

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

Agenda Date: June 20, 2005
Date Prepared: June 13, 2005
Reviewed by _____

SUBJECT: Revision of the General Fund Operating Budget for Fiscal Year 2005-06.

RESOLUTION: 05-34 A RESOLUTION OF THE ALBANY CITY COUNCIL REVISING THE 2005-06 GENERAL FUND OPERATING BUDGET OF THE CITY OF ALBANY.

REPORT BY: Beth Pollard, City Administrator
Charles Adams, Finance and Administrative Services Director

STAFF RECOMMENDATION

That the Council adopt Resolution 05-34, revising the 2005-06 Operating Budget of the City of Albany.

BACKGROUND

At its meeting of June 21, 2004, the Council adopted a resolution establishing the operating budget for the City for the fiscal years ending June 30, 2005 and June 30, 2006. It is the policy of the City to periodically review its operating budgets and to revised the budgets to reflect updated projections of revenues and expenditures resulting from changes in economic conditions and changes in goals and objectives as established by the Council.

The objective of adopting a revised budget is to ensure that the budget remains a valid and effective instrument for the control of the City's financial operations, that it serves as a benchmark for measurement of the City's financial status, and to ensure that City's financial resources are utilized in accordance with plans and objectives that have been discussed and approved by the Council.

DISCUSSION/ANALYSIS

Our review of revenue projections for FY 2005-06 indicate that revenues will be approximately \$170,000 below the original projection. The largest projected decrease is \$245,000 in property transfer tax, a component of the Other taxes category. While it is difficult to forecast property transfer tax revenues, based upon current trends in the real estate industry, we believe it is prudent to adjust our anticipated revenue down at this

time. The second largest projected decrease is \$100,000 for vehicle and parking fines. This revenue has decreased significantly in the current fiscal year due to vacant officer positions and the change in the parking time limit in commercial areas from 60 minutes to 90 minutes. We anticipate filling the vacant officer positions, and we anticipate that this will result in an increase in the number of citations issued. However, at this time it appears that the decline in parking fines will continue into the new fiscal year. The third major projected decrease is \$73,000 in race track revenue, a component of Other taxes. Wagering at Golden Gate Fields Race Track has declined in each of the last 4 years. While it is possible that this trend will slow or even reverse, we believe it is prudent to plan for a continuing decline in revenue until there are clear signs of a reversal of the current trend. The major offset to these declines in revenues is an increase of \$237,000 in projected sales tax revenue. The increase in the sales tax projection is a combination of expected revenue from Target and other new retail stores, and the shifting of revenue from fiscal 2004-05 to 2005-06 as a result of the State's "Triple Flip" reconfiguration of revenues.

Expenditures are projected to increase by \$160,000 over the original budget. The major component of this increase is employee benefits, which are projected to increase \$190,000, and of this increase \$176,000 is attributable to PERS. The original budget provided for increases in PERS cost due to changes in the benefit provisions of the City's plans for safety workers, but because of investment losses in recent years, PERS contribution rates have risen above the projections provided by PERS a year ago. The contribution for Police was originally budgeted at 32.3% of salaries, and now the rate has risen to 36.4%. Non-safety employees were budgeted at 9.3%, and now the rate has risen to 18.4%. The increase in safety pension costs has been met by a \$300,000 increase in the transfer of revenue from the pension override tax into the General Fund.

The revised budget shows Professional Services decreasing by \$92,000 and Land Rental & Bldg. Maintenance increasing by \$97,500. These offsetting increases and decreases are the result of moving janitorial expense from the professional services category to the building maintenance category.

The only proposed change in budgeted inter-fund transfers-out is the addition of a transfer of \$24,000 from the General Fund to the Fire Operating Equipment Reserve Fund. Because budgeted General Fund expenditures have been reduced by \$24,000, this increased transfer has no effect on the fund balance of the General Fund. The purpose of this new reserve fund is to allow the Fire Department to replace equipment on a schedule that fluctuates significantly from year to year, without causing wide swings in General Fund operating expenditures from year to year.

FINANCIAL IMPACT

The increases and decreases to revenues, expenditures and transfers yield a net change of \$1,362 between the adopted and revised budgets; thus, adoption of the revised budget has no overall impact on the projected financial condition of the City. Adoption of the revised budget will provide a more accurate and useful tool for controlling the financial affairs of the City, thereby increasing the assurance that the City will remain financially sound

Attachments:

Resolution #05-34

Statements of Revenues, Expenditures and Changes in Fund Balance, 2005-06