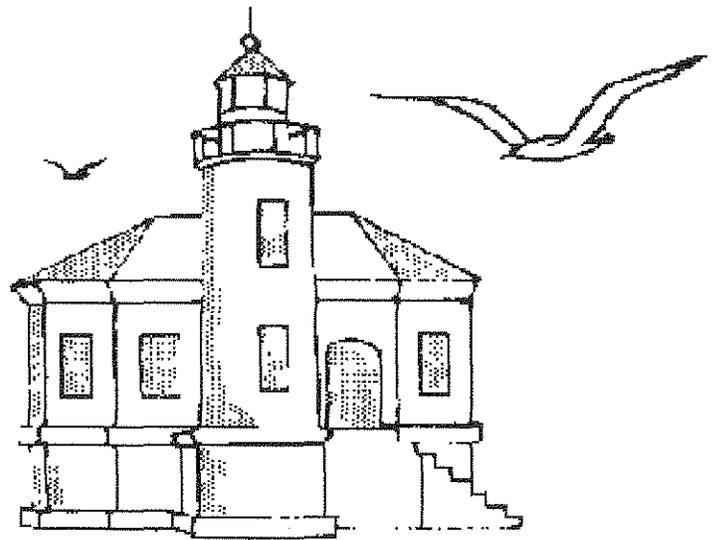


GENERAL INFORMATION

CHAPTER 1

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DATE: March 23, 2015
TO: Mayor and City Council
Budget Committee
FROM: Christopher Good
City Manager



SUBJECT: FY 2015-2016 CITY OF BANDON BUDGET MESSAGE

The proposed fiscal year 2015/16 budget represents a continuation of policies from previous years. It provides for continued emphasis on infrastructure maintenance and capital improvements, while delivering basic municipal services and utilities. The major challenge going forward will be the responsible operation of the Water, Sewer and Electric utilities. Without the authority to manage rate structures for these utilities, the ever-increasing costs of operation and capital improvements will tie policy-makers' hands and the systems will fall into decline. For FY 2015/16 the impending fiscal crisis can be kept at bay, but without the ability to increase revenue future disaster is inevitable.

In total, all funds in the proposed budget add up to \$21,130,946, down by ten percent from the 2014/15 total of \$23,489,584. This difference is almost entirely accounted for in the Sewer Enterprise Fund (950), where the completion of the dewatering system allows for less expenditure on capital improvement in 2015/16. Similarly the Capital Improvement Fund (510) is budgeted considerably lower for 2015/16 than for the previous year, because land purchase expenses and progress on capital improvement projects were made in FY 2014/15.

The Bonneville Power Administration will increase the City of Bandon's cost for purchasing power in October, 2015. The increase is 7.6 percent, but since the increase only covers nine months in the fiscal year, this represents a 5.7 percent annualized rate increase. It is simply a direct pass-along of the increase to the ratepayers. This is not a happy prospect, but is necessary in order for the electric utility to continue to function properly in 2015/16.

The General Fund total is \$2,239,697, up less than one percent from 2014/15. Most of the apparent changes in funds other than the Sewer Enterprise and Capital Improvement Funds mentioned above are accounting modifications as the City reduces the number of funds we manage. For example, the State Revenue Sharing Fund (260) has been folded into identified line items in the General Fund (100). The Capital Equipment Reserve Fund (520) has been closed into the Capital Improvement Fund (510), and the Parks and Recreation Development Fund (550) has folded into the Community Beautification/Parks and Recreation Fund (250). We are reducing the number of funds, as recommended by the City auditor, to simplify the entire budget and to draw citizens' attention to the City's major functions and expenditures.

It is important to understand how the Electric, Sewer and Water funds function. These are called Enterprise Funds, meaning each is kept separate from any of the other Funds in the budget. The idea behind an enterprise fund is to account separately for the expenditures and revenues associated with delivering a particular service, in this case, public utilities. This way the ratepayer knows that s/he is paying only for the services that they actually use. As seen in the chart below, the enterprise funds comprise 46 percent of the City's total budget, and together are the single largest part of it.

A budget is a plan. The proposed budget represents staff's forecast for revenues and for the most effective ways to expend resources to deliver services. The budget document is the best resource for residents, policy makers and City staffers to turn for information about a community's priorities. Much like a battle plan, however, the budget document can require changes as soon as the action begins, and when priorities change. With this in mind, the proposed General Fund budget provides for \$75,000 in contingency. Of course, any use of this money would be done in an open and transparent manner.

NOTABLE PROJECTS

The proposed budget provides for a number of notable projects that will make a difference in the quality of life in Bandon. In 2001 the City managed to get 100 percent of the streets in the city limits paved. Fourteen years is a long time for street pavement, and it is now time to apply overlay to these surfaces. The \$225,774 budgeted for this endeavor demonstrates the City's commitment to maintain our infrastructure in the most efficient way. It is much less expensive to apply overlay when needed, than to ignore street maintenance until they need full reconstruction.

