) liabilities.

Unfunded Accrued Compensated Absences

City employees accrue paid vacation and sick leave. As of the end of FY 2019/20, the City had approximately $1.4 million in unfunded liability for vacation and sick leave that employees had earned but not yet taken. The City traditionally pays for paid leave out of its normal operating budget, referred to as “pay-as-you-go.” The City could choose to set aside funds to eliminate this unfunded liability. The funding source could be one-time funding, such as unassigned fund balance.

Unfunded Retirement (Pension) Liability

The City provides its employees with a defined benefit retirement program through CalPERS. Depending on the demographic characteristics of the City’s employees, the amount of City and employee contributions to the retirement program, and the program’s return on its investments, the assets and liabilities in the City’s CalPERS account fluctuate over time. Per the most recent actuarial valuation available, as of June 30, 2019 the City had a total unfunded pension liability with CalPERS of approximately $36.5 million.

CalPERS has made several changes to its policies and procedures over the past decade that have been intended to increase the financial strength of the system, but have also resulted in significantly increased required contributions and unfunded liabilities for municipalities. CalPERS has changed key assumptions that increased unfunded liabilities, including increasing the life expectancy of beneficiaries and decreasing the expected rate of return on assets. CalPERS has also implemented new policies that require municipalities to accelerate contributions in order to achieve adequate funded status more quickly. So, despite the implementation of the less costly Public Employees’ Pension Reform Act (PEPRA) in 2013, the City’s unfunded pension liability has grown substantially over the past few years. CalPERS is unlikely to implement a comparably broad set of additional changes in the coming years, but even more modest changes, in addition to other factors, could continue to significantly increase the City's unfunded pension liability over the next few years.

The City created a special trust fund in FY 2017/18, referred to as a "Section 115 trust," funded with General Fund resources, to offset this significant unfunded pension liability. As of December 31, 2020, the market value of the assets in the trust fund was $19.2 million. The unfunded liability in CalPERS will fluctuate over time, as will the value of the assets in the Section 115 trust.

Unfunded Accrued Liability (UAL) for Other Post-Employment Benefits (OPEB)

A pension is the primary benefit that the City provides to retired City employees. The other main benefit that the City provides to retired City employees is a contribution toward retiree medical insurance premiums during retirement. This and other ancillary, non-pension retirement benefits, are referred to as other post-employment benefits (OPEB). Until recently, employers have not been required to report OPEB assets and liabilities in the same way that they have been required to report pension assets and liabilities. Further, employers have generally not been required to make regular payments to pre-fund OPEB liabilities. Employers have normally paid for OPEB benefits on a pay-as-you-go basis. This has resulted in significant unfunded OPEB liability for many employers, including the City. As of June 30, 2020, the City had an unfunded OPEB liability of $36.4 million.

Deferred Maintenance and Renewal

Like many cities, Pinole has deferred investment and expenditures on capital assets and other systems, particularly in response to and in the aftermath of the Great Recession and the dissolution of redevelopment. The City's current budget allows the City to provide essential services, but defers some investment in capital assets, business systems, and human capital. This deferral of investment will lead to the deterioration of some assets and systems in the long run.

Capital Asset Renewal and Replacement

Pinole has deferred expenditures on capital asset maintenance and renewal, and many of the City's capital assets are reaching the natural end of their useful life. The City owns a significant portfolio of capital assets, which are well described in the City's Capital Improvement Plan (CIP). These include buildings, roads, sidewalks, parking lots, trails, parks, open space, the wastewater treatment plant, the sewer collection system, the stormwater collection system, vacant lots, streetlights, and traffic control devices. The City's Strategic Plan includes a strategy to conduct a citywide asset condition assessment. That effort is currently underway, addressing different asset types in phases. The City is in the process of developing a sewer system master plan and will be developing a parks master plan. The City is also implementing a new capital asset management software system. After these efforts are complete, the City will have a much clearer picture of its complete capital asset portfolio and the expenditures required for maintenance and renewal to achieve the lowest possible total cost of ownership of its assets.

Human Capital, Including Employee Compensation and Training

The City implemented its current basic service expenditure model as a result of the Great Recession and the dissolution of redevelopment. The current model relies on very lean staffing levels and limited investment in the City's workforce. To attract and retain quality employees that are sufficiently trained and resourced to provide efficient and effective services in the long run, the City will need to increase its investment in its workforce. This will include providing employees with additional training, better tools, succession planning and career development opportunities, updated policies and procedures, and likely more competitive compensation.

Information Technology Systems

The City uses a variety of information technology (IT) hardware and software to provide efficient and effective services. This hardware and software is a type of infrastructure that the City operation relies upon. The City has deferred investment in information technology tools in the same way that it has deferred investment in other types of systems and infrastructure. The City has replaced some IT systems and implemented some new IT systems over recent years, but the City does not have current and complete IT systems in all areas, which would improve efficiency and effectiveness. In addition, the City has hired a firm to provide IT services to the City. The firm's scope of work is narrower than the services that would be provided by a traditional in-house IT function. One of the Strategic Plan strategies is the completion of a comprehensive Information Technology Plan (IT Plan). City staff is currently working with the City's contract IT firm to develop the IT Plan, which will identify the City's IT needs and the investment required to bring the City's IT systems up to modern best practices. Additionally, the City could consider investing in a municipal broadband network to support the community's access to the internet, support economic development, and possibly provide new revenue to the City.

Vehicle and Equipment Replacement

Vehicles and equipment are another significant asset that the City relies upon to provide services. The City does not currently have an integrated, citywide vehicle and equipment management program. It acquires new vehicles and equipment when needed on a pay-as-you-go basis, and its vehicles and equipment are generally modern enough to meet current operating needs. Paying for equipment on a pay-as-you-go basis can lead to expenditure spikes when expensive equipment needs to be replaced. The City's new capital asset management software system has a module for fleet and equipment. Once that module is implemented, the City will have a clearer sense of its vehicle and equipment replacement needs and the amount of funding that the City should set aside on an annual basis to address needs.

SERVICE AND PROGRAM EXPANSION

As noted above, the City provides a solid but basic level of service in most service areas. The City can spend any surplus discretionary financial resources it may have on expanding services and programs.

Expansion of Existing Services

Economic Development

The City has not had a formal economic development function since 2012, when the dissolution of redevelopment occurred, although the City has undertaken some limited economic development activities recently, such as having a consultant complete a consumer retail demand and market supply assessment in 2019.

One of the Strategic Plan strategies is to "develop a comprehensive economic development strategy," and several other Strategic Plan strategies also relate to economic development. The City is in the process of selecting a professional services firm to develop the economic development strategy, and will likely undertake a reorganization recommended by the Organizational Assessment that will create economic development functions in the City Manager's department and the community development department.

