

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

Agenda Date: June 17, 2024
Reviewed by: NA

SUBJECT: Amendments to the Second Year of the City of Albany Biennial Operating Budget Covering Fiscal Year 2024/25

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

SUMMARY

This report recommends proposed amendments to the Fiscal Year (FY) 2024/25 Operating Budget.

STAFF RECOMMENDATION

That the Council adopt Resolution No. 2024-52, amending the second year of the City of Albany Biennial Operating Budget covering Fiscal Year 2024/25.

BACKGROUND

The City operates on a two-year budget cycle for preparation and adoption of the Operating Budget. The current biennial budget was adopted in June 2023 and is effective through June 30, 2025. Historically, the biennial budget is updated prior to the start of the second fiscal year, as is planned this year.

DISCUSSION & ANALYSIS

Since the adoption of the FY2023/24 and FY2024/25 budgets in June 2023, there are a few budget figures that can be updated with new information. These updates are described below in support of the recommended budget amendments for FY2024/25. The total General Fund budget approved in June 2023 for FY2024/25 included:

- Revenues \$30,823,174
- Expenditures \$33,014,490
 - Net Results -\$2,191,316

If actual revenues and expenditures were to match the budgeted amounts, a \$2,191,316 transfer from General Fund reserves would be required to balance the budget. The recommended adjustments in this report would result in a slight improvement to the anticipated deficit (to -\$2,110,599), but careful monitoring of actual results during FY2024/25 will be necessary to ensure that the City ends FY2024/25 in the strongest position possible.

Revenues

Sales Taxes

The City regularly receives updates and revised projections for sales tax receipts from the City's consultant Avenu. Based on receipts to date in FY2023/24 as well as updated data on overall economic conditions, adjustments are recommended for both the Sugar Sweetened Beverage tax (SSB) as well as overall sales tax receipts.

In the current fiscal year, SSB revenues are trending lower than in previous years. This is likely the result of a general slowing in consumer spending as well as potentially achieving some of the desired impact which is to reduce the consumption of sugar sweetened beverages due to their negative health impacts. The recommendation is to reduce anticipated SSB revenues by **\$40,000**, to \$225,000 from the \$265,000 in the adopted budget.

With respect to general sales tax revenues, with the planned closure of Golden Gate Fields (GGF), the sales tax revenues that come from the businesses associated with GGF, Avenu estimates that the City will take in about **\$179,000** less sales tax revenue in FY2024/25. While it does not appear that the closure of GGF will result in an immediate loss of property tax revenues, future changes in the land ownership and/or use could change that in the future.

Race Track Tax

Currently the City receives a Race Track Tax associated with the operation of GGF. With the anticipated closure of the track, these revenues will no longer be collected. This results in a reduction in revenue of **\$200,000**.

Franchise Fees – Waste Management

In March 2024, the City and Waste Management reached agreement on a [new franchise agreement](#). As a result of increasing rates and changes to the agreement, the City anticipates receiving an additional **\$300,000** in revenue from this franchise.

Memorandum of Understanding (MOU) with University of California (UC), Berkeley

In June 2023, the City Council approved an MOU with UC Berkeley that continues the cooperative partnership between the agencies, particularly as UC Berkeley continues to expand housing within the City of Albany. Under the terms of the MOU, UC Berkeley will provide the City: 1) **\$200,000** per year for 10 years that supports emergency response infrastructure that could respond at the new Graduate Housing Facility and private housing facilities that the City may entitle in the future; and 2) **\$400,000** per year for 10 years to augment other City services (e.g., Community Services, Crossing Guards, Homeless Encampment Assistance, Community Programs, etc.), and Fire and Emergency Medical Response Services that benefit the residents of the City living in Albany Village and the broader Albany community. Because this agreement wasn't approved until after the biennial budget had been developed, these revenues were not included when the budget was originally adopted.

Gas Tax – Transfer to Public Works for Increased Right-of-Way Costs

Within the Public Works Department, a number of programs are supported by special revenue funds as well as the General Fund. As described below, Public Works is facing increased costs

for signal and street light maintenance (\$40,000) as well as developing a bridge/overpass maintenance plan (\$10,000). The Bridge Preventative Maintenance Plan is a requirement of Caltrans for any entity that owns bridge(s) (including overpasses) and is required prior to obtaining the federal funding Albany has been awarded for the Buchanan Bridge Preventative Maintenance Project under the Highway Bridge Program. These programs are supported by Gas Tax revenues. The FY2024/25 budget anticipates receiving a total of approximately \$493,000 in Gas Tax revenues with a year-end fund balance estimated at \$951,816. There is sufficient Gas Tax funding available to support the recommended increase in Gas Tax transfers to the General Fund of **\$50,000**.

