

April 25, 2006

Honorable Mayor Leiken, Budget Committee Members and Citizens of Springfield:

Budget Overview

The past year has been an exciting time for Springfield! Construction has begun on many high-profile community projects that reflect well on our city, including RiverBend, Williams Bakery, Symantec's expansion, and the National Guard Armory. We have seen exciting projects completed, including the Royal Caribbean Customer Contact Center, Kohl's, Oregon Medical Laboratories and Phase 1 of Mountaingate. New projects are on the horizon that promise new opportunities for the citizens of Springfield. This trend of economic growth is unprecedented in its scale or duration, and the community leaders of Springfield (both past and present) have had much to do with this expansion.

This past year, we have continued to make progress on the Council's Five-Year Goals: the Springfield economy continues to expand, providing quality jobs; our partnerships with other agencies, such as TEAM Springfield, have allowed us to leverage resources and provide services that would otherwise be unattainable; and in the arena of public safety, the construction of the Justice Center continues to move forward and our police and fire levies have allowed for increased provision of public safety service delivery. We continue to dedicate the majority of our resources to providing core services to our citizens.

As we continue to experience growth, the demand for city services grows as well. We have already seen this in the volume of building permit and land use planning activity over the past several years. As construction projects are approved, city infrastructure is required to address transportation, stormwater and sanitary sewer needs. These systems, once built, will require ongoing maintenance. As new buildings are completed, the residents or tenants will expect prompt response from the fire and police departments and the ability to avail themselves of community services such as the public library. All of these services have costs.

In difficult times, it is sometimes necessary to put off non-critical expenses in order to maintain the maximum level of service for more critical needs. However, it is prudent to track mid- and long-term needs, so we don't lose sight of the full cost of sustaining our infrastructure investment. Our citizens realize that tough times call for tough choices, but also expect their City government to be sound stewards of the assets they have entrusted to our keeping. While we have been able to put off addressing some long-term needs in the past, it is wise to make a "down payment" on many of them now.

The proposed FY 06-07 is a *status quo* budget; however, the budget does identify items that have been deferred or we were unable to fund during tight fiscal times of the recent past. The budget outlines a course of action over the next several years that will return the City to long-term stability

and effective stewardship. We have taken the first steps toward addressing these deferred needs. I refer to these as “down payments.”

This proposed budget makes a significant first step toward returning the City to ongoing stability and begins to transition the City from a survival mode to long-term health. As the economy continues to grow, we may look at new initiatives, and I believe this budget does a good job of taking good care of what we have, using the resources at hand.

The Process

This proposed FY 2006/07 budget is driven by the Council’s existing public policies and goals, and built on parameters established by the Budget Committee and current revenue projections. On December 5, 2005, the Council met to review Council goals for the current year and to set new five-year goals and priority action items for next year. Their goals are as follows:

City Council Goals, 2005 – 2010

- ◆ Provide financially sound, stable city government
- ◆ Utilize resources efficiently and effectively to meet citizen needs for core services
- ◆ Expand the Springfield economy through commercial and industrial development which creates family wage jobs
- ◆ Increase public safety in Springfield
- ◆ Facilitate the redevelopment of Springfield
- ◆ Partner with citizens and other public agencies to leverage resources
- ◆ Preserve our hometown feel as we grow

On the evening following the Council Goal-setting, the City’s Budget Committee met to review the long-range financial projections for the City and provide policy direction to staff in order to formulate the budget for the coming year.

The financial forecast presented to the Budget Committee at that meeting anticipated a shortfall in the General Fund of approximately \$1.26 million, and a similar shortfall in the Ambulance (formerly Emergency Medical Services) Fund of approximately \$1 million. Previously, the Council had provided direction to the Fire and Life Safety Department to set in motion a series of fees and other transactions to work toward solving the issue in the Ambulance Fund for FY07. For the General Fund, staff presented the Budget Committee with a model that represented the options available to solve the \$1.26 million shortfall. These options were: Increase Revenues; Decrease Reserves; or Decrease Expenses. Any solution would require a combination of these three measures. The Budget Committee provided the following direction to address the General Fund shortfall:

1. Revenues

Expand revenues where possible. Aggressively explore new revenue sources and expand existing sources. Where reasonable, ensure that costs are recovered from users.

