



FINANCE AND INTERNAL SERVICES DEPARTMENT

Council Budget and Finance Committee Meeting

Date: December 13, 2005
Time: 5:00pm – 6:00pm
Room 4B, City Hall
777 B Street
Hayward, CA 94541

AGENDA

Public Comments: (Note: For matters not otherwise listed on the agenda. The Committee welcomes your comments under this section but is prohibited by State Law from discussion items not listed on the agenda. Your item will be taken under consideration and referred to staff.)

1. **Minutes of February 8, 2005 Meeting**
2. **October 2005 Financial Management Report**
3. **Sales Tax Adjustment**
4. **Schedule Mid Year Budget Review**
5. **Next Meeting Date**

Distribution:

Mayor and City Council	City Clerk	Post
City Manager	Assistant City Manager	Police Chief
Public Works Director	City Attorney	Library Director
Public Information Officer	Finance Director	Daily Review
Interested Parties	Budget Administrator	Fire Chief

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**CITY OF HAYWARD
COUNCIL BUDGET AND FINANCE COMMITTEE**

Minutes of Meeting Held February 8, 2005

Call to Order: The meeting was called to order by Chair, Roberta Cooper, at 4:00 p.m. in room 4B at City Hall, 777 B Street, Hayward, California.

In Attendance: Committee members – Chair, Mayor Roberta Cooper, Council Member Matt Jimenez, Council Member Bill Quirk. Staff: City Manager, Jesús Armas, Acting Assistant City Manager, Perry Carter and Acting Finance Director, Diane Lewis

Public Comments:

No Public Comments.

Minutes of February 8, 2005:

Council Member Matt Jimenez had a question regarding Real Property Tax which was concerned with postal addresses, however the City Manager indicated that the assessors parcel numbers govern.

Acting Finance Director reviewed the December Financial Management Report. It was noted that Property Tax has grown over the prior year. The City Manager stated that it is taking some of the sting out of the State hit. The Committee had a general discussion regarding Vehicle License Fee and method of payment.

Council Member Bill Quirk had a question regarding an estimate for year-end. The City Manger responded that it will occur at mid-year.

Acting Finance Director stated that retirements contributed to costs exceeding budget and that it will not occur for the balance of the year.

Mayor Roberta Cooper asked if the City should be optimistic and the City Manager indicated that we do have some reason to be optimistic as we ended 2003-04 pretty much on target, or somewhat better.

Council Member Bill Quirk stated that he would like to project 2006-07 in addition to 2005-06. Council Member Quirk indicated that we need to see if we can balance the budget without using our contingency funds. It was also asked if the City can do 2006-07 at the Mid-year Budget Review. Mayor Cooper was concerned if it was practical for projects that are anticipated for 2006-07.

The City Manager responded to a question regarding the poor performance of PERS and noted that poor investment returns has been a contributing factor.

**CITY OF HAYWARD
DEPARTMENT OF FINANCE AND INTERNAL SERVICES**

December 6, 2005

TO: City Manager

FROM: Acting Finance Director 

SUBJECT: October 31, 2005 Financial Management Report

GENERAL

Attached is the October 31, 2005 Financial Management Report. The report consists of the General Fund Revenue By Source statement and the Operating Expenditures By Department statement, both for the General Fund. These two statements track revenue and expenditures for the General Fund and are for the period July 1, 2005 through October 31, 2005.

GENERAL FUND-REVENUES AND EXPENDITURES

REVENUES

The General Fund Revenue by Source statement shows actual revenues through October 31, 2004 and 2005. Also, the adjusted budget for 2005-06 is presented along with an Estimated Actual 2005-06 column. The Estimated Actual is left blank at this point and will be used as we approach year-end and more refined estimates can be made.

The General Fund Revenue by Source Statement has been modified in October to reflect the receipt of the "VLF Gap Loan" payment from the State. This revenue was expected and is included in the budget for 2005-06.