Climate Resiliency and Environmental Programs

The City is required by the State and federal government to undertake a number of programs related to protecting the environment. For example, the City is required to comply with requirements related to effluent of the wastewater treatment plant, stormwater protection, having low emission fleet vehicles, reducing solid waste disposal, complying with the California Environmental Quality Act (CEQA), having a General Plan, and others. The City has also undertaken voluntary steps to protect the environment and to keep the City resilient to the threats of a climate crisis, such as joining a community choice energy program, Marin Clean Energy (MCE), authorizing a property-assessed clean energy (PACE) program, and participating in a local transit joint powers authority (Western Contra Costa County Transit, "WestCAT"). There are additional programs and activities that the City could undertake to further promote environmental protection. The City Council plans to review the various programs and activities that the City is currently undertaking related to climate change at a City Council meeting in FY 2021/22. Environmental initiatives that could be considered include addressing rising sea levels, preparing for local fire danger, working toward a zero emission fleet, as well as energy conservation, generation, and storage opportunities.

Fire Service

The City is currently assessing the community's fire suppression, fire prevention, rescue, and emergency medical response needs, as well as assessing various service models and funding mechanisms that could be accessed or established to support these services. The Fire Department plans to present some preliminary findings and recommendations regarding changes in service model and level in early 2021.

Housing Assistance

Redevelopment was a significant tool for affordable housing development. Since the dissolution of redevelopment, the City of Pinole, and other California cities, have fewer tools and financial resources to create affordable housing. Upon the dissolution of redevelopment, the City opted to become the housing successor to the former Pinole Redevelopment Agency. In that capacity, the City monitors affordable housing units that were funded by the former agency for ongoing compliance with affordability covenants. The City also has an inclusionary housing ordinance that requires that all housing development projects with four units or more must ensure that 15% of the units are affordable. The City can expend resources remaining from the former agency’s affordable housing assets to support the creation of a limited number of new affordable housing units or to provide services to the homeless population. However, these resources are significantly less than what would be needed to provide any substantial amount of new affordable housing units in the City.

Youth Development and Support

The City supports and engages youth ages six through 17 through the activities of the Recreation Department’s Youth Center, which provides afterschool and summer enrichment programs. The Youth Center could expand services to address youth health, engagement, community service, a youth commission, workforce development, or other activities.

Cultural, Historical, and Artistic Programs

The City provides a limited number of cultural, historic, and artistic programs. These include enrichment programs through the Recreation Department’s Senior Center and Youth Center, periodic community events such as music in Fernandez Park, broadcast of some community events on Pinole Community Television (PCTV), rental of a portion of the Memorial Hall building to the Pinole Community Players theater company, and some public art. The City does not have a specific requirement that new development projects include public art or pay an in-lieu fee for public art elsewhere in the City. The community does have a number of cultural, historic, and artistic organizations and resources that the City could support or leverage to provide more cultural, historic, and artistic offerings.

New Services

Although Pinole is a “full service” city, there are some services that other cities provide that Pinole does not. These include robust cultural, historic, and artistic programs and educational support programs.

Education Support

In California, public education is provided by school districts. School districts rely on a different source of revenue than do cities. Some cities support the education of their residents by offering educational support program or by providing financial assistance to public schools. The City does offer afterschool enrichment programs to students for a fee, but does not currently provide educational support programs. In with the past, West Contra Costa Unified School District (WCCUSD) has provided the City with grant funding such that the City could assign two police officers to serve as school resource officers (SROs). WCCUSD eliminated that funding in FY 2020/21. The officers previously assigned as SROs have been reassigned to other public safety duties.

Capital Expansion

The term "capital expansion" refers to creating new capital assets, such as parks or plazas, opposed to simply renewing or replacing existing capital assets.

New Parks and Park Upgrades

The Contra Costa Local Agency Formation Commission (LAFCO) recently released a public review draft municipal service review (MSR) of parks and recreation services in the County. The draft report found that Pinole has adequate park space based on the number of developed parkland acres per capita, but did not look in detail at the City's specific park amenities. The City is preparing a Park Master Plan, which is a CIP project. The Park Master Plan will involve gathering community input on desired park amenities and will recommend whether any additional parks, or additional amenities within existing parks, are desirable, accessible, and feasible. Potential funding sources for consideration include grant opportunities, park development impact fees, fundraising from individuals or organizations, and new tax measures.

Other Capital Expansion Projects

New Public Spaces/Placemaking

The term "capital expansion" refers to building new capital assets, such as buildings, roads, parks, paths, bike lanes, etc., opposed to replacing existing capital assets. As noted above, the City has a substantial capital asset footprint already, and much of the City's current capital assets have deferred maintenance that would require significant investment to eliminate. Nonetheless, it might be desirable to create some new, high-impact capital assets that would improve economic vitality or quality of life.

Additional Reserves

Pursuant to its Reserve Policy, the City is required to maintain a general reserve equal to 50% of total ongoing annual General Fund expenditures. As of June 30, 2020, General Fund reserves exceeded the minimum required at approximately 57.9% of total General Fund expenditures.

The City's formal General Fund reserve and other uncommitted General Fund fund balance have fluctuated over the years. The larger these reserves and balances, the better the City is able to address unplanned revenue reductions or expenditure increases.

Staff performed an analysis of the City's financial resiliency using the diagnostic tool offered by the GFOA. The tool determined that the City has a low level of financial risk based on several factors, including its revenue stability, low expenditure volatility, and high liquidity. GFOA suggests that cities with a low level of financial risk maintain a minimum general reserve of approximately 17% of total ongoing annual General Fund expenditures. (GFOA recommends that cities with moderate and high levels of financial risk maintain general reserves at a minimum of 26% and 36%, respectively.)

City staff believe that a high reserve is appropriate given the ongoing uncertainty regarding the impact of the pandemic. However, City staff may recommend reducing the required reserve to 35%, so that funds currently held in reserve greater than 35% can be invested in high-priority City needs.

POLICY ALTERNATIVES – ADDITIONAL REVENUE AND EXPENDITURE REDUCTION OPTIONS

As noted above, one goal of a LTFP, and of a city's annual budget, is to identify the City services that residents desire and to simultaneously identify an equivalent amount of funding, which results in a structurally balanced budget. The mechanisms through which cities receive revenue vary across states. In California, cities receive the bulk of their revenues for general operations through sales tax and property tax. In addition, to offset the loss of property tax revenue that cities experienced due to Proposition 13, many cities instituted other forms of taxes, such as business license tax, transient occupancy tax (TOT), utility users tax (UUT), and "local sales tax" (transactions and use tax). Cities have also instituted mechanisms to recoup funds that they spend to provide services that directly benefit a specific user or beneficiary, through fees and assessments.

