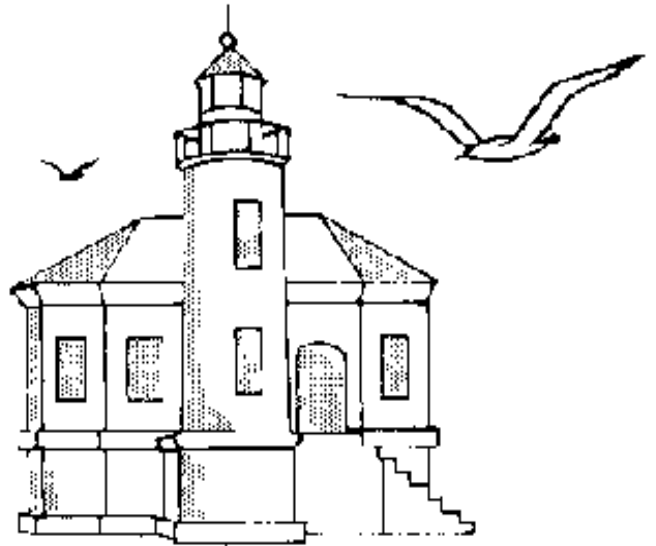


**DATE:** March 26, 2012  
**TO :** Mayor and City Council  
Budget Committee  
**FROM:** Matt Winkel  
City Manager/Budget Officer



**SUBJECT: FY 2012-2013 CITY OF BANDON  
BUDGET MESSAGE**

The proposed fiscal year 2012-2013 budget total is \$22,126,762, which is \$1,450,656 (7.0%) more than the prior fiscal year 2011-2012 budget of \$20,676,106. This increase is primarily attributable to \$200,000 in additional expenditures resulting from the Bonneville Power Administration (BPA) wholesale electric rate increase which took effect in October, 2011, the inclusion of \$280,000 in potential Electric Utility bond and grant revenue for the *Two Mile Substation Upper Circuit Reconstruction*, and the inclusion of \$1,250,000 in additional potential grant funding in the Parks & Recreation Development Fund (550) for various park improvement projects.

**BUDGET FORMAT**

The overall format of the 2010-2011 budget document 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 Budget Officer. The last two columns are filled in as the budget is APPROVED by the Budget Committee and ADOPTED by the City Council. A number of separate funds were closed last year and combined into other funds in order to reduce the total number of funds as recommended by the City Auditor. Those funds will continue to show “zero” balances this year and next year until all of the “prior year” columns show “zeros,” at which time they will be eliminated from the budget altogether.

An overall Summary of Revenues and Expenditures by Fund, comparing the proposed budget to the prior year’s budget, is included on the following pages.

**BUDGET SUMMARY**  
**REVENUES AND EXPENDITURES BY FUND**

<u>FUND</u> <u>CATEGORY</u>	<u>FUNDS</u>	<u>ACC</u> <u>T</u> <u>NO.</u>	<u>COUNCIL</u> <u>ADOPTED</u> <u>2011-2012</u> <u>BUDGET</u>	<u>BUDGET</u> <u>OFFICER</u> <u>PROPOSED</u> <u>2012-2013</u> <u>BUDGET</u>	<u>DIFFEREN</u> <u>CE</u> <u>FROM</u> <u>2011-2012 &amp;</u> <u>2012-2013</u>
<b>GENERAL FUND</b>					
GENERAL	GENERAL FUND	100	\$2,382,148	\$2,312,410	-\$69,738
	<i>Mayor &amp; Council</i>		31,400	31,500	100
	<i>Administration</i>		326,767	322,353	-4,414
	<i>Accounting &amp; Billing</i>		189,958	185,669	-4,289
	<i>Municipal Court</i>		4,700	4,700	0
	<i>Police Department</i>		870,666	851,802	-18,864
	<i>Fire Department</i>		111,793	97,008	-14,785
	<i>Streets</i>		87,000	92,334	5,334
	<i>Parks &amp; Recreation</i>		193,312	202,201	8,889
	<i>Planning</i>		134,173	137,427	3,254
	<i>Community Center</i>		125,935	79,556	-46,379
	<i>Non-Departmental</i>		306,444	307,860	1,416
	TOTAL GENERAL FUND		<b>\$2,382,148</b>	<b>\$2,312,410</b>	<b>-\$69,738</b>
<b>STREETS &amp; DRAINAGE</b>					
SPECIAL REV	STATE TAX STREET	210	\$197,069	\$192,196	-\$4,873
CAPITAL PROJ	STREET -- SDC - Reimbursement	710	\$345,434	\$352,287	\$6,853
CAPITAL PROJ	STREET -- SDC - Improvement	711	\$228,453	\$227,953	-\$500
CAPITAL PROJ	LOCAL OPTION STREET	750	\$544,953	\$562,284	\$17,331
CAPITAL PROJ	STORM DRAINAGE -- SDC - Reimbursement	715	\$250,881	\$260,000	\$9,119
CAPITAL PROJ	STORM DRAINAGE -- SDC - Improvement	716	\$236,804	\$244,054	\$7,250
	TOTAL STREETS		<b>\$1,803,594</b>	<b>\$1,838,774</b>	<b>\$35,180</b>
<b>PARKS &amp; RECREATION</b>					
CAPITAL PROJ	PARK & RECREATION DEV	550	\$169,202	\$1,412,376	\$1,243,174
SPECIAL REV	COMMUNITY BEAUTIFICATION	250	\$72,228	\$69,186	-\$3,042
	TOTAL PARK & RECREATION		<b>\$241,430</b>	<b>\$1,481,562</b>	<b>\$1,240,132</b>
<b>LIBRARY</b>					
SPECIAL REV	LIBRARY	230	\$345,007	\$378,872	\$33,865
SPECIAL REV	LIBRARY MEMORIAL	220	\$227,003	\$220,543	-6,460
SPECIAL REV	LISA WAMPOLE TRUST FUND	990	\$16,000	0	-16,000
	TOTAL LIBRARY		<b>\$588,010</b>	<b>\$599,415</b>	<b>\$11,405</b>

