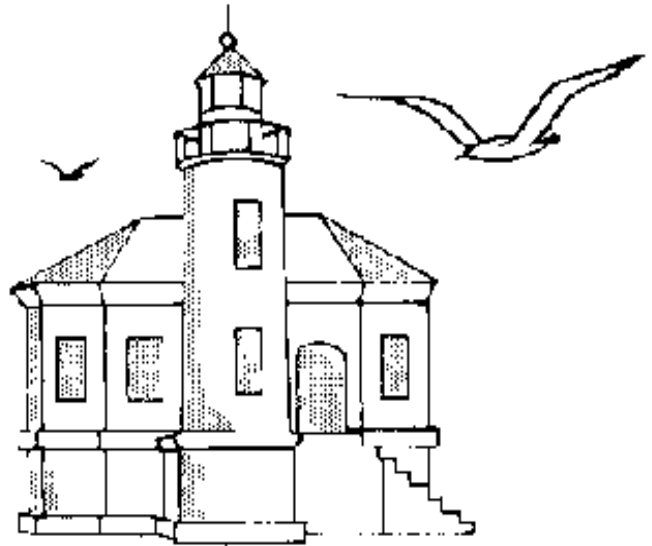


DATE: March 25, 2013
TO : Mayor and City Council
Budget Committee
FROM: Matt Winkel
City Manager/Budget Officer



**SUBJECT: FY 2013-2014 CITY OF BANDON
BUDGET MESSAGE**

The proposed fiscal year 2013-2014 budget total is \$23,367,377, which is \$1,240,615 (5.6%) more than the prior fiscal year 2012-2013 budget of \$22,126,762. The most significant differences include an increase in the Local Option Street Tax Fund (750) budget, a decrease in the Electric Fund (910) budget, an increase in the Sewer Fund (950) budget, an increase in the Capital Improvement Fund (510) budget, and a decrease in Debt Service budgets. More detailed information on these changes is included within the discussions of each individual department and fund budget.

BUDGET FORMAT

The overall format of the 2013-2014 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 over the last two years 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 each year until all three 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, and a chart illustrating the Expenditures by Department, are included on the following pages.

BUDGET SUMMARY

REVENUES AND EXPENDITURES BY FUND

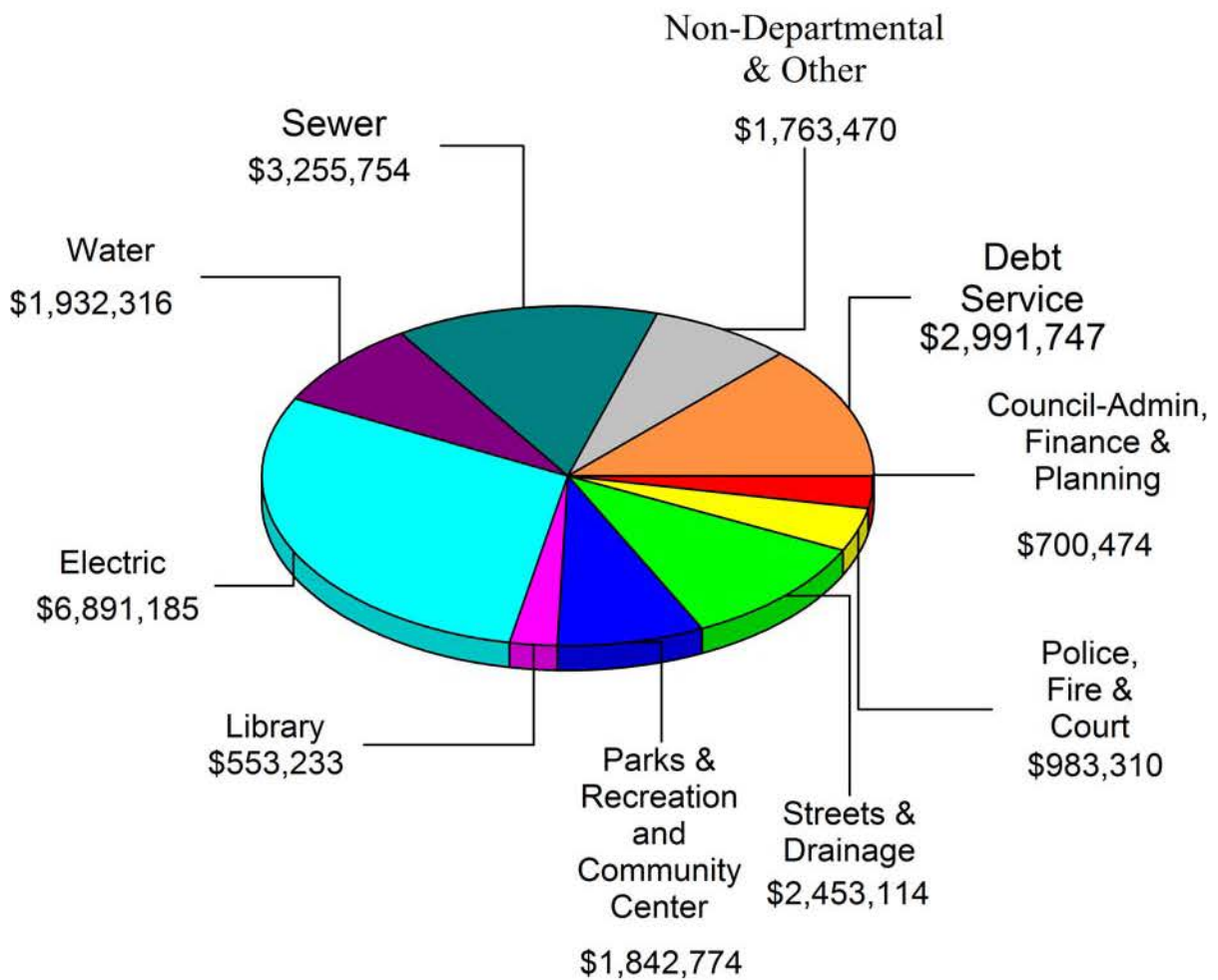
<u>FUND</u>			COUNCIL	BUDGET	DIFFERENCE
<u>CATEGORY</u>	<u>FUNDS</u>	<u>ACCT</u>	<u>ADOPTED</u>	<u>PROPOSED</u>	<u>FROM</u>
		<u>NO.</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013 &</u>
			<u>BUDGET</u>	<u>BUDGET</u>	<u>2013-2014</u>
GENERAL FUND					
GENERAL	GENERAL FUND	100	\$2,312,410	\$2,349,799	\$ 37,389
	<i>Mayor & Council</i>		\$31,500	\$31,500	\$ 0
	<i>Administration</i>		\$322,353	\$323,970	\$ 1,617
	<i>Accounting & Billing</i>		\$185,669	\$208,202	\$ 22,533
	<i>Municipal Court</i>		\$4,700	\$4,700	\$ 0
	<i>Police Department</i>		\$851,802	\$881,632	\$ 29,830
	<i>Fire Department</i>		\$97,008	\$96,978	\$ -30
	<i>Streets</i>		\$92,334	\$89,834	\$ -2,500
	<i>Parks & Recreation</i>		\$202,201	\$236,238	\$ 34,037
	<i>Planning</i>		\$137,427	\$136,802	\$ -625
	<i>Community Center</i>		\$79,556	\$93,113	\$ 13,557
	<i>Non-Departmental</i>		\$307,860	\$246,830	\$ -61,030
	TOTAL GENERAL FUND		\$2,312,410	\$2,349,799	\$ 37,389
STREETS & DRAINAGE					
SPECIAL REV	STATE TAX STREET	210	\$192,196	\$229,084	\$ 36,888
CAPITAL	STREET -- SDC - Reimbursement	710	\$352,287	\$406,311	\$ 54,024
CAPITAL	STREET -- SDC - Improvement	711	\$227,953	\$245,427	\$ 17,474
CAPITAL	LOCAL OPTION STREET	750	\$562,284	\$948,312	\$ 386,028
CAPITAL	STORM DRAIN. -- SDC - Reimbursement	715	\$260,000	\$274,658	\$ 14,658
CAPITAL	STORM DRAIN. -- SDC - Improvement	716	\$244,054	\$259,488	\$ 15,434
	TOTAL STREETS		\$1,838,774	\$2,363,280	\$ 524,506
PARKS & RECREATION					
CAPITAL	PARK & RECREATION DEV	550	\$1,412,376	\$1,450,734	\$ 38,358
SPECIAL REV	COMMUNITY BEAUTIFICATION	250	\$69,186	\$62,689	\$ -6,497
	TOTAL PARK & RECREATION		\$1,481,562	\$1,513,423	\$ 31,861
LIBRARY					
SPECIAL REV	LIBRARY	230	\$378,872	\$331,039	\$ -47,833
SPECIAL REV	LIBRARY MEMORIAL	220	\$220,543	\$222,194	\$ 1,651
	TOTAL LIBRARY		\$599,415	\$553,233	\$ -46,182