2. Reserves

Look to reserves as a resource to be tapped in balancing the budget. Making cuts or increasing revenues while maintaining large reserves would strain credibility with the citizens. Staff

should use reserves when doing so would not jeopardize the health of the City.

3. Expenditures

The Committee acknowledged that the City had endured many cuts of critical services over the past several years. If expenditure cuts are recommended in the budget, staff is to clearly indicate where cuts are proposed and the impacts of those cuts.

4. Balanced Budget

Present a balanced budget to the Budget Committee and allow the Budget Committee to make changes, as appropriate.

Following this mid-year meeting, the State and Lane County provided more accurate figures for property tax receipts and State Shared Revenues. A revised General Fund forecast was created, and the funding gap was reduced from \$1.26 million to roughly \$1 million.

The Executive Team proposed a model to address this \$1 million General Fund gap based on Budget Committee direction. The components of the plan included:

- \$350,000 in new or expanded revenue
- \$320,000 in expenditure reductions
- \$250,000 in Ambulance (Emergency Medical Services) Fund transfers to the General Fund
- \$100,000 allowance for funding immediate needs
- \$200,000 of Non-General Fund Reserves (if needed)
- \$500,000 of General Fund Reserves (if needed)

The following table reflects a budget developed on the above parameters:

Table 1: General Fund – FY07 Proposed versus FY06 Adopted				
Category	FY06 Adopted Budget	FY07 Proposed Budget	Dollar Change	Percent Change
Departmental Operating Budget				
Personal Services	\$ 21,411,854	\$ 22,484,588	\$ 1,072,734	5.01%
Materials and Services	4,419,292	4,840,064	420,772	9.52%
Capital Outlay	<u>82,844</u>	<u>104,438</u>	<u>21,594</u>	<u>26.07%</u>
Total Departmental Operating Budget	\$ 25,913,990	\$ 27,429,090	\$ 1,515,100	5.85%
Departmental – Non Operating	40,250	40,250	0	0.00%
Non Departmental – Non Operating	<u>6,000,768</u>	<u>6,709,778</u>	<u>709,010</u>	<u>11.34%</u>
Total Budget - All Requirements	<u>\$ 31,955,008</u>	<u>\$ 34,179,118</u>	<u>\$ 2,224,110</u>	<u>6.96%</u>

Key Issues

In developing this year's budget, each Department Director was asked to examine their proposed requests carefully and to weigh their recommendations as they relate to the long-term health and vitality of the City organization. We identified several long-term categories of needs that have been either deferred or received less attention in the past. The themes listed below emerged as critical to the long-term health of the City and the services we provide. Each Department has been asked to develop a plan to begin addressing the issues that are most pertinent to their department. The key issues identified include:

- ◆ **Replacement**

Some of the City's largest, most expensive vehicles will soon be at the end of their useful life, and it has not been financially possible to adequately fund for their replacement. The financial impact of their replacement will be significant.

- ◆ **Rehabilitation**

In the last several decades, the citizens of Springfield have made significant investments in the City's built infrastructure, including City Hall, maintenance facilities, fire stations and the police station. Budget cuts over the past ten years have led to a deferral of needed maintenance on many of these buildings and these deferrals have led to the failure of some building systems requiring large and unanticipated expenditures. An on-going infusion of capital is needed to address critical maintenance issues and begin to "catch up" on addressing small problems before they become large problems. Additionally, there will be a need for an additional fire station to service Glenwood as it redevelops.

- ◆ **Recruitment/Retention**

As with many cities and corporations, long-time employees are retiring at an unprecedented rate. Replacing these employees with talented and experienced personnel will require competing for them in the employment marketplace. In several recent instances, the City has been unable to recruit a sufficient pool of qualified applicants to replace staff who have left. Specialized and certified positions are particularly difficult to recruit in a financially competitive environment.

