

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

Agenda Date: November 20, 2023
Reviewed by: _____

SUBJECT: Fiscal Year 2023-24 Quarter 1 Review

REPORT BY: Cassandra Murphy, Interim Finance Director

SUMMARY

This report provides a review of the City's finances compared to budgeted amounts as well as an update on current financial events. This report covers the budget numbers for the first quarter of fiscal year 2023-24 (FY2023-24) at the time of preparation.

STAFF RECOMMENDATION

That the Council receive a report on the status of the City's finances.

BACKGROUND

Quarterly the Finance Director presents the year-to-date budget to actuals to the City Council's FAC. After that presentation, Council reviews that same report as a status of the City's finances. This includes revenues, expenditures, and transfers, compared to the adopted budget for the fiscal year.

DISCUSSION

The attached Year to Date Budget to Actuals reports show revenues and expenditures for the General Fund through first quarter of Fiscal Year (FY) 2023-24. Expenses ended at 30.88% of budget while revenues came in at 13.50%. A detailed analysis of the expenses and revenues to date is provided in the following sections.

Definitions

The following definitions are used to describe amounts in the remainder of the report.

2023-24 Adopted Annual Budget or Estimated Adopted Budget represents the budget adopted by the City Council on June 5, 2023.

2023-24 Estimated Q1 Budget or Estimated Q1 Budget represents the estimated budget calculated for the first quarter of the current fiscal year which is based on the first quarter of the prior fiscal year, taking into consideration the timing of certain revenues and expenditures when possible.

2023-24 First-Quarter Actual or Q1 Actual represents actual revenues or expenditures recorded during the first quarter of the current fiscal year.

GENERAL OPERATING FUND

A review of Fiscal Year 2023-24 first quarter actual amounts compared to Estimated Budget for the General Operating Fund follows:

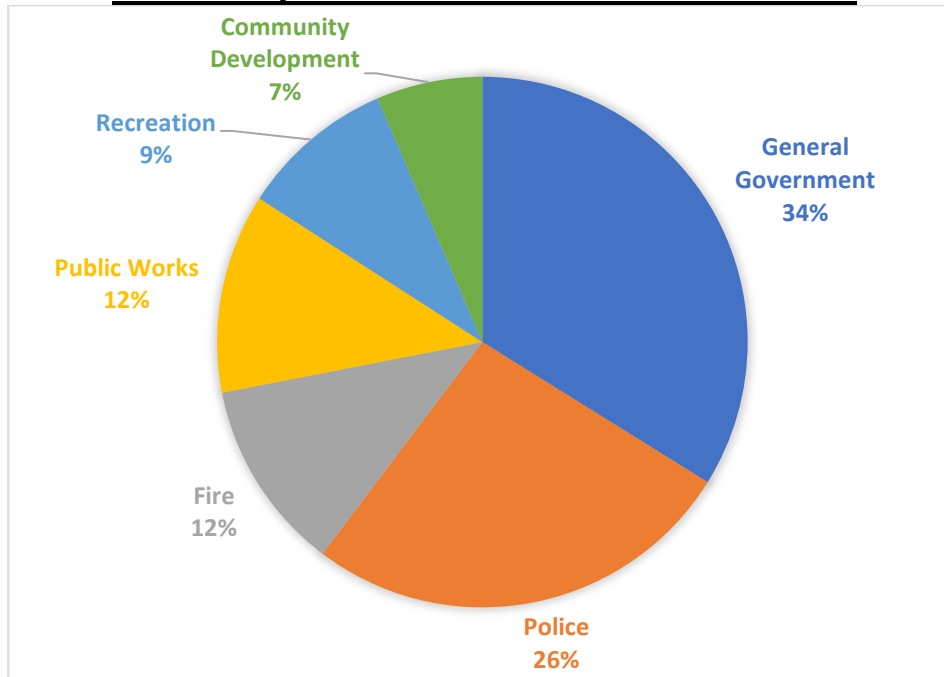
	<u>2023-24 Adopted Budget</u>	<u>2023-24 Estimated Q1 Budget</u>	<u>2023-24 Q1 Actual</u>	<u>Variance of Estimated Q1 Budget to Actual</u>
Revenues	\$30,144,961	\$4,952,817	\$4,031,879	(\$920,938)
Expenditures	\$31,452,850*	\$10,118,382	\$9,712,339	\$406,043

* The Fiscal Year 2023-24 Adopted Budget is net of \$1.308 million of estimated budget deficit.