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>2012-2013</u> <u>BUDGET</u>	<u>BUDGET</u> <u>OFFICER</u> <u>PROPOSED</u> <u>2013-2014</u> <u>BUDGET</u>	<u>DIFFERENCE</u> <u>FROM</u> <u>2012-2013 &</u> <u>2013-2014</u>
ELECTRIC					
ENTERPRISE	ELECTRIC	910	\$7,202,729	\$6,891,185	\$ -311,544
WATER					
ENTERPRISE	WATER	940	\$791,209	\$732,558	\$ -58,651
ENTERPRISE	WATER -- SDC - Reimbursement	720	\$275,479	\$320,856	\$ 45,377
ENTERPRISE	WATER -- SDC - Improvement	721	\$855,812	\$878,902	\$ 23,090
	TOTAL WATER DEPARTMENT FUNDS		\$1,922,500	\$1,932,316	\$ 9,816
SEWER					
ENTERPRISE	SEWER	950	\$2,906,960	\$3,029,244	\$ 122,284
ENTERPRISE	SEWER -- SDC - Reimbursement	730	\$102,914	\$115,489	\$ 12,575
ENTERPRISE	SEWER -- SDC - Improvement	731	\$101,492	\$111,021	\$ 9,529
	TOTAL SEWER DEPARTMENT FUNDS		\$3,111,366	\$3,255,754	\$ 144,388
OTHER FUNDS					
SPECIAL REV	STATE REVENUE SHARING	260	\$26,002	\$26,520	\$ 518
SPECIAL REV	BLOCK GRANT	410	\$79,293	\$190,287	\$ 110,994
SPECIAL REV	9-1-1	270	\$25,000	\$0	\$ -25,000
CAPITAL	CAPITAL IMPROVEMENT	510	\$324,940	\$1,222,700	\$ 897,760
CAPITAL	EQUIPMENT RESERVE	520	\$78,829	\$77,133	\$ -1,696
	TOTAL OTHER FUNDS		\$534,064	\$1,516,640	\$ 982,576
DEBT SERVICE					
DEBT SVC	GENERAL OBLIGATION BONDS	365	\$688,675	\$531,106	\$ -157,569
DEBT SVC	2000 STREET & SEWER LID BONDS	633	\$18,964	\$19,041	\$ 77
DEBT SVC	2001 BANDON LID	634	\$8,352	\$7,000	\$ -1,352
DEBT SVC	LOCAL IMPROVEMENT DISTRICTS	640	\$2,336,123	\$2,341,133	\$ 5,010
DEBT SVC	2004 HIGHWAY 101 SEWER	635	\$47,628	\$20,000	\$ -27,628
DEBT SVC	12 TH COURT LID	636	\$24,200	\$73,467	\$ 49,267
	TOTAL DEBT SERVICE FUNDS		\$3,123,942	\$2,991,747	\$ -132,195
GRAND TOTAL			\$22,126,762	\$23,367,377	\$ 1,240,615

EXPENDITURES BY DEPARTMENT

TOTAL - \$23,367,377



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.**

A chart illustrating the relative size of each of these Fund types within the proposed budget is included on the following page.

