

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

Agenda Date: November 17, 2008

Reviewed by: BP

**SUBJECT:** First Quarter Fiscal Year 2008-09 Financial Statements and Projection

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

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**STAFF RECOMMENDATION**

Receive for information the first quarter financial report and authorize the reduction in fiscal year 2008-09 budgeted expenditures by \$122,000.

**BACKGROUND**

Quarterly the City Council reviews the status of the City's General Fund revenues, expenditures, and transfers, compared to the adopted budget for the fiscal year. This is the report for the first quarter of fiscal year 2008-09 (July 1, 2008 – September 30, 2008).

**DISCUSSION**

The accompanying financial statements are compiled from the financial records maintained by the City's Finance Department. The Actual 3 Months column of the statements reflect all cash transactions completed during the quarter ended September 30, 2008. Revenues earned but not received, and expenditures incurred but not paid, as of September 30, are not included in this column, except for the inclusion of salaries and benefits earned between the last payday in September and the end of the month.

The financial statement includes a Projected Fiscal Year column that is a combination of the actual transactions for the first quarter of the fiscal year, plus estimated revenues and expenditures for the remaining three quarters of the fiscal year. The Projected Fiscal Year column is designed to include all revenues earned and all expenditures incurred during the fiscal year, whether or not cash has been received or disbursed. Variances are computed as the difference between the adopted annual budget and the projected actual for the year.

**ANALYSIS**

The adopted budget for fiscal year 2008-09 is a balanced budget, that provides for a net increase to the General Fund, fund balance of \$4,625. The projection for fiscal year 2007-

08 is a General Fund operating deficit of \$106,725. While the City has sufficient operating reserves to cover a deficit of this magnitude, it has been the City's long standing policy to expend operating reserves only to cover unanticipated expenses or revenue shortfalls, not to balance the budget.

The projected budget deficit is the result of declining revenues related to the collapse of the housing market, severe declines in auto sales, and the liquidity crises in the financial markets. In the short term, the City has very limited ability to increase revenues from traditional sources, or to develop new revenues sources in the short-term. Therefore, the best options available to the City are to reduce operating expenditures, defer or cancel capital expenditures, shift costs from the General Fund to other special purpose funds, and to reduce budgeted transfers from the General Fund to various reserve funds.

Attached to this staff report is a schedule of Proposed Budget Adjustments, which if adopted and implemented immediately, will restore the budget projection to an excess of revenues and net transfers over expenditures.

### **Revenue Variances**

Projected revenues for the fiscal year are under budget by \$292,385. Projected revenues from property taxes, franchise fees, licenses and permits, fines, service charges and miscellaneous revenues exceed budget by a total of \$166,765. Projected revenues from taxes other than property taxes, earnings on investments, and revenues from other agencies are \$459,150 less than budget.

### **Sales Taxes**

Sales tax revenue is projected to be \$70,226 under budget. The adopted budget projection for sales tax revenue was based on 95% of actual revenue for the prior year. While first quarter revenue has exceeded that of the first quarter of the prior fiscal year, it appears certain that the second quarter of the year will produce less revenue than was produced in the first quarter of the year. The current sales tax revenue projection is based upon the actual revenue received in the first quarter of the year plus 90% of actual revenue received in the final three quarter of fiscal year 2007-08.

### **Other Taxes**

The under budget projection of \$273,007 for Other Taxes is a result of the projection of Property Transfer Taxes falling \$304,738 under the budget. The adopted budget estimated property transfer taxes to be 98% of the actual taxes received for fiscal year 2007-08. The actual receipts for July 2008 were 5% above July 2007, the receipts for August 2008 were 60% below August 2007, and the actual receipts for September 2008 were 69% below September 2007. The current projection provides for the final nine months of the year to be equal to 80% of the final nine months of fiscal year 2007-08. The revenues are projected to increase relative to the prior year because the first three months of the prior year were significantly greater than were the final nine months

### Earnings on Investments

Projected earnings on investments are \$88,081 under the adopted budget. This under performance is principally due to a market value loss of \$22,047 in Cal Trust investment in September, and a decline in the investment yield for LAIF from 3.11% in the first quarter of the calendar year to 2.77% for the second quarter. Also, we have reduced the projected investment yield for the balance of the fiscal year to 2.5%.

While we are wary of being overly pessimistic in projecting investment earnings, there are several factors that could result in significant declines in earnings from our projection. Capital losses experienced by LAIF in the last two months will reduce the investment yield in future months. The extent of recent losses by LAIF is not known at this time. In addition to losses in market value of investments, the interest rates on Treasury Securities have fallen, as demand for these "safe" securities has increased. Also, the amount of City funds available for investment may decline as projects funded in prior years are completed and payments are made.