The section above identified some unfunded and deferred liabilities and service and program expansions in which the City could invest additional resources. Because the five-year forecast predicts that the City's General Fund budget will be essentially balanced over the next five years, there are limited resources to invest in unfunded/deferred liabilities and expanded services/programs. Therefore, if the City would like to make any substantial new investments, it will need to identify additional revenue sources or reduce some other current expenditures. Both of these options are discussed below.

ADDITIONAL REVENUE

New Local Revenue

The mechanisms through which California cities can independently generate new revenue have been significantly restricted over the past few decades. There are nonetheless a few, limited mechanisms that cities can still use.

Increased Fee Revenue

Cities can establish fees for service that fully cover the cost of the service, but cannot set fees any higher than required for full cost recovery. Many cities have financial policies that state the specific intention to achieve full cost recovery for certain services. Many cities also routinely reevaluate the cost of providing services and adjust fees accordingly to achieve full cost recovery.

The City has had a decentralized process in recent years of analyzing costs and proposing fee changes. Whereas in many cities, the Finance Department leads a coordinated annual effort, as part of the budget process, to identify situations in which fees should be modified to achieve full cost recovery, in Pinole individual departments have been responsible for reviewing costs and proposing fee changes, which they have done on a periodic and irregular schedule. The Strategic

Plan includes a strategy to conduct a comprehensive fee study to ensure cost recovery of current and potential service fees. Some City departments are currently in the midst of fee studies, including Community Development and Recreation. The Finance Department will undertake a fee study in FY 2021/22 that will incorporate the work done for Community Development and Recreation and address all other service areas that need a refresh. That effort will also include an update of the City's indirect cost allocation plan.

Franchise Fees

Franchise fees are fees that the City charges to private parties for the private parties' use of City property. The most significant franchise fee that the City charges is to the City's solid waste collection company, Republic Services, which entitles Republic Services to use the City's streets and right of way to perform solid waste management activities, such as refuse, recycling, and organic material pick up. The fee varies as it is adjusted annually for inflation. Another franchise agreement that the City has is with Pacific Gas and Electric (PG&E) for its use of City poles, wires, conduits, and appurtenances, to transmit electricity and gas to the public. The City levies a fee of 1% to 2% of gross receipts based on one of two formulas, whichever is greater. The City also has a franchise agreement with Comcast, as a state franchise holder, to provide video services to the City. The City levies a fee of 5% of gross revenues. Under the same agreement, the City levies a fee of 2.12% of gross revenues to go toward Public, Educational, and Government (PEG) access channel capacity. PEG fees are used to fund PCTV capital improvements. Franchise fees can be higher than what is required for full cost recovery. Most cities have a small number of franchises, with long term agreements, so the opportunity to increase franchise fees is infrequent.

Sale of Surplus Property

Cities can generate one-time revenue through the sale of surplus property, which might take the form of equipment, furniture, or real property. The sale of surplus equipment, furniture, or supplies rarely generates any significant amount of revenue, whereas the sale of surplus real property can result in significant proceeds, depending upon the characteristics of the property. The proceeds are usually required to be returned to the fund or specific use that originally purchased the property. Many cities sold most or all of their remaining surplus real property following the onset of the Great Recession, to generate revenue to offset the loss of revenue resulting from the Great Recession.

It appears that the City did not divest of all of its real property at that time, and therefore still owns a number of real properties that could be considered surplus and sold. Real property owned by the City that is not currently being used for a core City function includes the building in which the United States Postal Service is housed on Pear Street, the vacant lot across the street, and others. As noted above, the Strategic Plan requires that the City conduct a citywide asset condition assessment. This will include cataloging all of the city's capital assets, including real property, and assessing their condition and value. Once the City has this information, it can be reviewed in comparison to the City's anticipated future public facility needs, and surplus properties can be identified and sold. The City is concluding the process of selling five former Pinole Redevelopment Agency properties. The proceeds of those sales will not be deposited into the City's General Fund, however.

New Local Tax Measures

The City has instituted a number of local taxes, such as a UUT, TOT, business license tax, and two local sales taxes, to support City services. The City can consider other new local taxes, or increase existing taxes, to generate additional revenue for critical City services.

Increased Parcel Tax and Real Property Transfer Tax (RPTT)

In 2019 and 2020, the City Council considered the desirability of placing two different local tax measures on the ballot, a special parcel tax and a real property transfer tax (RPTT).

In 2019, the City Council directed City staff to take the steps necessary to place a tax measure to fund fire service on the March 2020 ballot. Subsequently, in August 2019, the City Council directed staff to specifically take steps necessary to place a special parcel tax to fund fire service on the November 2020 ballot rather than March 2020. The City hired a public opinion research firm to assess voter support for a potential special parcel tax for fire service. The firm presented its findings to the City Council in November 2019.

In 2019, the City Council also directed City staff to analyze the steps necessary to place a measure on the ballot that would increase the RPTT. A RPTT is a tax imposed on the deed, instrument, or writing by which interests in real property are transferred. Under the California Revenue and Taxation Code, general law cities, like Pinole, may impose a RPTT of no more than $.55 per $1,000 of value on the property transferred (the County may also impose a RPTT equal to this rate). Pinole currently has a RPTT of the maximum allowed for general law cities of $0.55 per $1,000 of value. Charter cities may impose RPTTs at a rate higher than the maximum statutory rate of $0.55 per $1,000 of value. The median RPTT rate for charter cities in Contra Costa and Alameda Counties is $12.00 per $1,000 of value. Staff calculated that were the City to implement a RPTT of $12.00 per $1,000 of value, it might create new City revenue averaging approximately $1.7 million annually. In February 2020, the Council directed staff to retain a polling consultant to gather information on public opinion regarding a charter city ballot measure limited to an increase in the RPTT and directed staff to retain a communications consultant.

Due to the onset of COVID-19, in April 2020, the Council directed staff to suspend all of its activities in pursuit of a November 2020 charter city and RPTT ballot measure. In July 2020, the Council also directed staff not to move forward in preparing a November 2020 ballot measure for a special parcel tax for fire service.

The City could consider pursuing either of these options again in the future for general or specific funding needs.

Increased Utility Users Tax (UUT)

As noted above, the City currently levies an 8% UUT on the value of public utility services consumed within the City limits for electricity, gas, and telecommunications which includes phone landline and cellular phone. The UUT was originally approved by Pinole voters in November 1998, extended by voters in 2004, 2012, and 2018. UUTs can also be applied to water and sewer utility service. The City could consider pursuing either an increase in the amount of the levy or broaden the types of utility services to which it applies.

