

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

Agenda Date: June 3, 2024
Reviewed by: NA

SUBJECT: Fiscal Year 2023/24 Third Quarter Budget Review

REPORT BY: Reina J. Schwartz, Interim Finance Director
Cassandra Murphy, Finance Manager

SUMMARY

This report provides a review of the City’s finances compared to budgeted amounts as well as an update on current financial status. This report covers the third quarter of FY2023/24.

STAFF RECOMMENDATION

Report is for informational purposes only. No action required.

BACKGROUND

Each quarter, staff provide the City Council a review of the City’s financial status. The status update includes information and analysis of revenues and expenditures through the third quarter of FY2023/24 as well as an estimate of year-end results.

DISCUSSION/ANALYSIS

The attached Year-to-Date Budget to Actuals reports show revenues and expenditures for the General Fund through the third quarter of FY2023/24. Expenses and revenues ended at just under 70 percent of the annual budget. A detailed analysis of the revenues and expenditures to date is provided in the following sections.

Definitions

The following definitions are used to describe amounts in the remainder of the report.

2022/23 Actuals represents the final actual results for the fiscal year.

2023/24 Adopted Annual Budget represents the budget adopted by the City Council on June 5, 2023.

2023/24 Third-Quarter Actual or Q3 Actual represents actual revenues or expenditures recorded during the first three quarters of the current fiscal year.

2023/24 Estimated Year End represents the estimated revenues or expenditures for the full fiscal year based on actuals through the third quarter of the fiscal year.

GENERAL FUND

A review of FY 2023/24 actuals through the third quarter as well as an estimate of year-end results compared to the budget for the General Fund is shown below. It should be noted that the year-end estimated results are not a perfect prediction of where the City will end the year; but rather an estimate of what is likely to happen, barring any unforeseen changes.

