




Office of the City Manager

INFORMATION CALENDAR

December 11, 2007

To:  Honorable Mayor and Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Tracy Vesely, Budget Manager

Subject: FY 2008 First Quarter Budget Update

INTRODUCTION

This report presents to Council a review of the budget performance for first quarter of FY 2008, a brief summary of the FY 2007 year-end budget performance, and information regarding the upcoming FY 2009 Mid-Biennial Budget Update.

CURRENT SITUATION AND ITS EFFECTS

National, Regional & Local Economic Outlook

Both the national and local economies are experiencing negative trends that directly impact Berkeley. Of course, the volatile real estate market is a key driver in the economic picture. Nationwide housing sales continue to drop for the sixth consecutive month to their lowest levels in five years.

The Bay Area experienced a 40 percent drop in September home sales from a year ago, which is the lowest level in nearly two decades. Because of the huge losses resulting from the write-down of the value of sub-prime mortgages, financial institutions have become extremely risk-averse in buying investments. This has resulted in the jumbo mortgage market (exceeding \$417,000) drying up because Fannie Mae and Freddie Mac do not guarantee these mortgages. This could impact the ability of Berkeley residents to obtain mortgage funding, since the price of homes in Berkeley is high. Another negative indicator in Berkeley is that residential building permits issued in 2007 was down almost 31% from 2006. Improvements to residential property often result in increased assessed values. Thus, with almost 77 percent of property in Berkeley designated as residential, it is likely there will be an impact on residential assessed values in the future as a result of all these factors.

The Legislative Analyst's Office (LAO) issued a dour FY 2009 state budget forecast recently, warning that the state must prepare for a \$9.8 billion budget deficit. The report follows a statement from Gov. Arnold Schwarzenegger, calling for state agency department heads to reduce spending plans by 10 percent. Legislative Analyst Elizabeth Hill also cautioned that the shortfall is anticipated for a number of years into the future. The LAO identified several factors contributing to the state's budget problem, including the lower state revenue projections due to the economy's current outlook and lower property taxes.

In addition, local governments are closely watching a proposed initiative for the June 2008 ballot called the "California Property Owner and Farmland Protection Act" (CPOFPA) - a measure that would abolish rent control; prohibit eminent domain "for the consumption of natural resources," such as in the acquisition of property for parks or water projects; and perhaps constrain government authority to implement certain inclusionary housing ordinances. If passed, the effects would be dramatic and citywide, and additional information regarding this measure will be forthcoming as the details emerge.

AB2034, Integrated Services for Homeless Adults, funding was eliminated from the State budget effective this fiscal year. The funding impact to the City is about \$1 million. While there is one-time funding for this fiscal year, this loss of funding goes into full effect in July 2008. Staff is currently reviewing the program and staffing impacts resulting from this dramatic cut.

FY 2008 First Quarter Results & Outlook

Budget performance in the first three months of the fiscal year is on track. Attachments 1 and 2 provide expenditure data for the first quarter of FY 2008 and a variance analysis. While there are no major variances or trends in expenditure performance, some revenue activity is noteworthy.

Attachment 3 provides a summary of all key General Fund revenues for the first three months of FY 2008. A summary of other key revenue funds will be provided in the midyear update in February. While the downturn in the real estate market is very real in Berkeley – first quarter residential transactions are down by 38% – we saw some more turnover in commercial property. The resultant impact on the Property Transfer Tax revenues is an increase of \$1,055,046 or 28.8% above the same period in FY 2007. This one-time increase in commercial property sales is entirely accounted for by the sale of one property for \$75 million.

Given only three months of experience and future uncertainties, staff is not making any revised expenditure or revenue projections at this time. Staff will present to Council the FY 2008 Mid-Year Budget Update next February, which will reflect six months of actual budget performance and a better idea of any variance trends (up or down). This report will also inform any decisions around the FY 2009 mid-biennial budget review.

FY 2007 Year-End

The FY 2007 budget cycle ended on June 30, 2007 and General Fund revenues finished \$9.6 million above the Adopted Budget. The FY 2007 Revised Budget accounted for the expense of much of this one-time revenue and Council allocated \$8.1 million of one-time revenue toward one-time infrastructure needs, as well as various one-time programs. (See Attachment 6)

The revenue increase was primarily due to the one-time, unanticipated sale of number of large commercial properties near the end of FY 2007 resulting in an increase in property transfer tax of almost \$4.8 million. The remainder of the General Fund revenue increase was due to increased parking fine revenue (+\$2.4 million) and interest income (+\$1.5 million). Parking fine revenues increased due to expanded parking enforcement efforts and interest revenue increased as a result of staff locking into higher interest rates for City investments.