**ELECTRIC**

ENTERPRISE <u>CATEGORY</u>	ELECTRIC <u>FUNDS</u>	910 <u>ACC T NO.</u>	\$6,586,979 <u>ADOPTED 2011-2012 BUDGET</u>	\$7,202,729 <u>PROPOSED 2012-2013 BUDGET</u>	\$615,750 <u>FROM 2011-2012 &amp; 2012-2013</u>
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**WATER**

ENTERPRISE	WATER	940	\$826,284	\$791,209	-\$35,075
ENTERPRISE	WATER -- SDC - Reimbursement	720	\$398,776	\$275,479	-\$123,297
ENTERPRISE	WATER -- SDC - Improvement	721	\$936,303	\$855,812	-\$80,491
	TOTAL WATER DEPARTMENT FUNDS		<b>\$2,161,363</b>	<b>\$1,922,500</b>	<b>-\$238,863</b>

**SEWER**

ENTERPRISE	SEWER	950	\$3,061,375	\$2,906,960	-\$154,415
ENTERPRISE	SEWER -- SDC - Reimbursement	730	\$131,897	\$102,914	-\$28,983
ENTERPRISE	SEWER -- SDC - Improvement	731	\$115,666	\$101,492	-\$14,174
	TOTAL SEWER DEPARTMENT FUNDS		<b>\$3,308,938</b>	<b>\$3,111,366</b>	<b>-\$197,572</b>

**OTHER FUNDS**

SPECIAL REV	STATE REVENUE SHARING	260	\$25,659	\$26,002	343
SPECIAL REV	BLOCK GRANT	410	\$188,196	\$79,293	-\$108,903
SPECIAL REV	9-1-1	270	\$20,000	\$25,000	\$5,000
CAPITAL PROJ	CAPITAL IMPROVEMENT	510	\$237,512	\$324,940	\$87,428
CAPITAL PROJ	EQUIPMENT RESERVE	520	\$53,829	\$78,829	\$25,000
	TOTAL OTHER FUNDS		<b>\$525,196</b>	<b>\$534,064</b>	<b>\$8,868</b>

**DEBT SERVICE**

DEBT SVC	GENERAL OBLIGATION BONDS	365	\$673,161	\$688,675	\$15,514
DEBT SVC	2000 STREET & SEWER LID BONDS	633	\$17,267	\$18,964	\$1,697
DEBT SVC	2001 BANDON LID	634	\$6,312	\$8,352	\$2,040
DEBT SVC	LOCAL IMPROVEMENT DISTRICTS	640	\$2,336,123	\$2,336,123	0
DEBT SVC	2004 HIGHWAY 101 SEWER	635	\$45,585	\$47,628	\$2,043
DEBT SVC	12 <sup>TH</sup> COURT LID	636	0	\$24,200	\$24,200
	TOTAL DEBT SERVICE FUNDS		<b>\$3,078,448</b>	<b>\$3,123,942</b>	<b>\$45,494</b>

**GRAND TOTAL**

<b>\$20,676,106</b>	<b>\$22,126,762</b>	<b>\$1,450,656</b>
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## **BUDGET DOCUMENT SECTIONS**

The budget document is divided into the following sections, marked with colored tabs.

- **Budget Summary**

The Budget Summary is intended to provide an overview of the proposed budget. This includes the Budget Message and City Council Goals, the City organizational chart, an index to the account numbering system, and the budget calendar.

- **Funds**

The Funds section of the document represents the substance of the actual City Budget, which will be formally approved and adopted. Detailed revenue and expenditure projections are included for all of the City's "Funds," all of which are categorized together in one of the following five Fund types:

- **General Fund**
- **Special Revenue Funds**
- **Enterprise Funds**
- **Capital Funds**
- **Debt Service Funds.**

Within each "Fund," revenues are shown for each of the various sources from which they are received. Expenditures are broken down into four major categories: PERSONAL SERVICES (personnel costs, wages, and benefits); MATERIALS & SERVICES (utilities, supplies, contractual services, etc.); CAPITAL (individual capital projects); and NON-DEPARTMENTAL (transfers, contingencies, and other expenses).

- **Department Budget Summaries**

Each Department Budget Summary includes an activities and service level description, an outline of previous year's accomplishments, a listing of the major activities proposed for the upcoming fiscal year, annual staffing level comparisons, and historic service level indicators. This information is intended to provide a framework for the City Council, Budget Committee, citizens, and staff to measure overall performance during the last fiscal year, and to determine the degree to which the budget accomplishes the 2011-2013 City Council Goals, and meets the anticipated needs of the community.

- **Capital Improvement Plan**

The Capital Improvement Plan lists all of the projects which are proposed to be undertaken by each Department. This section contains an outline of all major capital projects planned by each department for fiscal year 2012-2013. Projects which were completed last year, and those proposed for future years, are also shown. Projects which are contained in the *Capital Improvement Plan* are designated with "CIP" within each Fund budget.

## **PERSONNEL - WAGES & BENEFITS**

The PERSONAL SERVICES 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 36 FTE (full-time equivalent) regular employees, which is the same as last year. No additional hiring or layoffs are proposed for the upcoming fiscal year. The total remains 4.5 FTE less than fiscal year 2008-2009 and 1 FTE less than last fiscal year 2010-2011, reflecting the prior layoffs of 1 full-time Records Clerk/Planning Secretary and 1 full-time Utility Clerk, elimination of the part-time Code Compliance Officer position by combining those duties with a City Planner position, not filling a vacancy in the Police Department, and elimination of the City Recorder's position and combining it with the City Manager's position.

