



FY 2006 & FY 2007 First Quarter Budget Update

December 13, 2005

Discussion Topics

- **FY 2006 & FY 2007 Overview**
- **FY 2006 Revenue Projections**
- **FY 2006 Expenditures**
- **Budget Referrals**
- **FY 2007 Budget Issues**
- **Other Fund Budget Issues**

Meeting Purpose

- **In July, Council asked staff to return in December to review the availability of revenue and the possibility of funding certain programs.**

The Big Picture

- Last four years of reductions a very difficult time for the City
- FY 2003 – FY 2007 =
 - \$20M in GF cuts
 - \$8.6M in Other Funds cuts
 - Cut 172 FTE (around 10% of workforce)
- **Goal is future fiscal stability!**

Council Budget Policies

Council Budget Policy Highlights:

- **Maintain GF reserve at minimum of 6%**
- **Maintain balance of funding & risk for City's unfunded liabilities**
- **No new program expenditures without cost offset**

FY 2006 Update

- New Revenue
- Non-Discretionary/Discretionary Costs

New Revenue	1,080,000
Non-Discretionary Costs	
Vets Building Costs	(112,000)
Hurricane Katrina Costs	(100,000)
Energy Costs	(250,000)
Total	(462,000)
Available Discretionary Funding	618,000



General Fund Revenue Discussion

General Fund Revenue

- 4 months of FY 2006 = \$1.08M over FY 2006 Adopted Budget
- Property-based revenues above adopted budget
- Sales Tax and Parking Fine revenue below adopted budget
- UUT maintaining overall but under threat

Revenue Considerations

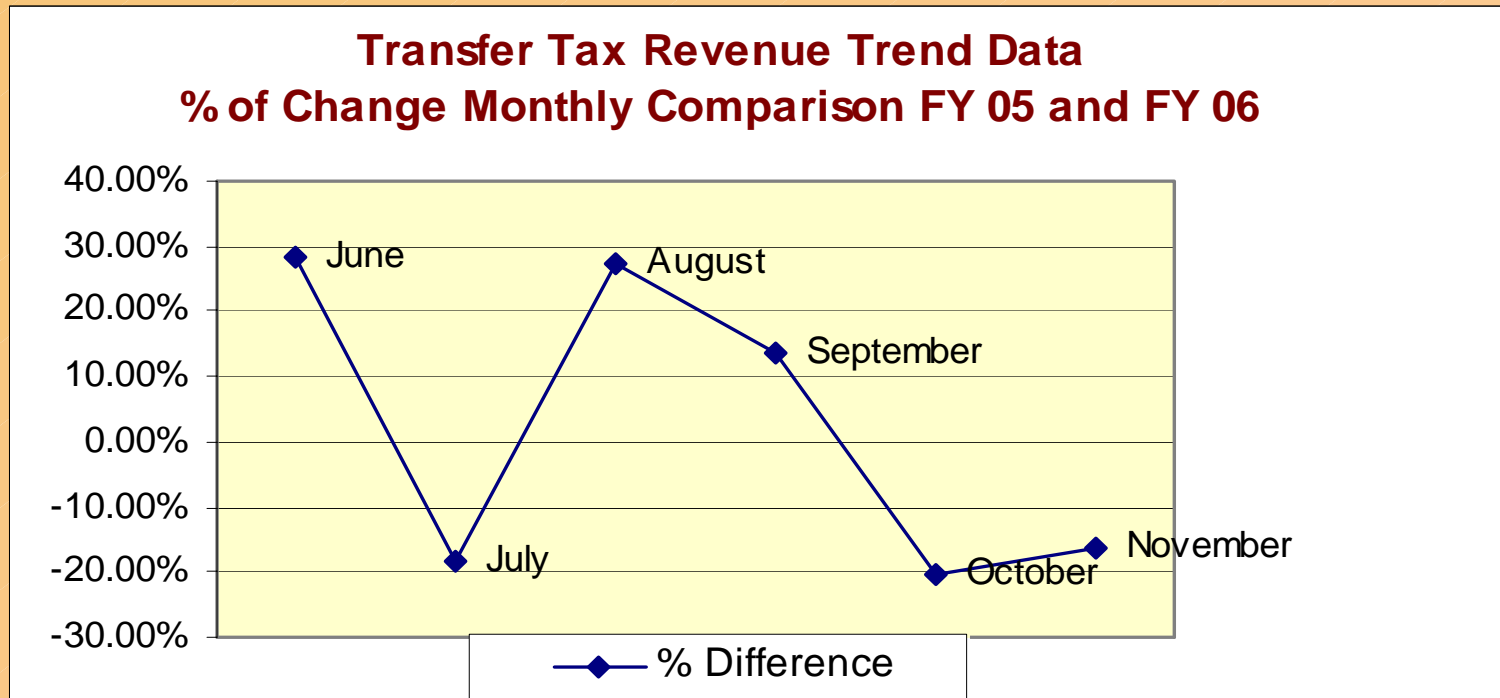
- Too early in the year for complete picture
- Revenues are volatile
- Need future discussion/ resolution to unfunded liabilities
- Consider level of reserve based on lessons learned from Katrina