Expenses

There are a number of areas where estimates of specific expenses have changed since the budget was originally adopted. Each of the changes recommended is described below.

Updated Costs for CalPERS Unfunded Accrued Liability (UAL) Contribution and Insurance

Since the budget was adopted, the City has received updated estimates from CalPERS (California Public Employees' Retirement System) and from our joint risk pool Bay Cities Joint Powers Insurance Authority (BCJPIA) for pension and insurance costs. In the case of the CalPERS UAL contribution, the FY2024/25 budget included \$3,382,200. In July 2023, the City received notification from CalPERS that the required UAL contribution for FY2024/25 would be \$3,307,766. This results in a reduction in the budget needed for this line item of **\$74,434**.

Another major cost for the City is insurance coverage, which the City purchases through participation in the BCJPIA. The current estimates from BCJPIA for Albany's FY2024/25 insurance costs results in a **\$62,831** reduction in budgeted expenditures for this line item.

Public Works Right-of-Way

Since the adoption of the budget, Public Works has identified a number of areas of increased costs:

- Development of a Bridge Maintenance Plan - **\$10,000** (offset by Gas Tax revenues)
- Signal & Street Light Maintenance - **\$40,000** (offset by Gas Tax revenues)
- Street Tree - **\$42,000** (includes costs for consultant support, GIS (Geographic Information System) and related software, tree emergency work and street tree planting)

Police Data Storage

The City's current body camera contract is ending in 2025 at which time the City will need to budget for data storage. The recommended increase for this cost is **\$40,000**.

Fire Engine Debt Service

In 2023, the City put a new Fire Engine in service and debt service payments for the engine were included in the budget. Inadvertently the full amount of the debt service payments was not included in the budget. The recommended increase to correct the debt service budget is **\$30,548**.

Albany Fire Fighters Association (AFFA) New Memorandum of Understanding (MOU)

In May 2023, the City successfully concluded labor negotiations with the City’s fire union (AFFA) and the City Council is scheduled to act on the new MOU at their meeting of June 17, 2024. Once approved, AFFA will have a new MOU effective retroactively to January 1, 2024. While the base budget approved in June 2023 included anticipation of an increase in labor costs for all departments, the new MOU includes a greater increase for FY2024 and FY2025 combined. The recommended increase in the Fire labor budget is **\$225,000**. Any additional impacts resulting from this MOU will be captured in the FY2025/26 and FY2026/27 biennial budget.

Sugar-Sweetened Beverage (SSB) Expenditure Plan

In November 2016 the City of Albany voters approved Measure O1 (Ordinance No. 2016-02), enacting a general tax on the distribution of sugar-sweetened beverages. As included in the Ordinance, the Sugar-Sweetened Beverage Tax is General Fund revenue that the City Council aims to apply towards specific purposes related to health and wellbeing and approved expenditures are incorporated into the City’s annual general fund operating budget. The Ordinance requires that the Council hold a study session annually to develop an expenditure plan for the proceeds of the sugar sweetened beverage tax.

This study session was held on April 15, 2024. Recommendations were received from the City’s Parks, Recreation & Open Space Commission, Racial Inclusivity & Social Equity Commission, Transportation Commission, the Financial Advisory Committee, and a designated representative from the Albany Unified School District (AUSD).

The City Council made the following program recommendations for the use of FY2025 SSB funds:

- Crossing Guards
- Bike Safety
- All-bany Swims
- Move’n’Groove
- Gill Tract Farm
- Water filling station
- Inclusive swing

The City’s Finance Department projects approximately \$225,000 in revenue will be collected in FY2024/25. Based on the projected revenue, the selected programs could be funded as follows:

Programs	SSB Funding
Crossing Guard Program	\$182,695*
Bike Safety Program	\$15,000
All-Bany Swims	\$20,000
Move’n’Groove	\$5,000
Gill Tract Farm	\$2,305
TOTAL	\$225,000

*The new 2024-2025 AUSD school bell schedule requires fewer coverage hours by the Crossing Guard program lowering the contract amount by approximately \$30,000 to fund other SSB-recommended programs.

