

DATE: March 24, 2014
TO : Mayor and City Council
Budget Committee
FROM: Matt Winkel
City Manager/Budget Officer

**SUBJECT: FY 2014-2015 CITY OF BANDON
BUDGET MESSAGE**

The proposed fiscal year 2014-2015 budget total is \$23,489,584, which is \$122,207 (0.5%) more than the prior fiscal year 2013-2014 budget of \$23,367,377. The most significant differences include a \$118,217 decrease in the General Fund (100), a \$289,782 increase in the Local Option Street Tax Fund (750), a \$342,827 decrease in the Electric Fund (910), a \$246,372 increase in the Capital Improvement Fund (510), and a \$118,149 increase in the LID Debt Service Fund (636). 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 2014-2015 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

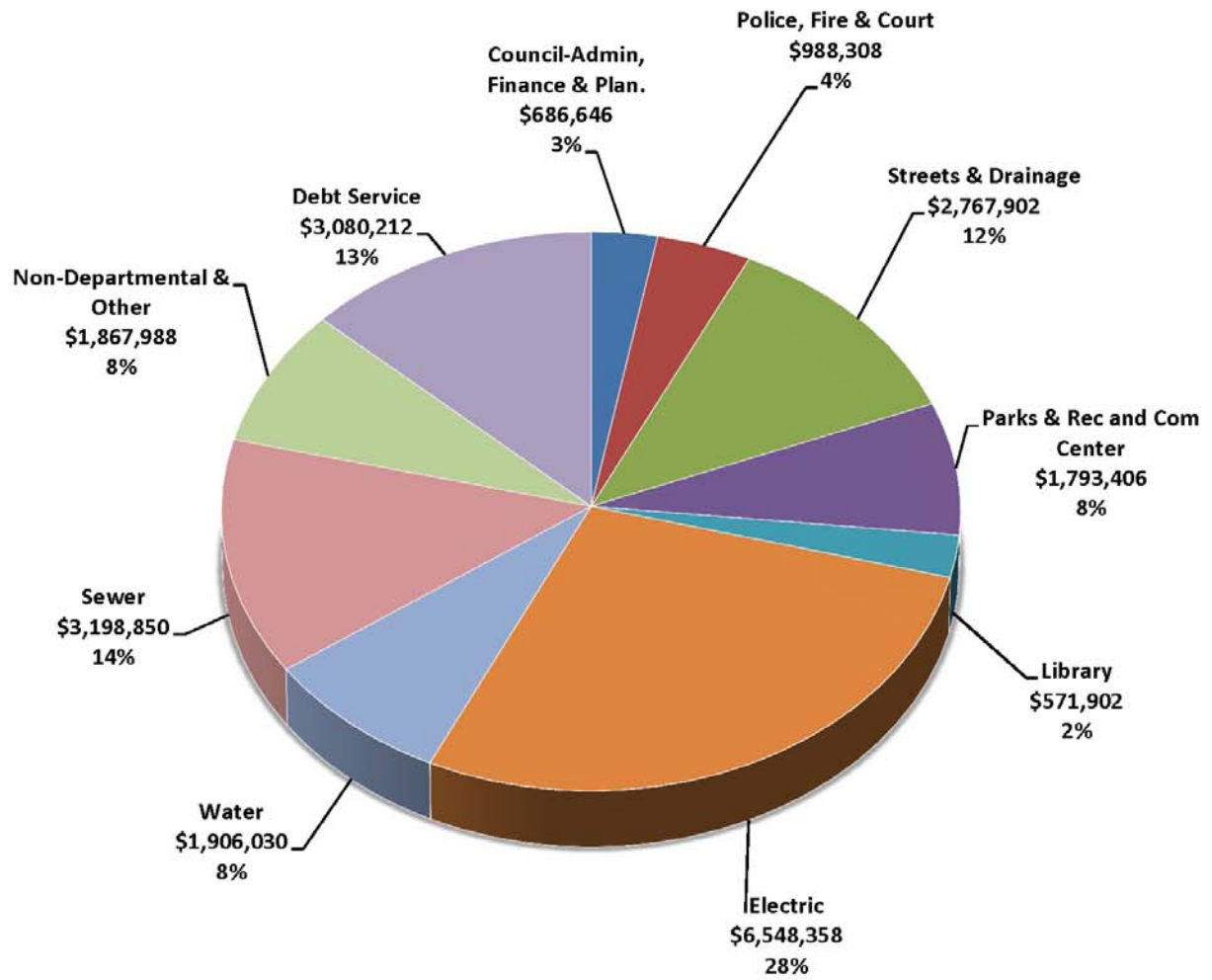
<u>FUND</u>			<u>COUNCIL</u>	<u>BUDGET</u>	<u>DIFFERENCE</u>
<u>CATEGORY</u>	<u>FUNDS</u>	<u>ACCT</u>	<u>ADOPTED</u>	<u>OFFICER</u>	<u>FROM</u>
		<u>NO.</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014 &</u>
			<u>BUDGET</u>	<u>BUDGET</u>	<u>2014-2015</u>
GENERAL FUND					
GENERAL	GENERAL FUND	100	\$2,349,799	\$2,231,582	\$ -118,217
	<i>Mayor & Council</i>		\$31,500	\$31,500	\$ 0
	<i>Administration</i>		\$323,970	\$323,745	\$ -225
	<i>Accounting & Billing</i>		\$208,202	\$192,210	\$ -15,992