Another important project is the Madison Avenue Water Line Loop. Today a single 8" pipe serves the residents and visitors to the south jetty. Should that single line leak or rupture, the water supply for the entire jetty would be put in jeopardy. The installation of this loop will safeguard that water supply and provide for a more robust water delivery system.

The proposed budget includes funding to continue progress on moving the City shop from the Woolen Mill area to the City's property at the end of 13th Street near Fillmore. This move is important for a number of reasons. First, the current City shop is in the flood plain. This is a particularly poor location for equipment that will be needed in the case of any natural disaster or other emergency. Second, moving away from the Woolen Mill area will free that land for further economic development adjacent to the Face Rock Creamery. To that end, this budget also provides funding for the 11th Street drainage project, which will prepare that area for private investment.

One relatively small, but important change in the proposed budget is that it sets aside \$2,000 to help BandonPrepares, a 501(c)3 organization with a mission to help prepare Bandon residents for natural disasters. The City currently provides satellite communication for BandonPrepares, and the organization has applied for and received Revenue Sharing funds from the City. The plan in the proposed budget is to provide \$2,000 to the organization each year, so they can better plan their budgets going forward. The City intends to continue providing in-kind services to BandonPrepares, as well.

BUDGET FORMAT

The budget document's overall format remains identical to last year. As required by local budget law, the first three (shaded) columns in each Fund show the actual revenues and expenditures for the second and third prior year and the budgeted figures for the immediately preceding fiscal year. The fourth column shows the budget as proposed by the City Manager. The last two columns are populated as the budget is approved by the Budget Committee and adopted by the City Council. The Funds we are closing, or folding into other Funds will continue to show zero balances each year until all three of the prior year columns show zeroes, at which time they will be eliminated from the budget altogether.

A summary of the revenues and expenditures by fund is on the following two pages.

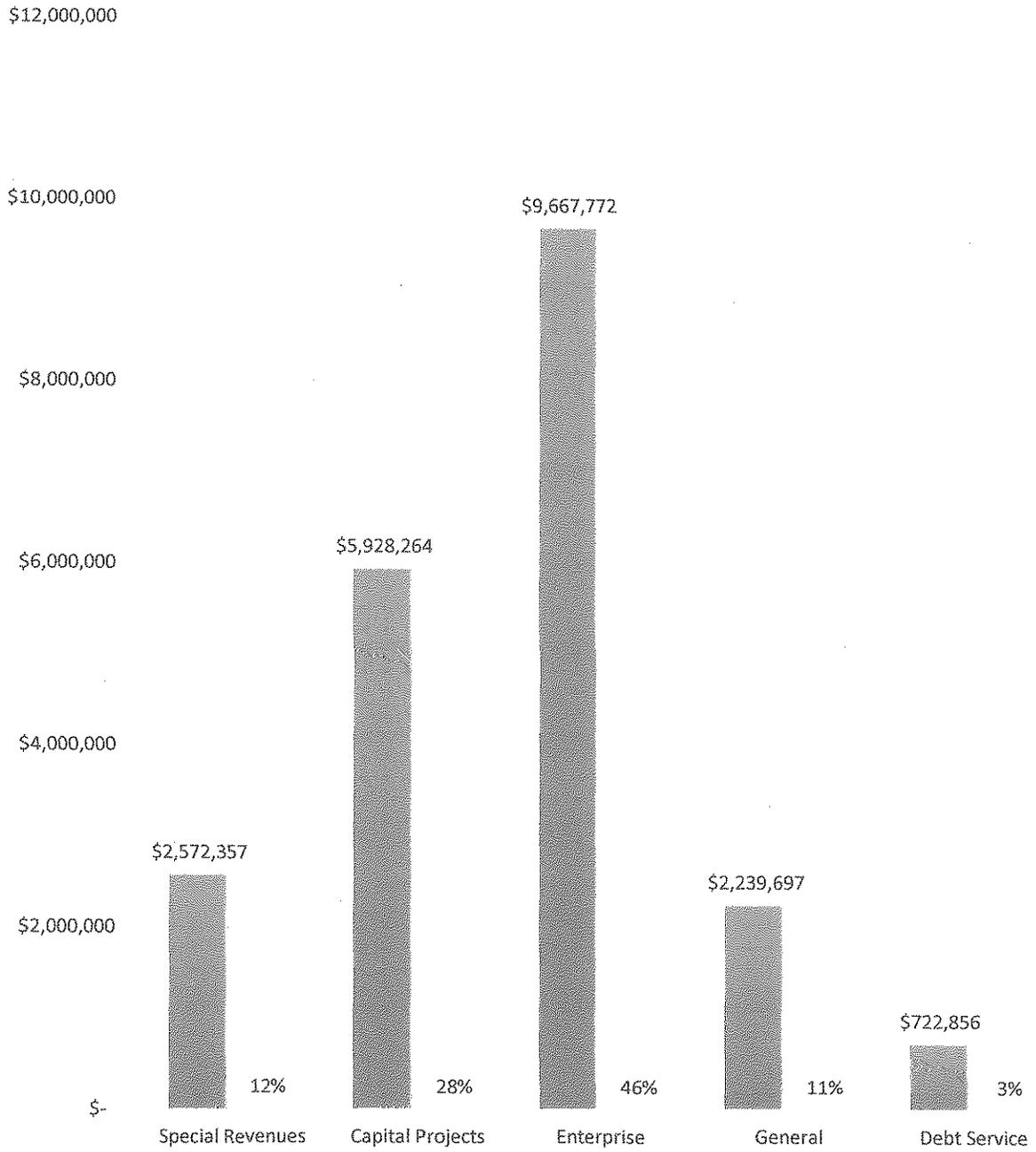
BUDGET SUMMARY
REVENUES AND EXPENDITURES BY FUND

