

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

Agenda Date: July 16, 2012
Reviewed by: BP

SUBJECT: Operating Budgets for Fiscal Years 2012-13 & 2013-14, and Goals & Objectives for 2012-13

REPORT BY: Charlie Adams, Finance & Administrative Services Director
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STAFF RECOMMENDATION

That the City Council adopt Resolution No. 2012-48 adopting the General Fund Operating Budgets for fiscal years 2012-13 and 2013-14, and Goals & Objectives for fiscal year 2012-13, with the condition that City Staff present options to balance the revenue and expenditures for fiscal year 2013-14, prior to July 1, 2013.

BACKGROUND

It is the policy of the City Council to adopt a two year General Fund operating budget biannually, and to review and revised the budget during the budget period, as necessary to recognize significant economic changes and to accommodate changes in fiscal objectives and priorities. The last two year budget and objectives cycle ended June 30, 2012. The proposed budget for fiscal year 2012-13 was presented at a public hearing on June 18, 2012. The proposed Goals & Objectives were presented in draft form at the City Council meeting of April 2, 2012, and during the public hearing on the budget on June 18, 2012.

DISCUSSION

Budget

The proposed budget contains the staff's best estimate of revenues that will be received from current revenue sources, over the next two years. Some revenue sources such as property taxes and franchise fees are relatively stable through ups and downs in the economy and projections of these revenues historically have been reliable for budget purposes. Other revenues such as sales tax and real property transfer tax are significantly impacted by general economic conditions, and historically the estimates of these revenues require revision several times during the budget period.

Seventy-five to eighty percent of General Fund expenditures are salaries and benefits. Regular salaries are controllable by Council decision, but overtime, retirement contributions and medical benefits am impacted by factors not directly controllable by

Council action, and the estimate of these expenses are likely to require revision during the budget period.

Objectives

There are 67 objectives categorized by department and by goal. The goal categories are:

- Healthy Local Economy
- Environmentally Strong
- Fiscally Strong
- Safe, Diverse, and Engaged Neighborhoods
- Efficient, Effective, and Productive Organization
- Treasured Waterfront

Staff has added two objectives based on recent City Council actions: 1) Reorganize public works management and engineering through the creation, recruitment, and selection of a Public Works Director/City Engineer. 2) Through a City Council subcommittee, work on issues related to the future use of the Gill Tract, and with the assistance of the Parks & Recreation Commission, explore possibilities for urban agriculture, gardening, and or farming on the Gill Tract and/or other locations.

ANALYSIS

Revenues FY 2012-13

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 declined 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 FY 2012-13

Expenditures for the City Clerk appear to have tripled, but the budget for 2011-12 provided for only one-half year of salary and benefits for the City Clerk. The 2012-13 budget includes full salary and benefits of the newly appointed City Clerk and November 2012 election costs.

Community Development Department expenses increased \$394,740, which is a 19% increase. However, the 2011-12 budget, to which the 2012-13 budget is compared, reflects a transfer from the General Fund, of salary and benefits of \$125,000 to programs funded by the County. It may be that a similar transfer will be reflected in a revised 2012-13 budget. The budget for Department 410, Street Maintenance has been increased \$300,000, but funding of increased street maintenance cost is available from Gas Tax revenues.

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 \$40,000 represents the addition of a shared IT Manager with the City of Emeryville.

Expenditures by Account FY 2012-13

Salaries increased \$454,066, which is 5% 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 a 9% CalPERS pension contribution. Similarly, JPA employees salaries were increased to partially offset their payment of their 8% CalPERS pension contributions. Other factors contributing to the increase were step progressions for employees not at the top step of their salary grade, and promotions.

Fringe benefits were impacted by increased CalPERS employer contribution rates, and medical plan rate increases that averaged 7%, but the net increase for total fringe benefits was only 2.9%, 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 provision of 3%. 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 \$498,455. The increase comes from Emergency Medical Services revenue generated by fees and grants, increased reimbursement of safety pension costs from person override taxes, and increased Gas Tax funds awarded to the City, to reimburse street maintenance and other transportation costs.

FY 2013-14 Variances

Revenues for fiscal year 2013-14 are estimated to increase one percent over fiscal year 2012-13. This moderate increase is reflective of the slow recovery of the housing market, the long term trend of declining taxes from Golden Gate Fields and a trend of declining growth in sales tax revenue. Other revenue is projected to decline ten percent partially from the loss of State revenues such as motor vehicle license fees and pass-through of redevelopment tax increment revenues.

Expenditures for fiscal year 2013-14 are estimated to increase two percent over fiscal year 2012-13. Salaries increase 1.4% from step increases for existing employees, increases in incentives for safety employees and the salary adjustments made when employees began paying the full employee contribution to PERS. The 6% increase in benefits is driven by an estimated 15% increase in health insurance over current rates. Employer contribution rates to PERS are also estimated to increase as much one and one-half percent of salary.

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. Resolution No. 2012-48
2. General Fund Proposed Operating Budget – Expenditures by Type
3. General Fund Proposed Operating Budget – Expenditures by Department
4. Goals & Objectives