



## FINANCE AND INTERNAL SERVICES DEPARTMENT

### Council Budget and Finance Committee Meeting

Date: December 5, 2006

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 discussing items not listed on this agenda. Your item will be taken under consideration and referred to staff.)

1. Report on Fiscal Year 2006 Year End
2. Report on 1<sup>st</sup> Quarter Fiscal Year 2006-07
3. Next Meeting Date

#### Distribution:

Mayor and City Council  
City Manager  
City Attorney  
Assistant City Manager  
City Clerk  
Finance Director

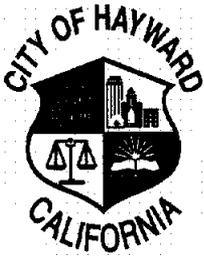
CED Director  
Fire Chief  
Human Resources Director  
Library Director  
Police Chief  
Public Works Director

Budget Administrator  
Daily Review  
Interested Parties  
Post

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Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request accommodations at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.

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**CITY OF HAYWARD**  
**STAFF REPORT**

AGENDA DATE 12/05/2006

AGENDA ITEM \_\_\_\_\_

**TO:** Council Budget and Finance Committee

**FROM:** City Manager

**SUBJECT:** Report on Fiscal Year 2006 Year-End

**RECOMMENDATION:**

It is recommended that the Committee review, and comment on this report regarding the financial status of the City for Fiscal Year 2005-06.

**DISCUSSION:**

The fiscal year budget was presented and passed on the basis of an estimated \$2.1 million dollar revenue shortfall, with a decision to make up the shortfall from the City's undesignated contingency reserves. Subsequently, during consideration of the budget for the current year, staff modified this figure, projecting a revised shortfall of approximately \$500,000. Again, use of contingency funds to bridge this gap was authorized by Council.

Revenues were estimated at \$101,296,000, including transfers and without applying any contingency reserves. However, as can be seen from the following analysis, revenues actually came in at \$103,177,048 or \$1,881,048 more than the adopted budget.

Expenditures were estimated at \$101,844,000 including transfers and Interdepartmental Charges. Actual expenditures, as approved and adjusted by Council throughout the year, were \$103,696,978. Revenue minus expenditures provided (\$519,930) in expenditures over revenue for the year, requiring this difference to be allocated from the General Fund contingency reserves as planned to balance the budget.

**Revenues (Attachment A)** – FY 2005-06 General Fund revenues increased 6.5% over FY 2004-05 to \$98,210,965. FY 2005-06 revenues increased \$1,881,048 or 2.4% over the Adopted (Adj.) Budget.

Revenue Gains: Real Property Transfer Tax showed a 14.2% gain over projected, but remained relatively steady from the previous year. Real Property Transfer Taxes remain a volatile source of revenue. The relative flat revenue between the previous fiscal year and FY 2005-06 should be seen as a clear indicator that the rapidly increasing housing market slowed during the year. There are strong indications that the housing market is continuing to make adjustments both in pricing and in turn over.

Staff's projections going into this year and next have to balance this obvious downturn in the regional housing market with more residential units coming on line within the City, the City's gradually improving valuations of existing homes, and any likely sales of large commercial properties. How far the market will adjust remains an unknown. Therefore, care must be taken to not rely on this revenue source to fund on-going operations or programs above a reasonably sustainable level.

The Emergency Facilities Tax also showed a strong gain of 15.5% over the previous year, and 14.2% over projected. This was due to an increased effort by staff to collect old accounts, primarily those associated with multi-unit properties. Some of this collection effort will be captured going forward in improved billing. However, it should mostly be viewed as a one-time increase in this tax revenue.

Fees and Services showed an 8.8% gain over the previous year, and a 25.6% gain over projected. This was primarily due to building-related fees for new construction. The continued growth of this revenue source is tied heavily to the housing market.

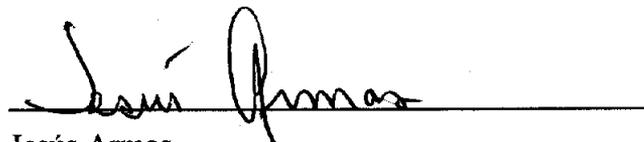
Revenue Losses: Interest and Rents were virtually flat from the previous year and showed a 23.5% shortfall from projected. Interest rates did not continue to climb as expected over this last fiscal year. Licenses and Permits showed a 4.4% decrease over the previous year and a 12.4% decrease from projected. Neither of these two revenue sources contributes a significant portion of the overall revenue, particularly Interest and Rents. The complete detail of revenue gains and losses is reflected in Attachment "A".