	<i>Municipal Court</i>		\$4,700	\$4,700	\$ 0
	<i>Police Department</i>		\$881,632	\$884,788	\$ 3,156
	<i>Fire Department</i>		\$96,978	\$98,820	\$ 1,842
	<i>Streets</i>		\$89,834	\$90,834	\$ 1,000
	<i>Parks & Recreation</i>		\$236,238	\$233,373	\$ -2,865
	<i>Planning</i>		\$136,802	\$139,191	\$ 2,389
	<i>Community Center</i>		\$93,113	\$93,067	\$ -46
	<i>Non-Departmental</i>		\$246,830	\$139,354	\$ -107,476
	TOTAL GENERAL FUND		\$2,349,799	\$2,231,582	\$ -118,217
STREETS & DRAINAGE					
SPECIAL REV	STATE TAX STREET	210	\$229,084	\$229,935	\$ 851
CAPITAL	STREET SDC - Reimbursement	710	\$406,311	\$410,395	\$ 4,084
CAPITAL	STREET SDC - Improvement	711	\$245,427	\$260,529	\$ 15,102
CAPITAL	LOCAL OPTION STREET	750	\$948,312	\$1,238,094	\$ 289,782
CAPITAL	STORM DRAIN SDC - Reimbursement	715	\$274,658	\$296,286	\$ 21,628
CAPITAL	STORM DRAIN SDC - Improvement	716	\$259,488	\$241,829	\$ -17,659
	TOTAL STREETS		\$2,363,280	\$2,677,068	\$ 313,788
PARKS & RECREATION					
CAPITAL	PARK & RECREATION DEV	550	\$1,450,734	\$1,405,777	\$ -44,957
SPECIAL REV	COMMUNITY BEAUTIFICATION	250	\$62,689	\$61,189	\$ -1,500
	TOTAL PARK & RECREATION		\$1,513,423	\$1,466,966	\$ -46,457
LIBRARY					
SPECIAL REV	LIBRARY	230	\$331,039	\$325,779	\$ -5,260
SPECIAL REV	LIBRARY MEMORIAL	220	\$222,194	\$246,123	\$ 23,929
	TOTAL LIBRARY		\$553,233	\$571,902	\$ 18,669

