

**CITY OF ALBANY
FINANCIAL ADVISORY COMMITTEE
STAFF REPORT**

Agenda Date: March 1, 2023

SUBJECT: Fiscal Year 2023 Quarterly Budget Review and Mid-Year Update

REPORT BY: Heather Rowden, Finance & Admin Services Director

SUMMARY

This report provides a review of the City's finances compared to budgeted amounts as well as an update on current financial events. This report covers the second quarter of fiscal year 2022 and outlines the mid-year budget update staff will present to Council on March 20, 2023.

STAFF RECOMMENDATION

Report is for informational purposes only.

BACKGROUND

Quarterly the Financial Advisory Committee reviews the status of the City's finances prior to the report being presented to the City Council. The status update includes revenues, expenditures, and transfers, compared to the adopted budget for the fiscal year as well as a review of the updates that will be presented to Council for fiscal year 2023.

DISCUSSION AND ANALYSIS

The attached Year to Date Budget to Actuals reports show revenues and expenditures for the General Fund through second quarter 2022-23. Expenses are at 54.8% of budget and revenues are at 48.5% compared to 51.14% and 40.46%, respectively, at this same point in fiscal year 2021-22.

Expenses

Fiscal year 2023 spending is progressing as anticipated, while slightly ahead of this same time last year. While there are no extraordinary items to report in the expense category at this time, staff are requesting various changes to the budgeted expenses, noted in the Mid-Year Budget Update section later in this report.

Revenues

At 48.5%, total revenues are coming in as budgeted. Taking a closer look, some categories, like property transfer and sales taxes, are still coming in much higher than expected. Sales

taxes were budgeted conservatively during the pandemic, but an adjustment is being requested in the following section of this report as consumer spending did not slow during the pandemic as expected. Property transfer tax revenues, however, have been slowing as home sales slow due partly to interest rate increases.

While there is nothing additional to note on current revenues, a review of all revenue sources will be completed with the upcoming biennial budget and smaller adjustments will be requested based on recent revenue trends.

Mid-Year Budget Update

Attachment 2, Fiscal Year 2022-23 Mid-Year Budget Update Proposal, contains an overview of the City's budget, as passed in June, 2021, as well as subsequent appropriations and the requests staff will make to Council at their March 20, 2023 meeting. As the budget was originally passed almost two years ago, several changes are being requested based on economic and programmatic changes.

In total, staff is recommending an increase to general fund tax revenue of \$1.58 million. As mentioned in the previous section, the original budget was passed conservatively due to uncertainty during the COVID-19 pandemic. These changes bring revenues up to current trends and help reduce the budgeted deficit.

For expenditures, Public Works and Recreation are requesting increases that are offset by additional revenue. Public Works is requesting increases in budget lines associated with various repairs and maintenance throughout the City. These requests are covered by transfers in from various special revenue sources such as Measure M (Parks and Open Space Parcel Tax) and HUTA (gas taxes). Each revenue source is identified in Attachment 2.

The Recreation Department is requesting a \$15,000 increase to cover the increase in instructor costs. As the City emerges from the pandemic, Recreation services are steadily increasing while the budget was cut the City was shut down. These increases will be covered by additional revenue from class fees.

In addition, staff are also requesting the following increases that do not have direct offsetting revenues:

- Economic Development Professional Services: \$25,000. The City utilizes consultants to assist in economic development efforts and is looking to increase the budget to cover these costs.
- Finance Professional Services: \$20,000. The City has contracted with California Consulting for assistance with applying, tracking, and administering grants. The partnership has been successful, bringing in several grant opportunities for both Public Works and Community Development, so staff are requesting additional funds to continue the partnership through the fiscal year.
- Public Works Building Maintenance Professional Services: \$50,000. Staff are requesting an increase to the budget to cover the costs of a new HVAC servicer.

- Recreation Special Events: \$18,000. Staff are requesting \$18,000 to cover the costs associated with events requested by the community.

Cash and Investments

Attachment 3 – Cash and Investments shows the City’s cash and investment holdings in two ways. The first page lists the holdings by financial institution. This will be expanded upon as staff work with the Asset Manager to implement an investment strategy. So far, \$31.9 million has been invested in CAMP, a municipal investment clearing authority currently paying 4.5% on their money market account.

The second page shows the City’s asset holdings by funding source. While the general fund balance is growing, due to increased tax collections, expenses are also increasing year over year. It is important to remember that a cash balance is different than a cash flow analysis. The cash balance is a snapshot in time while a cashflow analysis would show anticipated revenues and expenditures over time to estimate cash balances over time. If we were to put together a cashflow analysis, it would be clear that cash balances are always high in December as the first tax payment comes in that month. However, property tax payments only come in twice a year with a smaller payment coming in April. Expenses through the remainder of the year draw on this balance.

American Rescue Plan Act (ARPA)

In July of both 2021 and 2022, the City received payments of \$2,355,851 (totaling \$4,711,702) from the federal government for COVID-19 pandemic mitigation and economic relief. Per the US Treasury, the funds must be appropriated by December 31, 2024, and spent by December 31, 2026. At their October 3, 2022 meeting, Council appropriated the remainder of the funds allocated to the City.

The first annual compliance report was due to the United States Treasury by April 30, 2022. Staff submitted the report on April 8, 2022. In addition to reporting the amounts spent to date, the Treasury requires that recipients provide the amount allocated as well as descriptions of the programs funded. Reports will be required annually for each year of the program.

The funds have been appropriated as follows:

Temporary COVID19 Individual Assistance Program	\$2,150,000
COVID Community Engagement Specialist	\$550,000
Homelessness mitigation and housing services	\$285,000
Small business grants	\$1,657,143
ARPA Programs Marketing	\$25,000
IT hardware	\$30,000
<u>Solano Avenue Association Stroll-ish events</u>	<u>\$14,559</u>
Total	\$4,711,702

As of the date of this report, just over \$1,170,063 of these funds has been spent, with \$1,427,500 under contract.

Attachments

1. Fiscal Year 2022-23 Quarter 2 Budget to Actuals Report
2. Fiscal Year 2022-23 Mid-Year Budget Update Proposal
3. December 31, 2022 Cash and Investments Summary