- ◆ **Reserves**

Over the past several years, we have used reserves from non-General Fund to temper the need for service reductions. In some cases, those reserves are nearing depletion. As this happens, we lose an important component of our budget-balancing strategy. Reserves also provide the needed financing for large capital projects that cannot be funded out of current resources. Limited reserves restrict our ability to respond to opportunities and/or emergencies in a timely manner.

- ◆ **Revenues**

Many of our traditional sources of income are stagnant, shrinking, or at risk. Specifically, property tax revenues have been slow to grow, in spite of the recent building boom; franchise fees are waning as more people move away from the businesses that pay franchise fees (for example, the move from land-line telephone service to cell service); and State Shared Revenues were nearly co-opted by the legislature in a previous session. Over the next several years, the City will need to identify sources of revenue that respond quickly in economic boom-times, and examine opportunities to recover costs.

- ◆ **Responsiveness**

As times change, citizens will request new or different services from the City. The City

continues to seek grants that allow us to expand service provision, meet specific, critical needs and fund pilot projects. Staff are constantly searching out new revenue sources to support the Council's goals.

An annual budget represents a snapshot in time that depicts what we expect our revenues and expenses to be in a given year, based on a very large set of assumptions. Most often, the budget process ends up being an attempt to “put out fires” and address the most urgent needs occurring within a single fiscal year. During our first Budget Committee meeting, I will be discussing the items listed above as they relate to individual Departments as well as those that cross the entire organization. I ask that the Budget Committee look beyond this upcoming single fiscal year and lay the groundwork for addressing some of these longer term issues. None of these issues are at crisis level now, but certainly if they are not addressed they will become the “fires” to be put out by future Budget Committees.

Based on what we know now, if we do nothing differently, the General Fund deficit is expected to approach \$1,150,000 by FY10.

Table 2: General Fund – Long-Range Projection					
<u>Annual Operating Budget</u>	FY06 Estimated	FY07 Proposed	FY08 Projected	FY09 Projected	FY10 Projected
Total Revenue less Beginning Cash	\$ 26,080,662	\$ 27,310,560	\$ 28,100,000	\$ 29,050,000	\$ 30,150,000
Less Operating Expenditures and Interfund Transfers	<u>-25,927,354</u>	<u>-27,469,340</u>	<u>-28,750,000</u>	<u>-30,200,000</u>	<u>-31,700,000</u>
Annual Revenue Over(Under) Expenditures	\$ 153,308	(\$ 158,780)	(\$ 650,000)	(\$ 1,150,000)	(\$ 1,550,000)
Plus Beginning Cash on Hand (July 1)	<u>\$6,715,250</u>	<u>\$ 6,868,558</u>	<u>\$ 6,709,778</u>	<u>\$ 6,059,778</u>	<u>\$ 4,909,778</u>
Total Year-End Cash on Hand (June 30)	\$ 6,868,558	\$ 6,709,778	\$ 6,059,778	\$ 4,909,778	\$ 3,359,778
Less Dedicated Reserves and Operating Transfers	-347,563	-682,647	-482,647	-482,647	-482,647
Less Contingency and Working Capital	-4,200,000	-4,200,000	-4,200,000	-4,200,000	-4,200,000
Year End Non-Dedicated Resources Available	\$ 2,320,995	\$ 1,827,131	\$ 1,377,131	\$ 227,131	(\$ 1,322,869)

Ambulance Fund Overview

This is the second year where the proposed budget addresses the financial stability for the Ambulance Fund. This is a new situation for the Ambulance Fund, having been established as an enterprise fund in 1981 and having seen healthy financial stability for most of this period. Recent reductions in Medicare and Medicaid reimbursement levels from the federal government and a decision by the City of Eugene to not renew their ambulance billing and FireMed contracts with Springfield Fire has greatly reduced revenue projections.

