

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

Agenda Date: June 18, 2012
Reviewed by: BP

SUBJECT: Operating Budget for Fiscal Year 2012-13

REPORT BY: Beth Pollard, City Manager
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STAFF RECOMMENDATION

That the City Council conduct a public hearing on the draft budget for fiscal year 2012-13, and provide direction to staff for preparation of a final budget to be presented for adoption at the Council meeting of July 16, 2012.

BACKGROUND

The City Council adopted a two year General Fund, operating budget for fiscal years ending June 30, 2011 and June 30, 2012 on June 21, 2010. The adopted budget for fiscal year ending June 30, 2012 projected an excess of expenditures over revenues of \$302,296. On June 20, 2011, the Council adopted a revised budget for fiscal year ended, which projected an excess of revenues over expenditures of \$8,030.

The operating budget presented in this report is the first segment of the full budgeting process that when completed will include an operating budget for fiscal year ending June 30, 2014, and two year budgets for the various restricted, capital, and reserve funds.

DISCUSSION

On April 2, 2012, the City Council reviewed draft goals and objectives for the 2012-13 fiscal year to incorporate into the City's budget planning. The top three initiatives in the budget objectives are:

General Plan. The City is required to periodically prepare or update a long-range planning document known as a General Plan to help guide policies, development and other projects. The City's current plan was adopted in 1990 as a 20-year planning scenario. With the downturn of the economy, cities such as Albany deferred on the expense of this undertaking. When factoring in the cost of the Environmental Impact Report typically required for General Plan adoption, it is not unusual for the process to cost \$500,000 or more.

Regardless of the state of the economy, it is incumbent upon the City of Albany as a municipal agency to update its General Plan so as to be consistent with the zoning ordinance as well as other plans the City has adopted in the intervening years,

The budget includes initiation of a two-three year process to update the city's General Plan. The City Council asked staff to explore cost-effective ways in which the General Plan could be updated without significant expense. The option staff is pursuing would be fiscally prudent by maximizing the use of in-house staff and existing advisory bodies, and minimizing the use of consultants. Staff is recommending that \$90,000 be budgeted to commence the General Plan update in the 2012-13 fiscal year, with the goal of completing the Plan in the 2014 calendar year.

Homelessness. Albany has seen a growing number of persons who are homeless staying in various places in the community, including the Albany Bulb. The City Council has given direction on the formation of a Task Force to develop options and strategies towards the goal of ending homelessness in Albany. There are no costs associated with this undertaking in the proposed budget, although there will be staff time involved. The Task Force is scheduled to get underway in July, and make periodic reports to the City Council.

Information Technology. Earlier this year the City adopted an Information Technology Master Plan that identified equipment and service improvements that are critical and otherwise needed for security, efficiency, operational effectiveness, and customer service. The City Council authorized entering into a contract with the City of Emeryville for part-time Information Technology Manager services that is continued into the next fiscal year.

Other priorities include:

- Improve the City's and the community's response during a disaster
- Provide a variety of avenues for face-to-face and electronic communications in the community and between city officials and the public.
- Implement climate action, active transportation, and sustainability policies and plans
- Conduct strategic planning for the next cycle of goals, objectives and budgeting with the seating of the new City Council in January.
- Complete review of the University Village and Safeway projects.
- Create a "Complete Streets" strategy for improvements to San Pablo Avenue
- Adapt to the dissolution of redevelopment agencies. Since membership in the East Bay Green Corridor had been paid with redevelopment funds, those dues have not been budgeted.

Staff reorganization: A restructuring of Public Works is proposed through the creation of a combined Public Works Director/City Engineer position, in place of the contract for a consulting City Engineer and the position of Public Works Manager.

For the past 20+ years, the City has contracted for the services of City Engineer on an as-needed basis. During this time, the City has employed a Public Works Manager to

manage maintenance and operations of city streets, parks, drainage, sewers, buildings, and other facilities.

The purviews of the City Engineer and the Public Works Manager overlap in a number of areas, such as development of plans for capital projects, project construction, waste water and storm water regulations, street paving, and traffic engineering and implementation. As the city has been successful in obtaining grants for projects such as safe routes to schools and bicycle and pedestrian improvements, has seen the passage of local and regional revenue measures to fund certain capital projects, and has adopted policy documents, the potential for overlapping responsibilities has increased.

Combining the positions would eliminate duplication and close any gaps in responsibility and accountability. Many of the general engineering services now paid for on an hourly basis would be performed as part of the Public Works Director/City Engineer's normal duties. There will still be a need for contract engineering services for project design and other specialized work. The the increased cost of employing a Public Works Director/City Engineer is off-set in savings for consultant costs.

