

## ***Honorable Mayor and members of the City Council***

I am pleased to submit the FY 2010-2011 Operating Budget and Capital Improvement Program for the City of Montebello. The combined budget totals \$145.6 million, with projected revenues of \$135.9 million. There will be an estimated \$25.4 million in transfers into the budget from the gas tax fund, retirement fund, grants and asset seizure funds. The total General Fund budget is \$45.9 million. However, it is important to understand that this is currently not a balanced budget. We are still in the process of negotiations with the employee bargaining groups. As I have stated previously when discussing the budget, if there are reductions in employee salaries, we will be able to provide a final balanced budget for this year. There are no new programs, services or positions being added to this year's budget. Our goal has been to prepare a comprehensive financial plan for services, programs and capital projects which will assist the Council in the achievement of its vision for the City of Montebello.

The FY 2010-2011 budget was a challenging budget due to the economic recession. The budget was developed with an emphasis on reducing expenditures to be in line with anticipated revenues, while, as much as possible, maintaining the important services provided to the citizens of Montebello. Although Montebello has a somewhat diverse local economy, the City is still being impacted by the economic recession. The General Fund operating budget has decreased by \$3.0 million or 6.5% from the previous year. The General Fund revenues anticipated to be generated during the FY 2010-2011 are expected to be only \$100,000 more than revenues received in the previous fiscal year. This minimal growth in revenue has dictated the amount available to spend on the operations of the City. The City's total Capital Improvement Program budget contains approximately \$38.6 million for 79 projects to help improve the City's roads, parks, sewer infrastructure and build civic projects. A large amount of the funding will be used to obtain new busses for the Montebello Transit. However, it is important to understand that some of these projects may be delayed or deferred if funding is not available from the State or Federal government.

The development of the budget also focused on the long-term impacts of the recession and how to ensure creating a sustainable community. The City is approaching "build-out", and we will need to concentrate on the maintenance of our current infrastructure. The City is prepared to maintain the City's facilities and infrastructure to help support the important quality of life that our citizens value. We need to reinvest in improving our infrastructure, which will require strategic planning and additional capital outlay.

The economic recession has negatively impacted the General Fund revenue resources. The three top revenue sources for the City.

1. Sales Tax \$9.5 million
2. Motor Vehicle Tax \$5.6
3. Property Tax \$3.5.

The State and U.S. economies continue to face challenges and this recession and the anticipated slow recovery has been taken into consideration in the revenue forecast.

Although the City of Montebello has seen a decrease in the sales and property taxes, (something that has happened to every city in the Los Angeles Metropolitan Area), there has been a surge of interest in the city by regional and national businesses. Over the past two years, there have been over a dozen new regional or national businesses which have located in the city generating new revenue, thereby countering the decrease in sales tax experienced by the community. There are also other national businesses that are looking for opportunities within our community, which help provide a sense of hope and economic growth for the community.

During my tenure as City Administrator it has been a goal to leverage outside funding sources, including the State, Federal and even private groups or individuals to help complete projects so the General Fund is not affected, and to help the City may maintain staffing levels and possibly increase the City reserves. The City of Montebello, with this year's budget, is creating the start of a fiscally conservative budget process so that the decisions made today will also provide a positive impact to the City in the future.

The City Council and community need to be cognizant of the fact that the State of California has not solved their own budget problems and as such, the City may experience additional "takings" by the State, further impacting the City Budget. It is therefore critical for the City to prepare for such an occurrence by placing additional funds into a reserve account.

I appreciate the City Council for providing the direction and support which are crucial for the City to achieve its goals and objectives. I would also like to recognize the contributions of the City staff for not only reducing their operating spending, but doing it in a manner which had a minimum impact to our citizens. This City team helped create a successful operating plan and Capital Improvement Program which continues to provide quality services to all who live, work and play in Montebello. Their efforts are critical to the City's ultimate success.

**Randy E. Narramore**  
City Administrator