GF FY 2006 Revenue Status

Real Property Taxes	\$	143,554
Property Transfer Tax	\$	500,000
Vehicle In-Lieu/License Fees (VLF)	\$	552,649
Interest Income	\$	300,000
Sales Taxes	\$	(500,000)
Utility Users Tax (UUT)	\$	365,848
Parking Fines	\$	(837,981)
All Other Revenue	\$	559,191
Total New Revenue	\$	1,083,261

GF Property-Based Revenues

- Property Transfer Tax +\$500K
- Negative Trend Started in September

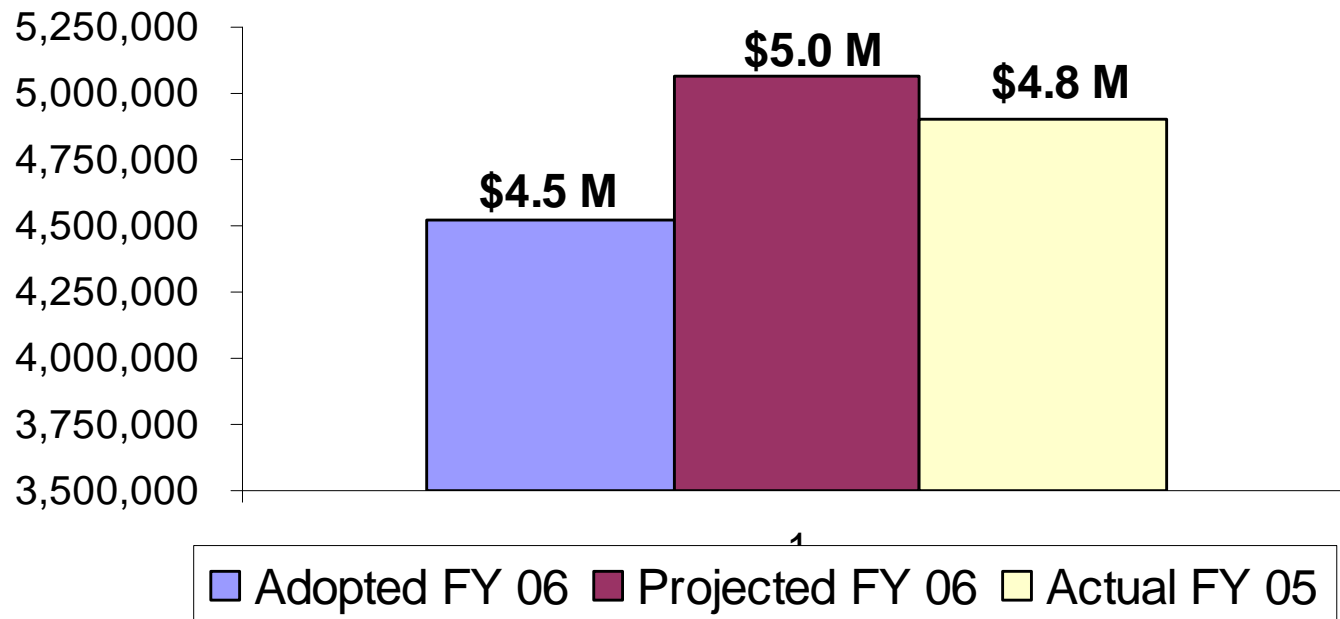


Revenue	Adopted FY 06	Projected FY 06	Actual FY 05
Transfer Tax	12,500,000	13,000,000	13,091,751