As mentioned during the SSB study session, allocating more expenditures than revenue in any given year will exacerbate any potential budget deficit, reducing the City’s General Fund fund balance available for other core services.

Other budget line items within the general fund budget may be available to fund the proposed programs. The City Council could use up to \$20,000 in Council Discretionary funding to increase the allocation to the Gill Tract Farm program to \$22,305. Proceeds from special tax Measures O & M within the Public Works Department budget can be utilized to cover the small park improvements and amenities.

Other than recognizing that the anticipated revenue from the SSB tax is \$40,000 less than anticipated at the time the budget was adopted (see above), no other budget changes are needed related to the SSB expenditure plan.

Non-General Fund Changes

In addition to the General Fund changes described above, there are recommended increases for the following special revenue funds:

- Codornices Creek annual maintenance (Fund 7001) - \$25,000. This funding was inadvertently left out of the budget.
- Storm Drain administration (Fund 1601) - \$11,000. This funding provides for property tax and storm drain assessment administration that was left out of the budget.

SUSTAINABILITY CONSIDERATIONS

Several of the projects and programs included in the biennial budget aim to accomplish City Council Strategic Plan goals and other policy initiatives adopted by the City Council to further environmental sustainability including funding from Measure DD which increased certain utility user taxes to provide revenue for the General Fund with the goal of spending one-third of the revenues on sustainability work.

FINANCIAL CONSIDERATIONS

The proposed amendments to the FY2024/25 operating budget reflect conditions that have changed since the budget was adopted in June 2023. The net impact to the General Fund is an improvement in the ending position of \$80,717 as shown below (and in more detail in Exhibit A to the Resolution):

- Revenues +\$331,000
- Expenses +\$250,283
 - Net Impact +80,717

It should be noted, however, that the budget figures represent the best current estimates of revenues and expenditures for the coming fiscal year. Actual revenues and costs will continue to evolve as conditions change. Further, even with this small improvement in the budget anticipated for FY2024/25, the General Fund is still budgeted with a shortfall of revenue over expenditures of approximately \$2 million. This means that the Council will need to authorize the use of reserves up to \$2 million to balance the budget if needed at year end. Staff will continue to monitor actual revenues and expenditures throughout the course of FY2024/25 and mid-year adjustments may be necessary. Staff will also be working on developing options for generating budget savings.

FINANCIAL ADVISORY COMMITTEE REVIEW

On June 5, 2024 the Financial Advisory Committee (FAC) received a presentation on the recommended budget adjustments for FY2024/25. The Committee voiced concern over the budgeted deficit. Discussion was had about the City policy of holding a reserve amount equal to 25% of expenditures and how it relates to budgeting deficits in future years. Deficits to the budget reduce the fund balance as the shortfall is made up using the fund balance. Continuing to budget at a deficit will draw down the fund balance, making it more difficult to comply with the reserve policy. In the past, vacancies in staffing have generated savings that have helped to balance the budget. This will likely not be the case going forward as vacancies continue to be filled. The Committee feels that there is an urgent need for action to be taken to address the deficit and solutions are needed to determine how to balance the budget. The Committee wants to express this urgency to Council to begin to consider what action can be taken to achieve a balanced budget.

Attachments

1. Resolution No. 2024-52 Amending the FY2024/25 Operating Budget
2. Exhibit A to Resolution No. 2024-52 – FY 2024/25 Budget Adjustments
3. FY2024/25 Sugar-Sweetened Beverage Tax Expenditure Plan

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RESOLUTION NO. 2024-52

**A RESOLUTION OF THE ALBANY CITY COUNCIL AMENDING
THE FISCAL YEAR 2024/25 BUDGETED APPROPRIATIONS**

WHEREAS, the Fiscal Year 2024/25 budget was adopted on June 5, 2023; and

WHEREAS, several structural and economic changes have occurred since the budget was adopted; and

WHEREAS, the City Council wishes to amend the budget to reflect those changes.

NOW, THEREFORE, BE IT RESOLVED, that the Albany City Council hereby amends the FY2024/25 Budget as shown in Exhibit A to this Resolution attached hereto and incorporated herein.