Attachments 4 and 5 provide summaries of FY 2007 General Fund and All Funds actual expenditures by department. General Fund actual expenditures were \$6.2 million less than the Adjusted Budget. \$4.9 million of that amount was for unexpended project funding that has been carried over to FY 2008.

On an All Funds basis, the City finished FY 2007 almost \$50 million dollars under budget. Most of the unspent balance was due to vacancies and unexpended capital project and grant funds. Public Works finished \$25 million below their budget, \$16 million attributed to delayed capital improvement projects and the balance a result of salary savings from a large number of staffing vacancies.

The First Amendment to the Appropriations Ordinance, approved by Council on November 6, 2007, carried over \$33 million of the unspent funds, including \$9 million in General Funds.

Upcoming budget Updates

In February 2008, staff will present the FY 2008 Mid-year budget update. With six months of performance data, revenue and expenditure trends will be more reliable and informative. This report will also set the stage for the consideration of the FY 2009 Mid-Biennial Budget Update.

There are quite a number of fiscal issues to be addressed in the Mid-Biennial Budget Update. A multi-year labor contract was just approved for the Berkeley Firefighters Association, while new labor contracts for the Berkeley Police Association and Miscellaneous Employees are outstanding. With continued volatility in the local economy, Council will need to carefully consider its fiscal decisions in order to maintain long-term stability.

CONTACT PERSON

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Attachments:

1. FY 2008 First Quarter General Fund Expenditures
2. FY 2008 First Quarter All Funds Expenditures
3. FY 2008 First Quarter General Fund Revenue Projections
4. FY 2007 Year-End General Fund Expenditures
5. FY 2007 Year-End All Funds Expenditures
6. FY 2007 Year-End General Fund Revenues

FY 2008 First Quarter General Fund Expenditures (7/1/07 – 9/30/07)

Department	FY 2008 Adopted	FY 2008 Adjusted	YTD Actuals + Encumbrances	Balance	Percent Expended
Mayor & Council	1,627,766	1,636,176	380,697	1,255,479	23%
Animal Care Services	1,338,286	1,339,071	383,621	955,450	29%
Auditor	1,790,386	1,791,972	366,572	1,425,400	20%
Berkeley Housing Authority	507,365	507,365	15,000	492,365	3%
City Attorney	1,730,487	1,780,683	454,611	1,326,072	26%
City Clerk	2,105,060	2,129,525	380,431	1,749,094	18%
City Manager	3,706,138	3,617,559	821,269	2,796,290	23%
Economic Development	1,701,625	1,719,769	405,735	1,314,034	24%
Finance	6,096,825	6,564,860	2,184,669	4,380,191	33%
Fire	22,721,142	22,860,245	5,390,027	17,470,218	24%
Health and Human Services	9,952,436	10,153,904	2,618,417	7,535,487	26%
Housing	1,817,119	2,132,496	591,181	1,541,315	28%
Human Resources	1,916,045	1,916,045	458,576	1,457,469	24%
Information Technology	3,430,380	3,587,890	2,969,439	618,451	83%
Parks and Waterfront	4,890,748	5,207,863	2,845,314	2,362,549	55%
Planning	1,184,663	1,203,237	360,618	842,619	30%
Police	46,199,794	46,245,646	10,732,879	35,512,767	23%
Police Review Commission	557,158	576,538	122,607	453,931	21%
Public Works	3,399,589	3,465,086	793,942	2,671,144	23%
Non-Departmental	26,484,592	26,675,487	7,106,908	19,568,579	27%
Total	143,157,604	145,111,417	39,382,513	105,728,904	27%

Assumptions

- Non-Personnel year-to-date actuals are as of 9/30/07 and represent 25% expended. Expenditures over 25% are related to the encumbrance of non-personnel, such as construction contracts.
- Personnel year-to-date actuals are through 09/28/07 and represent 23.1% expended. All departments are tracking at or below 23.1% in personnel expenditures.

First Quarter Variances

- Animal Care Services: Contracts for veterinary services and SNYP program completely encumbered.
- City Attorney: Expenditures for Library Construction litigation and lawsuit against UC over High Performance Athletic Center.
- Finance: Customer Service Initiative Project encumbered.
- Information Technology: Expenses for Public Safety System acquisition.
- Parks Recreation & Waterfront: July - September is peak season for recreation programs; expenditures for contractors and consultants on Gilman Sports Field Project.
- Planning: Downtown Area Plan funds carried over and encumbered.
- Police: Although the department is tracking under budget, overtime is at 32% spent through September due to vacancies in Communications Center and other Support Services being backfilled with sworn officers.

