



June 1, 2011

**Honorable Mayor and City Council  
City of Auburn, New York**

Dear Mayor and City Council Members:

Attached herewith is the Fiscal-Year 2011-12 Budget for the City of Auburn, New York. As you review the Budget, you will note that the funding levels requested by individual Department Heads have been reduced to the point of maintaining the current level of services, but not without the constant attention of the Departments affected. The Budget is a fiscal plan of action, but more importantly, it is a compromise involving many divisions of government all competing for a piece of a finite revenue pie. What I have presented to you is a balanced Budget, which truly reflects the cost of providing each service, taking into account: outstanding debt, inter-departmental fees for services, capital projects, age of equipment and infrastructure. Although it does not require an increase in the property tax rate, it will require other actions by the Council to balance.

**Executive Summary**

The Budget that I submit to you today is based on the following operating components:

**General Fund:**

1. The Property Tax rate will not be increased, even though State cuts to Aid-to-Cities (\$140,000 +) and increased employee benefit costs continue to be the major expense drivers effecting our ability to control expenditure growth.
2. Fund balances and reserves (\$2.25M) were used to balance the Budget; Auburn like most communities has been dipping into their reserve funds to maintain services and avoid layoffs in these uncertain economic times.
3. The Power Utility Fund requires a subsidy of \$500,000 to cover expenses until a more advantageous energy services agreement is finalized and the sale of power is developed.
4. Although assumptions in projected Sales Tax Revenues reflect staff's conservative approach, we have actually seen an increase in Sales Tax Revenues; these have been reflected in Budget predictions.

5. Due to the large increase in New York State pension costs of over \$700,000 this Budget will require the Council to pass legislation to amortize \$600,000 of these costs into the future.
6. Total General Fund Budget will be set at \$34,142,075 which is a 3.7% increase from last year, due mostly from employee wages and benefit increases, and State mandates.

**Water Fund:**

1. There will be no Water Rate increase to residents. This will be the fifth year of the 5-year repayment plan on a past-due debt to the General Fund of approximately \$1,000,000.
2. The Water Fund Budget will be set at \$3,463,000 (0% increase).

**Power Utility Fund:**

1. The Power Utility Fund is set at \$1,863,784. This fund includes all hydro, wind, solar, and biogas electrical generation; both revenues and expenditures. Revenues are not yet sufficient to cover costs, so the General fund reserves (\$500,000) will cover a six month period of time while a customer is found.

**Sewer Fund:**

1. There will be no Sewer Rate increase to residents. This will be the fifth year of the 5-year repayment plan on a past-due debt to the General Fund of approximately \$775,000.
2. The Sewer Fund will be set at \$7,795,500 (1.3% increase).

**Solid Waste Fund:**

1. The Solid Waste Fund will be set at \$3,653,500 (2.5% decrease).

**All Funds:**

1. Personnel changes reflect a decrease of 3.5 FTE positions.
2. Overtime and equipment in all funds continues to be less than the Department Head requests.

3. The Total Budget for the City, including bonded indebtedness and capital projects, will be set at \$50,917,859, an increase of (2.4%).

### CONCLUSION

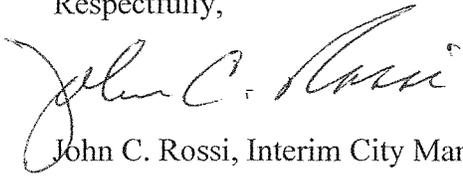
The uncertainty of the economy will continue through our next fiscal year. The City's revenue base will not support the rising costs employee wages and benefits. While our City has proven to be in better financial condition than most cities of our size, and the Western New York area has been lauded as being recession-resistant, there is much to prepare for of a negative financial nature. Prices of energy, and petroleum products have continued to be unstable, and job losses continue to rise. The New York State Legislature is considering legislation to limit your ability to balance rising costs with increases in property taxes.

While I have submitted a Budget that acknowledges this reality, there will be much discussion and action by the Council and at the staff level to prepare for future City spending plans. Expenses are greater than revenues in each of the City's major funds. Future budgets will require new revenues or fee increases to cover growing costs or services will be affected.

The path that the City has taken on alternative energy projects and regionalization of services may continue to prove worthy efforts on our part, and be pivotal to the ultimate recovery of our local economy. However, it is essential that the City thoroughly evaluate these projects in order to determine a reasonable return on its investment, avoid potential losses, and maximize all benefits.

I would like to take this opportunity to thank the Mayor and City Council for their individual expertise and time commitment to the City, as well as their desire to protect interests of the taxpayers.

Respectfully,



John C. Rossi, Interim City Manager