Overall revenues are approximately 11.4% or \$2.0 million higher than they were the same time last year. For the four months ending October 31, 2004 revenues stood at \$17.4 million and for the four months ending October 31, 2005 revenues stood at \$19.4 million. This increase is due primarily to the receipt to the VLF Gap Loan payment in the amount of \$2.4 million.

Sales tax revenue is lower than revenue for this same period a year ago by approximately \$1.3 million. The Sales Tax decrease is due to local sales tax revenue diverted by the State to repay Economic Recovery Bonds. The 2005-06 budget provides for this decrease and this revenue category is expected to meet budget. The use of local sales tax dollars was initiated in July 2004. However, it was not reflected in payments made to local agencies until December 2004 and is included in the October 2005 payment and not included in the October 2004 payment.

The passage of several state wide propositions in 2004 and the California 2004-05 Budget gave rise to major revenue issues for local government. More specifically, .25% of the local sales tax was diverted to the State to repay Economic Recovery Bonds. The loss of revenue at the local level was made up in the State Budget by the payment of additional property tax revenue or "backfill" payments to local agencies. In theory, local agencies will receive all revenue that would have been received "pre backfill".

To the extent that the State's estimate is too high or too low the property tax backfill payments will be adjusted in the subsequent year. The State has indicated an overpayment to local agencies totaling \$173 million, with Hayward's share equal to \$1.3 million for fiscal year 2004-05. Consequently, Sales Tax revenue will be reduced by \$1.3 million for 2005-06. Because of the size of the adjustment and the impact to the current year's revenue, staff is showing the repayment as a separate line item.

With respect to the other revenues sources three are notably above last year's level. They are the Real Property Transfer tax up \$1.8 million and Motor Vehicle In-Lieu up \$1.6 million and Franchises up \$223,150. Real Property Transfer Tax increase is a result of timing. In the prior year two payments were received at the end of October and in the current year four payments were received at the end of October. While timing significantly impacts this revenue source from month to month it is currently at 47% of budget and slightly ahead of budget projection. Motor Vehicle In-Lieu increase is due the VLF Gap Loan repayment. The amount received for the VLF Gap Loan is approximately \$200,000 over the amount budgeted for 2005-06. The increase for the Franchise Revenue category is due primarily to a \$106,000 increase in waste water franchise payment and a \$109,000 increase in the combined franchise payment for sewer and water.

The revenue categories showing modest increases in the current year when compared to the prior year are Emergency Facilities Tax up \$24,113, Interest and Rents up \$41,812, Fines and Forfeitures up \$21,368 and Other Revenues up \$29,647. Revenue category showing a small increase over the prior year is Fees and Service Charges up \$11,797.

The categories showing a modest decrease when compared to the prior year are All Other Taxes down \$237,395 Licenses & Permits down \$118,697 and All Other From Agencies down \$100,200. The decrease in All Other Taxes is due to primarily to a \$209,518 decrease in the Interim Supplemental Improvement Tax Property Tax and a \$38,412 decrease in Business tax. Licenses & Permits are down as a result of decreases in construction permits when compared to prior year. All Other From Agencies decrease is a result of timing for the payment of grants and this revenue category is expected to meet budget. A small decrease of \$6,716 was noted in Property Tax.

EXPENDITURES

The last page of the Operating Expenditures by Department provides a quick overview of the General Fund at October 31, 2005. This page shows that the General Fund is at 33% of budget with four months of the current fiscal year completed. Compared to a time elapsed percentage of 33% this places the General Fund on target for 2005-06. A review of General Fund expenditures for this same period last year shows that the General Fund was at 35% of budget.

In terms of major categories, Employee Services was at 36% of budget in 2004-05 and is at 34% of budget for the current year. For 2005-06 there are 26 pay periods with 9 incurred through October. Compared to a time elapsed percentage of 33% this places the general fund on target for 2005-06. Additionally, on a pay period basis this category is on target for 2005-06.