Comparing both revenues and expenses to the same quarter last fiscal year shows that the Q1 Actual for the City is close to the estimated budget. Expenses are favorably lower when compared to the same time last year. Departments overall stayed under budgeted expenses. Some departments are still seeing savings in salaries due to vacancies. Revenues are slightly under what is estimated for the first quarter. The disbursement of both retail and local sales tax were only received for the first month of the quarter. Revenues and expenses will be analyzed in detail in the following sections.

Expenses

FY2023-24 Q1 EXPENDITURES BY DEPARTMENT



A review of the Fiscal Year 2023-24 first quarter actual amounts compared to Estimated Budget for General Fund expenditures follows:

	2023-24 <u>Adopted Budget</u>	2023-24 <u>Estimated Q1 Budget</u>	2023-24 <u>Q1 Actual</u>	Variance of Estimated Q1 Budget to Actual
Expenditures:				
Salaries and Benefits	\$21,998,355	\$7,076,871	\$6,598,676	\$478,195
Other Expenses	<u>9,454,494</u>	<u>3,041,511</u>	<u>3,113,662</u>	<u>(72,151)</u>
Total Expenditures	<u>\$31,452,848</u>	<u>\$10,118,382</u>	<u>\$9,712,338</u>	<u>\$406,044</u>

A few large expenses are regularly paid in the first quarter of each fiscal year. For this reason, comparing the Estimated Q1 Budget to the Q1 Actual provides a clearer picture of if the City is on track than if the budget was divided into equal quarters. One large payment due early in the fiscal year is the Unfunded Actuarial Liability (UAL) for pensions; this payment is an obligation the City must pay to fully fund the pension of staff. This year the City paid \$2.639 million for the UAL; this expense is budgeted under the Salaries and Benefits of Administration. The annual contribution to the City’s insurance provider is also paid in the

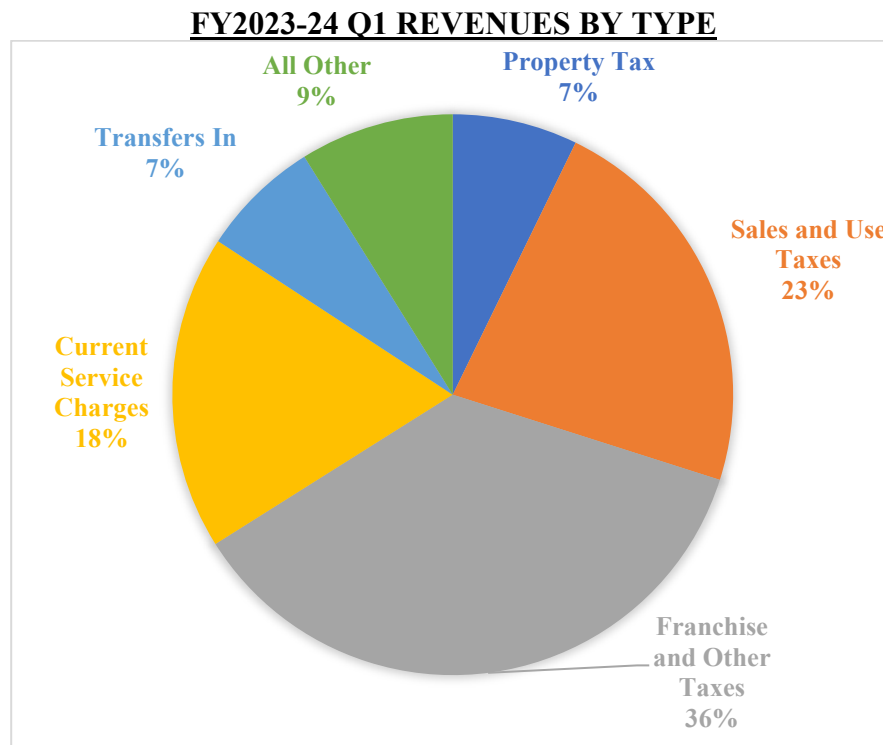
first quarter of the fiscal year and is budgeted under Other Expenses for Administration. The current payment due was \$1.652 million. Finance utilizes a higher portion of the department’s budget for Other Expenses for charges related to audit services and the annual payment for the current financial system.