### **Collective Bargaining Agreements**

With the exception of management staff (City Manager, Finance Director, Assistant Finance Director, Chief of Police, Police Sergeant, 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 Department, Water Department, and Sewer Department; and the IBEW representing the clerical staff from Administration, Finance, Planning, Public Works, and the Library. The term of these contracts are: Police - July 1, 2007 - June 30, 2012; Clerical - July 1, 2010 - June 30, 2014; Public Works - July 1, 2010 - June 30, 2014; and Electric - July 1, 2010 - June 30, 2015. Since the Police contract will be expiring on June 30, negotiations for a new collective bargaining agreement have been initiated.

### **Employee Wages**

The employee wages in the proposed budget are in compliance with each of the 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). The COLA increases for each of the collective bargaining units are set at a minimum of 1.5% for Clerical and Public Works and 2% for Electric (electric linemen do not receive step increases), with a maximum of 4%, indexed to the consumer price index for urban Portland (CPI-U), which was 3.1% in 2010. Police Department wages will be established through the ongoing contract negotiations.

### **Employee Benefits**

Health Insurance: Based on information provided by Blue Cross/Blue Shield (BC/BS), the City's health insurance carrier, the budget includes a 10% increase in health insurance rates. All City employees' continue to pay 10% of their health insurance premiums.

Retirement: The anticipated City share of payroll contributions into the employees' retirement programs remains the same as last year. Those rates are 13.74% for Public Employees Retirement System (PERS) employees, 10.88% for Oregon Public Service Retirement Plan (OPSRP) regular employees, and 13.59% for OPSRP police employees, plus the City continues to pick up the employees' 6% share of the PERS and OPSRP contributions. 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<sup>st</sup>. Most employees are well within these limits, except for a limited number who were individually allowed to carry additional vacation time forward, in cases where that is determined to be in the best interest of the City.

## 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 \$1.44 per \$1,000 assessed valuation levied for general obligation bond repayments, Bandon's total fiscal year 2011-2012 property tax rate was \$2.75 per \$1,000 assessed valuation. The voters approved continuing the Local Option Street Tax, so the Urban Renewal Special Levy was again not imposed.

For comparison, the FY 2011-2012 property tax rates for all cities in Coos County are shown in the following table.

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CITY	Permanent Rate (Inside M5)	Local Option Tax (Inside M5)	Bonds (Outside M5)	Urban Renewal Special Levy	TOTAL
Myrtle Point	7.99				7.99
Powers	7.39				7.39
Coos Bay	6.36		.57		6.93
North Bend	6.18			.34	6.52
Coquille	6.10				6.10
<b>Bandon</b>	<b>.46</b>	<b>.85</b>	<b>1.44</b>		<b>2.75</b>
Lakeside Water	.71				.71

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## INTEREST ON INVESTMENTS

The City's cash is currently invested in the Oregon State Treasury's Local Government Investment Pool (LGIP), from which it is periodically transferred into the City's local checking account for monthly payroll and accounts payable expenditures. The amount of interest earned depends on the interest rates being applied to the total amount of cash being maintained on deposit. As shown in the table below, interest earnings have been dropping for several years. The annual rate in February 2012 was 0.5%. Interest payments are allocated monthly to each Fund, based on the proportionate share of the total cash balance.

2002-03   2003-04   2004-05   2005-06   2006-07   2007-08   2008-09   2009-10   2010-11

\$145,808   \$81,568   \$108,273   \$204,692   \$338,332   \$354,302   \$218,695   \$111,799   \$104,713

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**GENERAL FUND REVENUES**

The total proposed General Fund (100) budget is \$2,312,410, which is \$69,738 (2.9%) less than last year.

The largest individual sources of General Fund revenues continue to be the transient occupancy tax, utility sales taxes, utility in-lieu taxes, and utility reimbursements. Other resources include property taxes, franchise fees, intergovernmental reimbursements such as liquor, cigarette, and 911 taxes, and miscellaneous permits and fees. The budget also includes an allowance for receiving \$200,000 from miscellaneous grants, which is offset by an identical expenditure line item for spending that money if it is received.

**DEPARTMENT BUDGETS**

The overviews which follow describe the major budgetary highlights and changes within each City department.

**Mayor & Council**

The Mayor and City Council expenses continue to be charged to the General Fund (100), with 75% of those costs reimbursed by the Enterprise Funds. The total proposed Mayor & Council budget is \$31,500, which is \$100 more than last year.

**General Administration**

The City’s general administration expenses are charged to the General Fund (100) and Enterprise Funds [Electric Fund (910), Water Fund (940), and Sewer Fund (950)], with 75% of the operational costs paid by those utilities to cover their share of administrative expenses. An exception is the Administrative Assistant’s position which was moved into the Finance Department in fiscal year 2011-2012 where 90% of personnel costs continue to be charged to the utilities versus 75% in General Administration. The total proposed General Fund Administration budget is \$322,353, which is \$4,414 (1.4%) less than last year.

There are no major CAPITAL expenditures proposed for General Administration.

**Finance Department**

Finance Department expenses are charged to the General Fund (100) and Enterprise Funds [Electric Fund (910), Water Fund (940), and Sewer Fund (950)], with 90% of the operational costs paid by those utilities to cover their share of the accounting and utility billing expenses. The total proposed General Fund Finance Department budget is \$185,669, which is \$4,289 (2.3%) less than last year.

The budget includes funds for miscellaneous CAPITAL equipment and computer replacements, with the most significant proposed CAPITAL purchase being a new utility bill *Stuffing & Folding Machine*. The City was previously experiencing serious maintenance and reliability problems with the old machine, but those issues have been resolved for the large part. So, these funds continue to be carried forward until purchasing a new

machine would be cost effective. An increased capacity stuffing/folding machine would save staff time and would allow the City to better accommodate the many community service organizations who utilize the City's utility bill mailings to disseminate important information to citizens and utility customers.

### **Municipal Court**

The Municipal Court is funded by the General Fund (100). The total proposed budget is \$4,700, which is identical to last year. The bulk of these expenditures is *Contractual Services* for the Municipal Court Judge.