Assessment Districts

Assessment Districts

Assessment districts are a mechanism through which property owners agree to pay an additional assessment to fund specific services or improvements within the district. The assessment's purpose must be defined prior to the district's creation and the amount that each property owner pays must be proportional to the benefit the property will receive. Assessment districts can be established by a simple majority vote of the property owners. State law allows the creation of numerous specific types of assessment districts with varying authority to conduct different types of improvements and activities. The City currently has a landscape and lighting assessment district (LLAD), which generates funding for the maintenance of public spaces along portions of Pinole Valley Road. The Pinole Valley Road Landscape and Lighting Assessment District (LLAD) assesses property owners in the district approximately $500 annually per "assessment unit" (acre of developable land), which results in approximately $50,000 to invest in maintenance of traffic signals, streetlights, median landscaping, irrigation, graffiti removal, and electricity to the traffic signals and streetlights. The City could consider promoting the formation of assessment districts to fund specific improvements in different areas of the City.

Business Improvement District

A business improvement district (BID) is a special type of assessment district focused on commercial districts. BIDs can undertake infrastructure projects such as parking facilities and streetscapes improvements, cleaning and maintenance of the district, and marketing and promotion of the district and its properties/businesses. The City could consider promoting the formation a of BID for downtown or other commercial areas.

Enhanced Infrastructure Financing District

Property tax increment was the primary revenue source that redevelopment agencies used to fund their projects. Cities lost access to this tool in its traditional form when redevelopment agencies were dissolved in California in 2012. In the aftermath of dissolution, the State did create some new tools intended to mimic some of those previously available under redevelopment. One such tool is an enhanced infrastructure financing district (EIFD), which uses tax increment in a more restricted way. Whereas previously, a redevelopment agency had a right to the property tax increment generated in a redevelopment project area, under an EIFD a taxing entity must volunteer to forego receipt of the tax increment it would otherwise receive so that the increment can be used for the redevelopment project. Use of the EIFD tool requires significant collaboration between separate governmental entities, and will only be advantageous for both parties under specific circumstances. As a result, EIFDs are not yet widely used, but are nonetheless a tool that the City should keep in mind for future capital projects.

New Federal Funding

American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) is federal legislation passed in 2021 to provide COVID-19 relief. It builds upon the relief provided by two other significant pieces of federal legislation, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act (FFCRA). ARPA includes $1.9 trillion in funding, program changes, and tax policies aimed at mitigating the effects of the pandemic. ARPA is the first piece of federal COVID-19 relief legislation that includes direct financial assistance to cities. The federal government is still developing ARPA program guidelines, including specifying how cities can expend ARPA funds. It is estimated that the City will receive approximately $3.6 million from ARPA. City staff has recommended that the City Council undertake a specific budget process focused exclusively on appropriating ARPA funds in early FY 2021/22, due to the magnitude and special restrictions of the funding.

Federal Infrastructure Plan

President Biden has developed a proposal, called the American Jobs Plan, for increased federal investment in infrastructure and other economic development activities. The proposal includes new federal investment of $2.65 trillion focused on upgrading and repairing physical infrastructure, investing in manufacturing, research and development, and expanding long-term health care services. The proposal has not yet been introduced as legislation in Congress. If approved, the program would result in significant new funding for local infrastructure projects, although the magnitude is not yet known.

Additional Cash from Debt

Best practices in long-term financial planning require analyzing the City's debt position and the affordability of additional borrowing. One financial strength of the City's is having relatively little general debt. The City has capacity, per the legal debt limit, to issue debt for City expenses. Per the City's FY 2019/20 Comprehensive Annual Financial Report, the City's legal bonded debt limit, which is equivalent to 3.75% of assessed property value, was $98,821,200, whereas the City only had $2,685,223 of such debt, which is the City's pension obligation bonds. Debt financing is an option that the City could consider for significant future expenditures, such as capital projects.

EXPENDITURE REDUCTIONS

In addition to generating more revenue, the City can create additional resources to invest in unfunded/deferred liabilities and expanded services/programs by reducing expenditures. As noted above, however, the City currently provides a leanly staffed and resourced solid but basic level of service in most service areas, with the majority of the City's resources expended on core services. As such, the City has fewer opportunities than perhaps do some other cities to scale back some services in order to expand others. That said, there are two options that the City should consider or pursue to reduce expenditures, reducing retiree medical benefit costs and improving processes to achieve cost-saving efficiencies.

Retiree Medical Benefit

One of the City's largest unfunded liabilities is the medical benefit that the City provides to retired City employees. The City pays for this benefit on a pay-as-you-go basis, which means that the City simply pays for retirees' medical premiums when they are due, and does not set aside funding in advance on behalf of current employees commensurate with the normal cost of this benefit. The City instituted some changes to its retiree medical benefit offering in 2010 when it adopted a standard CalPERS benefit vesting schedule. Under the current program, the City must pay 100% of the medical premium for a retired employee and their dependents if the employee has just five years of City service and 20 years of total CalPERS service. This is a more generous retiree medical benefit than is provided by many other cities. The City could consider exploring other CalPERS program options. There has also been more discussion over the past decade about the possibility of the federal government assuming greater responsibility for retiree medical care or enacting other federal healthcare reforms, which might reduce the City's responsibility and cost for such.

Process Improvements/Efficiencies

All organizations, including cities, use procedures and tools to provide their goods and services. New procedures and tools are constantly emerging, which can result in improved quality, efficiency, or both. As a result, workers become more productive over time. Labor productivity has grown only modestly in the United States over the past decade. For this reason, as noted in the economic changes section above, City staff did not assume any significant productivity increases in the five-year forecast. Nonetheless, the City will likely identify some opportunities to improve procedures or tools that will result in increased efficiency, and associated expanded service or reduced expenditures. The Strategic Plan includes a strategy to review citywide implementation of best practices and improve processes. This is an effort that City staff will be working on over the next few years, and which will likely result in at least a few improvements that will lead to greater quality, efficiency, or both.

OPTIMAL SERVICE LEVELS AND REVENUES

The City's current service levels and program offerings have been established over time in response to factors such as regulatory requirements, best practices, community preferences, and financial capacity. Preferences and financial capacity can vary considerably from community to community and can evolve over time, as do regulatory requirements and best practices. Public officials monitor these factors and adjust service levels and programs over time accordingly.

This inaugural LTFP does not identify "optimal" service levels and programs for the City or recommend any specific new service levels or programs. Nor does it identify specific matching revenue sources to support them. That would have required a more extensive process than time allowed for this first LTFP. Rather, this LTFP forecasts the City's budget condition over the next five years and identifies a number of revenue and expenditure options the City Council can consider implementing in the future. City staff expect that future LTFPs will have more specific recommendations on new service levels and programs and associated funding sources.