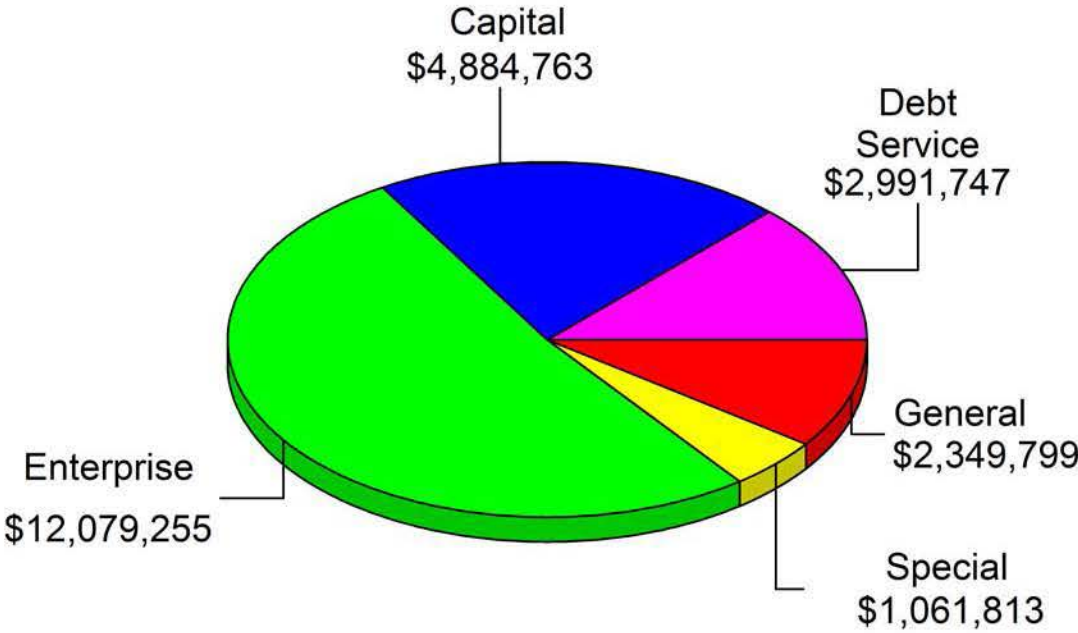
Within each "Fund," revenues are shown for each of the various sources from which they are received. Expenditures are broken down into four major categories: PERSONAL SERVICES (personnel costs, wages, and benefits); MATERIALS & SERVICES (utilities, supplies, contractual services, etc.); CAPITAL (individual 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 2013-2015 City Council Goals, and meets the anticipated needs of the community.

FUNDS BY TYPE

TOTAL - \$23,367,377



- **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 2013-2014. 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, 2012 - June 30, 2016; Clerical - July 1, 2010 - June 30, 2014; Public Works - July 1, 2010 - June 30, 2014; and Electric - July 1, 2010 - June 30, 2015. The Electric Department contract includes a wage opener in 2013 and 2014, so it is anticipated the IBEW will exercise that option and negotiations will be undertaken prior to July 1, 2013 regarding wages. With the expiration of the existing Clerical and Public Works contracts in 2014, negotiations will be undertaken later this upcoming fiscal year on replacement contracts for those units.

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 2.1% in 2012.

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 15% 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 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. 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 1st. 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 \$.50 per \$1,000 assessed valuation levied for general obligation bond repayments, Bandon's total fiscal year 2012-2013 property tax rate was \$1.81 per \$1,000 assessed valuation. In 2011, the voters approved continuing the Local Option Street Tax, so the Urban Renewal Special Levy was again not imposed.

For comparison, the FY 2012-2013 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	7.99				7.99
Powers	7.39				7.39
Coos Bay	6.36		.57		6.93
North Bend	6.18			.35	6.53
Coquille	6.10				6.10
Bandon	.46	.85	.50		1.81
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 it is 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. As shown in the table below, interest earnings have been dropping for several years. The annual rate in February 2013 was 0.6%. Interest payments are allocated monthly to each Fund, based on the proportionate share of the total cash balance.