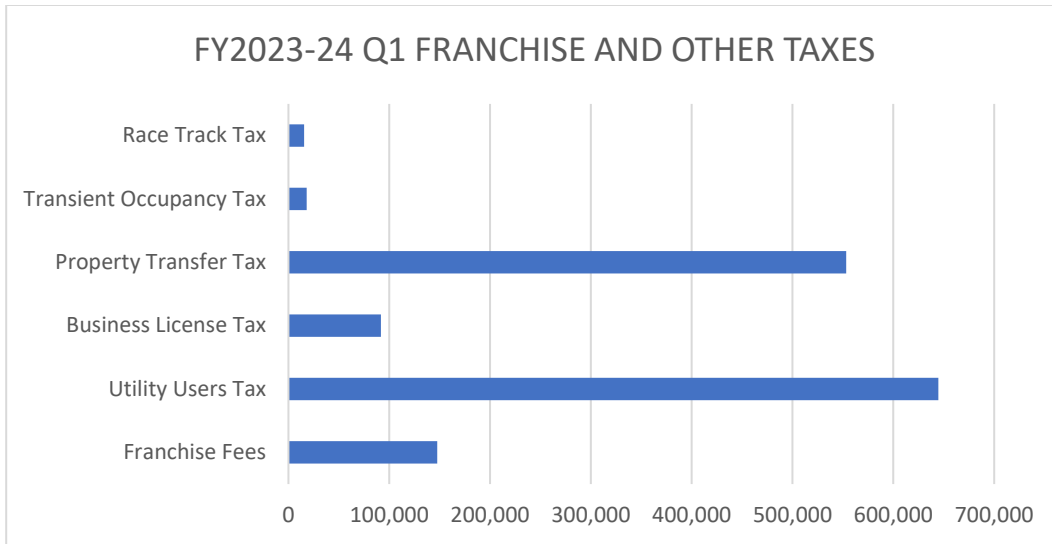
Salaries and benefits for staff make up 70% of the budgeted expenses for the City in FY2023-24. City Council expenses for this line were high due to benefits being budgeted based on only some members receiving benefits and electing employee enrollment only following prior year trends. Salaries and benefits for Council will need a mid-year update due to account for the salary increase to \$950 per month effective January 1, 2024. Benefits will be adjusted accordingly along with this update. Overall, salaries and benefits were \$478,195 under the Estimated Q1 Budget.

Council Discretionary Fund

Council discretionary fund budget for the fiscal year is budgeted at \$20,000. This fund has not been utilized in quarter one.