*Expenditures* – FY 2005-06 General Fund expenditures increased 7.4% over FY 2004-5 to \$103,696,978. FY 2005-06 expenditures increased a very small 1.8% over the Adopted (Adj) Budget. This small increase in expenditures was spread fairly evenly across all line items, with no summary category reflecting a decrease from the Adopted (Adj.) Budget. Expenditures are summarized in the General Fund Overview (Attachment B.)

#### **SUMMARY:**

In general, Revenues and Expenditures very closely matched Adopted (Adj.) Budget expectations, with revenues showing a modest gain and expenditures almost meeting expected levels. Far less money was needed from the General Fund reserve contingencies than planned at the start of the fiscal year due to the improved performance of revenues. An overview of the General Fund is reflected in Attachment B; and Attachment C presents the impact of the year on the General Fund Designate Reserves.

Real Property Transfer Taxes remain volatile and very difficult to project to end of this current fiscal year. Care will need to be exercised and attention given to monitoring this and other property-related revenues as we progress through the year.



Jesús Armas  
City Manager

**GENERAL FUND REVENUES**  
**Period Ending June 30, 2006**  
**Year-end: 100% of Year Completed**

<u>Source</u>	Actual at 06/30/05	Approved (Adj.) FY 2006 Budget	Actual at 06/30/06	Variance from Approved (Adj.) FY 2006 Budget	
				\$	%
Property Taxes	18,859,966	20,500,000	21,446,064	946,064	4.6%
Sales Taxes	27,155,334	27,295,000	26,685,812	(609,188)	-2.2%
Sales Tax Revenue	20,904,976	21,836,000	21,096,622	(739,378)	-3.4%
Property Tax Revenue - State Backfill	6,250,358	5,459,000	5,589,190	130,190	2.4%
Real Property Transfer Tax	9,726,317	8,500,000	9,707,512	1,207,512	14.2%
Emergency Facilities Tax	1,682,266	1,700,000	1,942,949	242,949	14.3%
All Other Taxes	4,379,107	4,500,000	4,636,567	136,567	3.0%
Franchises	6,624,327	6,883,000	7,102,018	219,018	3.2%
Licenses & Permits	3,198,850	3,491,000	3,058,982	(432,018)	-12.4%
Interest & Rents	429,802	561,300	429,557	(131,743)	-23.5%
Fines & Forfeitures	1,777,984	1,232,000	1,343,560	111,560	9.1%
Vehicle In-Lieu	9,336,645	12,932,000	12,886,423	(45,577)	-0.4%
All Other from Agencies	3,174,146	2,913,000	3,130,923	217,923	7.5%
Fees & Service Charges	2,878,830	2,493,000	3,132,181	639,181	25.6%
Other Revenue	3,025,701	2,887,000	2,708,417	(178,583)	-6.2%
<b>Total All Revenue</b>	<b><u>\$92,249,275</u></b>	<b><u>\$95,887,300</u></b>	<b><u>\$98,210,965</u></b>	<b><u>\$2,323,665</u></b>	<b><u>2.4%</u></b>

**General Fund Overview**  
**Period Ending June 30, 2006**  
**Year-end: 100% of Year Completed**

<b>Resources</b>	<b>Approved Adopted (Adj) <u>FY 2005-06</u></b>	<b>Actual FY 2005-06 <u>June 30, 2006</u></b>
Sales Tax	27,295,000	26,685,813
Property Tax	20,500,000	21,446,065
Real Property Transfer	8,500,000	9,707,512
Other Taxes	2,605,000	6,579,516
All Other Sources	24,294,000	17,773,464
Vehicle-in-Lieu	10,478,000	12,886,423
Charges for Services	<u>2,493,000</u>	<u>3,132,181</u>
Subtotal	<u>\$96,165,000</u>	<u>\$98,210,974</u>
Transfers In	<u>5,131,000</u>	<u>4,966,074</u>
Total Resources Available	<u>\$101,296,000</u>	<u>\$103,177,048</u>
 <b>Operating Requirements</b>		
Employee Services	84,574,000	85,333,168
Maintenance and Utilities	3,900,000	4,613,408
Supplies and Services	9,901,000	10,253,116
Capital Expense	<u>225,000</u>	<u>506,088</u>
Subtotal	<u>98,600,000</u>	<u>100,705,780</u>
Net Interdepartmental Transfers Out <sup>1</sup>	<u>(3,694,000)</u>	<u>(4,009,939)</u>
Total Funds Required	<u>\$101,844,000</u>	<u>\$103,696,978</u>
Excess Revenue (Expenditures)	<u>(\$548,000)</u>	<u>(\$519,930)</u>

