

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

Agenda Date: December 4, 2023
Reviewed by: NA

SUBJECT: Fiscal Year 2023-24 Quarter 1 Update

REPORT BY: Cassondra 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 (Q1) of Fiscal Year 2023-24 (FY2023-24).

STAFF RECOMMENDATION

For information only.

BACKGROUND

Quarterly the Finance Director presents the year-to-date budget to actuals to the City Council's Financial Advisory Committee (FAC). After that presentation, Council receives the 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 the first quarter of FY 2023-24. Expenses ended at 30.9% of budget while revenues came in at 13.5%. A detailed analysis of the expenditures 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 FY 2023-24 first quarter actual amounts compared to Estimated Budget for the General Fund follows:

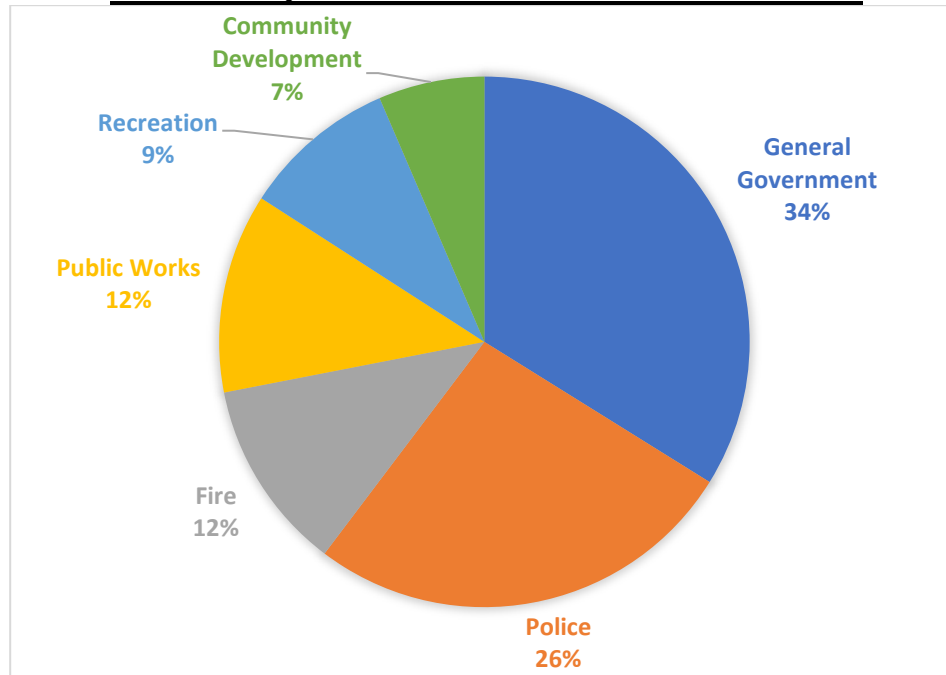
	2023-24 Adopted <u>Budget</u>	2023-24 Estimated <u>Q1 Budget</u>	2023-24 Q1 <u>Actual</u>	Variance of Estimated Q1 Budget to Actual
Revenues	\$30,144,961	\$4,952,817	\$4,069,753	(\$883,064)
Expenditures	\$31,452,849*	\$10,118,382	\$9,712,338	\$406,044

* The Fiscal Year 2023-24 Adopted Budget reflects a \$1.3 million budget deficit.

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

Expenditures

FY 2023-24 Q1 EXPENDITURES BY DEPARTMENT



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

	2023-24 Adopted <u>Budget</u>	2023-24 Estimated <u>Q1 Budget</u>	2023-24 Q1 <u>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>\$31,452,849</u>	<u>\$10,118,382</u>	<u>\$9,712,338</u>	<u>\$406,044</u>

A few large expenditures 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 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 \$2.6 million for the UAL; this expenditure is budgeted under the Salaries and Benefits of