SUMMARY AND NEXT STEPS

The City is in a relatively strong financial position which is expected to continue through the life of the forecast. Based on the baseline forecast, the City will be able to continue to fund its status quo service levels and has the capacity to address some of the operating and capital improvement needs beyond the baseline. Should the City Council decide to appropriate funding to items not currently included in the status quo forecast, staff will develop alternative forecast scenarios to show the impact on revenues, expenditures, and reserves.

The primary purpose of this inaugural LTFP is to present the five-year financial forecast and identify all of the major financial challenges and opportunities that the City is expected to face over the next five years. It does not recommend funding specific unfunded liabilities or new service levels. Nor does it recommend the revenue sources that are best suited to fund those expenditures.

As a strategic planning tool, the LTFP can however be used to guide preparation of the annual operating and capital budget process.

FINANCE SUBCOMMITTEE REPORT D2

DATE: APRIL 14, 2022

TO: FINANCE SUBCOMMITTEE MEMBERS

FROM: MARKISHA GUILLORY, FINANCE DIRECTOR

SUBJECT: FISCAL YEAR (FY) 2022/23 GENERAL FUND BASELINE BUDGET

RECOMMENDATION

City staff recommends that the Finance Subcommittee receive a report on the fiscal year (FY) 2022/23 General Fund baseline budget.

BACKGROUND

The City operates on an annual budget cycle. Through the budget, the City Council approves revenue estimates and authorizes City staff to expend the City's financial resources. City staff is responsible for preparing a proposed budget for City Council's consideration, modification, and adoption.

The purpose of this agenda item is to provide the Finance Subcommittee with an overview of the FY 2022/23 General Fund baseline budget. The baseline budget is the starting point from which staff prepares the proposed budget and the status quo long-term financial forecast. As we move through the budget process, the baseline budget will be modified and refined until the final proposed budget is adopted by the City Council in June 2022. The baseline budget includes the General Fund (including Measure S 2006 and 2014) only and does not include non-General Funds (i.e., special revenue funds, capital projects funds, and enterprise funds).

REVIEW AND ANALYSIS

Budget Development Process

As noted above, the City goes through an annual process of developing a budget for the upcoming fiscal year. The City's budget development process is considered an "incremental" budget process, meaning that the budget for the upcoming year is developed based on the current year's budget and includes incremental changes. City staff takes the following steps to create the Preliminary Proposed budget:

- Finance Department will use the current FY 2021/22 budget, which incorporates any mid-year changes approved by the City Council, as the starting point;
- Finance Department creates a “baseline budget” for FY 2022/23 by taking the ongoing revenues and expenditures included in the current FY 2021/22 budget and factoring in known or assumed changes, which department confirm, to ongoing revenues and expenditures for FY 2022/23 (i.e., forecasted changes to different revenue streams, general inflation, known changes to debt service, etc.);
- Departments submit requests for changes from the baseline budget to address proposed special projects or increased service levels; and
- Finance Department and City Manager consider department requests for changes to the baseline budget and prepare a Preliminary Proposed budget for the City Council’s consideration.

Fiscal Year (FY) 2022/23 General Fund Baseline Budget

The FY 2022/23 General Fund baseline budget includes recurring General Fund revenues, such as the tax revenues, public safety charges, other revenues, and transfers in. Revenues have been adjusted to reflect growth rate assumptions. Recurring General Fund expenditures have also been adjusted. This includes increases in the salaries/wages to account for contract salary increases, increases in benefits consistent with updated rates, and inflationary increases in operations and maintenance. The baseline budget assumes no change in the staff levels or programs. The baseline budget illustrates whether, if the City maintains its current revenue mechanisms and staffing and service levels, the budget would be balanced or not. It is a public finance best practice, and a goal of the City’s Financial Policy on a Structurally Balanced Budget, to create a proposed General Fund operating budget that is structurally balanced, meaning that ongoing revenues equal or exceed ongoing expenditures.

Components of the FY 2022/23 Baseline Budget

The FY 2022/23 baseline budget projection indicates that the City’s ongoing revenues are sufficient to cover its ongoing expenditures and the City will be able to continue to fully fund the General Reserve.

Following are the components that are included in the FY 2022/23 baseline budget. Table 1 below compares the FY 2021/22 baseline budget to the FY 2022/23 baseline budget.

Table 1 – Comparison of FY 2021/22 and FY 2022/23 General Fund Baseline Budgets

	FY 2021/22 Baseline	FY2022/23 Baseline	$ Change	% Change
SOURCES				
PROPERTY TAX	4,230,122	4,642,585	412,463	10%
SALES TAX	4,483,848	4,582,095	98,247	2%
MEAS S 2006 & 2014 LOCAL SALES TAX	4,840,000	4,902,000	62,000	1%
UTILITY USERS TAX	1,915,000	1,934,150	19,150	1%
FRANCHISE TAX	779,000	786,790	7,790	1%
INTERGOVERNMENTAL TAX - VLF	2,082,883	2,215,948	133,065	6%
TRANSIENT OCCUPANCY TAX	418,000	440,000	22,000	5%
BUSINESS LICENSE	382,000	400,000	18,000	5%
CHARGES FOR SERVICES	1,339,796	1,428,005	88,209	7%
OTHER REVENUES	1,118,140	523,321	(594,819)	-53%
Total Revenues	21,588,789	21,854,894	266,105	1%
TRANSFERS IN	853,686	1,434,048	580,362	68%
Total Sources	22,442,475	23,288,942	846,467	4%
USES				
SALARIES & WAGES	10,553,426	10,870,029	316,603	3%
BENEFITS - PERS Retirement	3,447,080	3,688,376	241,296	7%
BENEFITS - OTHER	3,374,993	3,543,743	168,750	5%
OPERATIONS AND MAINTENANCE	3,082,147	3,174,611	92,464	3%
CAPITAL OUTLAY	157,186	161,902	4,716	3%
DEBT SERVICE	576,107	596,150	20,043	3%
Total Expenditures	21,190,939	22,034,811	843,872	4%
TRANSFERS OUT	1,418,455	1,418,455	-	0%
Total Uses	22,609,394	23,453,266	843,872	4%
Net Surplus/(Deficit)	(166,919)	(164,324)		

Revenues

Property Tax

Property tax is an ad valorem tax imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (movable property). The fixed statutory rate is 1% of assessed valuation. Assessed value is based on the 1975 property values with subsequent increases limited to 2% or CPI growth, whichever is less. However, when there is a change in property ownership, property renovation, or new construction, property is reappraised at its full current market value.