FY 2008 First Quarter All Funds Expenditures (7/1/07 - 9/30/07)

Department	FY 2008 Adopted	FY 2008 Adjusted	YTD Actuals +		Percent Expended
			Plus Encumbrances	Balance	
Mayor & Council	1,627,766	1,636,176	380,697	1,255,479	23%
Animal Care Services	1,380,286	1,381,071	399,737	981,334	29%
Auditor	1,923,536	1,925,122	395,814	1,529,308	21%
Berkeley Housing Authority	23,947,920	23,947,920	699,387	23,248,533	3%
City Attorney	3,738,219	4,430,398	1,485,877	2,944,521	34%
City Clerk	2,105,060	2,129,525	380,431	1,749,094	18%
City Manager	3,958,114	3,872,172	875,388	2,996,784	23%
Economic Development	2,902,363	3,071,476	708,359	2,363,117	23%
Finance	8,394,765	8,891,711	2,709,715	6,181,996	30%
Fire	28,354,518	27,736,432	7,314,162	20,422,270	26%
Health and Human Services	29,944,332	30,884,650	7,930,689	22,953,961	26%
Housing	13,407,779	14,806,276	4,236,656	10,569,620	29%
Human Resources	3,000,445	3,097,811	794,942	2,302,869	26%
Information Technology	3,863,877	4,221,814	3,189,555	1,032,259	76%
Parks and Waterfront	21,115,961	26,451,647	12,913,958	13,537,689	49%
Planning	13,684,769	14,127,146	4,088,463	10,038,683	29%
Police	50,333,416	50,463,041	11,746,372	38,716,669	23%
Police Review Commission	557,158	576,538	122,607	453,931	21%
Public Works	86,521,869	94,391,870	33,089,347	61,302,523	35%
Library	15,232,605	15,410,824	4,051,453	11,359,371	26%
Rent Board	3,497,000	3,513,009	772,593	2,740,416	22%
Non-Departmental	49,297,412	49,836,687	10,505,642	39,331,045	21%
Dual Appropriations Offset	-54,197,616	-67,367,368		(67,367,368)	0%
Total	314,591,554	319,435,948	108,791,844	210,644,104	34%

Assumptions

- Non-Personnel year-to-date actuals are as of 9/30/07 and represent 25% expended. Expenditures over 25% are related to the encumbrance of non-personnel, such as construction contracts.
- Personnel year-to-date actuals are through 09/28/07 and represent 23.1% expended. All departments are tracking at or below 23.1% in personnel expenditures.

First Quarter Variances

- City Attorney: Funds encumbered for outside counsel contracts and liability payments.
- Finance: Funds for Customer Service Initiative project encumbered.
- Housing: Funds for Non-General Fund community agency contracts and Housing Trust Fund Projects encumbered.
- Information Technology: Funds encumbered for Public Safety System acquisition, employee computer training classes, and Interactive Voice Response contract encumbered.
- Parks Recreation & Waterfront: 1st quarter was peak season for Camps and General Fund expenditures for Gilman Sports Field Project.
- Public Works: Full encumbrance of goods and services early in fiscal year plus one-time purchase of land for \$2 million for the 9th Street bike path.

FY 2008 General Fund Revenue Projections

FY 2008 Three-Month General Fund Revenues (7/1/07 - 9/30/07)			
Revenue Categories	Adopted FY 2008	Actual 7/1/07-9/30/07	% Received To Date
Secured Property	\$35,170,269	\$810,281	2.30%
Unsecured Property Taxes	2,141,031	6,762	0.32%
Supplemental Taxes	2,000,000	123,535	6.18%
Property Transfer Tax	12,500,000	4,721,083	37.77%
Sales Taxes	14,362,193	3,691,002	25.70%
Utility Users Taxes	14,557,787	3,562,927	24.47%
Transient Occupancy Taxes	3,328,000	941,210	28.28%
Business License Tax	11,487,315	504,456	4.39%
Vehicle In-Lieu Taxes	8,363,907	146,205	1.75%
Parking Fines	10,700,000	2,626,284	24.51%
Moving Violations	550,000	91,191	16.58%
Interest Income	4,800,000	920,369	19.17%
Ambulance Fees	2,564,560	680,746	26.54%
Franchise fees	1,721,141	200,975	11.68%
Other Revenue	6,590,049	1,390,201	21.10%
Transfers	7,136,256	1,923,954	26.96%
Total Revenue:	\$137,972,508	\$22,341,182	16.19%

At this early point in the fiscal year, no revenue adjustments are recommended. Below are some key revenues that staff is closely monitoring.