BUDGET SUMMARY

REVENUES AND EXPENDITURES BY FUND

<u>FUND</u>			<u>COUNCIL</u>	<u>BUDGET</u>	<u>DIFFERENCE</u>
<u>CATEGORY</u>	<u>FUNDS</u>		<u>ADOPTED</u>	<u>OFFICER</u>	<u>FROM</u>
		<u>ACCT</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014 &</u>
		<u>NO.</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>2014-2015</u>
	ELECTRIC				
ENTERPRISE	ELECTRIC	910	\$6,891,185	\$6,548,358	\$ -342,827
	WATER				
ENTERPRISE	WATER	940	\$732,558	\$775,596	\$ 43,038
ENTERPRISE	WATER SDC - Reimbursement	720	\$320,856	\$240,348	\$ -80,508
ENTERPRISE	WATER SDC - Improvement	721	\$878,902	\$890,086	\$ 11,184
	TOTAL WATER DEPARTMENT		\$1,932,316	\$1,906,030	\$ -26,286
	SEWER				
ENTERPRISE	SEWER	950	\$3,029,244	\$2,948,596	\$ -80,648
ENTERPRISE	SEWER SDC - Reimbursement	730	\$115,489	\$125,757	\$ 10,268
ENTERPRISE	SEWER SDC - Improvement	731	\$111,021	\$124,497	\$ 13,476
	TOTAL SEWER DEPARTMENT		\$3,255,754	\$3,198,850	\$ -56,904
	OTHER FUNDS				
SPECIAL REV	STATE REVENUE SHARING	260	\$26,520	\$31,363	\$ 4,843
SPECIAL REV	BLOCK GRANT	410	\$190,287	\$221,888	\$ 31,601
CAPITAL	CAPITAL IMPROVEMENT	510	\$1,222,700	\$1,469,072	\$ 246,372
CAPITAL	EQUIPMENT RESERVE	520	\$77,133	\$86,293	\$ 9,160
	TOTAL OTHER FUNDS		\$1,516,640	\$1,808,616	\$ 291,976
	DEBT SERVICE				
DEBT SVC	GENERAL OBLIGATION BONDS	365	\$531,106	\$529,702	\$ -1,404
DEBT SVC	2000 STREET & SEWER LID BONDS	633	\$19,041	\$17,761	\$ -1,280
DEBT SVC	2001 BANDON LID	634	\$7,000	\$0	\$ -7,000
DEBT SVC	LOCAL IMPROVEMENT DISTRICTS	640	\$2,341,133	\$2,341,133	\$ 0
DEBT SVC	2004 HIGHWAY 101 SEWER	635	\$20,000	\$0	\$ -20,000
DEBT SVC	LID DEBT SERVICE (COMBINED)	636	\$73,467	\$191,616	\$ 118,149
	TOTAL DEBT SERVICE FUNDS		\$2,991,747	\$3,080,212	\$ 88,465
	GRAND TOTAL		\$23,367,377	\$23,489,584	\$ 122,207

Expenditure by Department



BUDGET DOCUMENT SECTIONS

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

- **Budget Summary** (Red)

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** (Yellow)