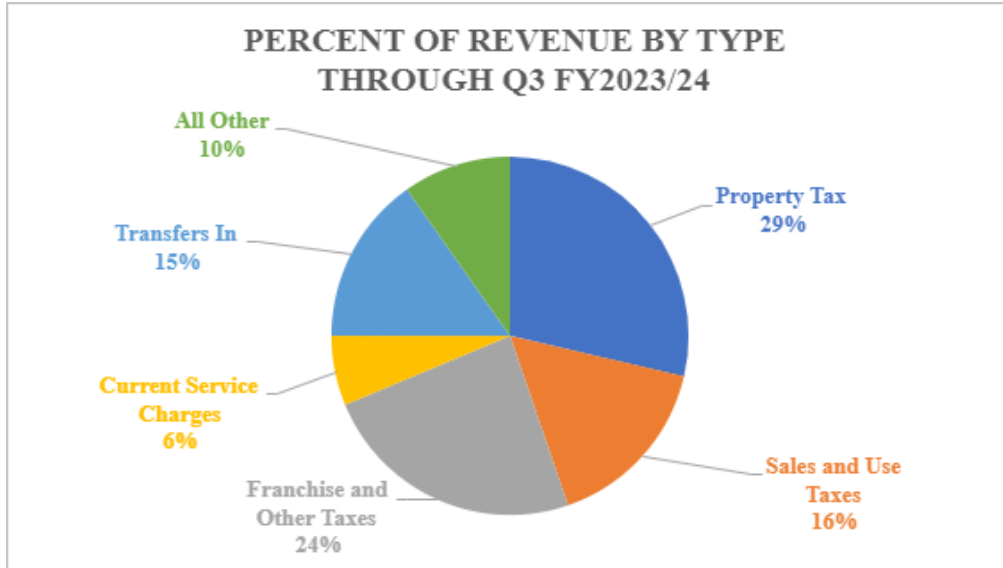
0001 - GENERAL FUND									
	Fiscal Year 2022/23	Adopted Budget	Quarter 1	Quarter 2	Quarter 3	FY 2023/24 Year to Date Total	Estimated Year-End	Variance	Percent Surplus/ (Deficit)
Revenues									
Property Tax	9,492,392	10,000,000	351,911	4,754,725	917,976	6,024,612	9,998,743	(1,257)	0.0%
Sales and Use Taxes	5,101,812	4,970,000	957,882	1,221,964	1,209,497	3,389,343	4,919,000	(51,000)	-1.0%
Franchise and Other Taxes	6,651,687	6,070,000	1,470,947	1,385,546	2,190,955	5,047,448	6,265,408	195,408	3.2%
Licenses and Permits	727,159	455,200	191,658	177,498	168,425	537,581	680,936	225,736	49.6%
Fines and Forfeitures	239,762	270,000	77,256	49,744	54,316	181,315	241,754	(28,246)	-10.5%
Earnings on Investments	347,033	490,000	197,517	207,369	276,229	681,115	681,115	191,115	39.0%
Revenues from Other Agencies	370,451	255,000	45,712	45,007	47,823	138,541	184,722	(70,278)	-27.6%
Current Service Charges	1,632,671	1,408,892	623,309	321,669	380,347	1,325,325	1,678,084	269,192	19.1%
Other Revenue	329,954	256,650	413,605	95,344	13,534	522,483	557,989	301,339	117.4%
Transfers In	3,832,211	5,969,219	299,886	0	2,899,555	3,199,441	5,090,408	(878,811)	-14.7%
Total Revenues	28,725,132	30,144,961	4,629,683	8,258,866	8,158,655	21,047,204	30,298,158	153,197	0.5%
Expenditures									
General Government	9,057,644	10,128,525	5,537,109	1,409,397	1,515,495	8,462,001	10,253,770	125,245	-1.2%
Police	7,330,164	8,149,497	1,680,795	2,156,504	1,589,084	5,426,383	7,813,991	(335,506)	4.1%
Fire	3,339,045	3,755,000	744,400	891,140	827,752	2,463,292	3,547,140	(207,860)	5.5%
Public Works	3,215,255	4,566,754	745,073	946,013	679,351	2,370,437	4,276,289	(290,465)	6.4%
Recreation	2,577,932	2,548,736	604,101	579,998	556,436	1,740,535	2,320,713	(228,023)	8.9%
Community Development	1,709,394	2,304,337	410,947	498,058	539,757	1,448,762	2,124,851	(179,486)	7.8%
Total Expenditures	27,229,434	31,452,849	9,722,425	6,481,110	5,707,874	21,911,409	30,336,755	(1,116,094)	3.5%
Excess (Deficiency) of Revenues Over Expenditures	1,495,698	(1,307,888)	(5,092,742)	1,777,757	2,450,781	(864,205)	(38,596)	1,269,292	