### **Police Department**

The activities of the Police Department are funded through the General Fund (100). Although it is a police activity, the 911 emergency telephone system payments are a pass-through of revenues received from the State 911 tax which are paid to Coos County for operating the 911 system, and are required by Local Budget Law to be accounted for in a separate 911 Fund (270). The total proposed Police Department budget, excluding \$25,000 in 911 payments, is \$851,802, which is \$18,864 (2.2%) less than last year. The main reason for this reduction is that \$30,000 for police vehicle replacement has been moved from the General Fund to the Equipment Reserve Fund (520).

The budget includes 6 uniformed police officers and the Records/Dispatch Clerk. This remains one less than the 7 officers the City had until fiscal year 2009-2010 when a vacant position was not filled due to a lack of funding.

Police is by far the largest department funded by the General Fund, consuming nearly all of the total projected receipts from property taxes, transient occupancy taxes, and utility sales taxes combined. The costs for police are actually more than shown in the General Fund budget, since those figures do not include the cost of administration, finance (payroll, accounting, and auditing), and City Hall building maintenance expenses, nor do they include vehicle replacement costs which are now included in the Equipment Reserve Fund.

The only major CAPITAL item is \$30,000 for a *Police Vehicle*, which is being maintained in the Equipment Reserve Fund. Minor CAPITAL purchases include two new *Digital Speed Traffic Enforcement Signs* (one for each end of the City on Highway 101), and moving the *Law Enforcement Data System (LEDS)* terminal and equipment into its own room as required by LEDS for security reasons.

Since the Police Department has virtually no means to fund itself, it remains completely dependent on the General Fund. It is likely that at some point in the future it will be necessary to find another funding resource if the City is to be able to retain the existing number of police officers, or to expand that number so that complete 24 hour coverage can be assured. This may require the City to secure voter approval for a Police Levy or Transient Occupancy Tax (TOT) increase, or identify some other funding resource.



## **Fire Department**

Fire protection is provided through a contract with the Bandon Rural Fire District, with funding from the General Fund (100). The total proposed Fire District budget is \$97,008, which is \$14,785 (13.2%) less than last year. This figure does not reflect an actual reduction in net expenditures, however, since the reason the total budget is lower is that until this year, the City had included the Fire Chief on the City's health insurance policy with the payments reimbursed by the Fire District. However, that practice is no longer allowed, so the Fire District had to arrange for separate coverage. Last year's \$17,000 budgeted payment and reimbursement has therefore been eliminated.

The amount of the annual Fire District payment is indexed to the City's total taxable assessed valuation. The \$97,008 budgeted in fiscal year 2012-2013 is based on an assessment equal to \$.227 per \$1,000 assessed valuation, which was the equivalent rate established in the 1995 agreement between the City and the Fire District, adjusted for increases in the total City assessed valuation. This represents an increase of \$2,215 (2.3%) over last year, corresponding to the increase in total City assessed valuation.

## **Streets & Drainage**

Funds for operation, maintenance, and improvement of the City's streets, sidewalks, and storm drainage systems and are provided from a number of resources, including the General Fund (100), the City's share of the State gas taxes which are deposited into the State Tax Street Fund (210), and capital projects funding from the Street SDC - Reimbursement Fund (710), the Street SDC - Improvement Fund (711), the Storm Drainage SDC - Reimbursement Fund (715), the Storm Drainage SDC - Improvement Fund (716), and the Local Option Street Fund (750). The total proposed budget for Streets & Drainage is \$1,838,774, which is \$35,180 (2.0%) more than last year. This increase is attributed to increases in the Street and Storm Drainage SDC funds resulting primarily from payments continuing to be received for previous SDC payment agreements, and the fact that the 2010 voter approved extension of the Local Option Street Tax is no longer subject to the Urban Renewal tax increment withholding.

40% of the Public Works Department employee costs are allocated to Streets & Drainage.

Although new SDC fund balances are expected to continue growing at a fairly slow pace due to the building slowdown, beginning balances are being carried forward in the Street and Storm Drainage SDC Funds. SDC's cannot be used for ongoing street and drainage maintenance, since those funds are restricted to use on projects specified in the SDC Plan and for projects associated with capacity building to meet the demands placed on the street and drainage systems by future growth. The balances are primarily being held to build and maintain reserves for future major capital improvement projects which will be undertaken when sufficient funds have been accumulated and/or when future growth necessitates additional City investment in the streets and drainage infrastructure to accommodate that growth.

Major proposed CAPITAL projects include continuing the City-wide program to install *ADA Sidewalk Corner Ramps*, *Mapping Software Upgrades*, purchase of a *Backhoe or Street Sweeper* (both existing pieces of equipment are in need of replacement but adequate funds are not available, so the first one to completely break down will be replaced this year), *Widening Franklin Avenue (11<sup>th</sup> St. - 13<sup>th</sup> St.)*, *Widening Oregon Avenue (1<sup>st</sup> St. - 4<sup>th</sup> St.)*, *New Pickup Truck (to replace existing high-mileage truck)*. Reserves are also being maintained in the Street and Drainage SDC Funds for *Stabilization of Ohio Avenue at Ferry Creek*, *Street and Pedestrian Improvements*, *Gross Creek Culvert Replacement*; and future *Storm Drainage Projects*.

## **Parks & Recreation**

Parks & Recreation operation and maintenance is funded through the General Fund (100) and the Community Beautification Fund (250), with capital improvements funded through the Parks & Recreation Development Fund (550). Capital improvement funding is also provided from the Urban Renewal Area One Fund (560), and Urban Renewal Area Two Fund (570), although those expenditures are not reflected in the Parks & Recreation Department budget. The budget also continues to include a \$25,000 contribution from the Electric Fund (910) for the *Summer Recreation Program*. The total proposed Parks & Recreation budget is \$1,683,763, which is \$1,249,021 more than last year. The reason for this large increase is the inclusion of \$1,250,000 in grant requests for several park and pedestrian/bicycle pathway improvement projects. As anticipated last year, due to depletion of reserves in the Capital Improvement Fund (510), the practice of transferring \$10,000 per year into the Parks & Recreation Fund has also been discontinued. Hopefully, the City will be able to again build the Capital Improvement Fund reserves and be able to re-institute those transfers at some point in the future.