The category Maintenance and Utilities was at 27% of budget in 2005-06 and is at 29% of budget for the current year, still on target for the year. Supplies and Services was at 28% in 2004-05, and is at 29% of budget for the current year. Given the City's historical expenditure patterns, this category is on target for 2005-06. Net Interdepartmental Charges and Credits are also in line with expected results and are on target for 2005-06.

Capital expense items have not been researched for additional information. This is due to the fact that capital items can be acquired at any time during the year and applying an elapsed time test is not always meaningful.

Two departments had expenditures in excess of the 10% established for further review. The Police Department is 56% of budget for Maintenance and Utilities. This is due to the timing of maintenance payments related to the Police Department's portable communication equipment and the police department's radio system. The Library Department is at 43% of budget in the Maintenance & Utilities category. This is due to the timing of maintenance payments related to the Library Department's computer network system.

The October 31, 2005 Financial Management Report is attached for your review.

Financial Management Report
General Fund Revenue by Source
Periods Ending October 31, 2004 and October 31, 2005
33% of Year Completed

	ACTUAL 10/31/2004	ACTUAL 10/31/2005	APPROVED & ADJUSTED BUDGET 2005/2006	ESTIMATED ACTUAL 2005/2006
REVENUE				
Property Taxes	\$ 1,404,491	\$ 1,397,775	\$ 20,652,359	\$ -
Sales Taxes				
Sales Tax Revenue	6,819,036	5,470,540		
Property Tax Revenue - State Back Fill	-	-		
Total Sales Tax	6,819,036	5,470,540	27,295,000	-
Sales Tax Repayment				
Adjusted Sales Tax	6,819,036	5,470,540	27,295,000	-
Real Property Transfer Tax	1,828,302	3,641,650	7,710,000	-
Emergency Facilities Tax	500,919	525,032	1,700,000	-
All Other Taxes	981,250	743,855	4,500,000	-
Franchises	1,120,112	1,343,262	6,882,000	-
Licenses & Permits	1,416,084	1,297,387	3,490,528	-
Interest & Rents	15,896	57,708	561,300	-
Fines & Forfeitures	170,604	191,972	1,232,000	-
Motor Vehicle In-Lieu				
Motor Vehicle In-Lieu Revenue	1,076,362	251,053		
Motor Vehicle In-Lieu Gap Loan Repayment	-	2,454,076		
Property Tax Revenue - State Back Fill	-	-		
Total Motor Vehicle In-Lieu	1,076,362	2,705,129	10,662,658	-
All Other From Agencies	760,483	660,283	3,404,358	-
Fees & Service Charges	997,030	1,008,827	2,492,640	-
Other Revenue	358,072	387,719	2,887,121	-
	\$ 17,448,641	\$ 19,431,139	\$ 93,469,964	\$ -

Financial Management Report
 Operating Expenditures by Department
 Period Ending October 31, 2005
 33% of Year Completed

	ACTUAL 10/31/05	APPROVED & ADJUSTED BUDGET 2005/2006	PERCENT YTD
MAYOR AND COUNCIL DEPARTMENT			
Employee Services	141,554	409,489	35%
Maintenance & Utilities	562	2,823	20%
Supplies and Services	9,551	64,939	15%
Capital Expense			0%
Subtotal	151,667	477,251	32%
Net Interdepartmental		-	0%
Total	151,667	477,251	32%
CITY MANAGER DEPARTMENT			
Employee Services	880,737	2,482,523	35%
Maintenance & Utilities	177,340	658,129	27%
Supplies and Services	230,103	897,076	26%
Capital Expense	141,918	321,574	0%
Subtotal	1,430,098	4,359,302	33%
Net Interdepartmental			0%
Total	1,430,098	4,359,302	33%
NON DEPARTMENTAL DIVISION			
Employee Services			0%
Maintenance & Utilities			0%
Supplies and Services	189,656	661,955	29%
Capital Expense			0%
Subtotal	189,656	661,955	29%
Net Interdepartmental			0%
Total	189,656	661,955	29%
CITY ATTORNEY DEPARTMENT			
Employee Services	292,598	865,565	34%
Maintenance & Utilities	310	942	33%
Supplies and Services	12,430	126,494	10%
Capital Expense			0%
Subtotal	305,338	993,001	31%
Net Interdepartmental		(66,577)	0%
Total	305,338	926,424	33%