More detail on revenues and expenditures is included in the following sections.

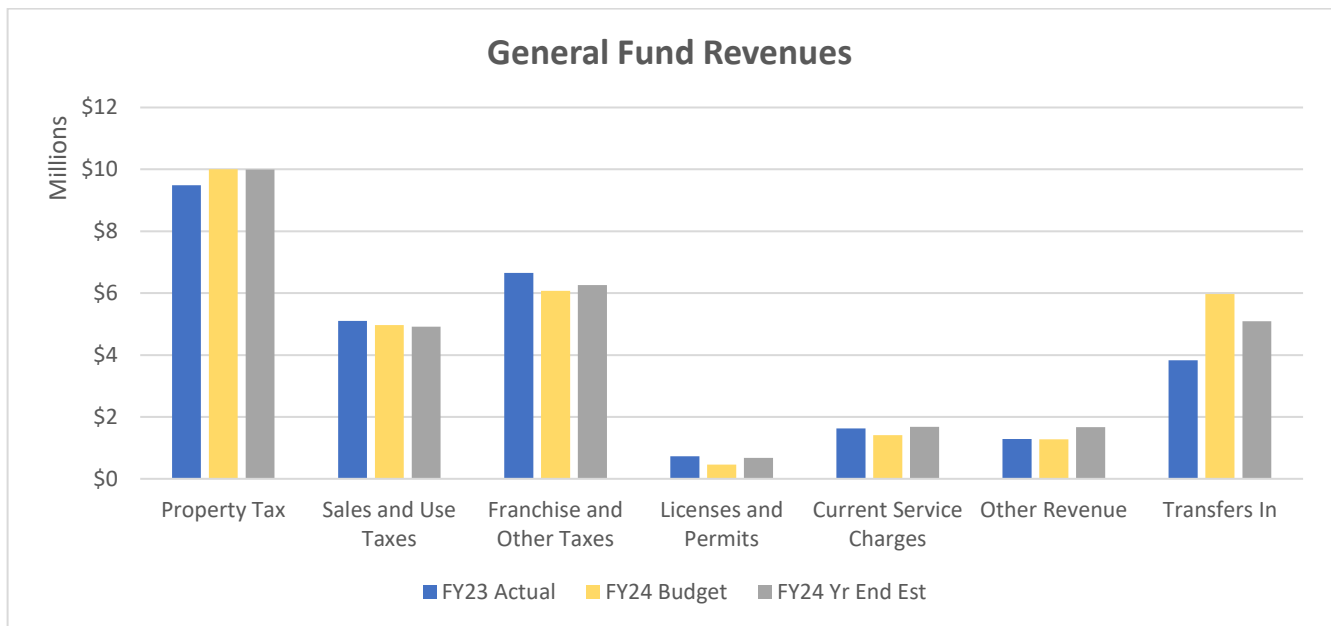
REVENUES

As can be seen in the table above, it appears that after three quarters of the fiscal year, General Fund revenues are estimated to end the fiscal year just over the adopted budget of \$30.1 million.

Through the first three quarters of FY2023/24, the following chart shows the percent of total revenues attributable to each type of revenue source. The relative size represented by each type of revenue source varies across the course of the fiscal year, but overall is on track with expectations.



The following chart provides some comparison data for actual General Fund Revenues for FY2022/23 Actuals, FY2023/24 Budget, and FY2023/24 Estimated Year-End amounts.



While the overall picture is on track, there are a few variances to note:

Property Taxes. The year-end estimate is essentially as was budgeted and is higher than the actuals for FY 2022/23. Property taxes is the City’s single biggest revenue source and has met growth expectations.

Sales and Use Taxes. The year-end estimate of sales and use tax receipts is based on receipts to date as well as in-depth analysis provided to the City by our sales tax consultant Avenu. While sales tax revenues of \$4.9 million for this fiscal year are nearly on track with the budget of \$5.0 million, projected sales and use tax revenues for next fiscal year are lower because of the anticipated closure of Golden Gate

Fields this summer. The Sales and Use Tax budgets for FY2024/25 will need to be adjusted downward to account for these losses.

Licenses and Permits. It appears that Licenses and Permits are trending higher than anticipated for FY2023/24. The most significant area is in construction and encroachment/grading permits which are trending nearly 20 percent and 10 percent higher, respectively. This reflects a continued post-pandemic recovery in construction.

Current Service Charges. Current Service Charges are estimated at year end at \$1.6 million, 12% higher than the budget of \$1.4 million. This is primarily the result of continued strength in the area of recreation services including facility and field rentals and recreation classes.

Other Revenue. The Other Revenue category is significantly higher than budget as a result of receiving the first annual payment of \$400,000 from the City’s 2023 agreement with UC Berkeley which reflects UC Berkeley’s shared interest in strengthening projects and programs that are designed to improve the quality of life for Albany residents, including those services and programs that take place on or near to the University Village (UC Village). The agreement was not executed until after the FY2023/24 budget was adopted, therefore this funding was not included in the adopted budget. While this is positive news in terms of actual revenues, its receipt masks some other revenues with lower-than-anticipated results. This will be something to continue to monitor in FY2024/25.

Transfers In. The timing of transfers into the General Fund from special revenue funds (such as the pension property tax override, Parks and Open Space Measures M (2018) and R (1996), Gas Tax and others) was discussed during the Q2 budget update. Historically, the City has only made those transfers once, at the end of each fiscal year. To provide a better picture of the City’s financial position across the course of a fiscal year, staff will now be making these transfers quarterly, with a final true-up for any adjustments with the close of the fiscal year.

Measure DD

Measure DD was passed in November 2020 increasing the Utility Users’ Taxes (UUT) on the use of gas and electric utilities in Albany while also adding a new tax for water use. The tax rates were updated per the table below.

Utility	Prior Tax Rate	New Tax Rate
Electricity	7%	9.5%
Gas	7%	9.5%
Water	None	7.5%
Telecommunications	6.5%	6.5%

These changes were anticipated to bring in an additional \$675,000 in revenue annually. The additional revenues through Q3 for FY 2023/24 are detailed in the table below.