18% of the Public Works Department employee costs are allocated to Parks & Recreation.

The Community Beautification Fund derives its revenues from the garbage franchise fees paid by the garbage franchisee, 100% of which are deposited into this Fund. Approximately 86% of these revenues are budgeted for *Contractual Services* to pay an outside contractor to provide landscaping maintenance services for a number of public areas including City Hall, the Visitor Information Center, the Fire Memorial, Old Town parking lot and Pedway, the Welcome-to-Bandon entrance signs, City Park entrance triangles, the Library, and the Community Center (Barn) and parking lot islands. A portion of these expenses used to be paid from the General Fund, but all of them have now been shifted to the Beautification Fund to keep sufficient money in the General Fund to provide funding for those services such as the Police Department which do not have alternative revenue resources. A small amount of annual revenues is left over for other beautification projects, and some money has been carried forward as a beginning balance, which is budgeted for such items as *Benches & Trash Cans, Fire Hydrant Painting, Beautification Programs, and Tree Trimming & Maintenance*. This has been possible since those funds were not spent in prior years, but the beginning balance has been continuously declining. Once these expenditures have been made, either these items will have to be deleted, landscaping maintenance will have to be reduced, or another revenue source will have to be identified.

Major proposed CAPITAL projects include the *Playground Safety Matting, Park Directional Signs, and Eastside Park (Reserve)*, with some funds carried forward for *Miscellaneous Park Improvements*. Grants, with Urban Renewal matching funds, are proposed to provide funding for the *South Jetty and Ocean Bluff Pedestrian/Bicycle Pathways* and *New Restrooms at City Park*.

### **Planning Department**

The activities of the Planning Department are funded primarily through the General Fund (100). The total proposed Planning Department budget is \$137,427, which is \$3,254 (2.4%) more than last year.

One of the City Planner's position is allocated 100% to the General Fund Planning Department, and one position is allocated as an administrative expense since that Planner also serves as the City's Code Compliance Officer. A major portion of those job responsibilities are related to enforcing City codes, prosecuting court cases, and administering the zoning compliance and development review board (DRB) functions. As an administrative expense, 75% of those expenses are charged to the utilities instead of the General Fund, which frees up General Fund money for other major functions such as police protection which have no other funding source. Having one of the City Planners serve as the City's Code Compliance Officer also helps reduce the demands on the Police Department by freeing up sworn police officers for more critical

law enforcement activities. The Planning Department also serves as staff to the City's emergency preparedness and emergency response planning programs.

No major CAPITAL expenditures are included in the proposed fiscal year 2012-2013 Planning Department budget.

### **Community Center**

Revenues and expenditures for the Barn/Community Center are run through the General Fund (100). The total proposed budget is \$79,556, which is \$46,379 (37%) less than last year. This decrease is the result of major changes to the Community Center operations which resulted in significant cost reductions.

Last year, in an effort to increase Barn/Community Center revenues and reduce expenditures, the City Council appointed an ad hoc Barn/Community Center Advisory Committee, consisting of representatives from facility users, the local hospitality industry, and the public. On January 1, 2012, a new Manager was hired as an independent contractor. Working with the new Manager and the Advisory Committee members, major operational changes were made which reduced costs. These included lower contract payments to the Manager, assumption by the Manager of additional responsibilities for cleaning, a recommendation from the Manager that volunteers be secured for setting up and staffing events instead of hiring those workers, instituting a new system for providing linens and other supplies and charging for their use, and reducing the need for City Public Works personnel to assist with event activities. (The percentage of Public Works PERSONNEL allocated to the Barn/Community Center was reduced from 5% to 2%.) These efforts have resulted in significantly lower costs for contractual services, personnel, cleaning, and supplies. It is also hoped that the efforts of the new Manager and Advisory Committee, such as the recent start-up of a new website and other promotional activities, will not only reduce costs, but will also result in additional user revenues. It is being recommended that the City Council make the (former ad hoc) Barn/Community Center Advisory Committee a permanent standing committee to continue their oversight and work with the facility Manager.

No major CAPITAL purchases are anticipated in the fiscal year 2012-2013 budget, although some MATERIALS & SERVICES money has been included for some acoustical work in the dining room and Senior Center.

### **Library**

The Library is primarily operated out of two funds: the Library Fund (230), and the Library Memorial Fund (220). The total proposed Library budget is \$621,872, which is \$33,862 (5.8%) more than last year. In addition, Library operations are subsidized by the General Fund (100), which pays for administration, finance (payroll, accounting, and auditing), and Public Works Department building maintenance activities; and the Community Beautification Fund (250), which pays for landscaping maintenance.

The prior Lisa Wampole Trust Fund (990) was closed into the Library Memorial Fund last year, but those funds continue to be accounted for in separate line items within the Library Memorial Fund. The majority of library funding comes from a share of Library District property taxes collected by the County, which are projected to be fairly consistent with last years receipts. Since library taxes can only be used for operation and maintenance but not capital construction, all property tax receipts are deposited into the Library Fund, and are used for personnel, materials, services, and equipment. Revenues from all other resources are deposited into the Library Memorial Fund, where they can then be used for a variety of purposes, subject to any restrictions which may have been placed on donations by the donees.

No major CAPITAL purchases are budgeted for fiscal year 2012-2013, although some funds are included for *Landscaping, Lisa Wampole Children's Library, New Library Construction (Reserve), and Miscellaneous Equipment & Fixtures.*

### **Electric Department**

The electric utility is funded through the Electric Fund (910), with revenues derived primarily from the sale of electricity to customers inside and outside of the City. The total proposed Electric Department budget is \$7,202,729, which is \$615,750 (9.3%) more than last year.