<u>FUND</u> <u>CATEGORY</u>	<u>FUNDS</u>	<u>ACCT</u> <u>NO.</u>	<u>COUNCIL</u> <u>ADOPTED</u> <u>2014-2015</u> <u>BUDGET</u>	<u>BUDGET</u> <u>OFFICER</u> <u>PROPOSED</u> <u>2015-2016</u> <u>BUDGET</u>	<u>DIFFERENCE</u>
GENERAL FUND					
GENERAL FUND	GENERAL FUND REVENUE	100	\$ 2,231,582	\$ 2,239,697	\$ 8,115
	<i>Mayor & Council</i>		\$ 31,500	\$ 31,500	\$ -
	<i>Administration</i>		\$ 323,745	\$ 360,679	\$ 36,934
	<i>Accounting & Billing</i>		\$ 192,210	\$ 180,902	\$ (11,308)
	<i>Municipal Court</i>		\$ 4,700	\$ 4,700	\$ -
	<i>Police Department</i>		\$ 884,788	\$ 890,193	\$ 5,405
	<i>Fire Department</i>		\$ 98,820	\$ 100,854	\$ 2,034
	<i>Streets</i>		\$ 90,834	\$ 82,500	\$ (8,334)
	<i>Parks</i>		\$ 233,373	\$ 178,918	\$ (54,455)
	<i>Planning</i>		\$ 139,191	\$ 141,578	\$ 2,387
	<i>Community Center</i>		\$ 93,067	\$ 92,674	\$ (393)
	<i>Non-Departmental</i>		\$ 139,354	\$ 175,199	\$ 35,845
	TOTAL GENERAL FUND		\$ 2,231,582	\$ 2,239,697	\$ 8,115
STREETS & DRAINAGE					
SPECIAL REV	STATE TAX STREET	210	\$ 229,935	\$ 232,425	\$ 2,490
CAPITAL PROJECTS	STREET SDC - Reimbursement	710	\$ 410,395	\$ 430,000	\$ 19,605
CAPITAL PROJECTS	STREET SDC - Improvement	711	\$ 260,529	\$ 277,529	\$ 17,000
CAPITAL PROJECTS	LOCAL OPTION STREET	750	\$ 1,238,094	\$ 1,426,448	\$ 188,354
CAPITAL PROJECTS	STORM DRAIN SDC - Reimbursement	715	\$ 296,286	\$ 315,579	\$ 19,293
CAPITAL PROJECTS	STORM DRAIN SDC - Improvement	716	\$ 241,829	\$ 188,960	\$ (52,869)
CAPITAL PROJECTS	LOCAL IMPROVEMENT DISTRICTS	640	\$ 2,341,133	\$ 2,330,861	\$ (10,272)
	TOTAL STREETS		\$ 5,018,201	\$ 5,201,802	\$ 183,601
PARKS & RECREATION					
CAPITAL PROJECTS	PARK & RECREATION DEV- CLOSED INTO 250	550	\$ 1,405,777	\$ 135,000	\$ (1,270,777)
SPECIAL REV	COMMUNITY BEAUTIFICATION/PARKS & REC	250	\$ 61,189	\$ 1,432,771	\$ 1,371,582
	TOTAL PARK & RECREATION		\$ 1,466,966	\$ 1,567,771	\$ 100,805
LIBRARY					
SPECIAL REV	LIBRARY	230	\$ 325,779	\$ 357,095	\$ 31,316
SPECIAL REV	LIBRARY MEMORIAL	220	\$ 246,123	\$ 245,348	\$ (775)
	TOTAL LIBRARY		\$ 571,902	\$ 602,443	\$ 30,541
ELECTRIC					
ENTERPRISE	ELECTRIC	910	\$ 6,548,358	\$ 6,460,442	\$ (87,916)
WATER					
ENTERPRISE	WATER	940	\$ 775,596	\$ 755,678	\$ (19,918)
ENTERPRISE	WATER SDC - Reimbursement	720	\$ 240,348	\$ 267,075	\$ 26,727
ENTERPRISE	WATER SDC - Improvement	721	\$ 890,086	\$ 950,000	\$ 59,914
	TOTAL WATER DEPARTMENT		\$ 1,906,030	\$ 1,972,753	\$ 66,723