UUT	Old Rate	New Rate	Difference
Electric	\$705,089	\$956,906	\$251,817
Gas	\$227,104	\$308,213	\$81,109
Water	\$0	\$319,461	\$319,461
TOTAL	\$932,193	\$1,584,580	\$652,387

Total revenues from affected utility users’ taxes for FY2023/24 through Q3 are \$1.6 million, with an increase of \$652,387 attributable to the increased rates approved in 2020. If these revenues continue with the same trends through the balance of the fiscal year, a total of over \$800,000 in additional revenues will be attributable to this increase in the utility user tax rates.

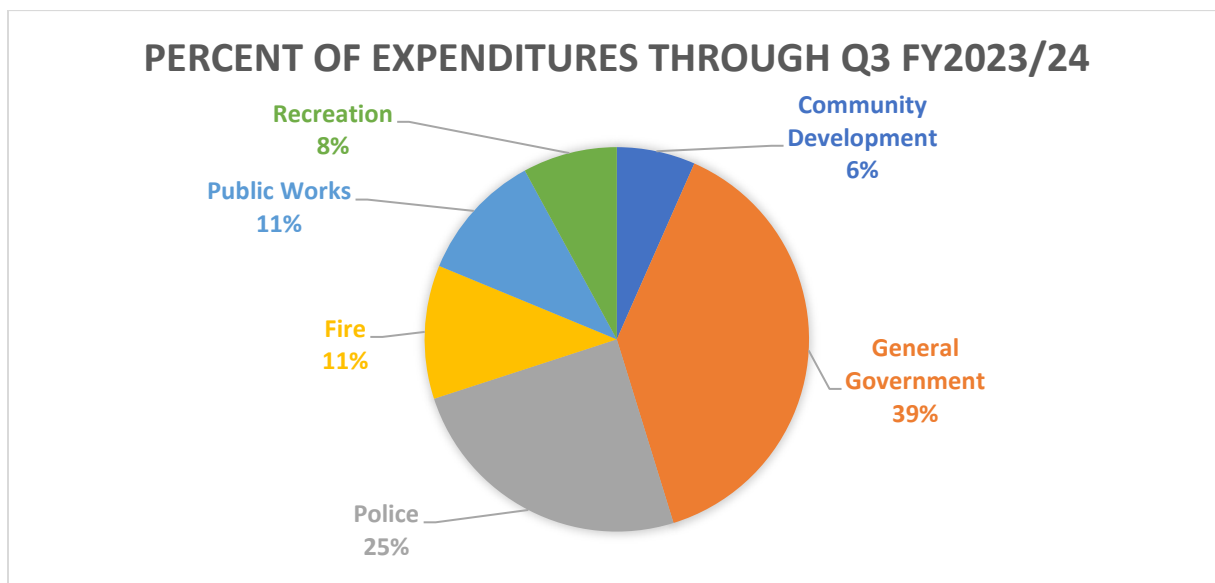
This tax was passed as a general tax with more than 50% of the vote rather than a special tax which would have required a two-thirds threshold. Measure DD included language stating that the *City Council will endeavor to expend at least one-third (1/3) of the additional revenue generated from the increase in the maximum electricity users’ tax rate (above 7%) for the following spending priorities:*

1. *Those Action Items in the City’s Climate Action and Adaptation Plan, approved by the City Council on December 2, 2019, and as it may be amended from time to time by the City Council.*
2. *Additional environmental sustainability programs as may be authorized by the City Council.*

In FY2022/23, staff identified \$28,000 in sustainability-related expenditures associated with the increased funding and on May 1, 2023, the City Council adopted [Resolution No. 2023-27](#) allocating \$143,469 to a Climate Action and Adaptation Reserve fund to further the goals identified in the Measure DD language. It should be noted, however, that since the measure was passed as a general tax, revenues may be budgeted by the Council to pay for any valid expenditures of the City.