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<sup>1</sup> This includes \$1.6 million taken from GF Reserves for the Public Safety Radio Project

**General Fund Designated Reserve Schedule**  
**Period Ending June 30, 2006**  
**Year-end: 100% of Year Completed**

<b>Reserved for:</b>	<b>Actual FY 2005</b>	<b>Actual FY 2006</b>
Encumbrances	968,202	873,630
Advances	1,402,662	1,356,232
Inventory	<u>28,575</u>	<u>31,205</u>
<i>Total Reserved Fund Balances:</i>	<b>\$2,399,439</b>	<b>\$2,261,067</b>
<b>Designated for:</b>		
Economic Uncertainty	7,000,000	7,000,000
Liquidity	3,500,000	3,500,000
Public Safety Radio System	1,980,000	380,000
Hotel Conference Center	1,250,000	1,250,000
Contingencies	<u>6,955,325</u>	<u>8,676,634</u>
<i>Total Designated Fund Balances:</i>	<b>\$20,685,325</b>	<b>\$20,806,634</b>
<b>Total Reserved and Designated:</b>	<b><u>\$23,084,764</u></b>	<b><u>\$23,067,701</u></b>



**CITY OF HAYWARD**  
**STAFF REPORT**

AGENDA DATE 12/05/2006  
AGENDA ITEM \_\_\_\_\_

**TO:** Council Budget and Finance Committee  
**FROM:** City Manager  
**SUBJECT:** Report on 1<sup>st</sup> Quarter Fiscal Year 2006-07

**RECOMMENDATION:**

It is recommended that the Committee receive and review this report regarding the financial status of the City for 1<sup>st</sup> Quarter of Fiscal Year 2006-07.

**BACKGROUND/DISCUSSION:**

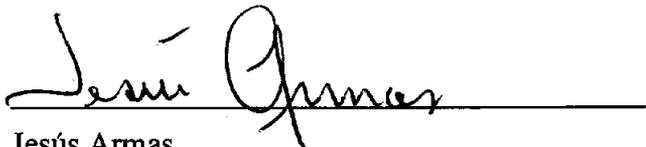
1<sup>st</sup> Quarter FY 2006-07 revenues are lagging 6.5% behind 1<sup>st</sup> Quarter FY 2005-06. However, it is difficult to make any definitive statements regarding either revenue or expenditures this early in the fiscal year as insufficient time has elapsed: there is limited spending history and many large revenues are not collected until later in the year (e.g., property taxes in December/January and April/May/June; business licenses are received in January/February; and payments from the State are unpredictable.)

*Revenues (Attachment A)* – One critical factor related to revenue is that of Real Property Transfer Tax. It is showing a 61% decrease from the amount collected at this same point in time last year. It is highly unlikely that this is related to timing; and more probably reflects the slowing in the housing market. It is an area of potential concern, and one that staff will be monitoring carefully in upcoming months.

All Other from Agencies is significantly ahead of schedule, and may be due primarily to timing. Similarly, Vehicle-in-Lieu is lagging last year, which is clearly a timing issue. Major revenue performance is captured in Attachment A.

*Expenditures (Attachment B)* – Expected expenditure level at this point in the year for Employee Services is 23%, and 25% for all other operating line items. Capital Expenditures do not normally spend down in a consistent fashion throughout the year, but are tied to planned start/end of specific projects, or can be acquired assets at any time during the year. All expenditures are currently expected to be within budget levels at year-end.

In reviewing expenditures, it has been the practice of staff and the Committee to undertake additional review of a line item expense if there is a difference of greater than 10% between time-lapsed and actual expenditure. Under this criterion, all departments are within this limit. The departmental detail of expenditures is included in Attachment "B".