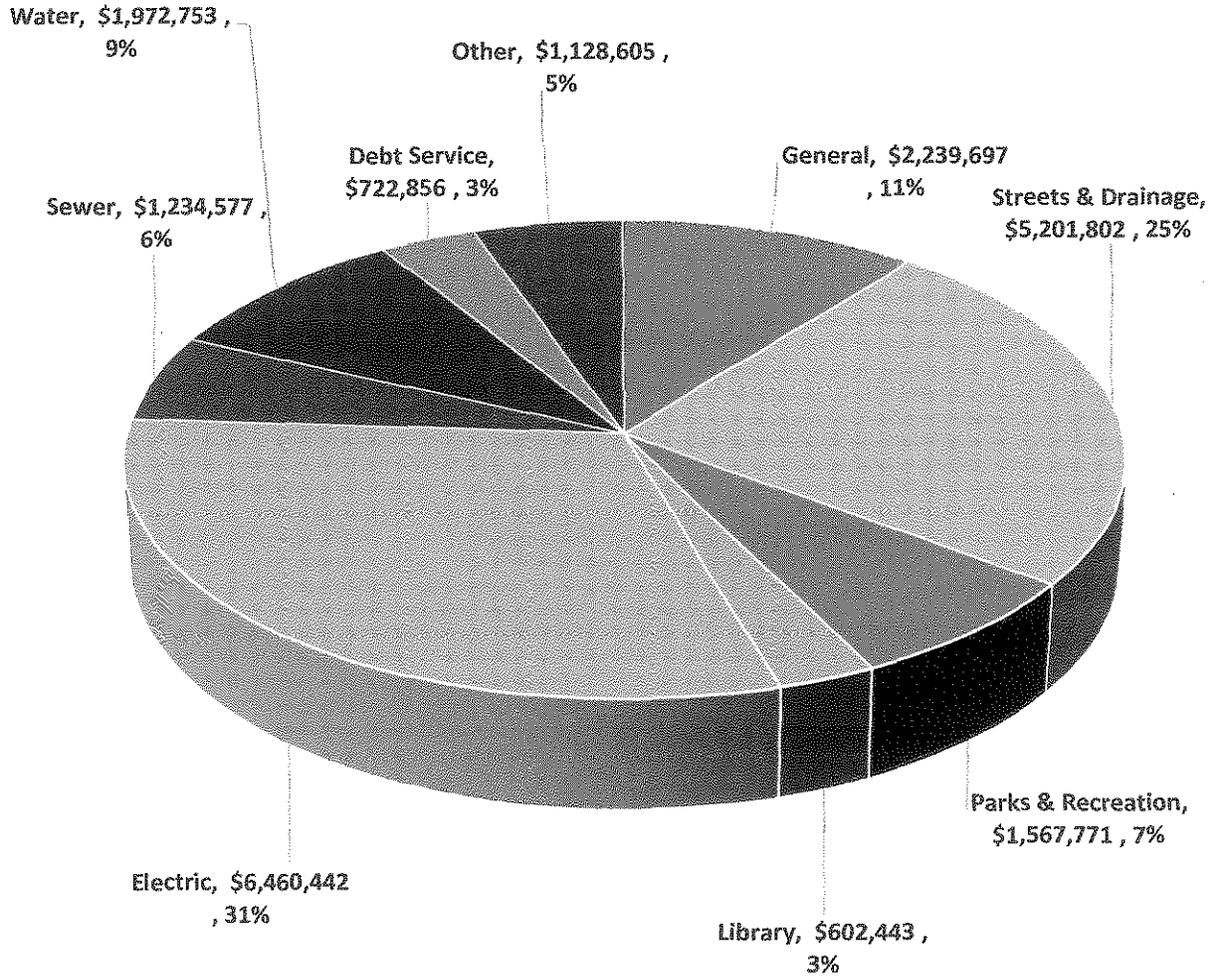
BUDGET SUMMARY
REVENUES AND EXPENDITURES BY FUND