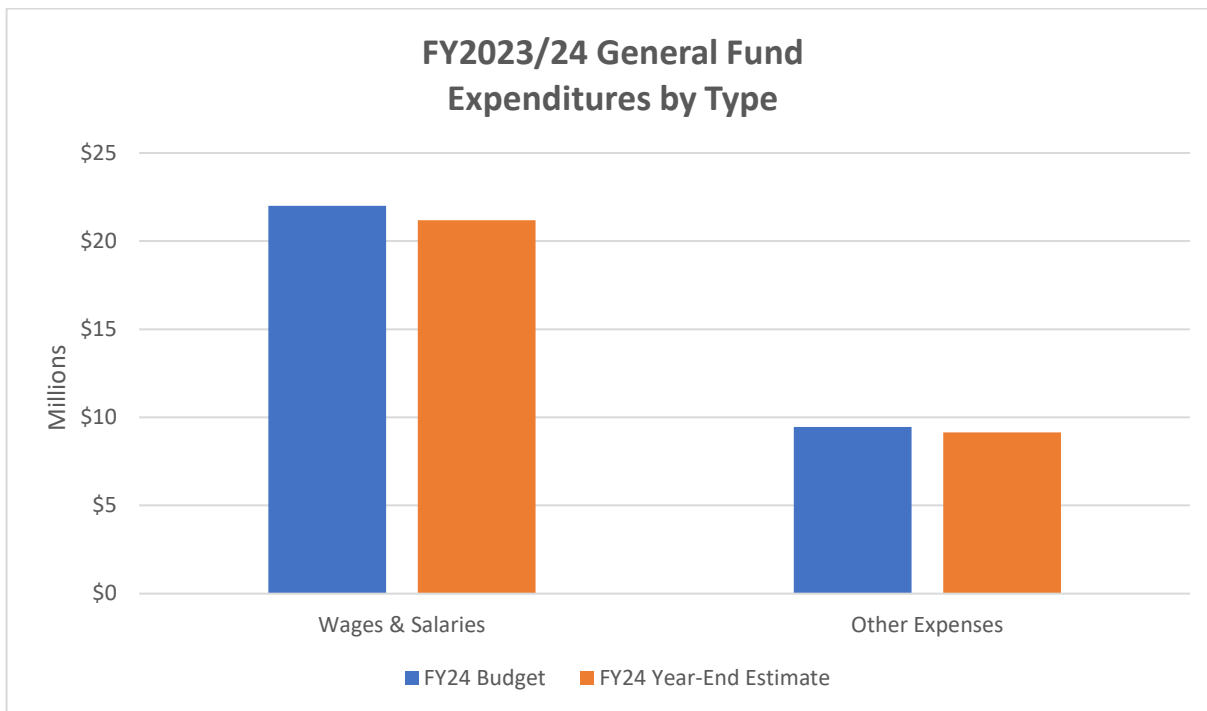
EXPENDITURES

The charts below show the percent of total expenditures through three quarters by department in the General Fund as well as the actuals and projected year-end expenditures for the major categories of spending (salaries and wages, and other expenses).



	FY23 Actuals	FY24 Budget	YTD through Q3	Est Year End	Variance	Percentage
Salaries and Benefits	\$ 19,165,649	\$ 21,998,355	\$ 15,598,104	\$ 21,183,085	(815,270)	-3.7%
Other Expenses	\$ 8,062,640	\$ 9,454,494	\$ 6,313,304	\$ 9,153,670	(300,824)	-3.2%
	\$ 27,228,289	\$ 31,452,849	\$ 21,911,409	\$ 30,336,755	(1,116,094)	-3.5%

Total expenditures are estimated at \$30.3 million or 3.5 percent less than the adopted budget of \$31.5 million. Across the individual departments, most departments are anticipated to be between two and nine percent below budget at fiscal year-end. While some of this is driven by vacancies, the departments are also working diligently to ensure that other expenses stay within budget during the fiscal year.



FINANCIAL ADVISORY COMMITTEE REVIEW

On May 21, 2024, the Financial Advisory Committee (FAC) received a presentation on the City’s finances at the end of the third quarter of FY2023/24 as well as an estimate of year-end results. Since the second quarter review, staff had worked to create a process to complete special revenue fund transfers to the General Fund on a quarterly basis; as part of this new process, staff caught the transfers up to through the third quarter. The FAC asked for further clarification on how these transfers are completed and the timeline of the new process. Staff explained that the expenses for programs that are budgeted to use special revenue sources such as the sidewalk tax or the pension override tax are recorded to the general fund throughout the year. Previously, an annual transfer was completed at the end of the fiscal year to utilize the full amount of the revenue allowable for expense of the various programs. Now, staff will analyze the expenses on a quarterly basis, complete the transfer, then complete the full revenue transfer and true up at the end of the fiscal year.