The increase is primarily due to two factors. The first is a 10.6% wholesale rate increase from Bonneville Power Administration (BPA) which took effect on October 1, 2011 and was offset by a simultaneous City retail rate increase of 5%. The second factor is the addition of a \$280,000 expenditure for reconstructing the *Two Mile Substation Upper Circuit*. This project will replace some existing deteriorated poles and upgrade the equipment and increase conductor sizes for some circuits which are nearing capacity. This is a critical project since the City has looped its circuits to enable us to serve all of our customers from alternate substations in the event of a planned or emergency outage at any one substation, and overloading these lines could potentially cause brown-outs or black-outs under certain emergency conditions. The improvements will also improve efficiency by reducing line losses which is projected to save the City \$9,215 in BPA wholesale power and transmission costs annually. In addition, since these improvements will result in a lower, more efficient voltage delivered to the customers on these circuits, it is projected that those customers will annually save a combined total of \$14,381 in reduced retail electric charges. Another reason for undertaking the project at this time is that BPA is currently offering a new program that will contribute an estimated \$70,000 to the project, thereby reducing the City's cost to \$210,000. It is proposed that the City's cost will be financed by issuing a revenue bond. Since the one remaining outstanding electric revenue bond will be paid off in 2014, the existing revenue stream will enable the City to make payments on the new bond without having to increase electric rates. The downside to the City (as opposed to the Electric Utility) is that this will reduce City utility sales tax and in lieu tax revenues by a projected \$1,575 annually. It is felt, however, that the savings to the electric utility, savings for the customers, and the reduction in electric power consumption are worth the trade-off.

With the continuing slowdown in building activity and home sales, electric utility revenues are projected to remain relatively flat, as they have been for the last three years.

The Electric Utility utilizes Federal funds and the proceeds of a dedicated monthly charge (\$.18 per residential customer and \$.18 per kWh for commercial and industrial customers) which is added to each electric bill to operate a Low Income Energy Assistance Program to provide bill-paying assistance to qualifying low income electric customers. Both the Federal and the local programs are administered under an agreement with Oregon Coast Community Action. With declining Federal resources, and increasing needs for assistance, the City initiated the Round-Up Program in 2009, through which customers are able to voluntarily agree to have their monthly utility bill "rounded up" to the next whole dollar value. Participation in the Round-Up Program continues to increase, with a total of 252 customers currently contributing. This is an increase of 36 customers over last year's 216.

Since the economic slowdown has reduced the number of new utility connections being made, the Electric crews have been increasingly utilized to undertake capital improvement, undergrounding, and line and pole replacement projects, thereby decreasing the need to utilize outside contractors and keeping expenditures as low as possible.

Major CAPITAL expenditures include *Mapping Software Upgrades, Shop Site Preparation, Repainting the Decorative Street Lighting in Old Town and at City Hall, Residential Street Lighting as part of the City's*

*program to replace deteriorated street lights with Full Cutoff Fixtures, a System Coordination/Sectionalizing Study, and the proposed Two-Mile Substation Upper Circuit Reconstruction. The budget also includes funds for normal annual purchases of Transformers, Meters, Poles, and Street Lighting Fixtures for System Replacements, Storm Damage Repairs, Substation Maintenance and Undergrounding Project Reserves.*

Although last year's 5% electric rate increase has enabled the electric utility to continue functioning, the 1994 Electric Rev Bond which contains the rate covenants which allow the City Council to increase electric rates will be paid off prior to the end of fiscal year 2013-2014. Therefore, under the provisions of the City Charter, any subsequent electric rate increases will require voter approval. Rather than having to obtain voter approval for each and every individual rate increase, the most efficient and economic alternative would be to secure voter approval of a Charter amendment restoring the City Council's authority to set water, sewer, and electric rates.

### **Water Department**

Water treatment and distribution activities are funded through the Water Fund (940), with revenues derived primarily from the sale of water. Some capital expenditures are also budgeted from the Water SDC - Reimbursement Fund (720), and the Water SDC - Improvement Fund (721). The total proposed Water Treatment budget is \$1,922,500, which is \$238,863 (11.1%) less than last year.

100% of the Water Treatment Plant employee costs and 30% of the Public Works Department employee costs are allocated to the Water Department primarily for their work on the water distribution system. Since the economic slowdown has reduced the number of new utility connections being made, the Public Works employees have been increasingly utilized to undertake capital improvement and line replacement projects, decreasing the need to utilize outside contractors and keeping expenditures as low as possible.

The last major project was the installation of *Clarifier Tube Settlers*, which will be completed by June 30, 2012. No major CAPITAL Water projects are anticipated in fiscal year 2012-2013. The budget does include funds for normal annual purchase and replacement of *Meters, Service Lines, and Fire Hydrants*. Funds also continue to be carried forward in the Water Fund and Water SDC Funds as reserves for the City's participation in the Bandon Cranberry Water Control District's proposed *Johnson Creek Reservoir, Replacement of the Ohio Avenue SE Water Line, and Miscellaneous Water Projects*.

With the continuing slowdown in building activity and home sales, water utility revenues are projected to remain relatively flat as they have been for the last three years. The last water rate increase was in 2006, and no rate increase is being proposed for fiscal year 2012-2013. However, it is projected that a water rate increase will be necessary next fiscal year 2013-2014 to provide funds for increased operation and maintenance costs and for various plant improvements, most notably *Water Storage Tank Exterior Coating* for the two existing (1 MG & 2 MG) water tanks which are showing serious signs of rust. Under the existing City Charter provisions such a rate increase would require voter approval, so it may be necessary to re-appoint an Ad Hoc Water Advisory Committee this upcoming fiscal year to work on promoting a water rate ballot measure like was done in 2006. Rather than having to obtain voter approval for each and every individual rate increase, the most efficient and economic alternative would be to secure voter approval of a Charter amendment restoring the City Council's authority to set water, sewer, and electric rates.