When the Ambulance Fund was created, it was expected to generate revenue sufficient to cover the marginal costs of providing the service. A consultant hired in FY05 to explore the funding problem in the Ambulance Fund stated he believes that the fund generates sufficient revenue to cover marginal costs, but that it was being expected to carry more than its share. In FY06, the Mayor appointed a Blue Ribbon Panel to study the issue of the Fund's long-term solvency, and for the

ambulance program in general. Using the recommendations from that panel, the following actions make significant progress toward stabilizing the Ambulance Fund and ambulance service operations:

- \$20,000 in new Fire Code enforcement fees
- \$10,000 in new building permit fee for Fire Code compliance review
- \$100,000 in expanded ambulance account services through the addition of new customers
- \$20,000 in General Fund expenditure reductions
- \$197,000 increases in existing fees and revenue sources
- \$100,000 increase in FireMed membership income
- \$100,000 in new grant funds
- \$100,000 reduction in current fire dispatch contract
- \$264,000 reallocation of existing resources between the General Fund and the Ambulance Fund

The budget for the Ambulance Fund was built under the assumption that all of these actions would be successful. Based on that assumption, the budget for the fund shows only a modest increase in costs over FY06.

Table 3 Ambulance Fund – FY07 Proposed versus FY06 Adopted				
Category	FY06 Adopted Budget	FY07 Proposed Budget	Dollar Change	Percent Change
Departmental Operating Budget				
Personal Services	\$ 2,831,270	\$ 2,992,748	\$ 161,478	5.7%
Materials and Services	1,241,352	1,100,334	(141,018)	-11.4%
Capital Outlay	<u>27,000</u>	<u>47,600</u>	<u>20,600</u>	<u>76.3%</u>
Total Departmental Operating Budget	\$ 4,099,622	\$ 4,140,682	\$ 41,060	1.0%
Non Operating	<u>0</u>	<u>0</u>	<u>0</u>	0.00%
Total Budget - All Requirements	<u>\$ 4,099,622</u>	<u>\$ 4,140,682</u>	<u>\$ 41,060</u>	<u>1.0%</u>

Over the long-term, the actions we've taken this year will stabilize the Ambulance Fund, for the most part. Further action may be necessary in the future, if revenues continue to lag behind expenses. While the fund continues to show reserves over the next several years, those reserves are projected to continue to shrink as costs outpace income.

Table 4: Ambulance Fund Long-Range Projections

<u>Annual Operating Budget</u>	<u>Actual FY05</u>	<u>Projected FY 06</u>	<u>Proposed FY07</u>	<u>Projected FY08</u>	<u>Projected FY09</u>
Operating Revenue	\$ 3,789,154	\$ 3,515,357	\$ 4,066,830	\$ 4,147,320	\$ 4,230,266
Operating Expenditures	<u>4,172,698</u>	<u>3,785,000</u>	<u>4,140,682</u>	<u>4,221,236</u>	<u>4,347,228</u>
Revenue Over (Under) Expenditure	(\$ 383,544)	(\$ 269,643)	(\$ 73,852)	(\$ 73,916)	(\$ 116,962)
Beginning Cash on Hand	<u>1,459,015</u>	<u>1,073,473</u>	<u>803,130</u>	<u>729,278</u>	<u>729,278</u>
Ending Cash on Hand	\$ 1,070,473	\$ 803,830	\$ 729,278	\$ 655,362	\$ 612,316

FY07 Proposed Budget—All Funds

The FY07 Proposed Budget for all funds is \$265,058,024. This is \$23,277,813 greater than the FY06 Adopted Budget. The operating budget increased by \$2,075,532 (3.11%) over the FY06 Adopted Budget, while the capital budget increased by \$25,895,453 (31.4%). The large increase in the Capital Projects budget is a result of being in the second year of the Regional Wastewater programs 20-year capital improvement initiative.

I believe the proposed budget does a good job of holding the line on increased costs and reducing our overall operating expenditure level while responding to adopted TEAM Springfield community goals and those City goals adopted by our Mayor and City Council in December, 2005.

