Memorandum

Date: August 1, 2011

To: City Council and Citizens of Cameron

From: Mark Gaugh, Interim City Manager MG

Subject: 2011-2012 Budget

The budget for fiscal year 2011-2012 is presented for your review. Our staff worked hard to make the numbers as low as possible, while still trying to accurately reflect expected expenses. The good news is that no department is deficit spending to cover normal operations.

No major decreases in City services are proposed at this time. All affected departments contributed to the overall reduction in budgeted amounts in the General Fund by going back and cutting expense lines. Our goal is to reduce expenses without cutting major services or full-time positions, except possibly through attrition. We will continue to evaluate programs and services during the course of the new fiscal year and make reductions or improve efficiencies where possible.

Capital improvements, or large expense items are ideally funded from available reserves to avoid financing costs, and that is the case in the Electric fund. Water and Sewer funds are anticipating SRF financing for capital projects. Their operating reserves should continue to improve to the 50% level.

Please note the following:

- The General Fund reserves should improve, since we are not deficit spending, as long as sales and property taxes do not decrease. The General Fund will improve as sales taxes increase, so as Cameron develops economically, so does the tax base.
- No increases were added for personnel cost-of-living adjustments (COLA), or step increases. This can be reviewed and re-instituted as funding comes available.
- In Public Works, the two summer maintenance workers were deleted from the new budget. Public Works is already one full-time position short, and it is not included in the upcoming fiscal year, because of funding availability. Funds are not available to initiate any new street construction projects.
- The Community Development budget was reduced by approximately $80,000 to cover only the estimated expense for participation in a public/private partnership for economic development and maintaining membership in the KCADC, etc. An aggressive economic development plan will help current businesses in Cameron, as well as attract new businesses, strengthening the tax base in the long term.
- In my opinion, operating reserves for Enterprise Funds should be at around 50% of revenues, depending on the capital project needs. This is the case in the Electric Fund, and we are building toward that goal in the other funds. Five of the nine operating funds listed in the budget are at a 50% reserve or greater.
- With this proposed budget, the addition to the current General Fund reserve will be about $103,000. The reserve amount should be built up over the next year or two, to a minimum of 15-25% of revenues, if possible. My recommendation would be to see a 50% (six-months) operating reserve.