### **Sewer Department**

Wastewater treatment and collection activities are funded through the Wastewater Fund (950), with revenues derived primarily from the wastewater treatment sales. Some capital expenditures are also budgeted from

the Sewer SDC - Reimbursement Fund (730), and the Sewer SDC - Improvement Fund (731). The total proposed Wastewater Treatment budget is \$3,111,366, which is \$197,572 (6.0%) less than last year.

100% of the wastewater treatment plant employee costs and 10% of the Public Works Department employee costs are allocated to the Sewer Department primarily for their work on the sewer collection system. Since the economic slowdown has reduced the number of new utility connections being made, the Public Works employees have been increasingly utilized to undertake capital improvement and line replacement projects, decreasing the need to utilize outside contractors and keeping expenditures as low as possible.

With the continuing slowdown in building activity and home sales, sewer utility revenues are projected to remain relatively flat following a 6% rate increase which took effect on July 1, 2011. This has provided sufficient funds for sewer system operation and maintenance, and to allow the City to meet the debt service obligation on the proposed *Sludge Dewatering System* and *North Avenue Pump Station Reconstruction*. The dewatering system will improve plant efficiency, help avoid potential permit violations, improve the ability to control odors, and reduce sludge hauling and disposal costs. The pump station reconstruction is necessary due to the age and deteriorated condition of the existing pump station. These projects have been carried forward from last fiscal year, awaiting final approval of funding for the \$1,936,115 project, which will include a \$1,436,115 loan and a \$500,000 water/wastewater system grant from the State of Oregon. This is the ideal time to undertake this project, since the City has the opportunity to obtain a \$500,000 grant which may not be available in the future. It is anticipated that the City will be able to finance this project without having to further increase rates, since payments on the new loan are anticipated to be roughly the same as the existing revenue bond payments which will be retired this fiscal year. The existing debt service revenue stream will simply be carried forward and utilized to make the new loan payments.

The CAPITAL budget includes funds for *Mainline Replacement on 11<sup>th</sup> Street SW* and *Mapping Software Upgrades*, as well as the previously discussed loan and grant for the proposed *Wastewater Treatment Plant Sludge Dewatering System* and the *North Avenue Pump Station Reconstruction*. Reserves are also included in the Sewer SDC Funds future system expansion, upsizing, and *Inflow & Infiltration* repairs.

Although last year's 6% sewer rate increase has enabled the sewer utility to continue functioning, the 1992 Sewer Rev/GO Bond which contains the rate covenants which allow the City Council to increase sewer rates will be paid off prior to the end of the upcoming fiscal year 2012-2013. Therefore, under the provisions of the City Charter, any subsequent sewer rate increases will require voter approval. Rather than having to obtain voter approval for each and every individual rate increase, the most efficient and economic alternative would be to secure voter approval of a Charter amendment restoring the City Council's authority to set water, sewer, and electric rates.

## **NON-DEPARTMENTAL EXPENDITURES**

The expenditures described below are classified as "Non-Departmental Expenditures" since they are not allocated to any specific City Department.

## General Fund (100)

The General Fund (100) contains \$306,444 in *NON-DEPARTMENTAL EXPENDITURES*, including a reserve for *Insurance Liability Risk Share* to pay a higher deductible which reduces the liability insurance premium; *External Insurance Payments* which are made on behalf of former employees who are able to continue their City health insurance coverage (the City is reimbursed for those payments by those former employees); *Other* unanticipated minor expenses; \$200,000 in *Miscellaneous Grants* to account for unanticipated grant awards; and \$17,000 in *Contingencies*.

## State Revenue Sharing Fund (260)

State Revenue Sharing money comes from the State of Oregon, and is a share of the State liquor revenues which is annually distributed to municipalities. The total proposed State Revenue Sharing Fund (260) budget is \$26,002, which is \$343 (1.3%) more than last year.

Unlike most municipalities, the City of Bandon has for the last several years not been utilizing all of its State Revenue Sharing funds for general operating purposes, but has instead annually contributed most of these funds to various local community service organizations, together with an occasional allocation for *Pothole & Street Repair*. Several years ago, to make sure as many organizations as possible could benefit from this money, the Budget Committee and City Council set a maximum contribution level at \$3,500 for any one organization. In past years, the City also transferred some of this money into the General Fund to provide funds for the Police Department operations following the defeat of the previously proposed police levy.

The fate of the May 17, 2011 ballot measure extending the existing Local Option Street Tax was not known at the time the budget was being prepared, so the recommended budget initially earmarking most of the State Revenue Sharing funds for *Pothole & Street Repair*, contingent on the voters final decision. Since the Local Option Street Tax extension was approved, the need for utilizing the State Revenue Sharing funds for streets was significantly reduced, allowing the money to be reallocated to various community service organizations. The proposed budget again recommends allocating these funds to the following community service organizations based on their requests:

• Retired Senior Volunteer Program	\$ 1,000
• Bandon Community Youth Center	\$ 3,500
• Coos County Area Transit - Bandon Dial-A-Ride	\$ 3,500
• Bob Belloni Ranch	\$ 600
• Women's Safety & Resource Center	\$ 525
• EAT (Everyone At the Table) Meals Program	\$ 1,000
• Bandon Historical Society	\$ 3,500
• Bandon Lion's Club - 4 <sup>th</sup> of July Celebration	\$ 1,000
• Neighbor to Neighbor Dispute Resolution Service	\$ 1,000
• Bandon Senior Nutrition Program	\$ 3,500
• BRAVO (Bandon Readers and Volunteers Organization)	\$ 2,500
• Bandon Main Street Program	<u>\$ 2,500</u>

TOTAL: \$24,125

## Block Grant Fund (410)

The total proposed Block Grant Fund (410) budget is \$79,293, which is \$108,903 (57.9%) less than last year. This decrease is primarily attributable to a significantly lower *Beginning Fund Balance*, which was the result of funds being used for business loans last fiscal year.