Financial Management Report
Operating Expenditures by Department
Period Ending October 31, 2005
33% of Year Completed

	ACTUAL 10/31/05	APPROVED & ADJUSTED BUDGET 2005/2006	PERCENT YTD
CITY CLERK DEPARTMENT			
Employee Services	129,933	387,569	34%
Maintenance & Utilities	210	1,613	13%
Supplies and Services	9,543	94,298	10%
Capital Expense			0%
Subtotal	139,686	483,480	29%
Net Interdepartmental			0%
Total	139,686	483,480	29%
PERSONNEL DEPARTMENT			
Employee Services	222,950	825,257	27%
Maintenance & Utilities	39	2,985	1%
Supplies and Services	531,207	1,694,594	31%
Capital Expense	1,241	2,000	0%
Subtotal	755,437	2,524,836	30%
Net Interdepartmental	(7,911)	(45,790)	17%
Total	747,526	2,479,046	30%
FINANCE DEPARTMENT			
Employee Services	1,017,227	3,052,856	33%
Maintenance & Utilities	412,307	1,471,763	28%
Supplies and Services	178,272	819,019	22%
Capital Expense	1,094	1,613	68%
Subtotal	1,608,900	5,345,251	30%
Net Interdepartmental	(9,440)	(28,605)	33%
Total	1,599,460	5,316,646	30%
POLICE DEPARTMENT			
Employee Services	13,582,572	38,965,026	35%
Maintenance & Utilities	188,457	338,577	56%
Supplies and Services	949,726	2,821,141	34%
Capital Expense	106,456	253,070	42%
Subtotal	14,827,211	42,377,814	35%
Net Interdepartmental	2,927	9,905	30%
Total	14,830,138	42,387,719	35%

Financial Management Report
Operating Expenditures by Department
Period Ending October 31, 2005
33% of Year Completed

	ACTUAL 10/31/05	APPROVED & ADJUSTED BUDGET 2005/2006	PERCENT YTD
FIRE DEPARTMENT			
Employee Services	7,551,254	21,577,201	35%
Maintenance & Utilities	34,025	105,199	32%
Supplies and Services	438,287	1,116,417	39%
Capital Expense		13,327	0%
Subtotal	8,023,566	22,812,144	35%
Net Interdepartmental	14,564	10,225	142%
Total	8,038,130	22,822,369	35%
PUBLIC WORKS DEPARTMENT			
Employee Services	2,499,147	7,755,577	32%
Maintenance & Utilities	282,962	1,277,449	22%
Supplies and Services	235,793	838,680	28%
Capital Expense	5,847	6,306	0%
Subtotal	3,023,749	9,878,012	31%
Net Interdepartmental	(1,081,811)	(2,873,024)	38%
Total	1,941,938	7,004,988	28%
LIBRARY DEPARTMENT			
Employee Services	965,285	2,928,154	33%
Maintenance & Utilities	84,961	197,675	43%
Supplies and Services	118,325	524,333	23%
Capital Expense	452	8,575	5%
Subtotal	1,169,023	3,658,737	32%
Net Interdepartmental	(1,599)	-	0%
Total	1,167,424	3,658,737	32%
COMMUNITY & ECON. DEV. DEPARTMENT			
Employee Services	1,887,929	5,743,245	33%
Maintenance & Utilities	1,990	10,380	19%
Supplies and Services	155,445	870,788	18%
Capital Expense	5,423	28,019	19%
Subtotal	2,050,787	6,652,432	31%
Net Interdepartmental	(257,869)	(699,824)	37%
Total	1,792,918	5,952,608	30%