Committee members also pointed out that investment actuals and estimated year end are the same amount. Staff explained that inadvertently unrealized gains were previously included in this revenue. To provide a conservative estimate of this revenue for the year staff kept the revenue the same as presented to date to avoid overstating earnings on these gains. Staff will meet with our investment manager to determine the best way to present investment earnings going forward. The FAC is interested in a deeper explanation of the performance of the investments in the future.

Committee members also questioned the savings in operation expenses due to staff vacancies, how this impacts the budget, and the overall analysis of the budget. Staff discussed methods of appropriately budgeting salaries knowing that vacancies will occur. FAC members pointed out that the salaries are trending closer to the budgeted amount in this fiscal year than they had in prior years.

Summary

Although the City adopted a FY 2023/24 budget with a deficit of revenues to expenditures of \$1.3 million, based on actual revenues and expenditures through the third quarter of FY2023/24, the fiscal year is estimated to end nearly in balance with a small, shortfall projected. This is positive news as the City looks forward to the end of the 2023/24 fiscal year. It should be noted, however, that the approved FY2024/25 budget also anticipated a deficit for which reserve funds may be needed. On the expenditure side, departments are doing a good job controlling expenditures while balancing service demand and programmatic desires. Final actual results will be presented to the City Council after the year end close and audit.

Cash and Investments

Attachment 2 – Cash and Investments shows the City’s cash and investment holdings as of March 31, 2024.

So far, \$33.5 million has been invested in CAMP (California Asset Management Program), a municipal investment clearing authority currently paying 4.5% on their money market account with the balance invested in compliance with the City’s Investment Policy. The majority of these funds have been invested in securities as of July 2023 shown on the CAMP managed line of the attached investments summary. Funds are also held in a Mechanics Money Market, Local Agency Investment Fund (LAIF) and CalTrust accounts, which are similar to the CAMP Pool as funds can be made available for operations with a quick turnaround. Staff monitors the balances in the more liquid accounts against operational expenses to ensure City business is funded and potential investment earnings are maximized.

Attachments

1. Fiscal Year 2023/24 Third Quarter Budget to Actuals Report
2. March 31, 2024 Cash and Investments Summary



Fiscal Year 2023/24
Quarter 3
Budget to Actual Review and Estimated Year-End

0001 - GENERAL FUND

	Fiscal Year 2022/23	Adopted Budget	FY 2023/24			FY 2023/24 Year to Date Total	Estimated Year-End	Variance	Percent Surplus/ (Deficit)
			Quarter 1	Quarter 2	Quarter 3				
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Property Tax	9,492,392	10,000,000	351,911	4,754,725	917,976	6,024,612	9,998,743	(1,257)	0.0%
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Other Revenue	329,954	256,650	413,605	95,344	13,534	522,483	557,989	301,339	117.4%
Transfers In	3,832,211	5,969,219	299,886	0	2,899,555	3,199,441	5,090,408	(878,811)	-14.7%
Total Revenues	28,725,132	30,144,961	4,629,683	8,258,866	8,158,655	21,047,204	30,298,158	153,197	0.5%
Expenditures									
General Government	9,057,644	10,128,525	5,537,109	1,409,397	1,515,495	8,462,001	10,253,770	125,245	-1.2%
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Total Expenditures	27,229,434	31,452,849	9,722,425	6,481,110	5,707,874	21,911,409	30,336,755	(1,116,094)	3.5%
Excess (Deficiency) of Revenues Over Expenditures	1,495,698	(1,307,888)	(5,092,742)	1,777,757	2,450,781	(864,205)	(38,596)	1,269,292	