The recommended budget includes \$20,000 for *Materials & Services*, and \$59,293 for *Loans To Small Businesses* for small business start-up, equipment, and construction. Those loans are available in any amount up to \$30,000, for a period up to 15 years, at a fixed interest rate of 1% less than the fixed rate for a 15 year single-family residential mortgage at a local lending institution. Numerous loans have been made to local businesses over the last several years, and there are currently four active loans which are being repaid. In addition to business loan repayments, a significant amount of the Block Grant Fund revenue is derived from principal and interest payments being made by Urban Renewal Area Two for previous loans which provided the funds to help pay for construction of the new Library and the Barn/Community Center renovation project.

### **Capital Improvement Fund (510) and Equipment Reserve Fund (520)**

The Capital Improvement Fund (510) and Equipment Reserve Fund (520) serve as the City's primary reserve funds for capital improvement projects and equipment purchases which are ineligible to be financed by restricted capital funds such as the System Development Charge (SDC) Funds, Debt Service Funds, or the Electric, Water, and Sewer Enterprise Funds.

The total proposed Capital Improvement Fund (510) budget is \$234,940, which is \$87,428 (36.8%) more than last year. The total proposed Equipment Reserve Fund (520) budget is \$78,829, which is \$25,000 (46.4%) more than last year. These increases are primarily attributable to a significantly higher *Beginning Fund Balances*, which resulted from being able to deposit more utility tax money into this Fund that originally anticipated.

Until FY 2006-2007 the City allocated 70% of the annual utility tax receipts to the General Fund (100), with the balance distributed 27% to the Capital Improvement Fund and 3% to the Equipment Reserve Fund. That money was then used to undertake various capital improvement projects and equipment purchases for projects that had no other funding resources. In FY 2006-2007, the City stopped that practice in order to retain sufficient funds in the General Fund to subsidize the Police Department. That practice continued until fiscal year 2010-2011 when, following two defeated police levy ballot measures in fiscal year 2009-2010, a reduction in the number of police officers and other cuts to the Police Department budget allowed the City to again begin depositing a portion of the utility tax revenues into the Capital Improvement Fund and Equipment Reserve Funds for the last two years. Although those reserves have not recovered significantly, and the proposed budget does not anticipate being able to make those deposits in the upcoming fiscal year 2012-2013, it is hoped that the City will be able to continue rebuilding these reserves at some point in the future. To help these reserve levels recover, the proposed budget also eliminated the prior annual transfer of \$10,000 into the Parks & Recreation Development Fund (550).

The proposed Capital Improvement Fund (510) budget includes \$207,500 for *Land Purchase*, which continues to be carried forward each year. Those funds were obtained through prior years sales of City properties plus accrued interest, and have been tentatively earmarked for purchasing additional land in the watershed to protect the City's water supply. The remaining \$117,440 has been budgeted for *Major Equipment Purchase*. Both the City's *Backhoe* and *Street Sweeper* are in need of replacement, but adequate funds are not available. So, these funds are being earmarked for replacing the first one to completely break down.



The Equipment Reserve Fund (520) budget includes \$25,000 for replacing an older *Public Works Pickup Truck*, \$30,000 in reserves for purchasing a replacement *Police Vehicle*, and \$23,829 in reserves for *Miscellaneous Equipment*.

**Local Improvement District Fund (640)**

The entire Local Improvement District Fund (640) budget of \$2,336,123 is classified as a *NON-DEPARTMENTAL EXPENDITURE* since local improvement districts (LIDs) can be formed for various infrastructure improvement projects in any Department. The budget includes an allowance for principal & interest on the interim financing (bond anticipation notes), principal & interest on the construction financing, engineering, and bond sale expenses necessary to undertake \$1,000,000 in LID projects.

**DEBT SERVICE FUNDS**

The City is currently making payments on 10 existing bonds and loans. Once all of fiscal year 2011-12 payments have been made, the outstanding principal balance on the City’s total debt as of July 1, 2012 will be \$5,287,576, which is \$387,223 less than last year. The following table lists each of the City’s outstanding bonds and loans, together with the type of financing, the purpose, annual payments, final payment year, and remaining balance as of July 1, 2012.

<b>Fund</b>	<b>Type of Financing</b>	<b>Purpose</b>	<b>FY 2012-13 Payment</b>	<b>Final Year</b>	<b>07/01/12 Balance</b>
365(343)	2000 RD Water GO Bond	New Water Plant	\$165,768	2040	\$2,655,278
365(344)	2000 SDWA GO Bond	New Water Plant	\$ 37,183	2020	\$ 249,107
365(360)	1991 Sewer GO Bond	Wastewater Plant	\$ 99,910	2013	\$ 97,000
365(375)	2006 Water GO Bond	Clarifier & UV	\$ 63,300	2034	\$ 853,701**
910(370)	1994 Electric Rev Bond	2-Mile Substation	\$ 80,150	2014	\$ 145,000
940(380)	2006 Airport Utility Loan	Water	\$ 50,805	2030	\$ 628,061*
950(350)	1992 Sewer Rev/GO Bond	Wastewater Plant	\$104,716	2013	\$ 101,666*
633	2000 Street & Sewer LID	Local Imp. District	\$ 3,963	2023	\$ 54,230***
634	2001 Bandon Ave LID	Local Imp. District	\$ 1,622	2017	\$ 17,020***
635	2004 Hwy 101 Sewer LID	Local Imp. District	\$ 35,431	2034	\$ 486,513***
<b>TOTALS</b>			<b>\$ 642,848</b>		<b>\$5,287,576</b>

\* No property taxes are assessed for these bonds. The 1992 Sewer Bonds are paid from sewer revenues and Urban Renewal; the 1994 Electric Revenue Bonds are paid from electric revenues; and the 2006

Airport Water & Sewer Bonds are paid by private property owners (68%) and Water SDCs (32%).

\*\* 42% of the 2006 Water GO Bond debt is paid with Water SDCs.

\*\*\* No public funds or property taxes are used to pay LID bonds. Payments are made through assessments against the private properties within the district.