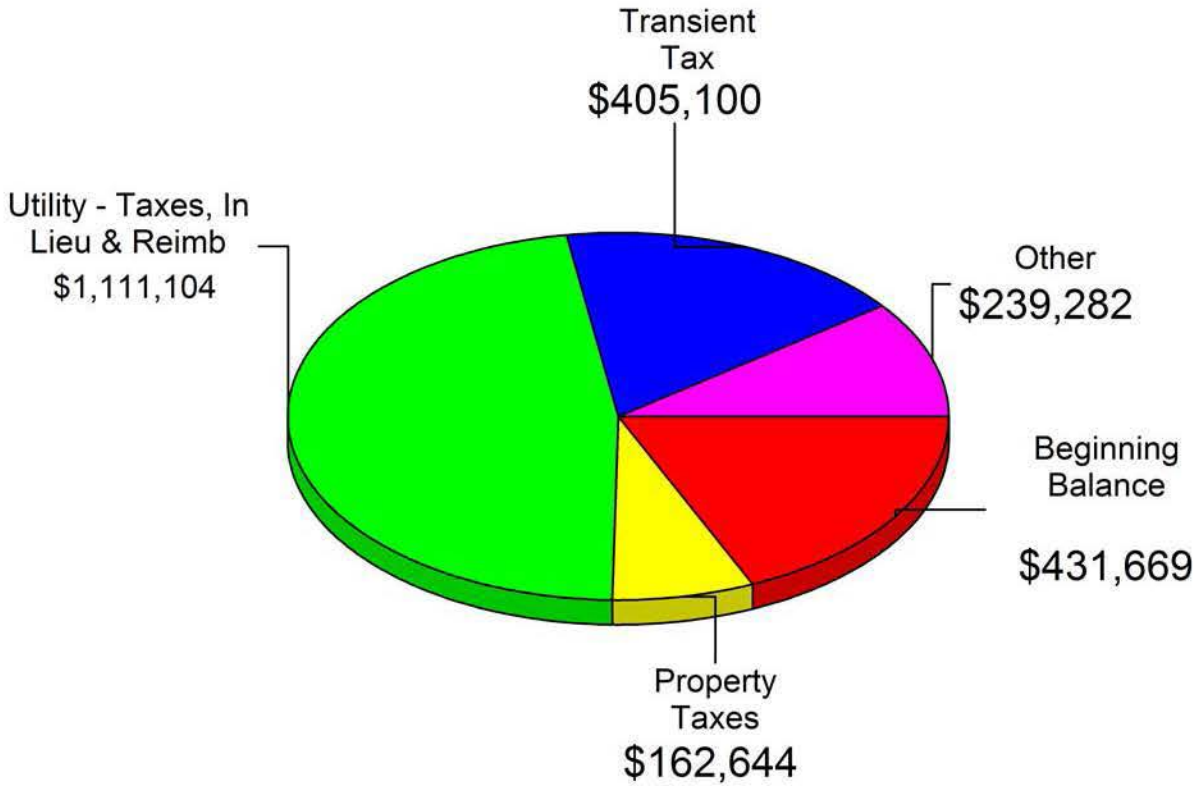
<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$81,568	\$108,273	\$204,692	\$338,332	\$354,302	\$218,695	\$111,799	\$104,713	\$103,186

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 utility sales taxes, utility in-lieu taxes, and utility reimbursements, with the second largest resource being the transient occupancy tax (TOT). The remaining major revenue categories include property taxes, the beginning fund balance, and other miscellaneous resources. A chart illustrating the relative size of each General Fund revenue category is included on the following page.

GENERAL FUND REVENUES



TOTAL - \$2,349,799

DEPARTMENT BUDGETS

The overviews below describe the major budgetary highlights and changes within each City department. A chart illustrating the relative size of each General Fund departmental expenditure category is included on the following page.

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 identical to 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 \$323,970, which is \$1,167 (0.5%) more than last year.

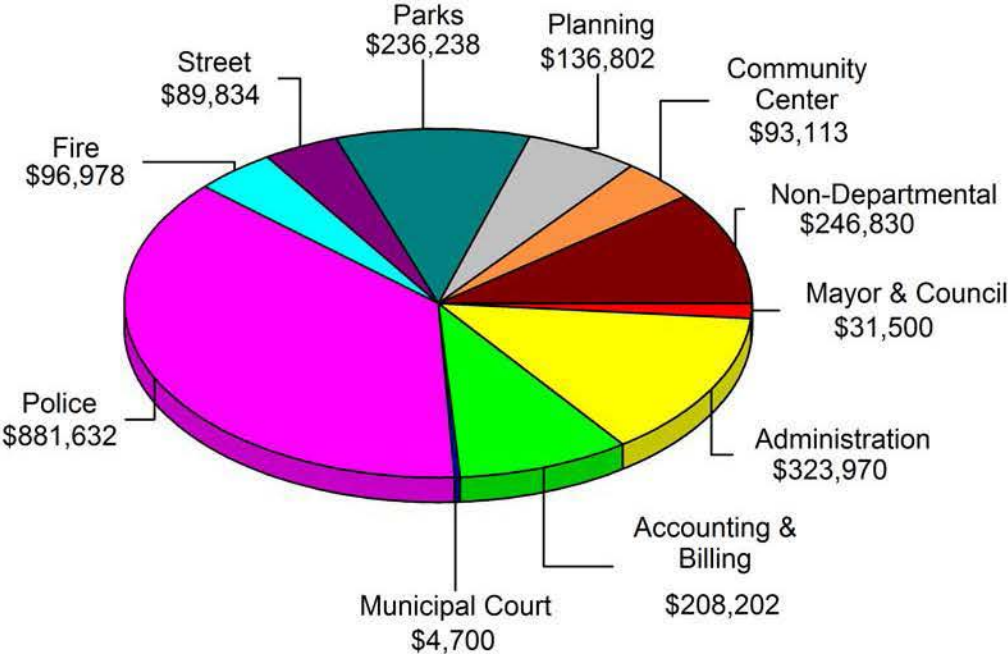
The proposed budget includes some minor CAPITAL purchases such as ADA compliance, small repairs and upgrades to City Hall, and miscellaneous equipment & fixtures, but there are no major capital expenditures proposed for General Administration.

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 \$208,202, which is \$22,533 (12.1%) more than last year.

The proposed budget includes only one major CAPITAL purchase, which is a carryover from last year's budget for 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 as a reserve 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.

GENERAL FUND Expenditures by Department



TOTAL - \$2,349,799

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 primarily funded through the General Fund (100). The total proposed General Fund Police Department budget is \$881,632, which is \$29,830 (3.5%) more than last year.