Property tax is made up of four components—secured (basic and Redevelopment Property Tax Trust Fund (RPTTF); unsecured; supplemental; and property transfer tax. The 10% growth rate is due to an increase in the residual RPTTF revenue as a result of gradually declining payments due on former Redevelopment debt.

Sales Tax

The overall sales tax rate on purchases made in Pinole is 9.75%. Of that amount, the City receives the statewide standard 1% (referred to as the Bradley Burns sales tax) plus 0.5% due to Measure S 2006 and 0.5% due to Measure S 2014. The FY 2022/23 baseline budget assumes a 2% growth rate in the City's sales tax revenue, consistent with projections provided by HdL, the City's sales tax consultant.

Utility Users Tax

Utility Users' Tax (UUT) is an 8% tax levied on the consumption of telecommunication, gas, and electricity. The FY 2022/23 baseline budget assumes a 1% growth rate based on financial and industry trend analysis.

Franchise tax

Franchise tax is levied at an average of 5% on public utilities and other corporations that furnish gas, electric, water, Cable TV, refuse or similar services to citizens living within city boundaries. The various fees are delineated in franchise agreements and are paid directly to the city by these franchisees. Estimates are based on historical experience considering contract amendments which impact future years. The FY 2022/23 baseline budget assumes a 1% growth rate.

Intergovernmental Taxes

Motor vehicle in-lieu fee (VLF) is the City's share of motor vehicle license fees levied, collected and apportioned by the State. VLF is a tax on the ownership of registered motor vehicles which takes the place of taxation of this personal property. The VLF is paid annually at the time vehicle licenses are renewed based on current value adjusted for depreciation. The FY 2022/23 baseline budget assumes a 6% growth rate, consistent with projections provided by HdL, the City's property tax consultant.

Transient Occupancy Tax

Transient occupancy tax (TOT) is a 10% tax levied by the City for the privilege of occupying quarters on a transient basis in accordance with Chapter 3.24 of Municipal Code. This tax is imposed upon persons staying 30 days or less in a motel or lodging facility. The FY 2022/23 baseline budget assumes a 5% growth rate based on industry trends.

Business License Tax

Business license tax is assessed on all businesses doing business within City limits in accordance with Municipal Code Title 5. The City charges business license tax in accordance with the provisions of Government Code 37101. Pinole's tax is computed based on a flat tax (currently $152) per year combined with a variable tax component based on number of employees engaged in each business. The FY 2022/23 baseline budget assumes a 5% growth rate based on trends.

Public Safety Charges

Public safety charges are received for dispatch services provided to the cities of Hercules and San Pablo under an Intergovernmental Service Sharing agreement. A portion of the costs of this activity are reimbursed by the City of Hercules and City of San Pablo. Under the current agreement, the City's recovers approximately 67% of the activity's budget. The FY 2022/23 baseline budget assumes a 7% increase based on the established formula.

Other Revenues

Other revenues is made up of all other revenue sources, such as fees, permits, interest income, grants, reimbursements, and other miscellaneous revenue. These revenues are projected primarily using historical trend analysis. The FY 2022/23 baseline budget assumes a 1% growth rate and was adjusted to exclude a $600,000 one-time revenue that was expected in FY 2021/22.

Transfers In

The transfer in comes from the Pension Section 115 Trust to offset the increase in pension costs in the General Fund. The amount transferred is based on the difference between the City's base year (FY 2018/19) contribution toward employee pensions and the forecasted required City contribution in future years.

Expenditures

Salaries & Wages

Salaries and wages expenditures in the baseline budget are computed based on the City's current staffing level (123 FTEs) and agreed-upon changes to salaries and wages for different classifications. It should be noted that the baseline budget captures several new positions that were added to the budget in FY 2021/22. These critical positions were added as a result of the City's organizational assessment, the fire service delivery study, and operational needs. The FY 2022/23 baseline budget assumes the standard 3% growth rate. The same growth rate is assumed for annual salary increases for the new labor agreement that is underway with the Pinole Police Employees Association (PPEA).

Benefits – PERS Retirement

Retirement benefits are the City's annual required contribution as determined by the most recent actuarial valuation reports as of July 2020 provided by the California Public Employees' Retirement System (CalPERS). The FY 2022/23 baseline budget reflects the cost net of the required employer contribution minus employee contributions. As a result of recent negotiations between the City and most of the unions representing City employees, City employees' contribution toward their pension benefit was reduced in FY 2021/22. This reduced employee contribution is included in the FY 2022/23 baseline budget per the labor memorandums of understanding (MOUs).

Benefits – Other

Other benefits costs include employee medical/dental/vision care, workers' compensation, general liability, and others. The benefits cost in the FY 2022/23 baseline budget is based primarily on rate schedules provided by outside agencies, such as CalPERS. The FY 2022/23 baseline budget assumes a 5% growth rate.

Operations and Maintenance

Operations and maintenance is primarily discretionary and non-personnel related expenditures, such as professional services, utilities, and materials and supplies. FY 2022/23 baseline budget assumes a 3% increase to account for anticipated increases in the price of goods and services.

Several non-recurring budget additions (professional services) that were previously included in the budget projection and funded by the General Fund Measure S are not reflected in the FY 2022/23 baseline budget.

Capital Outlay

Capital outlay includes non-major asset acquisition and improvements, such as computer equipment and furniture. The FY 2022/23 baseline budget assumes a 3% growth rate to account for anticipated increases in the price of goods and services.

Major capital improvements that were previously included in the budget projection and funded by the General Fund and Measure S are not reflected in the FY 2022/23 baseline budget. Though they may span multiple fiscal years, capital projects are non-recurring in nature and are not accounted for in the baseline budget.

Debt Service

This category includes the payment of principal and interest on the 2006 pension obligation bonds (POBs) that were issued to finance the City's unfunded accrued actuarial liability with CalPERS. The future years are forecasted based on the long-term debt obligation schedule. This debt will be fully paid and retired in FY 2035/36.

Transfers Out

Transfers out includes the transfer of funds from the General Fund and Measure S to other funds to support Recreation and Pinole Community Television (PCTV) operations. The transfer helps to stabilize the budgets in those areas as the operating costs are not fully recoverable. The FY 2022/23 baseline budget assumes a flat dollar amount consistent with past practice.

City Council Directed Initiatives (Budget Additions)

During FY 2021/22 budget development process, the City Council directed staff to add appropriations to the budget for several items, listed below. The items were funded by the General Fund and Measure S unassigned fund balances. The baseline budget includes the recurring items.

Recurring

- Change two Community Services Officers from part-time to full-time ($100,000);
- Economic development support ($80,000).