Revenues





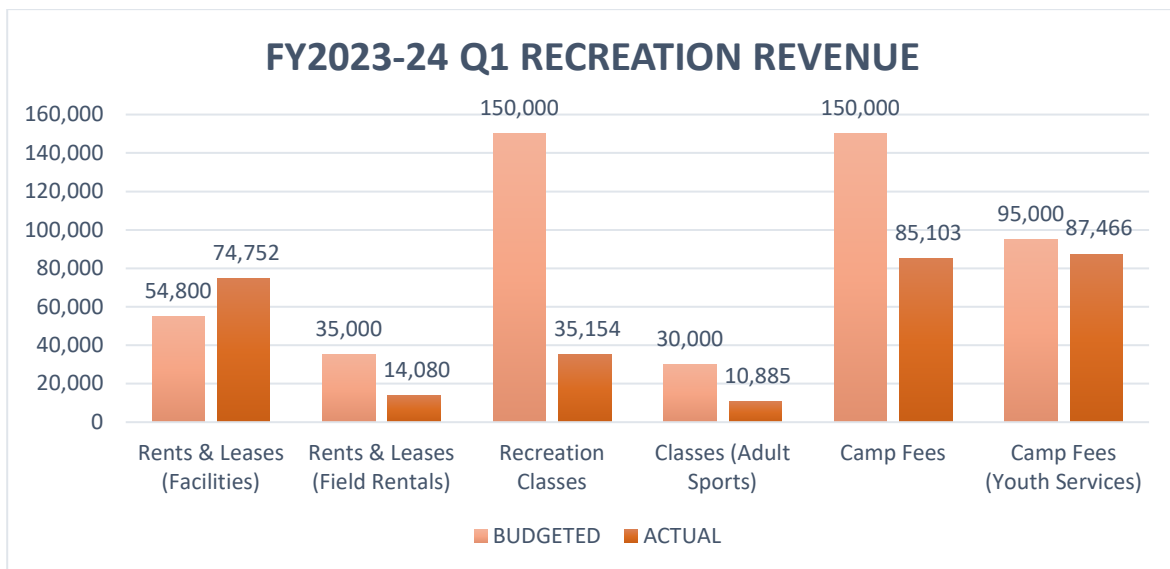
A review of Fiscal Year 2023-24 first quarter actual amounts compared to Estimated Budget for General Fund revenues follows:

	2023-24 Adopted Budget	2023-24 Estimated Q1 Budget	2023-24 Q1 Actual	Variance of Estimated Q1 Budget to Actual
Revenues:				
Property Tax	\$10,000,000	\$121,000	\$293,994	\$172,994
Sales and Use Taxes	4,970,000	1,532,748	923,495	(609,253)
Franchise and Other Taxes	6,070,000	1,884,128	1,470,947	(413,181)
Licenses and Permits	455,200	212,169	191,658	(20,511)
Fines and Forfeitures	270,000	74,250	77,256	3,006
Earnings on Investments	490,000	53,361	37,874	(15,487)
Revenues from Other Agencies	255,000	48,552	45,712	(2,840)
Current Service Charges	1,408,892	418,441	739,126	320,685
Other Revenue	256,650	2,182	8,720	6,538
Transfers In	<u>5,969,219</u>	<u>368,301</u>	<u>280,971</u>	<u>(87,330)</u>
Total Revenues	<u>\$30,144,961</u>	<u>\$4,713,168</u>	<u>\$4,069,753</u>	<u>\$(645,378)</u>

Revenues fluctuate more than expenses do throughout the year. The estimated budget above uses the percentage from the prior fiscal year quarter one totals of each category as opposed to the flat 16.43% of all revenues combined from the prior fiscal year. The Q1 Actual total revenues for FY2023-24 are only \$645,378 short of the Estimated Q1 Budget totals. Historically, the largest revenue for the City is property tax payments. Disbursements of