<u>FUND</u> <u>CATEGORY</u>	<u>FUNDS</u>	<u>ACCT</u> <u>NO.</u>	<u>COUNCIL</u> <u>ADOPTED</u> <u>2014-2015</u> <u>BUDGET</u>	<u>BUDGET</u> <u>OFFICER</u> <u>PROPOSED</u> <u>2015-2016</u> <u>BUDGET</u>	<u>DIFFERENCE</u>
SEWER					
ENTERPRISE	SEWER	950	\$ 2,948,596	\$ 938,584	\$ (2,010,012)
ENTERPRISE	SEWER SDC - Reimbursement	730	\$ 125,757	\$ 145,000	\$ 19,243
ENTERPRISE	SEWER SDC - Improvement	731	\$ 124,497	\$ 150,993	\$ 26,496
	TOTAL SEWER DEPARTMENT		<u>\$ 3,198,850</u>	<u>\$ 1,234,577</u>	<u>\$ (1,964,273)</u>
OTHER FUNDS					
SPECIAL REV	STATE REVENUE SHARING- CLOSED INTO 100	260	\$ 31,363	\$ 23,098	\$ (8,265)
SPECIAL REV	BLOCK GRANT	410	\$ 221,888	\$ 281,620	\$ 59,732
CAPITAL PROJECTS	CAPITAL IMPROVEMENT	510	\$ 1,469,072	\$ 773,302	\$ (695,770)
CAPITAL PROJECTS	EQUIPMENT RESERVE- CLOSED INTO 510	520	\$ 86,293	\$ 50,585	\$ (35,708)
	TOTAL OTHER FUNDS		<u>\$ 1,808,616</u>	<u>\$ 1,128,605</u>	<u>\$ (680,011)</u>
DEBT SERVICE					
DEBT SVC	GENERAL OBLIGATION BONDS	365	\$ 529,702	\$ 528,114	\$ (1,588)
DEBT SVC	2000 STREET & SEWER LID- CLOSED 636	633	\$ 17,761	\$ -	\$ (17,761)
DEBT SVC	2001 BANDON LID- CLOSED 636	634	\$ -	\$ -	\$ -
DEBT SVC	2004 HIGHWAY 101 SEWER- CLOSED 636	635	\$ -	\$ -	\$ -
DEBT SVC	LID DEBT SERVICE (COMBINED)	636	\$ 191,616	\$ 194,742	\$ 3,126
	TOTAL DEBT SERVICE FUNDS		<u>\$ 739,079</u>	<u>\$ 722,856</u>	<u>\$ (16,223)</u>
				\$ -	\$ -
GRAND TOTAL			\$ 23,489,584	\$ 21,130,946	\$ (2,358,638)