Summary by Department

	2023 Actuals	Approved 2024 Budget	FY 2023/24 Quarter 1 Actuals	FY 2023/24 Quarter 2 Actuals	FY 2023/24 Quarter 3 Actuals	FY 2023/24 Year to Date	% of Budget	YE Projection
0001 - GENERAL FUND	1,496,843	111,635	(5,090,477)	1,777,757	2,448,516	(864,205)		(38,596)
Expenses	27,228,289	31,447,849	9,720,160	6,481,110	5,710,139	21,911,409	69.7%	30,336,755
Salaries and Benefits	19,165,649	18,998,355	3,952,535	4,891,886	4,118,400	12,962,820	68.2%	18,547,801
Pension UAL		3,000,000	2,638,154	(1,533)	(1,336)	2,635,284	87.8%	2,635,284
Other Expenses	8,062,640	9,449,494	3,129,472	1,590,757	1,593,075	6,313,304	66.8%	9,153,670
Revenues	28,725,132	30,144,961	4,629,683	8,258,866	8,158,655	21,047,204	69.8%	30,298,159
11 - CITY COUNCIL	84,234	135,312	29,343	19,621	39,919	88,883	65.7%	118,511
Expenses	84,234	135,312	29,343	19,621	39,919	88,883	65.7%	118,511
Salaries and Benefits	65,871	43,312	18,361	18,361	30,710	67,432	155.7%	89,910
Other Expenses	18,363	92,000	10,982	1,259	9,209	21,451	23.3%	28,601
12 - ADMINISTRATION	(17,653,909)	(17,886,790)	1,479,661	(6,834,276)	(5,868,399)	(11,223,014)	62.7%	(17,490,565)
Expenses	6,774,422	7,471,327	4,914,132	787,116	839,772	6,541,020	87.5%	7,688,194
Salaries and Benefits	3,841,498	4,393,437	266,311	420,349	357,160	1,043,820	23.8%	3,876,133
Other Expenses	2,932,924	3,077,890	4,647,821	366,767	482,612	5,497,200	178.6%	3,812,062
Revenues	24,428,331	25,358,117	3,434,471	7,621,391	6,708,171	17,764,033	70.1%	25,178,759
122 - HUMAN RESOURCES	495,257	615,121	96,561	153,915	189,864	440,340	71.6%	590,000
Expenses	495,257	615,121	96,561	153,915	189,864	440,340	71.6%	590,000
Salaries and Benefits	302,720	426,360	62,697	105,107	91,926	259,730	60.9%	349,186
Citywide Benefits	91,282	90,911	13,977	21,666	23,470	59,113	65.0%	78,818
Other Expenses	101,255	97,850	19,887	27,143	74,467	121,498	124.2%	161,997
13 - CITY CLERK	444,822	472,290	49,693	143,374	110,397	303,464	64.3%	404,619
Expenses	444,941	472,440	98,383	143,374	110,397	352,154	74.5%	469,539
Salaries and Benefits	394,955	424,690	91,832	135,922	101,974	329,729	77.6%	439,638
Other Expenses	49,986	47,750	6,551	7,451	8,424	22,426	47.0%	29,901
Revenues	119	150	48,690	0	0	48,690	32459.9%	64,920
17 - FINANCE	1,255,130	1,392,325	395,878	304,261	338,598	1,038,737	74.6%	1,384,983
Expenses	1,258,790	1,434,325	396,424	306,905	339,144	1,042,473	72.7%	1,389,964
Salaries and Benefits	971,719	1,114,275	226,382	238,768	242,878	708,029	63.5%	944,038
Other Expenses	287,071	320,050	170,042	68,137	96,266	334,444	104.5%	445,926
Revenues	3,660	42,000	546	2,644	546	3,736	8.9%	4,981