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.**

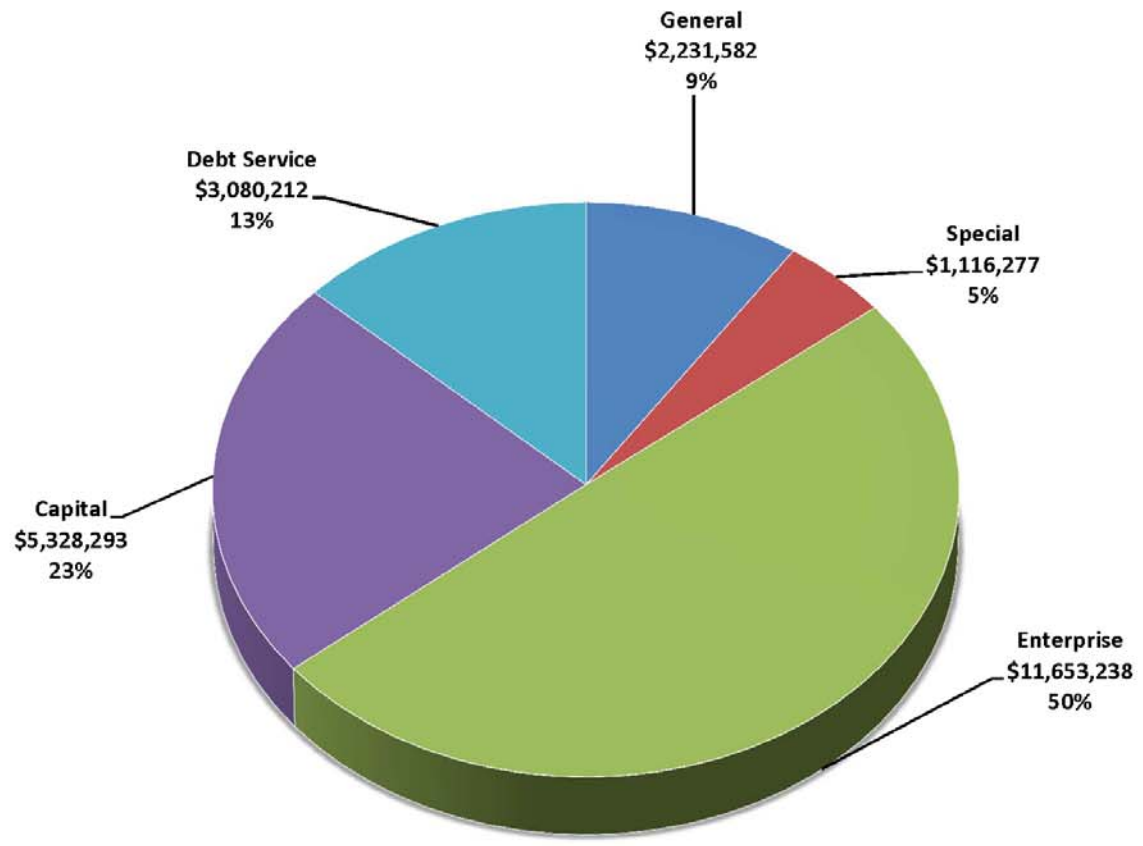
A chart illustrating the relative size of each of these Fund types within the proposed budget is included on the following page.

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 Summaries** (Green)

Each Department 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



- **Capital Improvement Plan** (Blue)

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 2014-2015. 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 changes in the overall number of City employees 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, which is now combined with the Finance Director’s position.

Collective Bargaining Agreements

With the exception of management staff (City Manager, 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. With the upcoming expiration of the existing Clerical and Public Works contracts, negotiations are currently underway on replacement contracts for those units. The Electric Department contract includes a wage opener in fiscal year 2013-2014, so it is anticipated the IBEW will exercise that option and negotiations will be undertaken prior to July 1, 2014 regarding wages.

Employee Wages

The employee wages in the proposed budget are in compliance with each of the current collective bargaining agreements. Accordingly, this includes normal scheduled step increases for those employees to whom they are due, and a cost of living adjustment (COLA). Under the current union contracts, 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 2.8% in 2013.

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

Vacation Accruals: Each departmental budget includes funds for vacation purchase, to cover any expenses which may be associated with purchasing vacation time from retiring or resigning employees. To help keep these liabilities as low as possible, employees' accumulated vacation and compensatory time are each capped at 240 hours, as of July 1st each year. 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 \$.47 per \$1,000 assessed valuation levied for general obligation bond repayments, Bandon's total fiscal year 2013-2014 property tax rate was \$1.78 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 2013-2014 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		.56		6.92
North Bend	6.18			.34	6.52
Coquille	6.10				6.10
Bandon	.46	.85	.47		1.78
Lakeside Water	.71				.71

INTEREST ON INVESTMENTS

The City's cash is currently invested in the Oregon State Treasury's Local Government Investment Pool (LGIP), from which funds are periodically transferred into the City's local checking account for monthly payroll and accounts payable expenditures. Interest earnings depend on the interest rates being applied throughout the year. As shown in the table below, interest earnings had dropped over the last several years, but have recovered slightly. The annual rate in February 2014 was 0.54%. Interest payments are allocated monthly to each Fund, based on the proportionate share of the total cash balance.