GF Property-Based Revenues

- VLF + \$552,649
- Property component of revenue stream

Vehicle License Fee Revenue Comparison



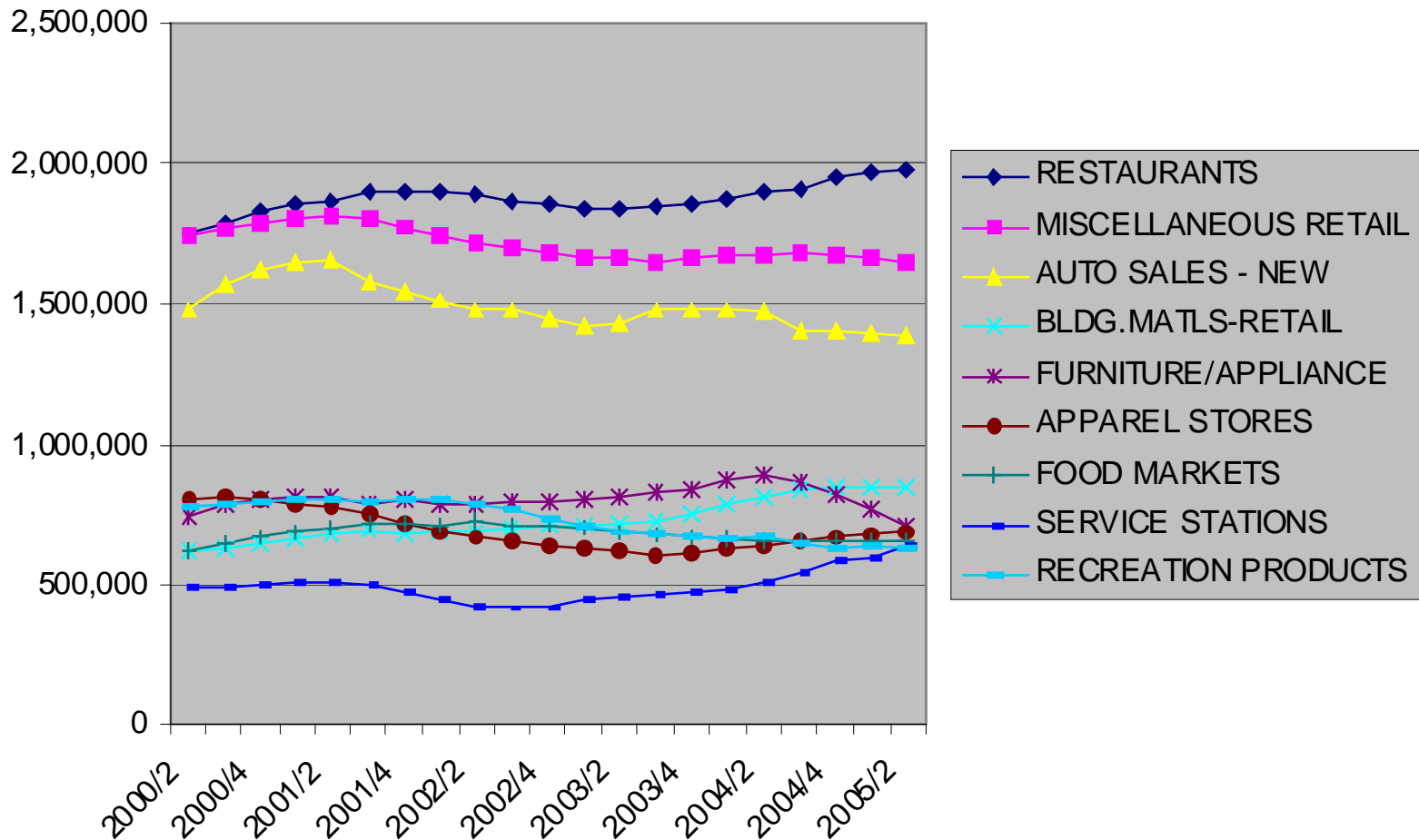
GF Other Revenues

- **Interest Income + \$300K**
 - Federal Reserve likely to increase interest rate from 4.0% to 4.5-4.75% by May 2006
- **Parking Fines -\$837,981**
 - Revenue up from FY 2005
 - Productivity increases (more staff)
 - Increased ticket writing
 - Staff hiring delays

Sales Tax Revenue

CITY OF BERKELEY

MAJOR SEGMENTS' HISTORICAL SALES TAX
BY BENCHMARK YEAR ENDED 2ND QUARTER 2005



GF Other Revenue -- UUT

- **FY 2006 budget = \$14.3M**
- **FY 2006 projected = \$14.6M**
 - **Natural gas prices high**
 - **PG&E rate increases**
 - **Telecommunications = \$6M (FY 2005)**
 - **Landline down**
 - **Cell phone up but leveling**
 - **VoIP exploding**
 - **Cable morphing**

GF Other Revenue-- UUT

- **Current revenue is already eroding**
- **Immediate & intermediate shifts are occurring & look overwhelming**
- **The future upon us & changing with lightning speed**

GF Other Revenue -- UUT

- **Technology threat**
- **Legislative threat**
- **Regulatory threat**
- **League of CA Cities Response**
 - **Model ordinances**
 - **Legislative lobbying**
 - **State-wide data gathering**
 - **Discussion with industry**



GF Reserve & Spending Discussion

General Fund Reserve

- Council policy is a 6% reserve=\$7.6M
- Current unrestricted reserve is about 8% (\$10.2M)
 - Same as FY 2005 level