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, requiring more than all of the total projected combined receipts from property taxes, utility taxes, and transient occupancy taxes (excluding the amount legally required to be expended for tourism promotion). 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 (520). They also do not include the 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 only major CAPITAL purchases include \$22,000 for *Police Vehicles* and \$10,000 for *Police Vehicle Computers* in the Equipment Reserve Fund.

Fire Department

Fire protection is provided through a contract with the Bandon Rural Fire Protection District, with funding from the General Fund (100). The total proposed Fire District budget is \$96,978, which is \$30 less than last year. The amount of the annual Fire District payment is indexed to the City's total taxable assessed valuation, and is based on an assessment equal to \$.227 per \$1,000 assessed valuation. This 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. The decrease in the payment amount resulted from the County Assessor's reduction in the total City assessed valuation last year.

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 \$2,453,114, which is \$522,006 (27.0%) more than last year. This increase is primarily attributable to a significantly larger beginning balance in the Local Option Street Tax Fund since several projects were carried forward from last year, and increases in the Street and Storm Drainage SDC funds resulting primarily from payments continuing to be received for previous SDC payment agreements.

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

Major proposed CAPITAL projects include continuing the City-wide program to install *ADA Sidewalk Corner Ramps*, *Mapping Software Upgrades*, *Widening Oregon Avenue from 1st Street SW to 4th Street SW*, and *Repairs to Ferry Creek Bridge at Riverside Drive (Phase 1 and 2)*. Reserves are being maintained in the Capital Improvement Fund for 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 break down will be replaced first), and reserves are 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*. Last year's budget anticipated *Widening Franklin Avenue from 11th Street to 13th Street* and *Paving Jenny Street - Broadway*. Those projects will be carried over into fiscal year 2013-2014 if they are not completed last year. The proposed budget also includes a share of the new *City Shop*, which will be a shared inter-departmental facility constructed using funds from the Capital Improvement Fund (from the sale of the old City Shop to Urban Renewal), Electric Fund, and Street, Drainage, Water, and Sewer SDC Funds.

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 \$1,749,661, which is \$65,898 (3.9%) more than last year. It must be noted that most of this budget does not reflect actual anticipated revenues, but consists of \$1,280,000 in potential grants for various parks improvement projects. As was the case last year, due to depletion of reserves in the Capital Improvement Fund (510), the prior practice of transferring \$10,000 per year into the Parks & Recreation Fund has been discontinued. However, the City anticipates being able to again begin depositing a portion of the utility tax in the Capital Improvement Fund this fiscal year, so the City will hopefully 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 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, Frisbee Park Improvements, South Jetty Restroom Renovations, Sprague Community Theater Air Handlers (Reserve), and Eastside Park (Reserve)*, with some funds budgeted for *Miscellaneous Park Improvements*. Grants, with Urban Renewal matching funds, are proposed to provide funding for the *South Jetty Park, South Jetty and Ocean Bluff Pedestrian/Bicycle Pathways, New Restrooms at City Park, and Neighborhood Parks*.

Planning Department

The activities of the Planning Department are funded primarily through the General Fund (100). The total proposed Planning Department budget is \$136,802, which is \$625 (0.5%) less 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) processes. As an administrative expense, 75% of those expenses are charged to the utilities instead of the General Fund. 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 proposed budget is \$93,113, which is \$13,557 (17%) more than last year.

The Barn/Community Center is managed by a contract employee who reports to the City Manager. The City Council appointed Community Center Advisory Committee, consisting of representatives from facility users, the local hospitality industry, and the public, provide oversight and policy direction to the City Manager and the Barn Manager regarding operation of the facility.

2% of the Public Works Department employee costs are allocated to maintenance of the Barn/Community Center.

No major CAPITAL expenditures are included in the proposed fiscal year 2013-2014 Community Center budget.

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 \$553,233, which is \$46,182 (7.7%) less 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 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. 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.

No major CAPITAL purchases are budgeted for fiscal year 2012-2013, although some funds are included for the *Lisa Wampole Children's Library, New Library Construction (Reserve), Heat Pump Repairs, 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 \$6,891,185, which is \$311,544 (4.3%) less than last year. With the continuing level of slow growth, electric utility revenues are projected to remain relatively flat, as they have been for the last several years. The primary factor in the lower budget is the elimination of \$280,000 which was included in last year's budget for the proposed *Two Mile Substation Upper Circuit* reconstruction project. The previously

anticipated Bonneville Power Administration (BPA) funding for that project was not available.

BPA is projecting a rate increase of approximately 7.3% to take place on October 1, 2013. Current revenue and expenditure projections do not anticipate that a rate increase will be necessary at this time. However, the Electric Fund balances will continue to be monitored to determine whether a rate increase will be necessary later this fiscal year.

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 (LIEAP) 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 each year, with a total of 285 customers currently contributing. This is an increase of 33 customers (13%) over last year's 252.

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 Electronic Reader-Board Entrance Signs*, as well as funds for normal annual purchases of *Transformers, Switches, Meters, Poles, and Street Lighting Fixtures for System Replacements, Storm Damage Repairs, Substation Maintenance and Undergrounding Project Reserves*. The proposed budget also includes a share of the new *City Shop*, which will be a shared inter-departmental facility constructed using funds from the Capital Improvement Fund (from the sale of the old City Shop to Urban Renewal), Electric Fund, and Street, Drainage, Water, and Sewer SDC Funds.

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 \$1,932,316, which is \$9,816 (0.5%) more than last year. With the continuing level of slow growth, water utility revenues are projected to remain relatively flat, as they have been for the last several

years. No water rate increases are proposed for the upcoming fiscal year 2013-2014, although increase is projected to be necessary the following year.