### Revenues from Other Agencies

The budget shortfall in revenues from other agencies is largely the result of motor vehicle license fees declining \$23,876. The fees are distributed by the State of California to State, County, and municipal agencies on a formula basis. The adopted budget estimate was based on a 6% increase over last year's actual revenue. The actual revenues for the first quarter of the fiscal year were 18% below the first quarter of fiscal year 2007-08. The current year projection assumes that revenues will continue to run 18% below the prior year, for the remainder of the year.

### Other Revenue

The projection for other revenue exceeds the budget by \$90,299, due to reimbursements for Fire Department Strike Teams assigned to fight wild fires. This additional revenue is offset by increased overtime paid to firefighters by the City.

### Expenditure Variances

Projected expenditures for the fiscal year are \$199,487 less than the budgeted amount. Salaries and benefits are \$337,488 below budget, but are partially offset by overtime, which is \$107,564 above budget. All other expense items are projected to be within 16% of the budget, with the largest unfavorable variance being under \$30,000.

### Inter Fund Transfers

The only projected variance from the budget at this time is a decrease of \$18,452 of gas tax revenue to be transferred from the Gas Tax Fund to the General Fund. Gasoline sales have been lower in quantity because of the increased price per gallon.

## **SUSTAINABILITY**

Not applicable.

## **FINANCIAL IMPACT**

Attached to this report is a schedule of proposed budget adjustments totaling \$120,000. These adjustments, if adopted, will convert the General Fund budget deficit of \$106,725 to a surplus of \$13,275 and maintain the City's policy of operating with a balanced budget..

### Attachments:

Financial Statements 9/30/08

Schedule of Proposed Budget Adjustments

**CITY OF ALBANY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAFR BASIS GENERAL FUND**  
**EXPENDITURES BY TYPE**  
**SEPTEMBER 2008 - UNAUDITED**

	<b>Actual 3 Months 7/08-9/08</b>	<b>Projected Fiscal Year 2008-09</b>	<b>Budget Fiscal Year 2008-09</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property taxes	\$ 155,273	\$ 4,886,054	\$ 4,856,245	\$ 29,809
Sales taxes	357,958	2,009,372	2,079,598	(70,226)
Franchise fees	54,944	461,460	459,033	2,427
Other taxes	441,493	3,299,176	3,572,183	(273,007)
Licenses and permits	53,778	152,600	152,000	600
Fines and forfeitures	48,746	269,000	235,902	33,098
Earnings on investments	10,021	291,189	379,270	(88,081)
Revenue from other agencies	19,821	126,564	154,400	(27,836)
Services charges	448,286	1,336,903	1,326,371	10,532
Other revenue	51,382	319,942	229,643	90,299
Total Revenue	<u>1,641,702</u>	<u>13,152,260</u>	<u>13,444,645</u>	<u>(292,385)</u>
<b>EXPENDITURES</b>				
Salaries	2,072,229	8,308,911	8,495,720	186,809
Fringe Benefits	832,597	3,478,681	3,629,360	150,679
Overtime	314,456	1,013,910	906,346	(107,564)
Material & Supplies	63,592	305,793	318,526	12,733
Communications	28,585	141,534	129,541	(11,993)
Utilities	44,510	220,428	217,841	(2,587)
Publishing & Advertising	25,065	88,881	88,777	(104)
Reimbursable Professional Services	86,315	339,031	339,031	-
Professional Services	133,638	949,392	959,781	10,389
Copies & Office Expenses	5,011	79,120	80,703	1,583
Equipment Rental & Maintenance	20,400	145,158	147,198	2,040
Land Rental & Bldg Maintenance	45,738	229,403	200,370	(29,033)
Insurance and Claims	34,631	105,197	106,197	1,000
Other Supplies/Services	83,654	244,718	248,843	4,125
Education & Training	15,866	133,066	133,042	(24)
Uniform & Safety Equipment	3,703	72,400	62,400	(10,000)
Other Charges	18,882	158,249	159,144	895
New Equipment/Land Acquisition	10,130	125,828	116,367	(9,461)
Discretionary	-	50,000	50,000	-
Total General Expenditures	<u>3,839,002</u>	<u>16,189,700</u>	<u>16,389,187</u>	<u>199,487</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,197,300)</u>	<u>(3,037,440)</u>	<u>(2,944,542)</u>	<u>(92,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,683,554	3,205,525	3,223,977	(18,452)
Operating transfers (out)	-	(274,810)	(274,810)	-
Total Other Financing Sources	<u>1,683,554</u>	<u>2,930,715</u>	<u>2,949,167</u>	<u>(18,452)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(513,746)	(106,725)	<u>\$ 4,625</u>	<u>\$ (111,350)</u>
Fund Balance, Beginning of Year	<u>4,778,702</u>	<u>4,778,702</u>		
Fund Balance, End of Year	<u>\$ 4,264,956</u>	<u>\$ 4,671,977</u>		