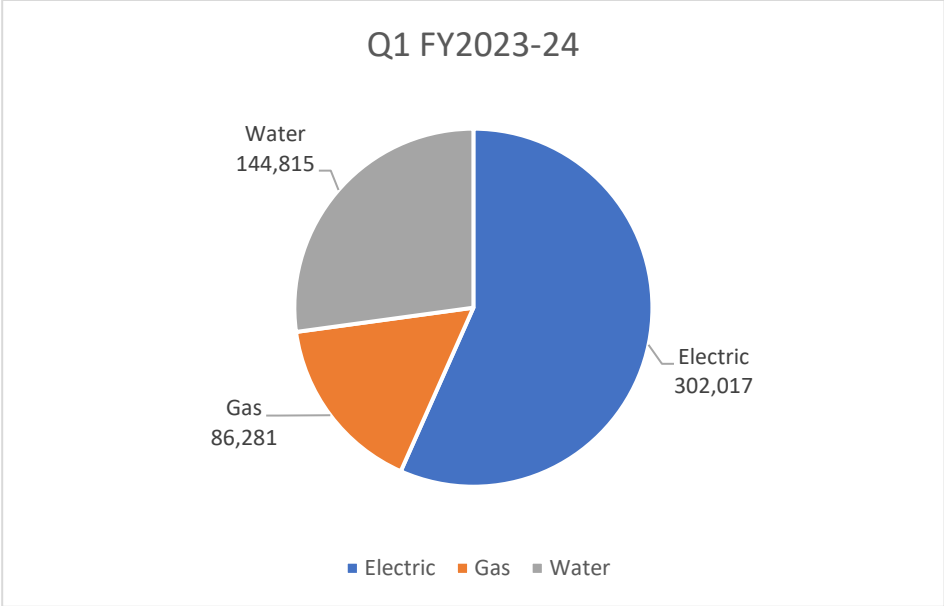
property taxes are received unevenly during the fiscal year. The largest deposit of this revenue will be received towards the end of the second quarter in December. Q1 Actual for this budget is favorable to the same time last year. Sales and use tax are typically the second largest revenue for the City. To date, the City has received only the July disbursement for both retail sales tax and local tax. A positive adjustment for April through June 2023 was received during the current quarter, but nothing has been sent for August or September. This tax is often received on a delay. The August property transfer tax is also pending receipt at the time of preparation. Staff confirmed with the County that this payment was lost in the mail and requested a reissue of the check be sent the first week of November. This accounts for a good portion of the shortfall of Franchise and Other taxes. Staff will monitor incoming payments to ensure the missing revenue is recorded.

Current Services Charges had the greatest positive variance of Q1 Actuals compared to Estimated Q1 Budget. Revenues earned from programs in the Recreation & Community Services Department are part of this category. This department had a strong showing in revenues at the end of the prior fiscal year. Expected revenues were increased in response, and staff will continue to monitor as the current fiscal year progresses to determine if this trend continues.



Measure DD

Measure DD was passed in November 2020 increasing the Utility User Taxes (UUT) on the use of gas and electric utilities in Albany while also adding a tax to water use. These changes were anticipated to bring in an additional \$675,000 in revenue annually. Total revenues from affected utility users taxes for FY2023-24 Q1 are \$533,133.



The tax rates were updated per the table below.

Utility	Prior Tax Rate	New Tax Rate
Electricity	7%	9.5%
Gas	7%	9.5%
Water	None	7.5%
Telecommunications	6.5%	6.5%

Measure DD included language encouraging Council to spend 1/3 of the new revenue generated on sustainability projects. This tax was passed as a general tax with more than 50% of the vote rather than a special tax which would require a 2/3 threshold. Voters expressed a desire that the additional revenues be expended on sustainability projects. However, since the measure was passed as a general tax, revenues may be budgeted by Council to pay for any valid expense of the City. The additional revenues for Q1 FY2023-24 are detailed in the table below.

		FY2023-24	
		OLD RATE	NEW RATE
ELECTRIC		222,539	79,478
GAS		63,576	22,706
WATER		-	144,815
		<u>246,998</u> NEW REVENUE	

Summary

Overall, the City ended the first quarter of FY2023-24 close to both projections when historic trends are considered. Revenues seem low due to the main pending property tax disbursement expected in quarter two. Expenses are slightly over 25% of budget for the year. This is expected due to the large cost of the UAL obligation and the insurance contribution being due in the beginning of the fiscal year. A deficit of \$1.308MM is budgeted for FY2023-24. If expenses stay on track and revenues perform as expected, the City will likely realize this deficit.

Attachments

1. Fiscal Year 2023-24 Q1 Budget to Actuals Report
2. September 30, 2023 Cash and Investments Summary