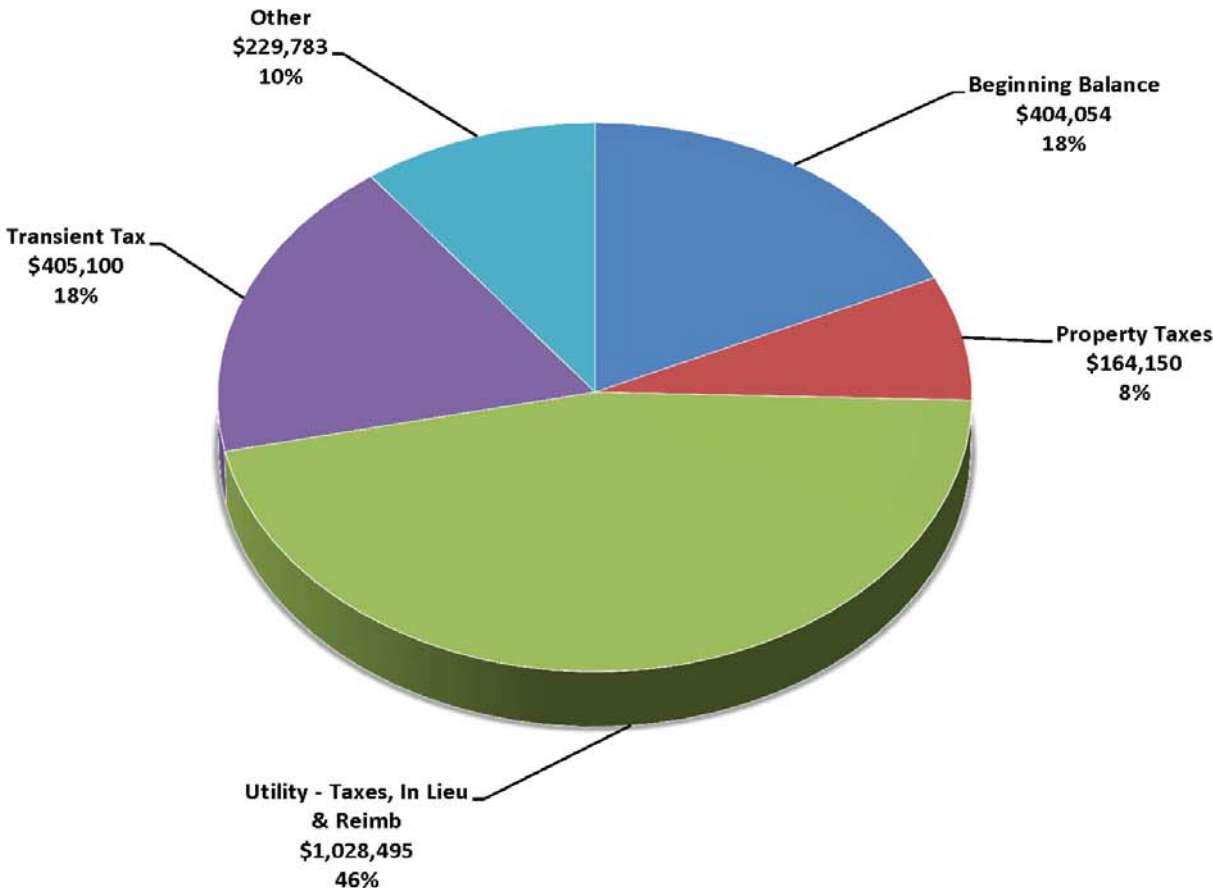
<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$108,273	\$204,692	\$338,332	\$354,302	\$218,695	\$111,799	\$104,713	\$103,186	\$115,275

GENERAL FUND REVENUES

The total proposed General Fund (100) budget is \$2,231,582, which is \$118,217 (5.0%) 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 BY TYPE



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. The City Manger is the only General Administration employee. The total proposed General Fund Administration budget is \$323,745, which is \$225 (0.07%) less than last year.