100% of the Water Treatment Plant employee costs and 20% 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 *Clarifier Tube Settlers* were installed last year, and the budget includes additional CAPITAL projects as part of the City's continued effort to constantly upgrade and maintain its water treatment and distribution system. Major proposed projects include the *Madison Avenue Main Line* to provide looped water service to the South Jetty, *Exterior Renovation of the 1 Million Gallon Water Storage Tank*, and *Turbidity Meters at the Water Treatment Plant*. The budget includes funds for normal annual purchase and replacement of *Meters, Service Lines, and Fire Hydrants*, and *Mapping Software Upgrades*. 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*. The proposed budget also includes a share of the new *City Shop*, which will be a shared inter-departmental facility constructed using funds from the Capital Improvement Fund (from the sale of the old City Shop to Urban Renewal), Electric Fund, and Street, Drainage, Water, and Sewer SDC Funds.

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 \$3,255,754, which is \$144,388 (4.6%) more than last year. With the continuing level of slow growth, sewer utility revenues are projected to remain relatively flat, as they have been for the last several years (excepting the 2011 sewer rate increase). The primary factor in the higher budget is a higher beginning balance, the inclusion of additional capital projects, and a re-allocation of the Public Works Department sewer collection personnel costs between water and sewer from the prior 30% water and 10% sewer to 20% water and 20% sewer. No sewer rate increase is being proposed for the upcoming fiscal year 2013-2014.

100% of the wastewater treatment plant employee costs and 20% 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.

The budget includes several large CAPITAL projects as part of the City's continued effort to constantly upgrade and maintain its wastewater treatment and collection system. These include the *Mainline I&I Replacement on 11th Street SW*, and the State Water/Wastewater Fund loan and grant for the *Wastewater Treatment Plant Sludge Dewatering System* and the *North Avenue Pump Station Reconstruction*. Funds are also included for *Mapping Software Upgrades*, and reserves are being maintained in the Sewer SDC Funds future *System Expansion, Upsizing, and Inflow & Infiltration* repairs. The proposed budget also includes a share of the new *City Shop*, which will be a shared inter-departmental facility constructed using funds from the Capital Improvement Fund (from the sale of the old City Shop to Urban Renewal), Electric Fund, and Street, Drainage, Water, and Sewer SDC Funds.

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 \$246,830 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*; a transfer into the State Street Tax Fund (210) to cover shortfalls in the Street Department Budget; and *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 \$26,520, which is \$518 (2.0%) 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.

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, so the Budget

Committee or City Council could re-determine the maximum amount or could decide to add other organizations.

The proposed budget includes the same allocation as last year to the following community service organizations:

• 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	\$ 700
• Women's Safety & Resource Center	\$ 525
• EAT (Everyone At the Table) Meals Program	\$ 1,500
• Bandon Historical Society	\$ 3,500
• Bandon Lion's Club - 4 th of July Celebration	\$ 1,000
• Neighbor to Neighbor Dispute Resolution Service	\$ 1,300
• Bandon Senior Nutrition Program	\$ 3,500
• BRAVO (Bandon Readers and Volunteers Organization)	\$ 2,500
• Greater Bandon Association (Main Street Program)	\$ 2,500
 TOTAL:	 \$25,025

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 8, 2013 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.

Block Grant Fund (410)

The total proposed Block Grant Fund (410) budget is \$190,287, which is \$110,994 (140.0%) more than last year. This increase is primarily attributable to a significantly higher *Beginning Fund Balance*, which was the result of no new economic development business loans being made last fiscal year.

The recommended budget includes \$30,287 for *Materials & Services*, \$100,000 for unspecified *Capital Improvements* and \$60,000 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 \$1,222,700, which is \$897,760 (276.3%) more than last year. This increase is primarily attributable to a higher *Beginning Fund Balance*, moving the \$200,000 *Miscellaneous Grants* line item out of the General Fund (100) and into the Capital Improvement Fund since those types of grants tend to be for capital projects, and moving \$450,000 from Urban Renewal Area 1 into the Capital Improvement Fund for the purchase of the old City Shop and Woolen Mill property. The total proposed Equipment Reserve Fund (520) budget is \$77,133, which is \$1,696 (2.2%) less 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, 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 deposits were not included in last year's budget, the General Fund has recovered enough to again begin depositing a portion of the Utility Tax into these funds in fiscal year 2013-2014, although those percentages (10% and 1% respectively) are still much less than the deposits in prior years. Like last year, since adequate funds are still not available, the proposed budget does not include the prior annual transfer of \$10,000 into the Parks & Recreation Development Fund (550).

The proposed Capital Improvement Fund (510) budget includes funds for the following fiscal year 2013-2014 projects: \$153,000 for the *Ferry Creek Bridge Renovation (Phase 1 and 2)*; and \$450,000 for a share of the *New City Shop* using funds received from Urban Renewal Area 1 for purchasing the old City Shop property. (The City Shop will be a shared inter-departmental facility constructed using funds from the Capital Improvement Fund as well as the Electric Fund, and Street, Drainage, Water, and Sewer SDC Funds.)

Reserves for future projects include: \$170,000 for *Major Equipment Purchase* which is serving as a reserve for replacing the City's deteriorating *Backhoe* and *Street Sweeper* if and when either of those pieces of equipment completely breaks down; \$227,600 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. This amount is also being maintained as a cash-flow reserve that could be used if the proposed local improvement district (LID) loan refinancing takes place this year and the LID participant payments fall short of the amount needed for the City's payments to the bank.); \$200,000 for *Miscellaneous Grants*; and \$22,100 for *Miscellaneous Capital Projects*.

The Equipment Reserve Fund (520) budget includes: \$22,000 for a replacement *Police Vehicle(s)* in fiscal year 2013-2014; \$22,133 in reserves for *Miscellaneous Equipment* (such as replacement of the *City Council Chambers Microphone System*); and 33,000 in reserves for *Other* equipment.