Property Transfer Tax

During the first quarter of FY 2008, net Transfer Tax revenues (payments from the County less seismic rebates, estimated seismic rebate escrow amounts, and County processing fees) increased \$1,055,046 or 28.8% for the same period in FY 2007. This increase is due to a one-time \$78,335,000 increase in commercial property sales in the first quarter of FY 2008. However, we are beginning to see the emergence of a negative trend in these volatile revenues:

- Included in the FY 2008 first quarter's property sales were five sales that accounted for \$110,013,500 (or 30.8%) of total property sales and \$1,752,578 (or 33.9%) of total Transfer Tax revenues.
- The number of single-family residential property sales declined 38.3% to 37 in the first quarter of FY 2008 from 60 for the same period in FY 2007.
- Single-family resident property sales in the quarter declined 38.9% to \$26,101,500 from \$42,723,000 for the same period in FY 2007.
- Total first quarter property sales (commercial & residential) declined 7% (to 303 from 324) for the same period in FY 2007.

Business License Tax (BLT)

During the first quarter of FY 2008, BLT revenue totaled \$504,456, which was \$383,278 or 316.3% more than the \$121,178 received for the same period in FY 2007. This increase is the result of an increase in the number of delinquent accounts collected, including one large one. Also staff expects BLT for the year to increase due to the additional revenue generated from the miscoding of business license categories for many businesses in the past.

Interest Income

During the first quarter of FY 2008, Interest income totaled \$920,369, which was \$365,799 or 28.4% less than the \$1,286,168 received for the same period in FY 2007. However, if \$565,027 in September receipts had been recorded in September instead of October, interest income in the first quarter of FY 2008 (\$1,485,396) exceeded interest income for the same period in FY 2007 by \$199,228 or 15.5%.

As a result of the liquidity and credit crisis (resulting from the impacts of significant increases in sub-prime mortgage defaults and foreclosures) that hit the debt markets during the summer, the Federal Reserve Board (the Fed) has begun lowering short-term interest rates. This action has caused the US dollar to fall sharply, and should result in higher inflation. The Fed lowered the Federal Funds rate from 5.25% to 4.75% at its meeting in September 2007 and again at its meeting ending on October 31, 2007. Staff expects that the Fed's very aggressive moves to lower short-term interest rates, to prevent a recession induced by the housing downturn and the credit and liquidity crises in the debt markets, will negatively impact interest income in the coming months.

Secure Property Taxes

Secure Property Taxes in FY 2008 will be higher than the increase in FY 2008 assessed values indicates. This is because these taxes were underpaid in FY 2007 by approximately \$400,000, and the correction wasn't made until early in FY 2008 (September 2007).

FY 2007 Year-End General Fund Expenditures

Department	FY 2007 Adopted	FY 2007 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	1,356,387	1,550,278	1,556,328	(6,050)	100%
Animal Care Services	1,300,012	1,299,587	1,223,775	75,812	94%
Auditor	1,659,843	1,660,335	1,636,764	23,571	99%
City Attorney	1,649,610	1,908,006	1,869,892	38,114	98%
City Clerk	1,797,112	2,168,737	1,584,877	583,860	73%
City Manager	3,166,610	3,146,449	2,798,734	347,715	89%
Economic Development	1,627,928	2,145,833	1,457,311	688,522	68%
Finance	6,003,482	6,497,051	5,659,397	837,654	87%
Fire	21,473,626	21,889,579	21,721,168	168,411	99%
Health and Human Services	9,216,312	9,395,646	9,100,108	295,538	97%
Housing	1,856,237	2,023,682	1,950,075	73,607	96%
Human Resources	1,795,370	1,824,308	1,873,476	(49,168)	103%
Information Technology	3,353,684	6,127,550	3,603,631	2,523,919	59%
Parks and Waterfront	4,324,282	4,267,740	4,709,623	(441,883)	110%
Planning	819,980	1,167,820	938,357	229,463	80%
Police	44,020,328	44,416,309	44,943,268	(526,959)	101%
Police Review Commission	540,608	544,248	416,477	127,771	77%
Public Works	1,617,694	1,914,473	1,497,613	416,860	78%
Non-Departmental	25,352,119	26,053,510	25,239,574	813,936	97%
Total	132,931,224	140,001,141	133,780,448	6,220,693	96%