No major CAPITAL purchases are proposed for General Administration. The following minor CAPITAL items are included in the proposed budget:

- *ADA Compliance* \$ 5,000
- *Miscellaneous Equipment & Fixtures* \$ 5,000

Finance (Accounting & Billing) 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 \$192,210, which is \$15,992 (7.7%) less than last year.

No major CAPITAL purchases are proposed for the Finance Department. The following minor CAPITAL items are included in the proposed budget:

- *Miscellaneous Equipment Replacements* \$ 20,000

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 \$884,788, which is \$3,156 (0.4%) 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 nearly all of the total combined receipts from property taxes, utility taxes, and transient occupancy taxes. 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 or other equipment purchases which are now funded by 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).

Proposed Police Department CAPITAL purchases include the following:

- *Computers for Police Vehicles* \$ 10,000
- *Patrol Vehicle* \$ 33,000

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 \$98,820, which is \$1,842 (1.9%) more 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 increase in the payment amount resulted from an increase 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 \$2,767,902, which is \$314,788 (12.8%) 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. For the third straight year, since revenues in the State Tax Street Fund are not sufficient to cover the Street Department personnel costs, the General Fund budget includes a \$40,000 transfer into the State Tax Street Fund.

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

Proposed Streets & Drainage CAPITAL expenditures include the following:

•	<i>ADA Sidewalk Corner Ramps - Citywide</i>	\$ 20,000
•	<i>Jenny / Broadway Drainage & Paving</i>	\$ 98,000
•	<i>Repair Ferry Creek Bridge</i>	\$ 186,320
•	<i>Mapping Software Upgrades</i>	\$ 8,334
•	<i>Ohio Ave SE - Stabilization (Reserve)</i>	\$ 100,000
•	<i>Street Improvements Oregon Ave (1st St - 4th St)</i>	\$ 200,000
•	<i>Drainage - 11th St SE to City Hall</i>	\$ 283,153
•	<i>New City Shop - (SDC Share)</i>	\$ 175,000
•	<i>Major Equipment - Backhoe/Sweeper (Reserve)</i>	\$ 170,000
•	<i>Misc. Street & Pedestrian Improvements</i>	\$ 825,152
•	<i>Misc. SDC Street & Sidewalk Projects (Reserve)</i>	\$ 250,529
•	<i>Misc. SDC Streets (Reserve)</i>	\$ 175,395
•	<i>Misc. SDC Drainage Projects (Reserve)</i>	\$ 103,062

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), the Capital Improvement Fund (510), Urban Renewal Area One Fund (560), and Urban Renewal Area Two Fund (570). 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 \$2,144,317, which is \$244,099 (10.2%) less than last year. It must be noted that most of this budget consists of \$1,250,000 in potential grants for various parks improvement projects. As was the case last year, due to the depletion of reserves in the Capital Improvement Fund (510), the prior practice of transferring \$10,000 per year into the Parks & Recreation Fund was discontinued. However, the City has been able to again deposit a portion of the utility tax into the Capital Improvement Fund this fiscal year, which resulted in an additional funding for *Parks and Park Grant Matches*.

