

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: February 19, 2008

Reviewed by: *BP*

SUBJECT: Interim Financial Report as of December 31, 2007 and revision of the General Fund Operating Budget for fiscal year 2007-08.

RESOLUTION: 08-6 A RESOLUTION OF THE ALBANY CITY COUNCIL REVISING THE 2007-08 GENERAL FUND OPERATING BUDGET OF THE CITY OF ALBANY.

REPORT BY: Charles Adams, Finance and Administrative Services Director
Beth Pollard, City Administrator

STAFF RECOMMENDATION

That the Council adopt Resolution 08-6, revising the 2007-08 Operating Budget of the City of Albany.

BACKGROUND

At its meeting of June 4, 2007, the Council adopted a resolution revising the operating budget for the City for the fiscal year ending June 30, 2008. It is the policy of the City to periodically review its operating budgets and to revise the budgets to reflect updated projections of revenues and expenditures resulting from changes in economic conditions and changes in goals and objectives as established by the Council.

The objective of adopting a revised budget is to ensure that the budget remains a valid and effective instrument for the control of the City's financial operations, that it serves as a benchmark for measurement of the City's financial status, and to ensure that the City's financial resources are utilized in accordance with plans and objectives that have been discussed and approved by the Council.

DISCUSSION/ANALYSIS

Our review of revenue projections for FY 2007-08 indicates that revenues will be approximately \$13,650 below the June 2007 projection.

- The largest change in budgeted revenue is a decrease in sales taxes of \$325,358 from the previous estimate. The new projection for sales taxes of \$2,132,924

reflects an 11% decline in annual “In Lieu Sales Taxes” from the State, and a 7% decline in local sales tax revenue for the second half of the fiscal year.

- The budget revenue for Other Taxes increased \$114,596 as a result of an increase in the projection for property transfer taxes of \$170,944. Although property transfer tax revenue has declined 7.5% year to date, compared to the prior year, the first quarter revenues were 51% above budget for the quarter. The increase from property transfer tax revenue is partially offset by a decrease in electricity and gas utility users’ taxes.
- The increase in earnings on investments is primarily due to a change in the method of interest allocation among funds, which was adopted last year but after the budget was prepared. The projected earnings of \$375,823 allow for a lower rate of return in the second half of the fiscal year.
- The increase of \$76,191 in services charges resulted from an increased projection for revenues associated with recreation and community development activities. The increase corresponds with the increase in professional service expenses. The increase of \$46,247 in other revenue is principally due to reimbursements of wages paid to firefighters who served on Strike Teams in the Zaca fire in Southern California.

Our review of expenditure projections for FY 2007-08 indicates that expenditures will be approximately \$16,820 below the June 2007 projection.

- The largest change in budgeted expenditures is an increase of \$149,773 in Professional Services. Approximately \$26,000 of this budget increase reflects a, post-budget-preparation decision to expand cable TV activities, with funding from the Cable TV Fund beginning fund balance. An increase in the Community Development budget of approximately \$134,000 is necessary to provide for various services provided and managed by the Community Development Department. The adopted budget for Professional Services in Community Development was \$194,863 distributed between administration and four operating functions. The functions requiring the largest budget increases are building maintenance and sewer maintenance.
- The budgets for salaries and benefits have been reduced to reflect vacant positions in Police, Community Development and Public Works. In addition, the new positions of Information Technology Specialist and Economic Development Specialist will not be filled this fiscal year. The Professional Services budgets of \$25,000 for economic development in the General Fund and the Reinvestment Fund are in place to fund those services, anticipated to commence in April.

The decrease in transfers-in to the General Fund of \$22,667 represent revised revenue estimates for Gas Taxes in Fund 230 and Emergency Medical Services Fees in Fund 265. The increase in transfers-out of \$981 is made to correct the recording cash seized in the prior fiscal year and recorded as General Fund revenue.

FINANCIAL IMPACT

The increases and decreases to revenues, expenditures and transfers yield a net change in excess of revenue over expenditures of \$24,856 between the June 2007 and February 2008 revised budgets. If the budget results are achieved the excess of revenue over expenditures for the fiscal year will be \$27,137. This increase the General Fund operating reserves, is in line with expressed City goal of maintaining adequate operating reserves. Adoption of the revised budget will enhance the usefulness of the budget as a tool for controlling the financial affairs of the City.

ATTACHMENTS

- Statement of Revenues, Expenditures and Changes in Fund Balances
December 2007
- General Fund Operating Budget, Fiscal Year 2007-08
- Resolution No. 08-6