

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

Agenda Date: June 21, 2010
Reviewed by: BP

SUBJECT: Operating Budgets for Fiscal Years 2010-11 and 2011-12

REPORT BY: Beth Pollard, City Administrator
Charlie Adams, Finance & Administrative Services Director

STAFF RECOMMENDATION

That the City Council upon completion of review of the draft budget for fiscal years 2010-11 and 2011-12, and receipt of public comment on the draft budget, adopt the budget for fiscal years 2010-11 and 2011-12, with the condition that City Staff propose options to balance revenues and expenditures for fiscal year 2011-12, prior to July 1, 2011.

BACKGROUND

It is the policy and practice of the the City Council to adopt an operating budget prior to the beginning of the new fiscal year. In accordance with the City's policy of a two year budget cycle for operating revenues and expenditures, the proposed budget is for fiscal years ending June 30, 2011 and June 30, 2012.

DISCUSSION

Proposed schedules of the Operating Budgets are attached to this report. These schedules do not include funds other than the General Fund, and they do not include the budgets for capital improvements. Budgets for these other funds will be presented to the Council in July, 2010.

The proposed budget contains the staff's best estimate of revenues that will be received by the City in the next two fiscal years. The recommended expenditures are constrained by limited revenue, but they have been budgeted at amounts sufficient to maintain all basic services at their current levels.

ANALYSIS

Full time staff positions have been reduced from the prior budget authorization of 125 to 117 by the elimination of positions in the Police Department, Recreation & Community Services Department, and Community Development Department. Because these staff eliminations have occurred during the current budget cycle and only now are

incorporated into the formal budget, they will not result in further change of quality or quantity of services than presently provided.

General Fund revenues for fiscal year 2010-11 are projected to be \$386,000 (3%) greater than the budget for fiscal year 2009-10. General Fund revenues for fiscal year 2010-11 are not projected to increase in total over the current projection of revenues for fiscal year 2009-10. Major revenue sources projected to show modest increases are property taxes and property transfer taxes. Major revenue sources projected to decline are sales taxes, utility users taxes, and interest income.

Salaries and benefits for fiscal year 2010-11 continue to comprise 80.3% of the General Fund expenditures, and increase to 80.6% in fiscal year 2011-12, even though the budget provides no additional increase in wage rates for police and fire, and a third consecutive year of no increase for management employees. The budget does provide for increases in Public Employees Retirement System employer contribution rates and increases in medical insurance rates.

The budget provides for enhancement of information technology (IT). Areas of enhancement include increased allocation of in-house staff time to IT activities, contracting for consultant support services, acquisition of hardware and software, and staff training.

The 2011-12 budget projects a deficit of revenue to expenditures of \$300,000. City policy requires balance budgets; therefore, the Council will be asked to amend the 2011-12 budget prior to the beginning of the 2011-12 fiscal year. An improved economic environment may result in greater revenues than are currently projected; however, if revenues increases are not sufficient to balance the budget, staff will recommend reductions in staffing and services.

FINANCIAL IMPACT

There is no direct cost associated with adoption of the budget. The development and adoption of the budget provides the framework for implementation of Council priorities and objections, and the budget is the single most important tool use to maintain the fiscal health of the City.

Attachments:

1. General Fund Operating Budget – Expenditures by Type
2. General Fund Operating Budget – Expenditures by Department