

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

Agenda Date: 02/02/09

Reviewed by: BP

SUBJECT: Six Months Fiscal Year 2008-09 Financial Statements and Projection

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

STAFF RECOMMENDATION

Report is for information only.

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 six months of fiscal year 2008-09 (July 1, 2008 – December 31, 2008).

DISCUSSION

The accompanying financial statements are compiled from the financial records maintained by the City's Finance Department. The Actual 6 Months column of the statements reflect all cash transactions completed during the six months ended December 31, 2008. Revenues earned but not received, and expenditures incurred but not paid, as of December 31, are not included in this column, except for the inclusion of salaries and benefits earned between December 15 and December 31, 2008.

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

ANALYSIS

The originally adopted budget for fiscal year 2008-09 projected a net excess of revenues and transfers-in over expenditures and transfers-out of \$4,625. The projected fiscal year

actual at the close of the first quarter, September 30, 2008 was a deficit of \$106,725. On recommendation of staff, the Council amended the budget to reduce revenues \$292,385, reduce expenditures \$289,487, reduce transfers-in \$13,452 and reduce transfers-out \$25,000. The combination of these budget amendments produce a revised budget with an excess of \$13,275.

Our projection for the full fiscal year at the close of six months ended December 31, 2008 is for a net excess of revenues and transfers-in over expenditures and transfers-out of \$33,256. The favorable change in the projection is largely attributable to improved revenues. Revenues are currently projected at \$13,214,711, which is \$62,451 above the first quarter projection, but still below the original budget of \$13,444,645.

Revenue Variances

Projected revenues for the fiscal year are above budget by \$62,451. Projected revenues from sales taxes, franchise fees, other taxes, service charges and miscellaneous revenues exceed budget by a total of \$175,792. Projected revenues from property taxes, licenses and permits, fines and forfeitures, earnings on investments, and revenues from other agencies are \$113,341 less than budget.

Sales Taxes

Sales tax revenue is projected to be \$26,676 above the revised budget. The current sales tax revenue projection is based upon the actual revenue received in the first six months of the year plus 80% of actual revenue received in the final six months of fiscal year 2007-08.

Other Taxes

The over budget projection of \$108,297 for Other Taxes is a result of the projection of Property Transfer Taxes \$54,781 above the revised budget and Race Track Tax \$48,695 above the revised budget. Monthly property transfer taxes have ranged from \$37,000 to \$181,000 and there is no reliable trend on which to base a forecast for the full fiscal year. The taxes for the first five months of the year were 77% of the prior year for the same period, and we have projected the full year to equal 77% of the prior year's revenue.

As a result of the closing of Bay Meadows Race Track, Golden Gate field will have 185 race dates in fiscal year 2008-09 an increase of 42 dates over fiscal year 2007-08. Our revenue projection is based on the daily average revenue received in September through November of 2008.

Earnings on Investments

Projected earnings on investments are \$62,272 under the revised budget. We have reduced our projected yield on LAIF deposits from 2.5% to 1.5%, but the decline could be greater if the fund incurs market losses on securities. We do not expect additional market losses on Cal Trust securities, but we do not expect the yield to rise above 2.5% for the balance of the fiscal year.

Other Revenue

The projection for other revenue exceeds the revised budget by \$90,955, due to reimbursements of \$43,000 for the Cosco Busan oil spill in November 2007.

Expenditure Variances

Projected expenditures for the fiscal year are \$60,509 more than the revised budgeted amount. Salaries, benefits and overtime are \$74,798 below budget due to unfilled positions in Police and Community Development. New Equipment expenditures are projected to be \$81,487 over the revised budget; \$63,000 is accounted for by the expenditure from reserves for cablecast equipment. We are considering modification of the accounting for cablecast expenditures so as to not have them appear as operating variances.

Inter Fund Transfers

It currently appears that revenues from gasoline taxes and Emergency Medical Services will be sufficient to provide for the transfers-in to the General Fund at the amounts originally budgeted.

SUSTAINABILITY

Not applicable.

FINANCIAL IMPACT

No actions are recommended that would have a financial impact.

CONCLUSION

All departments should continue to operate under the restraints of the budget as revised at September 30, 2008. Transfers of \$25,000 to reserves were eliminated in the first quarter budget revision. Restoration of these transfers should be given first priority if the projected excess revenues are obtained or exceeded.

Attachments:

Financial Statements 12/31/08