Summary by Department

	2023 Actuals	Approved 2024 Budget	FY 2023/24 Quarter 1 Actuals	FY 2023/24 Quarter 2 Actuals	FY 2023/24 Quarter 3 Actuals	FY 2023/24 Year to Date	% of Budget	YE Projection
19 - POLICE	6,972,340	7,761,655	1,483,037	2,105,857	1,534,167	5,123,062	66.0%	7,409,563
Expenses	7,330,164	8,149,497	1,680,795	2,156,504	1,589,084	5,426,383	66.6%	7,813,991
Salaries and Benefits	6,464,755	7,535,897	1,514,037	1,967,734	1,520,800	5,002,571	66.4%	7,203,702
Other Expenses	865,409	613,600	166,758	188,770	68,284	423,812	69.1%	610,289
Revenues	357,824	387,842	197,758	50,646	54,917	303,321	78.2%	404,428
20 - FIRE	2,937,742	3,456,750	726,231	877,634	732,539	2,336,404	67.6%	3,377,956
Expenses	3,339,045	3,755,000	744,400	891,140	827,752	2,463,292	65.6%	3,547,140
Salaries and Benefits	2,750,558	2,930,306	647,158	827,892	668,359	2,143,409	73.1%	3,086,510
Other Expenses	588,487	824,694	97,242	63,248	159,393	319,882	38.8%	460,631
Revenues	401,303	298,250	18,169	13,507	95,212	126,888	42.5%	169,184
21 - PUBLIC WORKS	1,792,789	2,203,452	452,687	945,784	(159,002)	1,239,469	56.3%	2,026,493
Expenses	3,215,255	4,566,754	745,073	946,013	679,351	2,370,437	51.9%	4,276,289
Salaries and Benefits	1,419,457	1,860,354	377,682	332,947	318,027	1,028,656	55.3%	1,887,878
Other Expenses	1,795,798	2,706,400	367,391	613,065	361,324	1,341,780	49.6%	2,388,411
Revenues	1,421,322	2,363,302	292,386	229	838,353	1,130,968	47.9%	2,249,796
22 - RECREATION	1,405,078	1,533,736	227,424	290,706	285,175	803,306	52.4%	1,071,074
Expenses	2,577,932	2,548,736	604,101	579,998	556,436	1,740,535	68.3%	2,320,713
Salaries and Benefits	1,763,359	1,746,126	419,032	464,862	416,920	1,300,814	74.5%	1,734,418
Other Expenses	814,573	802,610	185,069	115,136	139,516	439,721	54.8%	586,295
Revenues	1,172,854	1,015,000	376,677	289,291	271,261	937,229	92.3%	1,249,639
23 - COMMUNITY DEV	769,674	1,624,037	149,962	216,900	349,560	716,422	44.1%	1,148,398
Expenses	1,709,394	2,304,337	410,947	498,058	539,757	1,448,762	62.9%	2,124,851
Salaries and Benefits	1,100,619	1,432,687	315,065	358,277	346,177	1,019,518	71.2%	1,495,293
Other Expenses	608,775	871,650	95,883	139,781	193,580	429,244	49.2%	629,558
Revenues	939,720	680,300	260,985	281,158	190,196	732,339	107.6%	976,453
1002 - EMS Fund	(473)	0	293,216	(456,050)	280,787	117,953		(82,729)
Expenses	2,727,165	3,259,667	640,497	908,544	795,808	2,344,849	71.9%	3,126,465
Salaries and Benefits	2,412,421	2,935,527	571,809	792,038	716,636	2,080,483	70.9%	2,773,978
Other Expenses	314,744	324,140	68,688	116,506	79,172	264,366	81.6%	352,487
Revenues	2,727,638	3,259,667	347,281	1,364,594	515,021	2,226,896	68.3%	3,209,194



September 30, 2023 Balances December 31, 2023 Balances March 31, 2024 Balances

Combined City Accounts (Pooled Cash)

Mechanics' Bank

Main Account	1,746,133	1,076,891	798,300
Employee Flex Spending Account	36,659	14,292	57,281
Money Market	422,496	8,970,424	7,851,938
Total Mechanics' Bank	2,205,288	10,061,607	8,707,519

Local Agency Investment Fund (LAIF)

Main Account	1,080,499	90,242	95,947
1999 Limited Obligation Bond	1,895,000	1,929,707	1,949,094
Total LAIF	2,975,499	2,019,949	2,045,041

CalTRUST

CalTRUST Short Term Fund	1,109,424	64,777	65,447
Total CalTRUST	1,109,424	64,777	65,447

BNY Mellon

1999 LLD Bond Reserve Account	0	0	0
Storm Drain Note Reserve Account	0	0	0
Total BNY Mellon	0	0	0

CAMP

CAMP Pool	22,988	300,514	463,619
CAMP Managed	32,642,275	33,248,625	33,232,035
Total CAMP	32,665,264	33,549,139	33,695,654

Total Cash and Investments	38,955,475	45,695,473	44,513,661
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Closed Police and Fire Pension Plan

Mechanics' Bank

Pension Account	324,156	593,667	372,159
Total Mechanics' Bank	324,156	593,667	372,159

Local Agency Investment Fund (LAIF)

Pension Account	32,709	33,004	33,335
Total LAIF	32,709	33,004	33,335

Charles Schwab

Cash and Bank Sweep	11,033	45,714	85,153
Money Market Funds	240,000	240,000	240,000
Bond Funds	901,826	945,590	937,052
Equity Funds	1,015,315	1,092,709	1,157,675
Total Charles Schwab	2,168,175	2,324,012	2,419,880

Total Cash and Investments	2,525,040	2,950,683	2,825,375
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