In summary, with all the actions taken over this past year and proposed for next year, the composite view of the proposed budget is as follows:

**Table 5: Total City Department Operating
FY07 Proposed Budget Versus FY06 Adopted Budget**

Department	<u>FY06 Adopted</u>	<u>FY07 Proposed</u>	<u>Dollar Change</u>	<u>Percent Change</u>
City Manager's Office	\$ 1,285,948	\$ 1,385,427	\$ 99,479	7.74%
Development Services Department	4,749,306	5,115,146	365,840	7.70%
Finance Department	1,068,801	1,143,029	74,228	6.94%
Fire and Life Safety Department	13,050,822	13,702,157	651,335	4.99%
Human Resources Department	1,040,232	1,069,428	29,196	2.81%
Information Technology Department	1,236,467	1,388,439	151,972	12.29%
Legal and Judicial Services	1,395,844	1,456,205	60,361	4.32%
Library Department	1,251,843	1,323,202	71,359	5.70%
Police Department	12,604,095	13,058,090	453,995	3.60%
Public Works Department	<u>28,985,569</u>	<u>29,103,336</u>	<u>117,767</u>	0.41%
Total Operating Budget	<u>\$ 66,668,927</u>	<u>\$ 68,744,459</u>	<u>\$ 2,075,532</u>	<u>3.11%</u>

Conclusion

Like the budgets of the past few years, this year's budget is a delicate balance of expenditure reductions, increased revenues and the prudent use of reserves. This budget stretches our resources to allow for continued provision of efficient and effective City services and begins to address some of the emerging and deferred issues your Executive Team identified. I'd like to thank the Budget Committee for their leadership and hard work in the creation of the budget assumptions and parameters at the December, 2005 meeting. I formally submit the FY07 proposed budget for your consideration and look forward to discussing this with you in greater detail.

Respectfully,

Cynthia Pappas
Interim City Manager

ADDENDUM TO THE CITY MANAGER'S BUDGET MESSAGE

Summary of Actions of the Budget Committee and City Council Adopting the FY07 City Budget June 19, 2006

A summary of the actions taken by the Budget Committee and City Council in adopting the FY07 annual budget is provided in the following addendum to the City Manager's Budget Message.

Budget Committee Action – FY07 Approved Budget

The City Manager's Proposed Budget totaled \$265,058,024 and 420.75 FTE. At the May 16, 2006 Budget Committee meeting, the Committee approved the FY07 Proposed Budget with specific changes. These changes increased revenues by \$166,740, increased expenditures by \$375,606 and decreased reserves by \$208,866. Total FTE increased by 3.5. The budget as approved included the following changes by the Budget Committee:

League of Oregon Cities Intergovernmental Agreement

The League of Oregon Cities requested an additional \$2,006 above their FY06 request based on their dues calculation formula. This change appears in the City Manager's Office budget.

Fund 100 -	Increase expenditures	\$2,006
	Decrease reserves	\$2,006

Human Services Commission Intergovernmental Agreement

The Lane County Human Services Commission requested an increased General Fund contribution to compensate for reduced contributions from the Community Development Block Grant Fund. This request was for \$10,676. They also requested a Cost of Living Adjustment (COLA) of \$3,740. The total of these two requests was \$14,416. This change appears in the City Manager's Office budget.

Fund 100 -	Increase expenditures	\$14,416
	Decrease reserves	\$14,416

Metropolitan Planning Contract with LCOG

The jurisdictions that are partners in this contract (Lane County, Springfield and Eugene) determined that the level of metropolitan planning currently underway was not sufficient to justify maintaining the present level of expense. Through discussions, the three chief executive officers agreed to reduce the total amount of the contract. Springfield's share went from \$19,649 to \$8,119; a decrease of \$11,530. This change appears in the City Manager's Office budget.

Fund 100 -	Decrease expenditures	\$11,530
	Increase reserves	\$11,530

Lane Country Boundary Commission Intergovernmental Agreement

The Lane County Boundary Commission requested an additional \$8 above their FY06 request based on their dues calculation formula. This change appears in the City Manager’s Office budget.

