

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

Agenda Date: 4/21/08
Reviewed by: *BP*

SUBJECT: 2008-10 Budget Priority Setting Process

REPORT BY: Beth Pollard, City Administrator
City Council Subcommittee – Council Members Atkinson and Javandel

RECOMMENDATION

Approve the schedule and process for establishing 2008-10 budget revenue and expenditure plans and priorities.

BACKGROUND

Every two years the City Council adopts a budget for a two fiscal year period beginning July 1. In June, 2008, the City Council is scheduled to adopt a budget for the fiscal years 2008-09 and 2009-10.

Because the City's finances have generally been relatively stable, the City's budget typically does not have dramatic changes from year to year. However, the projected State budget deficit and the slowdown in the economy are causing cities to curtail budget spending or at least approach the next fiscal year with caution. As noted in the City's mid-year budget report on February 19, both sales tax and property transfers are down, and which creates some uncertainty in available revenues for City expenditures.

The City Council is responsible for providing policy direction on budget priorities. If the costs to meet existing Council direction and the associated administrative responsibilities exceed projected revenues, either budget cutbacks will be needed or new sources of revenue obtained. If projected revenues exceed project expenditures and there are funds available for allocation to new projects, programs, or services, there would likewise be the need for a process to prioritize the allocation of these funds. To prepare for either scenario, the City Council appointed Council Members Atkinson and Javandel to a subcommittee to work with staff to develop a recommended priority setting process.

The Council subcommittee met twice with the City Administrator and Finance Director to discuss strategies for providing the City Council with the information for deciding on budget priorities for expenditures and revenues. Attached are the summary notes from the two meetings.

DISCUSSION

The challenges in establishing and maintaining budget priorities include:

- 1) Uncertainty about available funding until budget preparation is complete
- 2) Incremental increases in expectations without commensurate reductions in other areas and/or supporting revenue
- 3) Temptation to want the City to do all and be all for everyone's ideas, and to try to do a little bit in a lot of areas rather than making the decisions on what not to do
- 4) Difficulty in making cuts or shifts in existing services; impacts on public and staff tenure
- 5) Evaluating the community's interest and threshold for paying more in fees and taxes in exchange for having services, safety, and facilities
- 6) Realizing the financial support needed for ongoing operations, such as technology, equipment, vehicles, training, materials, and supplies
- 7) The amount of time staff, Council, and the community have to invest in priority setting processes in the context of other time demands and issues
- 8) Recognizing that new project and program ideas will arise after the budget is adopted

The opportunities include:

- 1) Engaging the staff, Council and community in learning and understanding the budget pressures and resources
- 2) Getting new perspectives on how the City budgets its time, attention, and resources
- 3) Having the City identify the relative importance of various services
- 4) Pursuing new ways of delivering and funding services

To meet and balance the various challenges and opportunities, staff and the subcommittee recommend the attached budget process (Exhibit A). In summary, the process is divided into these segments:

April 28: Informational: Receive reports, comments, and ideas
May 12: Evaluation of ideas: Public engagement in identifying priority areas
May 19: Direction: Council provides staff with direction on priorities
June 2: Public hearing: Draft budget is presented for formal review
June 16: Adoption: Final budget is adopted

The subcommittee recommends that Council reserve Monday, June 30, as a potential meeting date, if needed.

FINANCIAL IMPACT

There will be staff time involved in preparing the April 28 report and in setting up and implementing the mechanisms for the May 12 and May 19 processes.

Attachments

Exhibit A: Recommended scheduled and process

Exhibit B: Notes from March 14, 2008 subcommittee meeting

Exhibit C: Outline from April 7, 2008 subcommittee meeting