ANALYSIS

Fiscal Year 2011-12 Projected Actual and Budget

Projections of revenues and expenditures for the fiscal year ending June 30, 2012 (based on actual results through March 2012), yield projected revenues and expenditures that are close to the approved fiscal year 2011-12 budget that is used for comparison in this report. Actual revenues in fiscal year 2011-12 are projected to be within three percent (3%) of the budget and fiscal year 2011-12 expenditures are projected to be within three and one half percent (3.4%) of the budget. The most significant projected variance is in revenues transferred to the General Fund, which are five percent (5.2%) greater than the budgeted amount.

Revenues

Fiscal Year 2012-13 projected revenues of \$13,529,190 are 1% greater than the budget for fiscal year 2011-12.

Property tax revenues are projected to increase by \$143,392, assuming that the assessed values of properties that are not transferred do not decline significantly, and there is a normal reassessment to market of properties that are transferred during the year. There is no expectation that there will be a return to an annual growth rate of 8% that was typical before the crash of the real estate market.

Franchise fees are projected to increase by \$138,140, which is a 29% increase. This increase is largely due to the higher rates for garbage collection under the agreement with Waste Management, negotiated in 2011.

Fines and forfeitures are projected to increase by \$54,500, which is a 32% increase. If achieved, this increase will return the revenue to the level reached four and five years

ago. Revenue has declined the last three years, partially as a result of the Police Department not being fully staffed for patrol officers and parking enforcement officers.

The decline in revenue from other agencies of \$81,000, is largely the result of the State Legislature reducing or eliminating mandated cost reimbursements, Police Officer Standards Training (POST) reimbursements, Motor Vehicle License fees revenue sharing, and other one-time reimbursements.

Service charges are budgeted \$193,900 below the 2011-12 budget, but at \$1,516,940 they are 6.6% above the projected actual revenue for fiscal year 2011-12.

Expenditures by Department

The 2012-13 budget includes full salary and benefits for the City Clerk position. Also, the 2012-13 budget provides \$35,000 for election expense, compared to \$10,000 provided in the 2011-12 budget.

Recreation and Community Services Department expenditures increased \$77,325, which is a 4% increase. There has been significant organizational and programmatic restructuring in the department between the two budget periods, with cost increasing in some areas and declining in others. The net increase in expenditures results from upgraded and expanded activities such as cable casting and website maintenance, and increased community activities and programs.

The Information Technology budget increased \$64,352, of which approximately \$40,000 represents the addition of a shared IT Manager with the City of Emeryville.

Expenditures by Account

Salaries increased \$279,066, which is 3% over the 2011-12 budget. Among the factors causing this increase is a salary increase for fire fighter/paramedics of 3.3%, which is offset by the employees paying their 9% CalPERS pension contribution. Similarly, JPA employees' salaries are budgeted to increase to partially offset the payment of their 8.0% CalPERS pension contributions. A similar pension payment and salary offset is budgeted under the terms of the City's contract with SEIU Local 1021. Other factors contributing to the increase were step progressions for employees not at the top step of their salary grade and promotions in budget year 2011-12.

Fringe benefits were impacted by increased CalPERS employer contribution rates, and medical plan rate increases that averaged 7.0%, but the net increase for total fringe benefits was only 0.8%, because of the employees paying the employee portion of the pension contribution.

Communications and utilities expenses are reduced in the budget, based on the actual costs incurred in 2011-12.

Rent and maintenance cost budgets were increased significantly, as these costs are over budget for 2011-12. The rental agreement for the public works facilities contains an

annual increase. Building maintenance costs have increased in facilities not renovated, because of aging. Renovated buildings have more mechanical facilities that have required additional maintenance.

Transfers in

The transfer into the General Fund of Special Revenue Funds, to reimburse the General Fund for special funded costs incurred, has increased \$248,455. The increase comes from Emergency Medical Services revenue generated by fees and grants, and increased Gas Tax funds awarded to the City to reimburse street maintenance and other transportation costs.

FINANCIAL IMPACT

There is no direct cost associated with adoption of the budget. The development and adoption of the budget provides the framework for implementation of Council priorities and objectives, and the budget is the single most important tool used to maintain the fiscal health of the City.

Attachments:

1. General Fund Operating Budget – Expenditures by Type
2. General Fund Operating Budget – Expenditures by Department
3. City Goals & Objectives for fiscal year 2012-13