Local Improvement District Fund (640)

The entire Local Improvement District Fund (640) budget of \$2,341,133 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 11 existing bonds and loans. Once all of fiscal year 2012-13 payments have been made, the outstanding principal balance on the City's total debt as of July 1, 2013 will be \$4,980,595, which is \$306,981 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, 2013.

Fund (Prior)	Type of Financing	Purpose	FY 2012-13 Payment	Final Year	07/01/12 Balance
365 (343)	2000 RD Water GO Bond	New Water Plant	\$ 46,281	2040	\$2,608,997
365 (344)	2000 SDWA GO Bond	New Water Plant	\$ 26,920	2020	\$ 222,187
365 (360)	1991 Sewer GO Bond	Wastewater Plant	\$ 97,000	2013	\$ 0
365 (375)	2006 Water GO Bond	Clarifier & UV	\$ 24,198	2034	\$ 829,503**
910 (370)	1994 Electric Rev Bond	2-Mile Substation	\$ 70,000	2014	\$ 75,000

940 (380)	2006 Airport Utility Loan	Water	\$ 19,660	2030	\$ 405,255*
950 (350)	1992 Sewer Rev/GO Bond	Wastewater Plant	\$101,666	2013	\$ 0
633	2000 Street & Sewer LID	Local Imp. District	\$ 2,578	2023	\$ 51,652***
634	2001 Bandon Ave LID	Local Imp. District	\$ 519	2017	\$ 17,000***
635	2004 Hwy 101 Sewer LID	Local Imp. District	\$ 11,250	2034	\$ 475,263***
636	2012 12 th Court LID	Local Imp. District	\$ 4,262	2041	\$ 295,738
TOTALS			\$ 404,334		\$4,980,595

* 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.

CONCLUSIONS AND FUTURE OUTLOOK

Based on the revenue and expenditure projections in the proposed fiscal year 2013-2014 budget, it appears that the City of Bandon will be able to continue functioning at its current staffing and service levels for the upcoming fiscal year. However, it is anticipated that several critical financial issues will have to be addressed if the City is going to be able to continue providing adequate public services and facilities to meet the needs of its citizens in subsequent years.

Water, Sewer, and Electric Utilities

The most significant fiscal challenge will be to ensure the continued financial viability of the municipal water, sewer, and electric utility systems, and thereby provide a financial basis for all other public services.

Unlike most other cities whose budgets are based heavily on property taxes, Bandon basically functions as a utility company which provides certain additional spin-off services such as police protection, fire protection, street maintenance, planning, and parks & recreation. Revenues are primarily generated by the electric, water, and sewer utilities, either directly through utility sales or indirectly through taxes and in-lieu taxes on those sales. At only \$.46 per \$1,000 assessed valuation, the City of Bandon's permanent property tax rate is extremely low compared to other full-service cities in Coos County,

whose permanent rates range from \$6.10 to \$7.99. The City's ability to provide essential public services therefore relies upon the overall health of its water, sewer, and electric enterprises. (See charts on pages IV, VI, and X.)

The main issue with water, sewer, and electric utility revenues revolves around the City Charter amendments which limit the ability of the City Council to increase utility rates except with voter approval. The national economic downturn and the attendant housing market slowdown have significantly impacted utility revenues which are heavily dependent on population growth and a healthy tourist economy. The proposed fiscal year 2013-2014 budget projects relatively flat electric, water, and sewer utility sales. The gap between revenues and expenditures will continue to increase as long as utility sales remain flat while labor, materials, and capital improvement costs rise.

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. Under the existing City Charter provisions such a rate increase would require voter approval, so it is recommended that the City Council re-appoint the Ad Hoc Water Advisory Committee this upcoming fiscal year to work on promoting a water rate ballot measure like was done in 2006.

The last sewer rate increase was 6% in 2011. Although this has enabled the sewer utility to continue functioning since then, the 1992 Sewer Rev/GO Bond which contains the rate covenants which allow the City Council to increase sewer rates was paid off in 2013. Therefore, under the provisions of the City Charter, any subsequent sewer rate increases will require voter approval.

The last electric rate increase was 5% in 2011, which was necessary to offset the Bonneville Power Administration (BPA) increase that year. The City Council is currently able to set electric rates, since bond and loan agreements which pre-dated the subject City Charter amendments contain covenants which require the City to maintain utility rates at a level which generates sufficient revenue to properly operate and maintain the electric and sewer system, and meet the debt service obligation. However, those bonds will be paid off in 2014, which will negate those requirements and that rate-setting authority. The Charter would still allow the City Council to increase electric rates to offset wholesale power purchases from BPA, but voter approval would be required for any future electric rate increases necessitated by increased costs for operating and maintaining the distribution system.

Rather than trying 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. Success in this endeavor, however, would require a long and intensive educational campaign.

Police Protection

Another critical issue is the matter of maintaining sufficient funding to ensure the provision of adequate 24-hour police protection. The Police Department is funded almost entirely by the General Fund, and with declining revenues and increasing costs, funding police protection is becoming more difficult. The Police Department budget now consumes nearly all of the total projected receipts from property taxes, transient occupancy taxes, and utility sales taxes combined. The actual Police Department costs are even more than shown in the budget, since those figures do not include the cost of administration, finance (payroll, accounting, and auditing), and City Hall building maintenance expenses.

Since the police levy taken to the voters in 2009 and 2010 did not pass, the City has only been able to maintain a force of six uniformed officers by making a number of budget adjustments. This is one officer less than the City had at one time. Although these adjustments have enabled the City to provide 24-hour police protection most of the time, ensuring adequate 24-hour police protection into the future will likely depend on identifying other resources to help fund the Police Department. If adequate funds are not available, the alternative could be a reduction in the number of uniformed police officers and the eliminating 24-hour coverage. If the situation becomes critical enough, perhaps enough community support can be gained to pass a police levy at some point in the future.

