CITY OF CAMERON

BUDGET MESSAGE

The following 2010-2011 budget continues a conservative approach to funding the City of Cameron. The budget was prepared by staff, reviewed by the City Council Budget and Finance Committee and later adopted by City Council. This is the third budget that continues our management decisions to reduce one time transfers and improve our beginning balances in all funds. In the table below, you will see that we improved or maintained the beginning balance in Solid Waste, Sewer, Parks, Library and TIF Funds in this year's budget. By contrast, the Airport, Water and General Funds reduced their beginning balances (in red) mostly due to projects such as airport hangar expansion, water main and tower projects pay outs and final payments on the Public Safety and City Hall buildings. In the following table, we show what the Government Financial Officers Association (GFOA) publishes as the recommended minimal beginning balance to operating cost for public funds. Where a number is not shown, GFOA does not publish a recommendation.

	New Balance 09/30/2010	Beginning Balance 09/30/11	Percent of Reserve to Operating	**GFOA**
SOLID WASTE	262,415	282,915	102%	25%
AIRPORT	(24,047)	(23,673)	-4%	15%
ELECTRIC	3,870,190	3,871,093	43%	25%
WATER	39,864	172,279	5%	25%
SEWER	710,698	711,431	39%	25%
GENERAL	557,923	280,746	7%	15%
PARK	368,150	368,150	135%	25%
BAND	155,842	164,467	268%	
LIBRARY	88,450	88,450	64%	
TIF	6,659	9,173	21%	
BOND	814,389	822,889	101%	

The previous budget (2009-2010) was approved with a 10% reduction in general fund non-employee expenses and the water and sewer non-employee expenses were reduced by 20%. This budget was created with that reduced funding level as the basis.

The following is a summary of actions or decisions made to create the 2010-2011 budget.

- Reduced the cost of living allowance (COLA) from 2% in the last budget to 1.5%. In the past, the budget has used the Consumer Price Index trailing last 12 months to forecast the future cost of living. That process was always just catching up and did not forecast future costs. This year's recommendation is not necessarily following a formula as the previous 12 months CPI has been 1.2%. The last budget used 2% with CPI of 2.7%. What it does is respect the value of our employees while considering the real world in which many local employers are freezing wages or even reducing salaries to make businesses survive.

- Increased the employee's share of health insurance premiums. The 1.5% COLA increase (compared to 1.2% CPI) will help our employees absorb the health insurance increase this year. It attempts to address the needs of our most valued assets, our employees.

- As we did in the last budget, we have developed our capital expenses on projects with matching or dedicated revenues. Staff reduced the original request by $85,000 to help balance the budget. These reductions included two additional police vehicles. The automatic meter reading (AMR) projects are in the budget. The electric fund reflects no electric rate increase in order to deploy AMR. The sewer fund by contrast will need at least a 5% increase as it attempts to address Inflow and Infiltration (I and I) storm water in the sanitary sewer. The water fund will also need to consider a rate increase to improve the beginning balance and possible consider adding AMR. The original budget proposed by staff had an 11% water rate increase. The Budget and Finance Committee reduced that amount to 5% or a $0.40 increase on a minimum water bill. See the Capital Projects Summary for projects included in the budget.

Again it is staff's pleasure to serve our community and City Council as we continue to maintain proper stewardship of Cameron. This year's budget has many challenges as well as opportunities. Some of the anticipated challenges will be how we address storm water issues and the Road Maintenance and Improvement Plan. I encourage citizens to participate in these discussions as we collectively decide our future.

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David Watson
City Manager