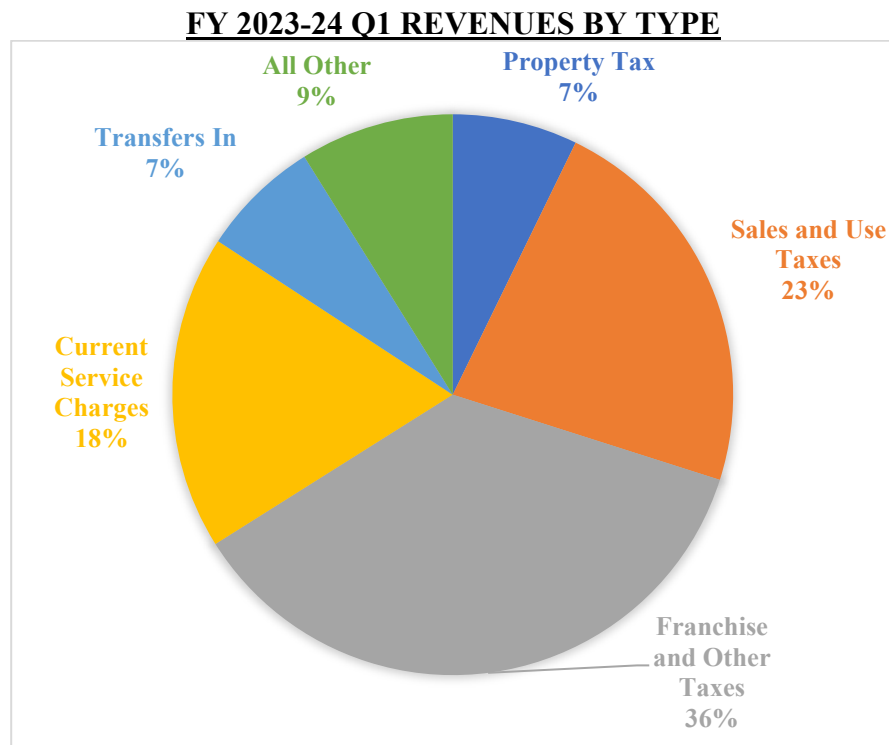
Administration. The annual contribution to the City’s insurance provider of \$1.7 million is also paid in the first quarter of the fiscal year and is budgeted under Other Expenses for Administration. Finance utilizes a higher portion of the department’s budget for Other Expenditures for charges related to audit services and the annual payment for the current financial system.

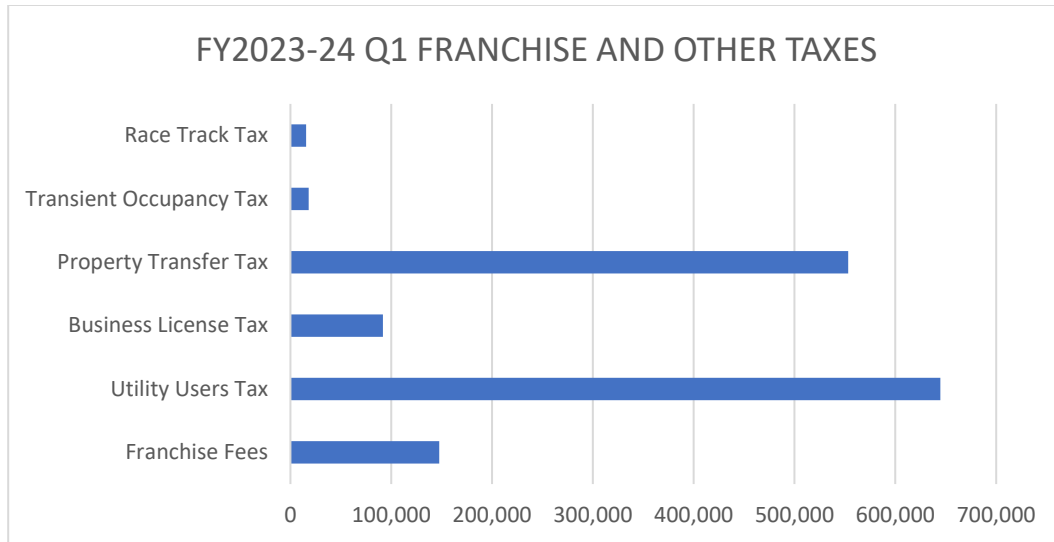
Salaries and benefits for staff make up 70% of the budgeted expenditures for the City in FY2023-24. City Council expenditures for this line are high due to benefits being budgeted based on only some members receiving benefits and electing employee enrollment only following prior fiscal year trends. Salaries and benefits for Council will also need a mid-year budget update to account for the Council salary increase to \$950 per month effective January 1, 2024. 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





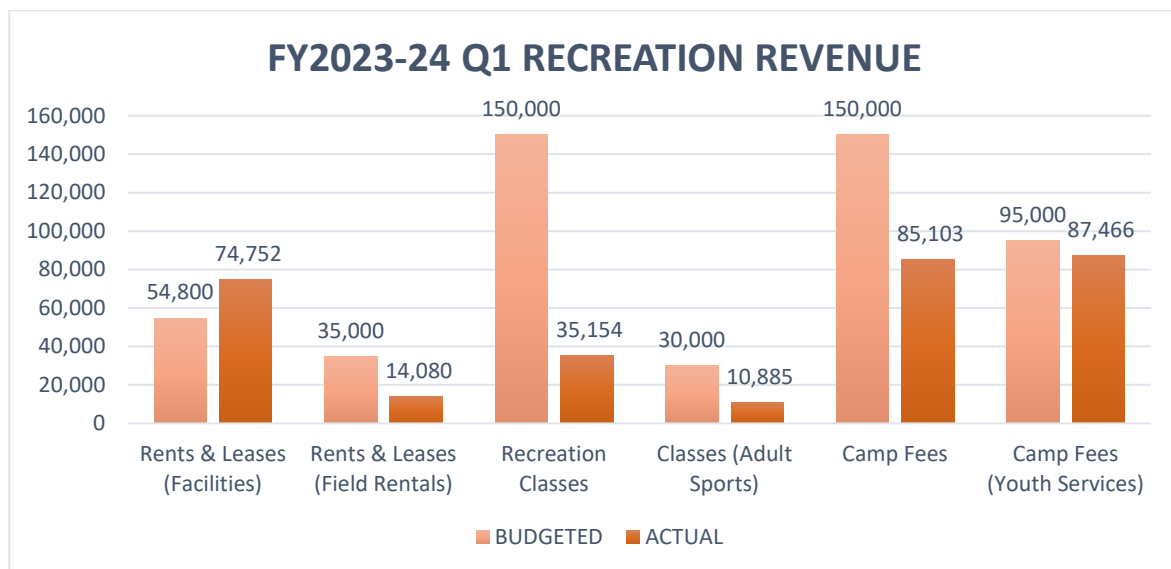
A review of Fiscal Year 2023-24 first quarter actual amounts compared to Estimated Budget for General Fund revenues follows:

	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>\$4,715,132</u>	<u>\$4,069,753</u>	<u>\$(645,379)</u>

Revenues fluctuate more than expenditures throughout the year. The estimated budget above uses the percentage from the prior fiscal year Q1 totals for each category as opposed to a flat percentage of total revenues from the prior fiscal year. The Q1 Actual total revenues for FY2023-24 are \$645,379 less than the Estimated Q1 Budget totals. Historically, the largest revenue for the City is property tax payments and the disbursements 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 compared to the same time last fiscal 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, which results in the lower than estimated budget. This tax is often received on a delay. The August property transfer tax is also pending receipt. 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.

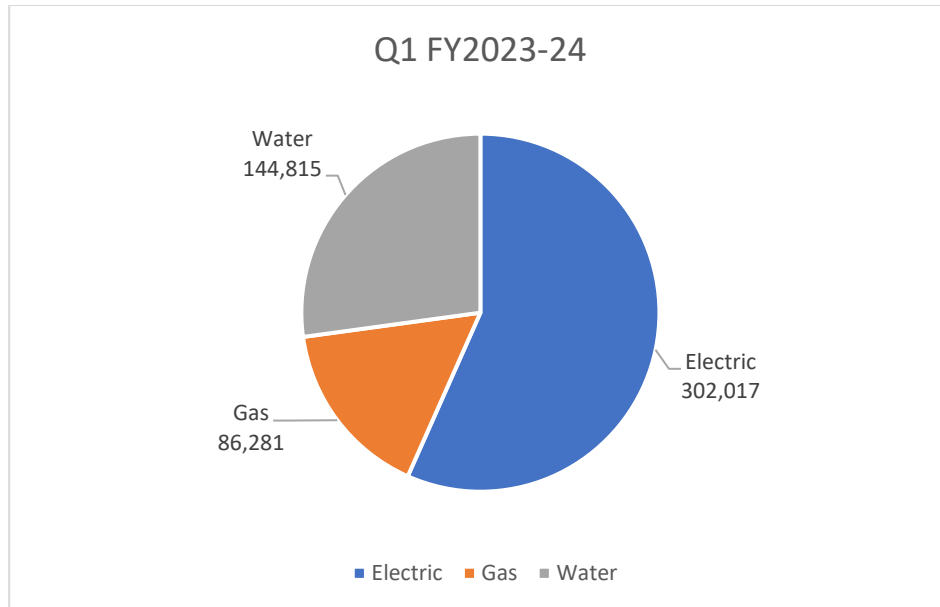
Current Services Charges had the greatest positive variance of Q1 Actuals compared to Estimated Q1 Budget. Revenues earned from programs in the Recreation & Community Services Department are part of this category. This department's programs are trending higher than estimated, and staff will continue to monitor as the current fiscal year progresses to determine if this trend continues.



* Budgeted amount shows the total amount budgeted for all of FY2023-24 compared to only Q1 actuals

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 new tax for 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 \$533,113.



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%

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. Measure DD included language encouraging Council to spend 1/3 of the new revenue generated on sustainability projects. 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 expenditures of the City. The additional revenues for Q1 FY2023-24 are detailed in the table below.

	FY 2023-24		
	OLD RATE	NEW RATE	ADD'L NEW
ELECTRIC	\$ 222,539	302,017	79,478
GAS	63,576	86,281	22,705
WATER	-	144,815	144,815
TOTAL	\$ 286,115	533,113	246,998

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. Expenditures are slightly over 25% of budget for the fiscal year, however, this is expected due to the large expenditure for the UAL obligation and the insurance contribution paid in the beginning of the fiscal year. A deficit of \$1.3 million is budgeted for FY 2023-24. If expenditures stay on track and revenues perform as expected, the City will likely realize this deficit. Staff will be providing a Mid-Year budget status update for the General Fund in February.

Attachments

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