Another option that was considered for additional police funding was increasing the transient occupancy tax (TOT) over the current 6%. Under existing State statutes, however, 70% of any new TOT revenues must be spent on "tourism promotion," leaving only 30% for other municipal purposes such as police protection. Previously proposed State legislation that would have removed this restriction was not passed. Although this would mean a higher tax for overnight tourist visitors, and would only allow 30% to be spent on police protection, it would have the added benefit of generating a significant amount of additional tourism promotion funds which would be helpful for the City's tourism based economy. In either case, the voters may be willing to impose additional taxes which would be paid by the tourists who visit Bandon to help offset the cost of providing them with services, in the same way Bandon residents help fund local services in other cities and states through the taxes they have to pay as tourist visitors to those areas. When the City Council previously considered increasing the TOT to provide funding for the Police Department and tourism promotion, the local lodging businesses representatives expressed their opposition. They indicated they would prefer a local option police levy, and that they would be developing a recommendation for an alternative means of providing the needed funding in a manner which they felt would more equitably distribute those costs. To date, however, no such proposal has been received.

Streets, Drainage, and Pedestrian Facilities

Another financial challenge facing the City is continuing to provide adequate funds for maintaining the streets, drainage systems, and pedestrian facilities.

State Tax Street Fund revenues have been increasing slightly for the last several years, although costs have continued to rise even faster. It has now reached the point where those funds are insufficient to even cover the Street Department labor costs, so the proposed fiscal year 2013-2014 budget includes a General Fund subsidy of the State Tax Street Fund. This is unfortunate, since that subsidy takes away from the General Fund money available for those departments with little or no other funding resource, such as Police, Planning, and Parks & Recreation.

Although street and storm drainage SDC funds are available, the balances in those funds are declining. Their use is restricted to 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, so they cannot be used for ongoing operating expenses.

The largest single resource for street, drainage, and pedestrian facilities has been the Local Option Street Tax Fund, which receives its revenue from a local option street tax in the amount of \$.8455 per \$1,000 assessed valuation which was initially approved by the voters in 2001. In 2011 it was again extended by the voters for 10 years until 2021. This is the maximum length a local option capital tax is allowed by State statutes. As a capital tax, however, it can only be used for capital improvement projects and cannot be used for operational expenses.

So, it appears that adequate funds should be available for basic street, drainage, and capital improvement projects in the near term, but securing adequate funds for their ongoing maintenance will continue to be a challenge.

Parks & Recreation

The Parks Master Plan contains numerous recommendations regarding improvements to City Park, development of additional neighborhood and wayside parks, and an extensive walking trail system. Parks maintenance has historically been primarily funded through the General Fund, where it has had to compete for the same funds as police, fire, and planning. Capital improvement funding has been provided from the Parks and Recreation Development Fund, which received its money from a 6% fee assessed against some subdivisions in lieu of park land dedication, and by prior annual \$10,000 transfers from the Capital Improvement Fund. With the discontinuance of the Capital Improvement Fund transfer over the last two years, with police protection utilizing a significant portion of the General Fund, and with no new subdivisions taking place or planned, there are very few resources for parks and recreation.

One of the major concerns expressed by the Parks & Recreation Commission is not only finding funds for constructing and improving recreational facilities such as parks and walking trails, but even more importantly how to finance the ongoing operation and maintenance of existing and proposed facilities. At the Commission's recommendation, a proposed \$2 per month electric utility bill surcharge was placed on the ballot for the March 10, 2009 election. The measure, however, was soundly defeated. It is recommended that, at such time as the City Council feels voter approval could be secured,

the matter of a parks and recreation maintenance fee be placed back on the ballot for consideration by the voters. Until that or some other funding resource is secured, funding parks and recreation facilities operation, and maintenance is going to become more and more difficult.

Based on the Master Plan prepared by the Parks & Recreation Commission, the City Engineer will be preparing a Parks System Development Charge (SDC) Plan, which will determine the appropriate level of Parks SDC's to ensure that future developers and builders for their fair share of parks development costs. However, unless and until building activity picks up, Parks SDC's will not generate any significant revenue. It is recommended that the matter of Parks SDC's be placed on the ballot once the City Engineer has completed the Parks SDC Plan.

The most significant current resource for parks and recreation facilities construction is Urban Renewal. The Plans for Urban Renewal Areas 1 and 2 were amended in 2012 to include a list of priority projects for future City Park improvements, South Jetty Park improvements, developing small parks within the Urban Renewal areas, and constructing walking trails in those areas within the Area boundaries along the ocean bluff and Beach Loop Drive. The amount of Urban Renewal funds available and the number of parks and recreation projects that can actually be undertaken will depend upon the extent to which the City is successful in obtaining grants which can be matched with these funds, and the number of economic development projects such as the Woolen Mill and cheese factory project could take priority over parks and recreation projects.

System Development Charges (SDC's)

With the overall downturn in the national economy, together with the slowdown in the housing market, water, sewer, streets, and storm drainage SDC revenues from new construction have dropped significantly. SDC's have served as the primary funding source for a large number of capital improvement and system expansion projects for many years. Although some revenues continue to be received from SDC payment agreements for previously completed projects, total SDC revenues are projected to drop even more rapidly once those prior assessments have been paid. SDC revenues will not pick up significantly until the economy improves and construction activity picks up.

A large number of capital improvement projects have been included in the proposed fiscal year 2013-2014 SDC budgets. Once these projects have been completed and the SDC fund balances have been depleted, and unless and until building activity picks up, it will not be possible to rebuild these reserves.