Next Steps

The City Council will hold a special meeting (workshop) on April 26, 2022. At that time, staff will present an overview of the FY 2022/23 baseline budget and get direction on Council Members requests for potential additions/deletions to the baseline for incorporation into the Preliminary Proposed budget.

FISCAL IMPACT

The presentation of the FY 2022/23 baseline budget does not itself have any fiscal impact to the City.

ATTACHMENTS

None

Return to Agenda

FINANCE SUBCOMMITTEE REPORT D3

DATE: APRIL 14, 2022

TO: FINANCE SUBCOMMITTEE MEMBERS

FROM: SANJAY MISHRA, PUBLIC WORKS DIRECTOR
MISHA KAUR, CAPITAL IMPROVEMENT AND ENVIRONMENTAL PROGRAM MANAGER

SUBJECT: OVERVIEW OF DRAFT FY 2022-23 THROUGH 2026-27 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

RECOMMENDATION

Receive an overview of the draft FY 2022-23 through 2026-27 Five-Year Capital Improvement Plan and provide recommendations.

BACKGROUND

The Capital Improvement Plan (CIP) addresses public infrastructure needs, supports community priorities, and aligns with the vision described in the General Plan and 2020-2025 Strategic Plan. The CIP document is reviewed and updated annually to outline the City's future investments in infrastructure and public facilities that are planned over a five-year period.

A variety of funding sources support projects in the CIP. The first year's program is adopted by the City Council as the Capital Budget, as a counterpart to the annual Operating Budget. The fiscal resources are appropriated only in the first year, the subsequent four years of the CIP are important for long term planning and subject to further review and modification.

The Proposed FY 2022-23 through 2026-27 Five-Year Capital Improvement Plan is comprised of projects that fall into the following broad categories:

- Facilities
- Parks
- Sanitary Sewer
- Stormwater
- Streets and Roads
- Infrastructure Assessments

REVIEW AND ANALYSIS

Many of the CIP projects currently underway are multi-year efforts have been carried over from previous years. The City has had limited staff focused on capital projects and much of staff's attention has been the Wastewater Treatment Plant upgrade project, which limited the City's ability to complete additional projects.

The City Council budgeted one additional position in FY 2021/2022 to help with capital projects, but that position has not been filled due to various reasons. City staff expects to fill that position in FY 2022/23 and will also be requesting two additional positions dedicated to capital projects, an Associate Civil Engineer and a Public Works Specialist, in FY 2022/23 to expedite the completion of additional capital projects.

Status of CIP projects scheduled for FY 2021/22

PRJ #	USES BY PROJECT	Complete	In progress and anticipated for completion by 06/30/2022	In progress and multi-year effort	Deferred to FY 2022/23 & comment
FA2102	Emergency Power for Critical Facilities				✓ Project IN2101
FA2103	Municipal Broadband Master Plan				✓ Project IN2102
FA2001	Post Office Maintenance	✓			
FA2002	Electric Vehicle Charging Stations		✓		
FA1901	Senior Center Auxiliary Parking Lot formerly known as Fowler House lot reuse			✓	
FA1902	Energy Upgrades			✓	
FA1702	Citywide Roof repairs and replacement				✓
FA1703	Paint City Hall				✓ Renamed: City Hall Modernization
PA2101	Installation of high-capacity trash bins			✓	
PA2001	Bocce Ball Court				✘ Removed
PA1704	Park Master Plan			✓	
SS2101	Secondary Clarifier - Center Column Rehabilitation				✓
SS2102	Air Release Valve Replacements				✓

PRJ #	USES BY PROJECT	Complete	In progress and anticipated for completion by 06/30/2022	In progress and multi-year effort	Deferred to FY 2022/23
SS2103	Recycled Water Master Plan				✓ Project IN2103
SS2001	Sanitary Sewer Collection System Master Plan		✓		
SS2002	Water Pollution Control Plant Lab Remodel				✓
SW1901	Hazel Street Gap Closure (Sunnyview)			✓	
RO2101	Arterial Rehabilitation			✓	
RO2102	Tennent Ave. Rehabilitation			✓	
RO2103	Pedestrian Bridge Repair		✓		
RO2104	Local Road Safety Plan		✓		
RO2105	Appian Way Complete Streets Project			✓	
RO2106	Active Transportation Plan				✓
RO2107	Brandt St. Improvements				✓
RO1902	Pedestrian Improvements at Tennent Ave. near R X R			✓	
RO1801	San Pablo Ave. Rehabilitation		✓		
RO1802	Hazel Street Gap Closure (Sunnyview)				✓
RO1708	Pinole Valley Road Improvements				✓
RO1709	Pinole Valley Road Underground District		✓		
RO1710	San Pablo Ave. Bridge over BNSF Railroad			✓	
RO1714	Safety Improvements at Appian Way & Marlesta Rd. formerly known as HAWK at Appian Way and Marlesta			✓	

New Projects for FY 2022/23

CAPITAL PROJECTS FOR FY 2022/23			
PRJ #	**USES BY PROJECT**	**Funds**	**Source**

PA2202	Pocket Park – Galbreth Ave.	$65,000	Measure S 2014
SS2203	Effluent Outfall	$150,000	Sewer Enterprise
SS2202	Replacement of Diesel Tank	$150,000	Sewer Enterprise
INFRASTRUCTURE ASSESSMENTS FOR FY 2022/23			
PRJ #	**USES BY PROJECT**	**Funds**	**Source**
IN2201	Energy Audit	$50,000	Measure S 2014
IN2101	Emergency Power for Critical Facilities	$30,000	General Fund
IN2102	Municipal Broadband Feasibility	$60,000	Measure S 2014
IN2103	Recycled Water Feasibility	$60,000	General Fund

Staff is currently reviewing drafts of the Local Road Safety Plan, Sanitary Sewer Collection System Master Plan, and Pavement Technical Assistance Program Report. These documents will inform additional projects for the upcoming fiscal year.

FISCAL IMPACT

The Draft FY 2022-23 through 2026-27 Five-Year Capital Improvement Plan includes $58,925,971 in identified projects of which, $1,770,000 are listed as unfunded. Staff is requesting Council to adopt budget appropriations for the first year of the Plan which constitutes the Proposed 2022-23 CIP Budget in the amount of $7,283,971.

Years two through five of the Plan will be used in forecasting funding needs. Staff will provide Council with updated CIP budgets for each future Plan year during the appropriate fiscal year.

