



BUDGET MESSAGE

INTRODUCTION

It is not the strongest of the [cities] that survives, nor the most intelligent, but the one most responsive to change.

It is self-evident that Albany is growing and changing as new homes are built, new businesses arrive, and new challenges emerge. The City is not the same place it was five years ago; and, with a two percent population growth rate; it will not be the same five years from now as it is today. To paraphrase Charles Darwin, “It is not the strongest of the [cities] that survives, nor the most intelligent, but the one most responsive to change.”

The Fiscal Year 2007-2008 budget of \$195,171,400 attempts to respond to change by proposing to increase reserves, maintain a positive balance between revenue and expenditures, and limit the growth rate of expenditures. I believe the most critical financial issue the City faces is a virtually fixed rate of growth for expenditures that exceeds the likely future growth rate in revenue in several of our funds.

My greatest concern is with the General Fund, where increasing personnel costs are pushing expenses up at a rate of something close to eight percent annually before new positions are even considered. This increase is difficult to control because the primary drivers are inflation and labor agreements subject to binding arbitration. I do not mean to imply that wages or benefits are too high relative to the market or what might reasonably be considered fair. We have outstanding employees, and I believe it is in the community’s best interest to offer compensation that will attract and retain high quality workers. Our problem is that we have statewide constitutional limitations that make growth a necessity if we are to cover increasing costs without reducing service levels.

I believe it is prudent to prepare for anticipated challenges.

We are projecting revenue growth in the General Fund of ten percent or more in this budget; so the challenge we face is not immediate. The problem will become serious when local construction declines. The constitutional three percent limitation on assessed value growth for existing improvements, regardless of market conditions, means that we are likely to see a year in the future when our largest General Fund revenue source increases by three percent or less and expenses go up by more than eight percent.

I believe it is prudent to prepare for anticipated challenges. Last year, our year-ending General Fund balance increased to over 20 percent and should show another slight increase this year. The budget should allow this trend to continue into next

year. I am also adding to our Facilities Reserve Fund as a means to assist with funding of needed police and fire facilities.

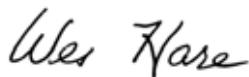
Financial policies and practices alone are not the answer to future economic challenges. Building a prosperous community requires good land use planning, strong economic development work, effective emergency services, attractive parks, good water, appropriate environmental practices, well-maintained streets, libraries that are used, and recreation programs for all ages. Albany's current growth is testimony to the good work that was done in the past.

The budget continues to emphasize our strategic plan themes which I believe helped achieve current success. Great neighborhoods, a safe city, a healthy economy, and an effective government are our best insurance against decline and inadequate services. The City spent slightly more than \$100 million in Fiscal Year 2006, or about 60 percent of what was budgeted, to achieve these ends. City spending can vary widely from year to year, depending on construction projects such as the wastewater treatment plant or major equipment purchases. I expect that our actual expenditures will continue to exceed \$100 million next year.

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Albany has a history of preserving its past while preparing for the future. This strategy has enabled the community to become a thriving center for industry, commerce, and families. The Fiscal Year 2008 budget is part of a larger plan to sustain essential community services that allow us to act on Darwin's insight and be the most responsive to change.

Respectfully submitted,

A handwritten signature in cursive script that reads "Wes Hare".

Wes Hare, City Manager