

**CITY OF ALBANY
GENERAL FUND
NOTES ON OPERATING BUDGET – JUNE REVISED
FISCAL YEAR 2009-10**

Adopted Budget

The initial budget for FY 2009-10 was adopted on June 14, 2008 along with the budget for FY 2008-09. The budget projected an operating deficit of \$216,514. The only options for balancing the budget in June 2008 required the layoff of full time staff and the reduction of services or programs. Because of the disruptive effect of announcing budget cuts a year in advance, staff recommended that the budget not be balanced until 2009 when revised revenue projections would either increase or decrease the deficit.

June 2009 Revised Budget

Revenue projections were revised in March 2009 and updated in May 2009. The revised projections were a net decrease in budgeted revenue of \$871,141 (6.2%). The decrease in revenue added to the existing deficit of \$216,514 produced a potential net operating deficit of \$1,087,644. At this point management updated expenditure projections based upon year-to-date operation in fiscal 2008- 09, and directed all departments to review their budgets and to identify potential cost saving and revenue enhancements. These reviews have yielded net expenditure reductions totaling \$1,089,121. Management has also identified increased revenue from Emergency Medical Services, of \$21,000, which will be transferred to the General Fund to apply against EMS expenses. Thus, the June revised budget projects an excess of revenue and net transfers over expenditures of \$23,966.

Revenues

Property taxes – In recent years the City has experienced annual increases in property tax revenue as a result of the statutory 2% increase in assessed values of property that is assessed below market value, and the reassessment to market value of property transferred during the year. While these factors continue to operate, they are of less impact than in prior years and, more significantly, some property will be reassessed at lower values as a result of the decline in price of residential property. The revised FY 2009-10 projection of property tax revenue is based largely on the County Assessor's projections of assessed value. A major unknown component of property tax revenue is the revenue from supplemental assessments. We have lowered our estimate of supplemental tax revenue from \$175,000 to \$150,000, but there is a potential upside for this revenue if property sales increase.

Pass-through tax increment – This is a new source of General Fund revenue from the Reinvestment Agency, resulting from the State requirement that a portion of the tax increment in the redevelopment area be passed through to all agencies that assess taxes in the area.

Sales taxes – The reduction in the projection of sales tax revenue for FY 2009-10 brings it in line with the projected actual revenue for the current fiscal year. While the 5.4% decline is significant, it is less than what has occurred in other cities in the county. Should the economic recession continue, this revenue source could be further impacted.

Other taxes – The business license tax revenue in the current year is running below budget, and the approved budget projection of \$560,426 has been reduced to \$530,000. Property transfer tax was originally budgeted at \$1,250,000 and has been reduced to \$1,000,000. The projected actual revenue for FY 2008-09 is \$900,000. The race track wager tax projection has been increased from \$351,192 to \$399,886, as a result of an increase in the number of race days scheduled for Golden Gate Fields.

Earnings on investments – This revenue is determined by interest rates on marketable securities, and the amount of cash available for investment. Interest rates have fallen from around 5% at the time the adopted budget was prepared to around 1% currently. A small recovery in interest rates could yield significant revenue to the City. A potential negative factor affecting investment earning is the possibility that the State will borrow money from the cities, as this would reduce the amount of cash reserves Albany has to invest. We do not know if the rate of interest the State would pay the cities will be equal to what would be earned in the financial market.

Revenue from other agencies – The decline in this category largely results from the elimination of the reimbursement from the Albany Unified School District for one half of the salary and benefits of a School Resource Officer.

Expenditures

Salaries and Fringe Benefits- These expenses are 75% of the General Fund budget; thus, any major expenditure reduction must affect employees. The budget reflects several personnel actions; the major actions are described below. It is important to recognize that the estimate expense reductions of these actions assume that they will be instituted at the beginning of the fiscal year, July 1, 2009.

- Payoff of the safety employee side funds for Cal PERS resulting in a retirement contribution savings of approximately \$257,000 in fiscal year 2009-10.

- Reductions in the provisions for cost of living wage adjustment included in the adopted budget, saving \$115,000.
- Elimination of one police officer position as a result of the discontinuance of School Resource Officer program with Albany Unified School District, saving \$60,000.
- Restructuring of crossing guard staffing, saving \$25,000.
- Restructuring of Recreation staff, saving \$50,000.
- Combining the functions of building and sewer inspections into one position, and replacing sewer inspection position with maintenance worker position, saving \$13,500.
- Replacing accounting supervisor with an accountant, saving \$20,000.
- Reduction of hours for the Fire Department office assistance, saving \$12,000.

Overtime – Reduction of Police Department overtime by curtailing non-essential police activities that require overtime, saving \$50,000.

Professional Services – Deferring work on the General Plan update, saving \$200,000. The current General Plan is nearing the end of its intended life cycle, which is 1990-2010. Preliminary work for the General Plan update will continue, including the Housing Element, the Climate Action Plan, and the citywide and waterfront planning project called Voices to Vision. These planning efforts will be completed in fiscal year 2009-10 and will lay the foundation for budgeting the remainder of the General Plan update beginning in fiscal year 2010-11.

Publishing and Advertising – Savings for recruitment advertising expense by using less expensive media such as Craig's List, saving \$10,000.