**Financial Management Report
 Operating Expenditures by Department
 Period Ending October 31, 2005
 33% of Year Completed**

	APPROVED & ADJUSTED		
	ACTUAL	BUDGET	PERCENT
	10/31/05	2005/2006	YTD
TOTAL GENERAL FUND BY DEPARTMENT			
Total General Fund	32,333,979	96,530,525	33%
TOTAL GENERAL FUND BY OBJECT			
Employee Services	29,171,186	84,992,462	34%
Maintenance & Utilities	1,183,163	4,067,535	29%
Supplies and Services	3,058,338	10,529,734	29%
Capital Expense	262,431	634,484	41%
Subtotal	33,675,118	100,224,215	34%
Net Interdepartmental	(1,341,139)	(3,693,690)	36%
Total	32,333,979	96,530,525	33%



CITY OF HAYWARD STAFF REPORT

AGENDA DATE 12/16/03

AGENDA ITEM 3

TO: Budget and Finance Committee
FROM: Acting Finance Director
SUBJECT: Sales Tax Adjustment for 2005-06

RECOMMENDATION:

It is recommended that the Committee review and comment on this report.

DISCUSSION:

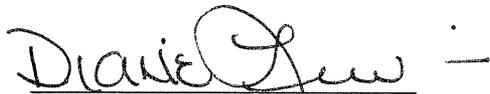
One of the outcomes of the passage of several propositions in 2004 and the State Budget was the "Triple Flip" and the intricacies of its implementation. More specifically, .25% of the local sales tax was diverted to the State to repay Economic Recovery Bonds. The loss of revenue at the local level was provided for in the State Budget through the payment of additional property tax revenues or "backfill" payments. The intent of the State was to hold local agencies harmless and ensure that they would receive all revenue that would have been received had the sales tax not been lowered to .75%.

The backfill payments noted above are made to local agencies twice yearly with the payment of property taxes. Because the payments are made during the year it is necessary to estimate the backfill amounts. Then in the following year once the actual sales tax revenue for the preceding year is known, the State compares the actual sales tax to the amounts paid and determines if the local agency is due additional revenues or must make repayment. This process is referred to as the "True Up" and has been calculated for 2004-05. Unfortunately, for most California cities and for Hayward, the estimates made by the State in 2004-05 were too high and amounts are due back to the State. On a State wide basis the amount is approximately \$173 million. For Hayward the negative adjustment is \$1.3 million. Consequently, for 2005-06 Hayward will take a \$1.3 million "hit" to sales tax revenue. There is some consolation in noting that this adjustment is of a one time nature and it appears that the State will be using a consistent method for future periods.

A final concern is the impact to Hayward for 2005-06. As noted, sales tax revenue will be reduced by \$1.3 million. To track this repayment staff is presenting the repayments in the Financial Management Report as a line item. This will allow the City to easily track the amount of the repayment and to provide for comparable sales tax revenue amounts for future years. Also it is important to note that the General Fund's Undesignated Fund Balance is sufficient to absorb this reduction. Consequently, at this time staff is not recommending that any budget action be taken. If

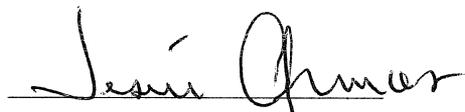
necessary, this issue can be addressed at the Mid-Year Budget Reveiw which staff is recommending take place in January of 2006.

Recommended by:

A handwritten signature in cursive script that reads "Diane Lewis".

Diane Lewis, Acting Finance Director

Approved by:

A handwritten signature in cursive script that reads "Jesús Armas".

Jesús Armas, City Manager