 - Equal to only 1 month of operating costs
 - Each 1% increase = \$1.27M
- Detailed reserve update in February

FY 2006 First Qtr Expenditures

- **No major variances in first quarter expenses compared to adopted budget**
 - **Exception is Energy Costs**
- **Second Quarter (Mid-Year) data and trend analyses on February 7, 2006**

FY 2006 Referrals

- \$2.6M in total referrals
- First Quarter Recommendations:

Projected New Revenue	1.08M
Total	-
Recommended Expenditures	
Homeless & Social Programs	.22M
Other Program Costs	.05M
Non-Discretionary Costs	.46M
Total	.62M
Remaining Projected Revenue	.45M

FY 2006 Referrals

➤ **What is left?**

	Total
Remaining Referrals	1.6M
Remaining Revenue	.45M

FY 2007 Budget Issues

- **\$1.6M FY 2007 GF deficit**
- **1st Qtr Funding = \$879K**
 - **Adds \$532K in recurring costs**
- **Lower PERs rates & other benefit rates = approx. \$1.5M savings**

FY 2007 GF Deficit

	2007
Adopted Budget Deficit	1.6
1st Quarter Recurring Adds	0.5
Revised Deficit	2.1
PERS & Benefit Savings	(1.5)
Planned Reductions	(0.6)
Projected Deficit	0

- COLAs = 0 in FY 2007 for Fire
- CPI = 2.8% as of 10/05
 - COLA at CPI rate = \$458,943 deficit

Other Funds Budget Issues

- **Permit Service Center Fund**
- **Refuse Fund**
- **Parks Tax Fund**
- **Marina Fund**
- **Library Fund**
- **Sewer Fund & sewer laterals**

Conclusion

- **New revenue is good news but volatile**
- **We should be cautious**
- **Return on 2/7/06 for Mid-Year Review**
- **Quarterly work plan update**