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Jesús Armas

**GENERAL FUND REVENUES**  
**Period Ending September 30, 2006**  
**Year-end: 25% of Year Completed**

Revenue	Actual as of 9/30/2005	Actual as of 9/30/2006	Approved (Adj) Budget FY 2006-07
Sales Tax			
Sales Tax Revenue	4,212,874	4,592,177	23,146,400
Property Tax Revenue - State Backfill	0	0	5,786,600
	<u>4,212,874</u>	<u>4,592,177</u>	<u>28,933,000</u>
Property Taxes	1,397,775	1,545,303	23,680,000
Real Property Transfer Tax	2,802,263	1,104,871	8,755,000
Other Taxes			
Emergency Facilities Tax	363,690	473,208	1,700,000
All Other Taxes	586,823	713,635	4,750,000
Franchise Tax	476,228	940,339	6,927,000
All Other Sources			
Licenses & Permits	1,141,999	1,463,303	3,513,650
Interest & Rents	54,766	40,881	640,300
Fines & Forfeitures	96,529	141,146	1,224,828
All Other from Agencies	567,825	1,914,113	3,140,456
Other Revenue	347,970	166,588	3,155,100
Vehicle In-Lieu	2,641,585	323,907	11,002,000
Charges for Service	<u>834,806</u>	<u>1,100,486</u>	<u>2,586,850</u>
	<u>\$15,525,133</u>	<u>\$14,519,957</u>	<u>\$100,008,184</u>

**GENERAL FUND OPERATING EXPENDITURES BY DEPARTMENT**  
Period Ending September 30, 2006  
1st QTR: 25% of Year Completed

Department	Actual 09/30/2005	Actual 09/30/2006	Approved (Adj) Budget FY 2006-07	% Expended of Approved (Adj) Budget FY 2006-07
<b>MAYOR AND COUNCIL</b>				
Employee Services	94,062	93,395	414,860	22.5%
Maintenance & Utilities	372	133	2,823	4.7%
Supplies and Services	8,682	7,979	65,831	12.1%
Capital Expense	0	0	0	
Subtotal	103,116	101,507	483,514	
Net Interdepartmental	2,963	837	0	
<b>Total</b>	<b>106,079</b>	<b>102,344</b>	<b>483,514</b>	<b>21.2%</b>
<b>CITY MANAGER</b>				
Employee Services	564,851	585,381	2,506,805	23.4%
Maintenance & Utilities	144,009	232,602	685,779	33.9%
Supplies and Services	144,243	97,938	912,805	10.7%
Capital Expense	118,823	34,874	104,840	33.3%
Subtotal	971,926	950,795	4,210,229	
Net Interdepartmental	20,538	(6,622)	0	
<b>Total</b>	<b>992,464</b>	<b>944,173</b>	<b>4,210,229</b>	<b>22.4%</b>
<b>NON DEPARTMENTAL</b>				
Employee Services	0	0	0	
Maintenance & Utilities	0	0	0	
Supplies and Services	159,232	165,796	683,881	24.2%
Capital Expense	0	3,335	225,000	1.5%
Subtotal	159,232	169,131	908,881	
Net Interdepartmental	0	0	0	
<b>Total</b>	<b>159,232</b>	<b>169,131</b>	<b>908,881</b>	<b>18.6%</b>
<b>CITY ATTORNEY</b>				
Employee Services	196,649	203,413	866,087	23.5%
Maintenance & Utilities	384	399	942	42.4%
Supplies and Services	9,703	40,518	129,662	31.2%
Capital Expense	0	0	0	
Subtotal	206,736	244,330	996,691	
Net Interdepartmental	0	0	0	
<b>Total</b>	<b>206,736</b>	<b>244,330</b>	<b>996,691</b>	<b>24.5%</b>

**GENERAL FUND OPERATING EXPENDITURES BY DEPARTMENT**  
Period Ending September 30, 2006  
1st QTR: 25% of Year Completed