Fund 100 -	Increase expenditures	\$8
	Decrease reserves	\$8

Lane Council of Governments Intergovernmental Agreement

The Lane Council of Governments requested an additional \$948 above their FY06 request based on their dues calculation formula. This change appears in the City Manager’s Office budget.

Fund 100 -	Increase expenditures	\$948
	Decrease reserves	\$948

Lane Regional Air Protection Agency Intergovernmental Agreement

The Lane Regional Air Protection Agency requested a COLA of \$1,518. This change appears in the City Manager’s Office budget.

Fund 100 -	Increase expenditures	\$1,518
	Decrease reserves	\$1,518

Travel and Meeting Expense

The budgeted level of funding for Council travel and meeting expense has not kept pace with the actual need. At the request of the Budget Committee, the City Manager’s Office budget was increased by \$10,000.

Fund 100 -	Increase expenditures	\$10,000
	Decrease reserves	\$10,000

Hispanic Outreach Coordinator (Community Services Officer)

The Police Department currently employs a grant-funded Community Services Officer that acts as a liaison with the Latino community, improving communication between that community and the Police Department. Grant funding for FY07 is uncertain, and the Police Department requested the position be made permanent in the General Fund. The Budget Committee recommended that the position receive 50% funding from the General Fund (.5 FTE or \$35,000) and 50% funding from the anticipated Child Advocacy Center Grant (.5 FTE or \$35,000). If the grant is not obtained, or is awarded at less than the \$35,000 budgeted, the Police Department is expected to find sufficient savings within their existing budget to make up the difference. The Police Department’s budget increased by \$70,000.

Fund 100 -	Increase expenditures	\$35,000
	Decrease reserves	\$35,000
Fund 204 –	Increase expenditures	\$35,000
	Increase Grant Revenue	\$35,000

Springfield Economic Development Agency Budget Reallocation for Debt Service

For FY06, the SEDA Board of Directors arranged for a loan (or line of credit) from the City of Springfield. In preparing the budget for FY07, there was no SEDA money budgeted to begin repaying the loan. While no money has been borrowed to date, the Springfield Budget Committee believed it was prudent to reallocate some of the SEDA budget authority from the Property Purchases line item to Debt Service line items. There is no net change to the SEDA budget.

Fund 429 - Decrease Property Purchases	\$108,000
Fund 429 - Increase SEDA Loan Principal	\$90,000
Fund 429 - Increase SEDA Loan Interest	\$18,000

“I” Street Improvements

When staff presented their list of proposed projects using the City’s allocated Community Development Block Grant (CDBG) funds, a street improvement project was identified that included a CDBG-funded component and a property-assessment component. The CDBG-funded component was included in the Proposed Budget, but the property assessment component was not. This action corrected that oversight and increased the Capital Projects budget in the Development Services Department by \$74,000.

Fund 419 – Increase in “I” Street Improvements capital project	\$74,000
Fund 419 – Decrease in Assessment Reserves	\$74,000

Ambulance Billing Assistance

The Fire and Life Safety Department (FLS) was directed by Council to develop new sources of revenue and to expand their customer base for ambulance billing services. By the final Budget Committee meeting, FLS had secured a contract to provide ambulance billing services for one new jurisdiction and was in negotiations with another. The Department requested, and the Budget Committee approved, the addition of 1.5 FTE to bring their billing staff up to a sustainable level given the volume of transactions. Initially the positions will be funded from the operating reserve and revenue, but it is anticipated the revenue will increase over time. This action increased the Fire and Life Safety Department’s budget by \$77,500.

Fund 615 - Increase expenditures	\$77,500
Fund 615 - Increase revenue	\$20,000
Fund 615 - Decrease reserves	\$57,500

Document Imaging/Technology Fee

Staff presented an Issue Paper to the Budget Committee requesting funding for the purchase and operation of document imaging technology. While the paper was presented by the Information Technology Department, it was at the request of the Public Works, Development Services, Finance, and Human Resources Departments and the City Manager’s Office. The request was approved by the Budget Committee. The scanning and document management technology requested will improve service in the review and processing of land use applications, building permits, accounts payable, job applications, and many other functions. The “start-up” money will be provided by the Finance and Public Works Departments. On-going costs will be paid by a 5% technology fee to be assessed on most land use, building, and drainage alteration permits. The contribution to start-up costs increased Public Works’ operating budget by \$15,000 and Finance’s operating budget by \$10,000. Information Technology’s budget increased by \$71,740 with a combination of one-time and on-going costs. Development Services’ budget increased by \$40,000 for on-going costs associated with a Clerk 2 position to process scanned documents. A Technology Fee budget was established that will cover the on-going costs. There was an increase in FTE of 1.0 for the Clerk 2 position.