**This interim financial statement and projection present only the General Fund of the City of Albany, and does not represent the financial results of the operations of the City in conformance with Generally Accepted Accounting Principles. The projection is an estimate, and the actual results may differ significantly from the projection.**

**CITY OF ALBANY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**CAFR BASIS GENERAL FUND**  
**EXPENDITURES BY DEPARTMENT**  
**SEPTEMBER 2008 - UNAUDITED**

	<b>Actual 3 Months 7/08-9/08</b>	<b>Budget 3 Months 7/08-9/08</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$ 155,273	\$ 1,214,055	\$ (1,058,782)
Sales taxes	357,958	519,898	(161,940)
Franchise fees	54,944	114,752	(59,808)
Other taxes	441,493	893,037	(451,544)
Licenses and permits	53,778	37,998	15,780
Fines and forfeitures	48,746	58,974	(10,228)
Earnings on investments	10,021	94,816	(84,795)
Revenue from other agencies	19,821	38,595	(18,774)
Services charges	448,286	331,542	116,744
Other revenue	51,382	57,381	(5,999)
Total Revenue	<u>1,641,702</u>	<u>3,361,048</u>	<u>(1,719,346)</u>
<b>EXPENDITURES</b>			
Council	-	22,082	22,082
City Administrator	-	144,426	144,426
City Clerk	-	53,562	53,562
Finance & Administrative Services	-	170,646	170,646
City Treasurer	-	16,444	16,444
City Attorney	-	40,683	40,683
Insurance	-	19,553	19,553
Non-Departmental	-	88,707	88,707
Police	-	1,362,200	1,362,200
Fire & Emergency Medical Services	-	990,868	990,868
Community Development & Env Res.	-	684,928	684,928
Recreation & Community Services	-	471,523	471,523
Information Technology	-	31,249	31,249
Total General Expenditures	<u>-</u>	<u>4,096,871</u>	<u>4,096,871</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 1,641,702</u>	<u>\$ (735,823)</u>	<u>\$ 2,377,525</u>

**This interim financial statement presents only the General Fund of the City of Albany, and does not represent the financial results of the operations of the City in conformance with Generally Accepted Accounting Principles.**

## Proposed Budget Adjustments

### Fiscal Year 2008-09

Description	Adopted Budget	Proposed Adjustment	Revised Budget
<b>Expenditures</b>			
Salaries			
Economic Development 5125	50,000	2,000	48,000
Overtime			
Police Department	130	395,105	5,000
Fire Department	134	286,563	15,000
Teen Activities	275	1,800	1,000
		21,000	
Materials & Supplies			
Non-Departmental	124	9,000	2,000
Police Department	130	31,100	2,000
Fire Department	134	30,000	2,000
EMS	135	30,000	2,000
Recreation Class/Event	270	9,400	1,750
		9,750	
Utilities			
Recreation Admin.	202	31,000	1,000
Finance	108	18,000	3,000
		4,000	
Publishing & Advertising			
Non-Departmental	124	28,000	5,000
Recreation Administration	202	30,000	500
Recreation Class/Event	270	1,700	250
		5,750	
Professional Services			
Administration	104	30,000	1,000
Finance	108	74,200	1,000
Cable TV	240	20,770	1,000
Street Maintenance	410	72,423	5,000
Planning	440	163,526	5,000
		13,000	
Equipment Rental & Maintenance			
Recreation Class/Event	270	625	500
125			
Education & Training			
Police Department	130	35,000	1,000
Fire & EMS	134	24,000	1,000
		2,000	
Other Charges			
Sewer Maintenance 5618	460	6,481	1,000
Information Systems 5618	821	9,301	1,000
Disaster Planning 5649	134	10,000	2,000
		4,000	

**Proposed Budget Adjustments**  
**Fiscal Year 2008-09**

Description	Adopted Budget	Proposed Adjustment	Revised Budget
<b>New Equipment</b>			
Non-Departmental	124	15,000	2,000
Park & Building Maintenance	415	10,000	2,000
Public Works	460	80,000	16,000
		<u>20,000</u>	64,000
<b>Discretionary</b>			
City Council	102	50,000	10,000
			40,000
<b>Interfund Transfers</b>			
GF to Police Equip. Reserves		51,000	10,000
GF to Fire Op. Equip. Res.		24,000	5,000
EMS to EMS Equip. Res.		22,500	5,000
GF to Workers Comp. Res.		39,284	10,000
		<u>30,000</u>	
<b>Total Adjustments</b>		<b><u><u>122,000</u></u></b>	