JOHN MIKI, MAYOR

ATTACHMENT:
Exhibit A – FY2024/25 Budget Adjustments

Fiscal Year 2024/25 Budget Adjustments

	Revenues	Expenses	Surplus (Deficit)	
Adopted Budget	30,823,174	33,014,490	(2,191,316)	
FY2024/25 Adjustments - General Fund				
Sugar Sweetened Beverage Tax	(40,000)	-	(40,000)	Estimate from tax consultant Avenu
Sales and Use Tax Update	(179,000)	-	(179,000)	Estimate from tax consultant Avenu
Race Track Tax	(200,000)	-	(200,000)	Closure of Golden Gate Fields
Franchise Fees - Waste Management (new)	300,000	-	300,000	New franchise agreement with Waste Management
UC Berkeley MOU (completed after budget adoption)	400,000	-	400,000	Add to budget; MOU approved after budget adoption
Transfer Gas Tax for Increased ROW costs	50,000	-	50,000	Additional expenses added (below)
Update CalPERS UAL Contribution	-	(74,434)	74,434	Adjust to match actual cost per CalPERS
Update Insurance Costs	-	(62,831)	62,831	Adjust to match revised estimate from BCPIA
Police Data Storage	-	40,000	(40,000)	New requirement
Debt Service correction - Fire Engine	-	30,548	(30,548)	Correct budget entry
Fire labor costs (new AFFA MOU)	-	225,000	(225,000)	Additional increase beyond baseline increase included in adopted budget
Bridge Maintenance Plan Development (01212431)	-	10,000	(10,000)	Revenue offset from Gas Tax
Signal & Street Light Maintenance (01212431)	-	40,000	(40,000)	Revenue offset from Gas Tax
Street Trees - additional consultant support (01212531 402211)	-	15,000	(15,000)	Tree removals and long term forestry planning
Street Trees - GIS & related software (01212531 402264)	-	7,000	(7,000)	Tree inventory hosting, data management expansion
Street Trees - tree emergency work (01212531 403523)	-	10,000	(10,000)	Storms, dead trees, etc.
Street Trees - "free" street tree planting (01212531 403521 CAP)	-	10,000	(10,000)	High resident demand
	-			
	-			
Total General Fund Adjustments	331,000	250,283	80,717	
Total General Fund with all changes	31,154,174	33,264,773	(2,110,599)	
FY2024/25 Adjustments - Other Funds				
Cordonices Creek annual cost (71212731 402222)	-	25,000	(25,000)	Fund 7001; Left out of budget
Storm Drain Property Tax Administration (16111031 402295)	-	5,000	(5,000)	Fund 1601/Storm Drainage
Storm Drain Assessment Fee Admin (16111031 403514)	-	6,000	(6,000)	Fund 1601/Storm Drainage

FISCAL YEAR 2024-2025**SUGAR-SWEETENED BEVERAGE TAX EXPENDITURE PLAN DRAFT**

In November 2016 the City of Albany voters approved Measure O1 (Ordinance No. 2016-02), enacting a general tax on the distribution of sugar sweetened beverages. As included in the Ordinance, the Sugar Sweetened Beverage Tax is General Fund revenue that the City Council aims to apply towards specific purposes related to health and wellbeing and approved expenditures are incorporated into the City's annual operating budget. The Ordinance requires that the Council hold a study session annually to develop an expenditure plan for the proceeds of the sugar sweetened beverage tax. This study session was held on April 15, 2024.

Description	Cost
Crossing Guard Program - The crossing guard program has been provided by All City Management Services (ACMS) since FY2018/19 school year and funded by Sugar-Sweetened Beverage Tax proceeds. Contracting for the service has helped to lessen workload and demand placed on the police department allowing staff to focus on law enforcement duties and internal matters related to the operations of the police department rather than the management of an ancillary program.	\$182,695
Bike Safety Program - The "Drive Your Bike" program provides education and training courses for bicycling to elementary grade students. Students learn how to perform a bike safety check, adjust helmets, communicate with traffic, abide by the rules of the road, communicate at intersections, and safely navigate their school's neighborhood by bike.	\$15,000
All-bany Swims - The Albany Unified School District All-bany Swims is a pilot program to teach young children to swim targeting primary grades (1 st , 2 nd & 3 rd graders) with a comprehensive program to improve water safety and fitness in children that are most at-risk for drowning.	\$20,000
Move'n'Grove event - This one-day event provides outdoor exercise and music to promote physical wellness. Event includes a 5k course around Albany High School and Memorial Park. Participants run, walk, roller skate, or roller jog while being entertained by live bands stationed around the course.	\$5,000
Gill Tract Community Farm – Partial funding to support curriculum development and 25 AUSD fields trips to the UC Gill Tract Community Farm.	\$2,305
Total	\$225,000