

# BUDGET MESSAGE



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**TO:** Honorable Mayor and Members of the City Council

**FROM:** James W. Makshanoff, City Manager

**SUBJECT:** City Manager's Budget Message for Fiscal-Year 2012-2013

**DATE:** June 18, 2012

I am pleased to present the Budget for the 2012-2013 Fiscal Year. The Annual Budget is the Council's most important annual legislative responsibility. Budget preparation identifies community standards with respect to acceptable service levels for our citizens and the establishment of service priorities by the City Council. This document outlines and describes specific programs, along with a financial plan designed to meet the service requirements of our citizens for the next twelve months.

The adopted FY 2013 Budget reflects the difficult decisions and tradeoffs that are required to maintain financial sustainability in difficult economic times. In balancing the Budget, significant efforts were made to reduce our spending while retaining our level of core functions and public services. The expenditures reflect hiring freezes to non-essential vacant positions, personnel layoffs and early retirements. Additionally, employees will be paying a greater share of the retirement contribution costs to help alleviate the City's expenditures. As in previous years, each department was instructed to operate as conservatively as possible and keep spending to a minimum. The City's department directors and employee bargaining groups played a key role in balancing this budget.

In addition, the Budget contains staff initiatives to continue implementing the City Council's goals and objectives. Cost containment measures will remain in effect, and we will actively seek new non-tax revenue sources to increase the City's General Fund resources.

Again this year, as in the past several years, we will keep a careful watch on the State budget and legislative action that may have an impact on the City's financial condition. The strategy for preparing the FY 2013 Budget documents was designed to facilitate a balanced budget, to maintain and where necessary, enhance service levels, and to meet the City's non-discretionary financial commitments for the 2013 Fiscal Year.

### **Revenues**

General Fund revenues and transfers reflect a decrease of 1.74% from prior year's budget. Property tax revenues and Utility User tax revenues are the major factors in the reduction due to the current economic factors such as reassessed valuations of real estate properties and consumer behavior. Sales tax revenues are anticipated to remain flat. The revenue does include a one-time \$764,000 repayment from the State for Proposition 1A Borrowed funds and the \$500,000 prepayment from Vulcan. A detailed list of revenue projections is included in the Summary section of this Budget.

### **Expenditures**

General Fund operating expenditures, operating transfers out and funding for capital outlay (totaling \$34,075,315) show a decrease of 0.5% for FY 2013. However, the operating expenditures decreased by 1.50% or \$447,300. The majority of this decrease was due to the reductions in personnel costs. Though, an increase in our Fire Safety contract with Los Angeles County negated a bulk of this savings. The contract increased a total of \$307,800 from the original budget in FY 2012 to the estimated FY 2013 costs. Nevertheless, wherever possible, departments were instructed by the City Manager to reduce or eliminate discretionary expenses and requested to defer new initiatives until a financial review of the City's finances at mid-year. Summaries of expenditures by Department for all funds and the General Fund specifically, are included in the Budget in the Summary section.

## **General Fund Summary**

The following schedule summarizes the revenues, expenditures and changes in the General Fund balance for FY 2013. The primary focus of attention continues to be the General Fund which accounts for the majority of non-utility operations, including, Police, Fire and General Government.

There is a one-time or discretionary expenditure for the FY 2013 Budget for capital outlay. The overall condition of the City's non-general funding sources is included in the Summary section of this Budget.

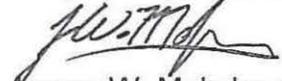
	<b><u>FY 12-13</u></b>
GENERAL FUND:	
Projected Revenues& Transfers In	34,086,435
Less: Operating Expenses& Transfers out	<u>(34,070,970)</u>
Preliminary Projected Balance @ 6/30/13	<u>15,465</u>
<b><u>Less Discretionary &amp; One Time Expenses</u></b>	
Capital Outlay	<u>( 4,345)</u>
Projected Fund Balance @ 6/30/13	<u><u>\$ 11,120</u></u>

## Summary

This Budget, as presented, provides for the maintenance of service levels for the majority of City programs. However, there are several items that may affect our ability to maintain our current service levels. Our goal is to continually look at our revenue resources, continue to monitor our expenditures, and implement efficiencies wherever possible.

The FY 2013 Budget represents a program designed to ensure that Azusa remains an outstanding City in which to live, work, and conduct business. Furthermore, I believe these programs reflect your priorities, as well as the priorities of the community, as they can be achieved within the City's financial resources.

Respectfully submitted,



James W. Makshanoff  
City Manager