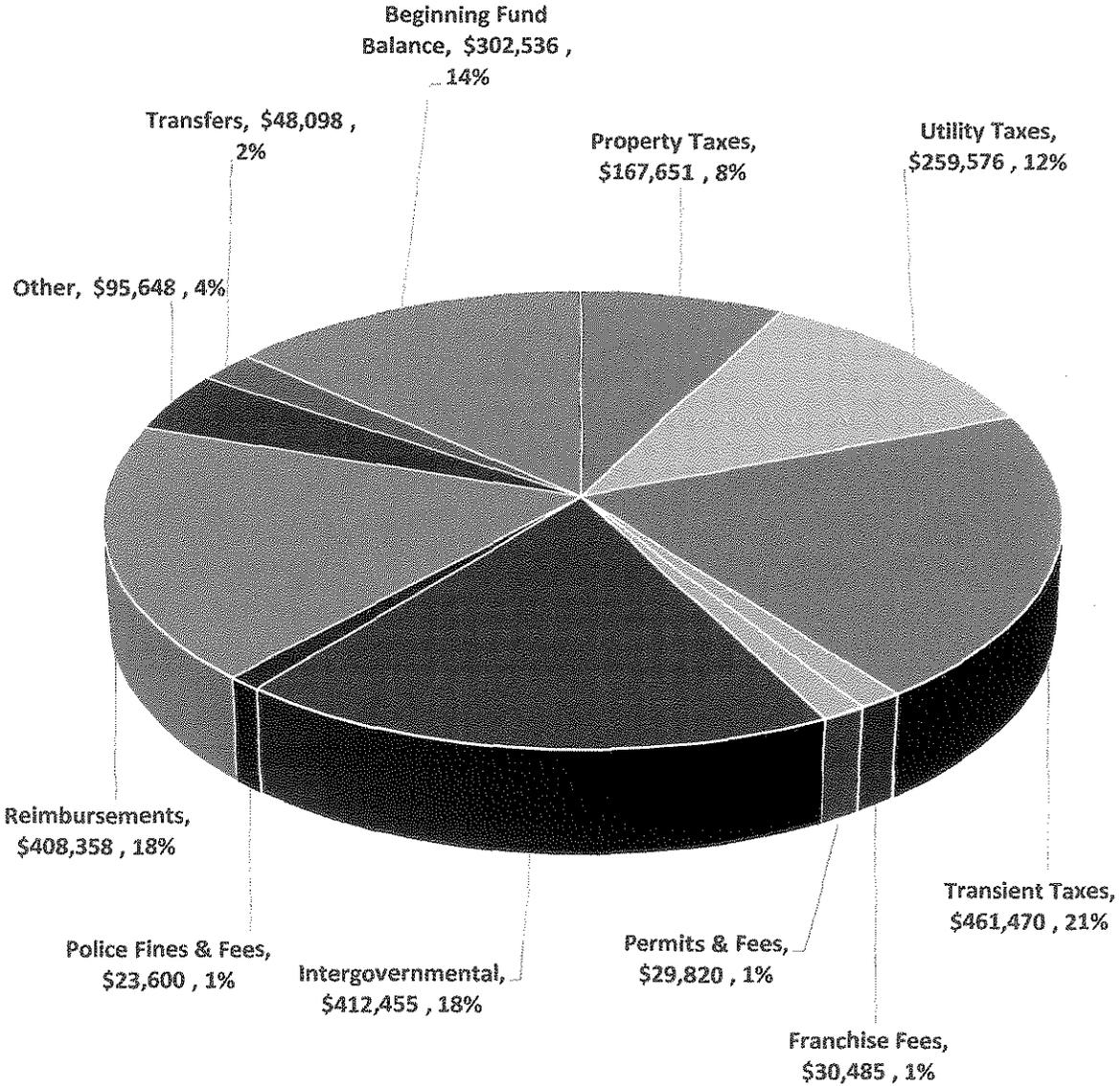
Funds by Type



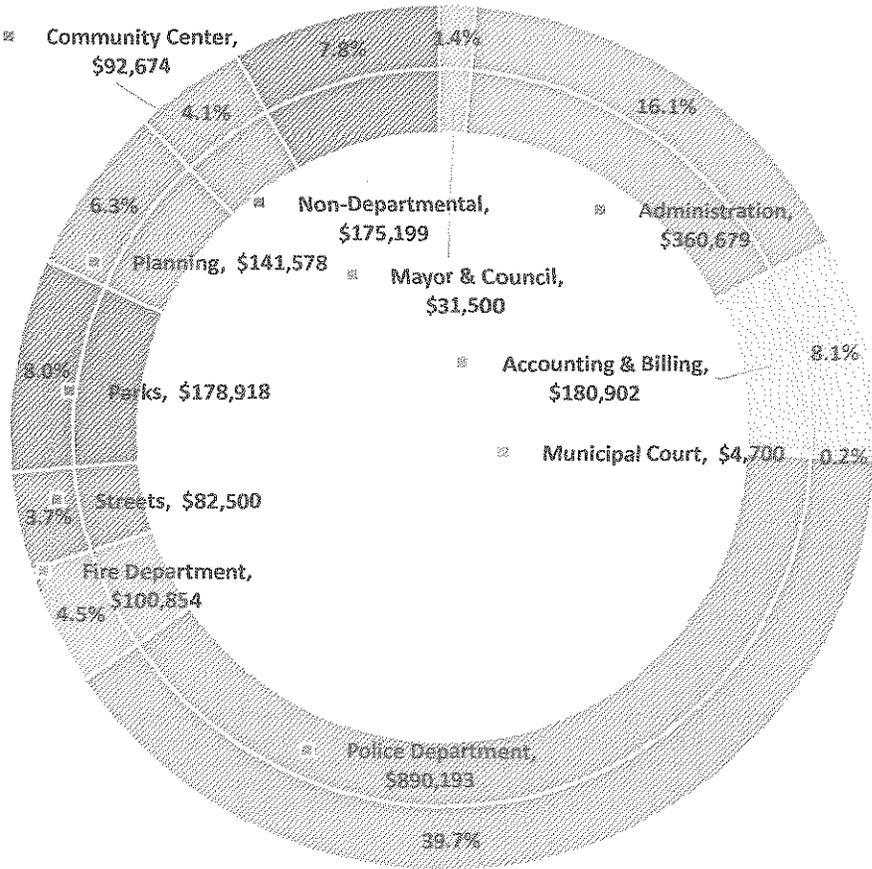
Expenditures by Program



General Fund Revenues by Source



GENERAL FUND EXPENDITURES BY DEPARTMENT



PERSONNEL - WAGES & BENEFITS

The Personal Service budget within each Fund has been adjusted to include the projected wage and benefits costs for the anticipated number of employees during the upcoming fiscal year.

Personnel Levels

The proposed budget includes a total of 37 FTE (full-time equivalent) employees, which is an increase over the previous year's 36.5 FTEs. The .5 increase is a reflection of an additional part time employee in the Finance Department.