ATTACHMENTS

A Spreadsheet summary of draft FY 2022-23 through 2026-27 Five-Year Capital Improvement Plan

Return to Agenda

ATTACHMENT A

CITY OF PINOLE
DRAFT FY2022-23 THROUGH 2026-27
FIVE-YEAR CAPITAL IMPROVEMENT PLAN

SOURCES BY FUND	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	5-Year Total
100 - General Fund	$ 335,000	$ 310,000				$ 645,000
106 - Measure S 2014	$ 2,225,016	$ 940,000	$ 200,000	$ 100,000		$ 3,465,016
200 - Gas Tax	$ 100,000					$ 100,000
214 - Solid Waste	$ 425,000					$ 425,000
215 - Measure J	$ 350,000					$ 350,000
276 - Growth Impact Fees	$ 108,860	$ 320,000	$ 200,000			$ 628,860
325 - City Street Improvements	$ 839,395	$ 4,283,000	$ 18,048,403	$ 17,830,000		$ 41,000,798
377 - Arterial Streets Rehabilitation	$ 590,318					$ 590,318
500 - Sewer Enterprise Fund	$ 2,310,382	$ 2,000,000	$ 1,040,597	$ 800,000	$ 3,800,000	$ 9,950,979
Sources Total	**$ 7,283,971**	**$ 7,853,000**	**$ 19,489,000**	**$ 18,730,000**	**$ 3,800,000**	**$ 57,155,971**
Unfunded Total			**$ 800,000**		**$ 970,000**	**$ 1,770,000**
Total Sources Required	**$ 7,283,971**	**$ 7,853,000**	**$ 20,289,000**	**$ 18,730,000**	**$ 4,770,000**	**$ 58,925,971**

FACILITIES

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
FA2201	Public Safety Building Modernization		$100,000	$100,000	$100,000				
FA2202	Senior Center Modernization		$100,000	$100,000					
FA2002	Electric Vehicle Charging Stations	$20,000					106-343-47201	$20,000	Measure S 2014
FA1901	Senior Center Auxiliary Parking Lot formerly known as Fowler House lot reuse	$748,807					106-343-47201	$748,807	Measure S 2014
FA1902	Energy Upgrades	$120,811					106-343-47201	$120,811	Measure S 2014
FA1702	Citywide Roof repairs and replacement	$272,000	$140,000				106-343-47201	$272,000	Measure S 2014
FA1703	City Hall Modernization formerly known as Paint City Hall	$125,000	$125,000				106-343-47201	$125,000	Measure S 2014

PARKS

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
PA2202	Skatepark Rehabilitation			$150,000					
PA2201	Pocket Park - Galbreth Ave.	$65,000					106-343-47201	$65,000	Measure S 2014
PA2101	Installation of high capacity trash bins	$425,000					214-345-47203	$425,000	Solid Waste Fund
PA1901	Pinole Valley Park Soccer Field Rehabilitation		$200,000						
PA1704	Park Master Plan	$100,000					106-345-47203	$100,000	Measure S 2014

SANITARY SEWER

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
SS2203	Effulent Outfall	$150,000				$3,000,000	500-641-47201	$150,000	Sewer Enterprise
SS2202	Replacement of Diesel Tank	$150,000					500-641-47201	$150,000	Sewer Enterprise
SS2201	Sanitary Sewer Rehabilitation	$1,500,000	$800,000	$800,000	$800,000	$800,000	500-642-47201	$1,500,000	Sewer Enterprise
SS2101	Secondary Clarifier - Center Column Rehabilitation	$350,000					500-641-47201	$350,000	Sewer Enterprise
SS2102	Air Release Valve Replacements	$50,000					500-641-47201	$50,000	Sewer Enterprise
SS2002	Water Pollution Control Plant Lab Remodel	$100,000					500-641-47201	$100,000	Sewer Enterprise
SS1702	Sewer Pump Station Rehabilitation		$1,200,000				500-642-47201	$0	Sewer Enterprise

STORMWATER

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
SW2001	Roble Road Drainage Improvements	$30,000	$320,000				276-344-47206	$30,000	Growth Impact Fees
SW2002	Adobe Road Repair and Drainage Improvements	$30,000	$200,000				106-344-47206	$30,000	Measure S 2014
SW1901	Hazel Street Gap Closure (Sunnyview)	$487,930					106-344-47206	$409,070	Measure S 2014
							276-344-47206	$78,860	Growth Impact Fees
SW1703	Storm Drainage Master Plan	$75,000	$75,000				106-344-42101	$75,000	Measure S 2014

STREETS & ROADS

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
RO2501	Residential Slurry Seal				$890,000				
RO2401	Cape Seal			$560,000					
RO2301	Residential Slurry Seal		$890,000						
RO2101	Arterial Rehabilitation	$590,318					377-342-47205	$590,318	Arterial Rehabilitation
RO2102	Tennent Ave. Rehabilitation	$10,382		$639,000			500-641-47201	$10,382	Sewer Enterprise
RO2105	Appian Way Complete Streets Project	$100,000				$970,000	325-342-47205	$100,000	WCCTAC - STMP Fees
RO2106	Active Transportation Plan	$75,000					100-341-47205	$75,000	General Fund
RO2107	Brandt St. Improvements	$170,000					100-342-47205	$170,000	General Fund
RO1902	Pedestrian Improvements at Tennent Ave. near R X R	$23,620		$800,000			325-342-47205	$23,620	WCCTAC - STMP Fees
RO1802	Hazel Street Gap Closure (Sunnyview)			$200,000					
RO1710	San Pablo Ave. Bridge over BNSF Railroad	$564,228	$3,393,000	$16,940,000	$16,940,000		325-342-47205	$45,659	WCCTAC - STMP Fees
							325-342-47205	$166,150	CCTA Measure J
							325-342-47205	$352,419	Caltrans - HBP
RO1708	Pinole Valley Road Improvements	$100,000					200-342-47205	$100,000	Gas Tax - RMRA
RO1714	Safety Improvements at Appian Way & Marlesta Rd. formerly known as HAWK at Appian Way and Marlesta	$650,875					325-342-47205	$22,147	City Street Improvements
							215-342-47205	$350,000	MTC/OBAG2
							325-342-47205	$129,400	MTC/TDA Article 3
							106-344-47206	$149,328	Measure S 2014

INFRASTRUCTURE ASSESSMENTS

PRJ #	USES BY PROJECT	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Account #	FY 2022-23 Funds	Funding Source
IN2201	Energy Audit	$50,000					106-344-47206	$50,000	Measure S 2014
IN2101	Emergency Power for Critical Facilities	$30,000	$170,000				100-343-47201	$30,000	General Fund
IN2102	Municipal Broadband Feasibility	$60,000					106-118-47201	$60,000	Measure S 2014
IN2103	Recycled Water Feasibility	$60,000	$140,000				100-341-42101	$60,000	General Fund
	Uses by Project Total	**$7,283,971**	**$7,853,000**	**$20,289,000**	**$18,730,000**	**$4,770,000**			