Significant Variances

- City Clerk: +\$583,860 in unspent Elections funding carried into FY 2008 for upcoming elections.
- Economic Development: +688,522 due to the one-time \$500,000 FY 2007 Mid-Year allocation for continued Economic Development activities as well as salary savings. The \$500,000 has been carried over to FY 2008.
- Finance: +837,654 for the Customer Service Technology Improvement project carried into FY 2008.
- Health and Human Services: +295,538 is due to vacancies in Public Health and Mental Health partially funded by the General Fund and unspent project funds.
- Information Technology: +2,523,919 is for funding for the Public Safety System acquisition costs and implementation, which has been carried over to FY 2008.
- Parks Recreation & Waterfront: -\$441,803 is due to over expenditures in the Aquatics Programs, an unbudgeted Assistant Recreation Coordinator hired in the Inclusion Program, and the overfill of a Recreation Coordinator who was out on leave. In the FY 2008 Adopted Budget, the under-funding in Aquatic Programs has been corrected.
- Police: -\$526,959 was caused by the need to backfill vacancies created by injuries and retirements with trained personnel filling in on overtime as well as non-sworn employees.
- Planning: +229,463 is primarily for Downtown EIR, which was carried over to FY 2008.
- Non-Departmental: +813,936 is due to budget including \$400,000 COLA set aside for Fire Labor contract which did not get approved till FY 2008. General Fund transfer to Safety Members Pension Fund was about \$200,000 less than what was budgeted.

FY 2007 Year-End All Funds Expenditures

Department	FY 2007 Adopted	FY 2007 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	1,356,387	1,550,278	1,556,328	(6,050)	100%
Animal Care Services	1,342,012	1,344,687	1,249,895	94,792	93%
Auditor	1,785,937	1,786,429	1,763,018	23,411	99%
City Attorney	3,412,370	3,480,433	2,909,270	571,163	84%
City Clerk	1,797,112	2,168,737	1,584,877	583,860	73%
City Manager	3,553,975	3,539,180	3,144,605	394,575	89%
Economic Development	2,794,296	3,725,584	2,486,027	1,239,557	67%
Finance	8,217,745	8,741,722	7,459,901	1,281,821	85%
Fire	24,994,041	31,066,512	25,245,392	5,821,120	81%
Health and Human Services	27,905,025	31,646,084	27,663,177	3,982,907	87%
Housing	38,489,431	45,999,413	15,162,804	30,836,609	33%
Human Resources	2,806,726	2,843,871	2,815,768	28,103	99%
Information Technology	3,753,839	6,490,771	3,860,357	2,630,414	59%
Parks and Waterfront	19,808,382	22,598,438	20,790,368	1,808,070	92%
Planning	11,539,681	14,840,937	13,290,978	1,549,959	90%
Police	47,972,603	48,457,262	49,119,024	(661,762)	101%
Police Review Commission	540,608	544,248	416,477	127,771	77%
Public Works	80,908,675	98,412,599	72,751,479	25,661,120	74%
Library	14,531,301	14,829,704	13,468,680	1,361,024	91%
Rent Board	3,179,054	3,205,391	3,088,888	116,503	96%
Non-Departmental	50,051,456	50,842,350	46,894,931	3,947,419	92%
Dual Appropriations Offset	-54,653,594	-57,723,143	-47,005,560		
Total	296,087,062	340,391,487	269,716,684	81,392,386	76%

Significant Variances

- City Attorney: +\$571,163 is due to unspent funds for pending Claims and Judgments carried over to FY 2008.
- City Clerk: +\$583,860 is primarily unspent Elections funding that has been carried over to FY 2008 for upcoming elections.
- Economic Development: +\$1,239,557 is due to \$500,000 FY 2007 General Fund Mid-Year allocation for continued Economic Development activities and lower expenditures than projected for several Business Improvement District funds.
- Fire: +\$5,821,120 is primarily for the Measure Q Above Ground Water Delivery System, which was carried over to FY 2008.
- Health and Human Services: +\$3,982,907 is the result of under expenditures in Public Health grant funds, Mental Health Service Act Funds, and other grant funds. Most of these unexpended grants have been carried over to FY 2008.
- Housing: +\$30,836,609 is due to Housing Assistance Payments being budgeted but not processed through City financial management system as planned. This is now part of the Berkeley Housing Authority.
- Information Technology: +\$2,630,414 is for funding for the Public Safety System acquisition costs and implementation, which has been carried over to FY 2008 and is now being spent as well as funds for Server Consolidation Project.
- Parks Recreation & Waterfront: +\$1,808,070 is partially due to unexpended project funds in Parks Tax Fund, Capital Improvement Fund and Parks Bond funding carried over to FY 2008.