Collective Bargaining Agreements

With the exception of management staff (City Manager, Finance Director, Chief of Police, Police Sergeant, Planning Director and Librarian), all City employees are represented by labor unions. The City has four collective bargaining agreements, including the International Brotherhood of Electric Workers (IBEW) representing the Electric Department; the Teamsters Union representing the Police Department; the Teamsters Union representing the Public Works, Water, and Sewer Departments; and the IBEW representing the clerical staff from Administration, Finance, Planning, Public Works, and the Library.

Employee Wages

The employee wages in the proposed budget are in compliance with each of the current collective bargaining agreements. Accordingly, this includes normal scheduled step increases for those employees to whom they are due, and a cost of living adjustment (COLA). Under the current union contracts, Library and clerical staff will receive a 1.5% COLA, Public Works will see 1.6%, non-represented employees will get a 2.1% increase, Police will get 2.3% and Electric staff will receive a 3% COLA, all based on various consumer price indices.

Employee Benefits

Health Insurance: The proposed budget includes funding for a 10% increase in health insurance rates in 2015/16, with an employee 10 % cost share of their premiums.

Retirement: The anticipated City share of payroll contributions into the employees' retirement programs are 18.34% for Public Employees Retirement System (PERS) employees, 15.28% for Oregon Public Service Retirement Plan (OPSRP) regular employees, and 18.01% for OPSRP police employees, plus the City continues to pick up the employees' 6% share of the PERS and OPSRP contributions. These contribution levels are the same as last year. The City also offers the employees the opportunity to voluntarily participate in the AIG-VALIC and ICMA deferred compensation programs, which are completely funded by employee contributions, at no cost to the City.

Vacation Accruals: Each departmental budget includes funds for vacation purchase, to cover any expenses which may be associated with purchasing vacation time from retiring or resigning employees. To help keep these liabilities as low as possible, employees' accumulated vacation and compensatory time are each capped at 240 hours, as of July 1 each year.

PROPERTY TAX RATES

The City's permanent property tax rate remains unchanged at \$.46 per \$1,000 assessed valuation. With the Local Option Street Levy at \$.85 per \$1,000 assessed valuation, and with \$.49 per \$1,000 assessed valuation levied for general obligation bond repayments, Bandon's total FY 2014/15 property tax rate was \$1.80 per \$1,000 assessed valuation. With the single exception of the Lakeside Water District, Bandon's property tax rate is by far the lowest in Coos County.

For comparison, the FY 2014/15 property tax rates for all cities in Coos County are shown in the following table.

CITY	Permanent Rate (Inside M5)	Local Option Tax (Inside M5)	Bonds (Outside M5)	Urban Renewal Special Levy	TOTAL
Myrtle Point	8.00				8.00
Powers	7.39				7.39
Coos Bay	6.36		.55		6.91
North Bend	6.18			.36	6.54
Coquille	6.10				6.10
Bandon	.46	.85	.49		1.80
Lakeside Water	.71				.71

INTEREST ON INVESTMENTS

The City's cash is currently invested in the Oregon State Treasury's Local Government Investment Pool (LGIP), from which funds are periodically transferred into the City's local checking account for monthly payroll and accounts payable expenditures. Interest earnings depend on the interest rates being applied throughout the year. The annual rate in February 2015 was 0.54%. Interest payments are allocated monthly to each Fund, based on the proportionate share of the total cash balance.

CONCLUSIONS AND FUTURE OUTLOOK

The City of Bandon has a new City Manager and a new Administrative Assistant in the City Manager's office. Under direction of the City Council, the Manager intends to continue making progress on the major projects already underway and has no intention of making sweeping changes. The proposed 2015/16 budget reflects this, with the Capital Improvement Program, Revenue Sharing funds and other operations continuing in the ways that Bandon residents have come to expect. As stated in the introduction, the City of Bandon can continue for another year on the status quo, but the finances of the Electric, Sewer and Water utilities must be addressed soon if the City is to avert financial disaster.

Unlike most other cities, Bandon cannot rely on property tax revenues to provide most of our day-to-day service for our residents. This is because our permanent property tax rate is so low compared to other cities in Coos County, as seen in the chart above. To quote the previous City Manager, the City of Bandon basically functions as a utility company that provides certain additional spin-off services such as police protection, street maintenance, planning, and parks & recreation. These essential functions rely on the financial health of the Electric, Sewer and Water utilities.

In November, 2014 the voters turned down a proposed Charter Amendment that would have given the City Council the authority to set the utility rates. Without rate increases, the utilities will be forced to use fund reserves to continue operations. This is irresponsible and unsustainable. If the voters do not approve rate increases, or give their elected policy makers the authority to operate the utilities in a responsible way, the utilities and the City will face calamity. This is the most serious problem the community of Bandon faces, and it simply must be addressed.