Department	Actual 09/30/2005	Actual 09/30/2006	Approved (Adj) Budget FY 2006-07	% Expended of Approved (Adj) Budget FY 2006-07
<b>CITY CLERK</b>				
Employee Services	86,264	90,402	391,648	23.1%
Maintenance & Utilities	141	401	1,613	24.9%
Supplies and Services	6,247	4,366	50,533	8.6%
Capital Expense	0	0	0	
Subtotal	92,652	95,169	443,794	
Net Interdepartmental			0	
<b>Total</b>	<b>92,652</b>	<b>95,169</b>	<b>443,794</b>	<b>21.4%</b>
<b>HUMAN RESOURCES</b>				
Employee Services	150,889	181,162	790,688	22.9%
Maintenance & Utilities	0	0	2,985	0.0%
Supplies and Services	418,762	443,441	1,740,389	25.5%
Capital Expense	0	0	0	
Subtotal	569,651	624,603	2,534,062	
Net Interdepartmental	(3,496)	(13,197)	(50,506)	
<b>Total</b>	<b>566,155</b>	<b>611,406</b>	<b>2,483,556</b>	<b>24.6%</b>
<b>FINANCE</b>				
Employee Services	726,310	692,624	3,169,674	21.9%
Maintenance & Utilities	256,189	271,449	1,538,362	17.6%
Supplies and Services	115,546	124,133	832,713	14.9%
Capital Expense	1,094	0	0	
Subtotal	1,099,139	1,088,206	5,540,749	
Net Interdepartmental	(45,112)	(10,840)	(29,219)	
<b>Total</b>	<b>1,054,027</b>	<b>1,077,366</b>	<b>5,511,530</b>	<b>19.5%</b>
<b>POLICE</b>				
Employee Services	9,167,172	9,590,822	41,194,565	23.3%
Maintenance & Utilities	131,788	144,871	338,018	42.9%
Supplies and Services	615,129	591,322	2,848,757	20.8%
Capital Expense	106,456	31,170	123,305	25.3%
Subtotal	10,020,545	10,358,185	44,504,645	
Net Interdepartmental	1,975	(13,853)	9,037	
<b>Total</b>	<b>10,022,520</b>	<b>10,344,332</b>	<b>44,513,682</b>	<b>23.2%</b>
<b>FIRE</b>				
Employee Services	5,114,325	5,312,095	22,423,152	23.7%
Maintenance & Utilities	25,739	22,218	105,199	21.1%
Supplies and Services	320,861	299,740	1,157,265	25.9%
Capital Expense	0	(12,353)	9,195	-134.3%
Subtotal	5,460,925	5,621,700	23,694,811	
Net Interdepartmental	12,723	32,235	11,671	
<b>Total</b>	<b>5,473,648</b>	<b>5,653,935</b>	<b>23,706,482</b>	<b>23.8%</b>

**GENERAL FUND OPERATING EXPENDITURES BY DEPARTMENT**

Period Ending September 30, 2006

1st QTR: 25% of Year Completed

Department	Actual 09/30/2005	Actual 09/30/2006	Approved (Adj) Budget FY 2006-07	% Expended of Approved (Adj) Budget FY 2006-07
<b>PUBLIC WORKS</b>				
Employee Services	1,702,009	1,773,334	7,827,368	22.7%
Maintenance & Utilities	191,631	93,526	1,351,629	6.9%
Supplies and Services	180,967	206,519	872,637	23.7%
Capital Expense	0	0	0	
Subtotal	2,074,607	2,073,379	10,051,634	
Net Interdepartmental	(723,054)	(747,850)	(2,886,591)	
<b>Total</b>	<b>1,351,553</b>	<b>1,325,529</b>	<b>7,165,043</b>	<b>18.5%</b>
<b>LIBRARY</b>				
Employee Services	650,373	649,658	2,932,616	22.2%
Maintenance & Utilities	76,423	86,472	174,028	49.7%
Supplies and Services	81,686	120,925	676,502	17.9%
Capital Expense	452	23,894	25,890	92.3%
Subtotal	808,934	880,949	3,809,036	0
Net Interdepartmental	(846)	0	0	
<b>Total</b>	<b>808,088</b>	<b>880,949</b>	<b>3,809,036</b>	<b>23.1%</b>
<b>COMMUNITY &amp; ECON. DEV.</b>				
Employee Services	1,277,855	1,207,018	5,849,228	20.6%
Maintenance & Utilities	515	3,117	13,725	22.7%
Supplies and Services	99,546	161,924	945,655	17.1%
Capital Expense	0	0	0	
Subtotal	1,377,916	1,372,059	6,808,608	
Net Interdepartmental	(139,998)	(109,798)	(1,012,095)	
<b>Total</b>	<b>1,237,918</b>	<b>1,262,261</b>	<b>5,796,513</b>	<b>21.8%</b>
<b>TOTAL ALL EXPENDITURES</b>				
Employee Services	19,730,759	20,379,304	88,366,691	23.1%
Maintenance & Utilities	827,191	855,188	4,215,103	20.3%
Supplies and Services	2,160,604	2,264,601	10,916,630	20.7%
Capital Expense	226,825	77,585	263,230	29.5%
Subtotal	22,945,379	23,576,678	103,761,654	
Net Interdepartmental	(874,307)	(869,088)	(3,957,703)	22.0%
<b>Total</b>	<b>\$22,071,072</b>	<b>\$22,707,590</b>	<b>\$99,803,951</b>	<b>22.8%</b>