Document Imaging/Technology Fee - Continued

One-time Costs:

Fund 419 -	Increase expenditures	\$10,000
Fund 419 -	Decrease reserves	\$10,000
Fund 201 -	Increase expenditures	\$5,000
Fund 201 -	Decrease reserves	\$5,000
Fund 611 -	Increase expenditures	\$5,000
Fund 611 -	Decrease reserves	\$5,000
Fund 617 -	Increase expenditures	\$5,000
Fund 617 -	Decrease reserves	\$5,000
Fund 100 -	Increase expenditures	\$58,280
Fund 100 -	Increase revenues	\$58,280

Ongoing Costs:

Fund 100 -	Increase expenditures	\$53,460
Fund 100 -	Increase revenues	\$53,460

The result of the actions noted above is an Approved Budget totaling 424.25 FTE and \$265,224,764 in resources and requirements.

City Council Action – FY07 Adopted Budget

Oregon Budget Law allows the City Council to adopt changes made to the budget approved by the City’s Budget Committee, within guidelines. These guidelines include being able to increase total expenditures within a fund by not more than \$5,000 or 10% of the estimated expenditures to the fund (whichever is greater). There is no limit on the amount by which a fund can be reduced.

At the June 19, 2006 City Council meeting and public hearing, the Council adopted the FY07 Approved Budget with specific changes. These changes increased Beginning Cash by \$160,000, decreased other revenues by \$2,828,000 and decreased expenditures by \$2,668,000. There was no change to reserves or FTE. The budget as adopted included the following changes by the City Council:

Police Radio Project

The Police Department is participating in a large regional radio replacement project funded primarily through grants. Part of their plan to provide matching funds for the grant is to utilize some of the savings from salaries in the current year, and to carry that cash over into FY07 with Council’s permission. In order to facilitate the timely purchase of this equipment, the Police Department asked Council to authorize the cash carry-over now rather than at the first Supplemental Budget. The result of Council action was an increase in the estimated amount of Beginning Cash in the General Fund and an identical increase in the Police Department’s budget for radios in FY07.

Fund 100 -	Increase Beginning Cash	\$160,000
Fund 100 -	Increase expenditures	\$160,000

SEDA Budget Adjustment

In preparing the proposed budget for FY07, staff anticipated that the Urban Renewal District Fund would be part of the City's budget just as it had been for FY06. In discussions with the City Attorney's Office and with other cities, it became apparent that there was not enough separation between the governance and operations of the urban renewal district and the City. State statutes encourage separation to the greatest extent possible. Council removed the Urban Renewal District Fund from the Adopted Budget. This action removed SEDA from the City budget entirely for FY07.

Fund 429 -	Decrease revenues	\$2,828,000
Fund 429 -	Decrease expenditures	\$430,000
Fund 429 -	Decrease capital projects	\$2,317,000
Fund 429 -	Decrease non-departmental	\$108,000
Fund 420 -	Decrease Interfund Transfers	\$1,100,000
Fund 420 -	Increase Intergovernmental Transfers	\$1,100,000

Final Budget Adoption

At the June 19, 2006 regular meeting, the City Council held a public hearing on the FY07 Approved Budget and after making the changes summarized above, adopted the FY07 City Budget. The following table provides a summary of the final Adopted Budget.

Adopted FY07 Budget	
Operating Budget	\$ 69,206,065
Capital Budget	\$ 105,617,144
Non-Departmental Budget	\$ 87,733,555
Total	\$ 262,556,764