- Planning: +\$1,549,959 is primarily personnel savings through vacancies and unexpended project funds.
- Police: -\$661,762 is the result of -\$526,959 in General Fund over expenditures due to the need to backfill vacancies created by injuries and retirements with trained personnel on overtime as well as non-sworn employees. Some grant funds were over expended as a result of appropriation adjustments not getting officially being reflected in the Adjusted Budget.
- Public Works: +25,661,120 is due to salary savings from many vacant positions and unexpended project funds, some of which have been carried over to FY 2008.
- Library: +\$1,361,024 is due to salary savings from vacant positions and lower non-personnel expenditures than budgeted amounts.
- Non-Departmental: +3,947,419 is due to reduced amounts for interfund transfers and lower expenditures for Workers' Compensation administrations costs.

FY 2007 Year End General Fund Revenues

	FY 2007 Adopted	Year-End Actuals	Balance	Percent Received
Secured Property Taxes	32,284,204	31,690,025	(594,179)	98%
Unsecured Property	2,063,645	1,974,876	(88,769)	96%
Supplemental Taxes	1,800,000	2,508,214	708,214	139%
Property Transfer Tax	12,500,000	17,393,311	4,893,311	139%
Sales Tax	14,320,996	14,164,590	(156,406)	99%
Business License Tax	10,990,719	11,024,467	33,748	100%
Hotel Tax (TOT)	2,900,000	3,260,586	360,586	112%
Utility Users Tax	14,704,583	14,155,912	(548,671)	96%
Vehicle In-Lieu Taxes	7,538,481	7,748,232	209,751	103%
Parking Fines	9,190,630	11,596,669	2,406,039	126%
Moving Violations	750,000	519,643	(230,357)	69%
Interest Income	3,700,000	5,282,959	1,582,959	143%
Franchise Fees	1,539,224	1,685,798	146,574	110%
Ambulance Fees	2,465,923	2,561,748	95,825	104%
Other Revenue	6,697,176	6,963,401	266,225	104%
Transfers	6,683,414	7,202,696	519,282	108%
Total Revenue	\$ 130,128,995	\$ 139,733,127	\$ 9,604,132	107%

Real Property Taxes

The growth in annual property tax revenues is generally close to the growth in annual assessed values. Property tax revenues grew from \$19.4 million in FY 2000 to \$29.9 million in FY 2006. For FY 2007, revenue totaled \$31,690,025, which was \$1,809,925 or 6.1% more than the \$29,880,100 received for the same period in FY 2006.

Property Transfer Tax

Property Transfer Tax revenues rose from \$14.4 million in FY 2006 to \$17.4 million in FY 2007. This was due primarily from a \$104,694,508 or 10.1% increase in property sales from \$1,034,176,062 in FY 2006 to \$1,138,870,570 in FY 2007. This rise is primarily a result of commercial property sales, including the sale of seven Panoramic Interests apartment buildings for \$140 million in April 2007. However, the City saw a decline in the number of property sales from 1,299 in FY 2006 to 1,075 in FY 2007. The average residential property sales price (excluding the sale of the seven Panoramic Interests apartment buildings) increased 1.1% to \$782,522 from 773,957 in FY 2006.

Parking Fines

For FY 2007, Parking Fines revenue totaled \$11,596,669, which was \$2,592,164 or 28.8% more than the \$9,004,505 received in FY 2006 (this increase included almost \$500,000 of delinquent parking fines collected by a collection agency), as the number of tickets written increased 15.4%. This increase was primarily due to the hiring of one Enforcement Supervisor and three Parking Enforcement Officers, in order to increase efficiency and productivity.

Interest Income

For FY 2007, Interest Income totaled \$5,282,959, which was \$1,440,563 or 37.5% more than the \$3,842,396 received in FY 2006. The two primary reasons for this increase is that staff was able to lock in long-term interest rates at or near the highest levels reached in several years; and, The Federal Reserve Board kept short-term interest rates high for all of FY 2007, out of concern about the level of inflation, resulting in more interest earnings on the short-term portion of the City's investment portfolio.