Bandon's most important asset remains its people. Those who are raised on or drawn to Oregon's southwest coast are a unique brand of souls, with a drive to enjoy the great gifts nature has bestowed on this area. Over the years the community has faced and overcome innumerable challenges, but the beauty of the Coquille River, the Pacific Ocean and the unique zone where they meet has always remained. Those of us lucky enough to be here will continue to work hard to ensure a healthy economy and a thriving civic culture for those who will follow. The City government and utilities continue to be staffed by people who are led to public service. They enjoy helping their neighbors in an official capacity, and improving the quality of life of the people they serve. This budget is a plan to continue that service in the most responsible and responsive way, given the resources available to do so.

STATE REVENUE SHARING FUND

State Revenue Sharing money is a share of the Oregon liquor revenues which is annually distributed by the State to municipalities. The total proposed State Revenue Sharing Funds (100-55-746) to be spent are \$25,030, which is the same as last year.

Unlike most municipalities, the City of Bandon has for the last several years not been utilizing its State Revenue Sharing funds for general operating purposes, but has instead annually contributed most of these funds to various local community service organizations. In addition to the prior requests, the City has received a number of new requests as well as some requests for additional funding from the previously funded organizations. Several years ago, to make sure as many organizations as possible could benefit from this money, the Budget Committee and City Council set the maximum contribution level at \$3,500 for any one organization and also decided that no additional organizations would be added. Since both of those decisions were made by a motion they are not binding, the Budget Committee or City Council could re-determine the maximum amount or could decide to add other organizations. As required by the State as condition for receiving State Revenue Sharing funds, the City will hold a public hearing before the Budget Committee on April 20, 2015 to solicit recommendations regarding how those funds should be allocated. All requests from outside organizations will be reviewed, and a recommendation made, at that hearing. The list of requesting organizations and the amount requested has continued to grow to the point where the total request far exceeds the \$25,030 which is projected to be available for *Contributions to Organizations* in fiscal year 2015-2016.

ORGANIZATION	FY 2014-2015 ACTUAL	FY 2015-2016 REQUESTED
Bandon Community Youth Center	\$ 2,000.00	\$ 2,500.00
Bandon Historical Society	\$ 2,500.00	\$ 2,500.00
Bandon Prepares	\$ 1,000.00	\$ 0.00
Bandon Readers & Volunteers Org. (BRAVO)	\$ 1,500.00	\$ 2,500.00
Bob Belloni Ranch, Inc.	\$ 0.00	\$ 600.00
Coastal Harvest	\$ 1,500.00	\$ 2,500.00
Coos County Area Transit - Dial-A-Ride	\$ 3,000.00	\$ 2,500.00
E.A.T., Inc.	\$ 1,200.00	\$ 1,200.00
Go Native Project - Bandon High School	\$ 2,500.00	\$ 3,500.00
Good Earth Community Garden	\$ 0.00	\$ 3,550.00
Greater Bandon Association	\$ 2,500.00	\$ 2,500.00
Lions Club - 4th of July Celebration	\$ 1,000.00	\$ 1,000.00
Neighbor to Neighbor Dispute Resolution Service	\$ 680.00	\$ 800.00
Retired Senior Volunteer Program (RSVP)	\$ 0.00	\$ 0.00
Senior Nutrition Program	\$ 3,000.00	\$ 3,500.00
The Washed Ashore Project	\$ 2,000.00	\$ 2,500.00
Women's Safety & Resource Center	\$ 650.00	\$ 382.00
TOTAL	\$ 25,030.00	\$ 32,032.00

**CITY OF BANDON
CITY COUNCIL GOALS
2013-2014**

- GOAL # 1** Pursue development of a pedestrian/bike trail, with special emphasis on development of the Ocean Bluff Trail (Madison Avenue to Beach Loop).
- GOAL # 2** Continue to monitor the Emergency Plan and Warning System and include community education and neighborhood meetings.
- GOAL # 3** Establish a community-wide fixed-route bus service.
- GOAL # 4** Address and resolve problems with unrestrained dogs, feral cats and other nuisance animals.
- GOAL # 5** Encourage the flow of traffic between the Face Rock Creamery cheese factory and Old Town.
- GOAL # 6** Promote "Community Appeal" through the support of Beautification and Quality of life issues, including emphasis on reducing litter through education, enforcement and clean-up days.
- GOAL # 7** Continue to monitor and control basic infrastructure, with special emphasis on maintenance of streets, water, sewer and electric systems. Ensure adequate Police and Fire Services.
- GOAL # 8** Ensure adequate Police and Fire Services.

City Council Goals are revised every two years after new members are appointed.

Goal setting session is scheduled for April 13, 2015 to discuss 2015-2016 goals.

City of Bandon Organizational Chart 2015-2016