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. Most of the annual 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. The remaining money is allocated to purchasing *Benches & Trash Cans, Fire Hydrant Painting, Beautification Programs, and Tree Trimming & Maintenance.*

Proposed Parks & Recreation CAPITAL expenditures include the following:

•	<i>East Side Park (Reserve)</i>	\$ 75,000
•	<i>City Park Playground Matting</i>	\$ 15,000
•	<i>Signs</i>	\$ 5,000
•	<i>Sprague Theater -Air Handlers (Reserve)</i>	\$ 40,000
•	<i>Parks & Park Grant Match</i>	\$ 100,000
•	<i>Parks & Park Grant Match (Urban Renewal)</i>	\$ 343,978
•	<i>Tree Replacements</i>	\$ 5,000
•	<i>Misc. Park Improvements (Reserve)</i>	\$ 45,777

Planning Department

The activities of the Planning Department are funded primarily through the General Fund (100), with certain administrative expenses allocated to the utility funds. The total proposed Planning Department budget is \$139,191, which is \$2,389 (1.7%) more than last year. One of the two City Planner positions is responsible primarily for City planning and emergency planning, with 100% of those expenses funded by the General Fund. The second position is responsible for City planning, staffing the Parks & Recreation Commission, and serving as the City’s Code Compliance Officer, with those expenses allocated among the General Fund and the utility funds.

No major CAPITAL expenditures are included in the proposed fiscal year 2014-2015 Planning Department budget.

Community Center

Revenues and expenditures for the Barn/Community Center are run through the General Fund (100). The proposed budget is \$93,067, which is \$46 (0.5%) less than last year.

The Barn/Community Center is managed by a contract employee who reports to the City Manager. The Community Center Advisory Committee, consisting of representatives from facility users, the local hospitality industry, and the public, provides 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 2014-2015 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 \$571,902, which is \$18,669 (3.4%) 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 largest single annual resource for operating the Library 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 2014-2015, although reserves are being maintained in the Library Memorial Fund for the following items:

- *Lisa Wampole Children's Library (Reserve)* \$ 10,000
- *New Library Construction (Reserve)* \$ 45,000
- *Miscellaneous Equipment & Fixtures (Reserve)* \$ 108,623

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 \$6,548,358, which is \$342,827 (5.0%) less than last year. The primary factor in the lower budget is a much lower projected *Beginning Fund Balance*, the elimination of *Debt Service* payments since the prior electric revenue bonds were repaid in the prior fiscal year, and a significant reduction in *Contingencies*. 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, unless electric rates are increased as recommended.

100% of the Electric Supervisor and Linemen employee costs and 50% of the Office Manager/Energy Conservation Administrator costs are allocated to the Water Department.

The City of Bandon purchases all of its electric power from Bonneville Power Administration (BPA). Those wholesale rates, including both power and transmission, increased by an estimated 12.32% (from \$35.47/MWh to \$39.84/MWh) on October 1, 2013. As indicated in last year's 2013-2014 Budget Message, Electric Fund balances have continued to be

monitored to determine whether a rate increase would be necessary. Although there was no rate increase last year, a retail rate increase of 5.83% has been included in the proposed fiscal year 2014-2015 budget to offset the BPA rate increase. This would mean an additional \$5.99 per month, (from \$102.72 to \$108.71), plus 10% tax, for the average inside-City residential customer using 1,400 KWh of power. The rates for all other customer classifications would be adjusted proportionately. Outside-City rates are higher, although the 10% tax is not applied. The last retail electric rate increase was a 5.0% increase in 2011, which represented an increase of \$4.86 per month (from \$97.86 to \$102.72), plus 10% tax, for that same average inside-City residential customer.

Since the proposed retail rate increase is intended only to offset the latest BPA wholesale rate increase, it would be allowed by the City Charter without requiring a voter approval. It is recommended that these rate increases be made effective during the summer of 2014. This will lessen the immediate impact on utility customers since this is the time of year that electricity usage and bills are generally at the lowest point, and will allow those funds to be collected over as much of the upcoming fiscal year as possible since the budget calculations include 12 months of collection. The rate increase is projected to provide sufficient funds for the City properly operate and maintain the electric utility system, make several capital improvement and undergrounding projects, and maintain sufficient reserves.

In the event the recommended rate increase is not adopted, a number of proposed expenditures and capital improvement projects will be put on hold unless and until Electric Fund balances are deemed sufficient to fund their implementation. The items that could be eliminated or postponed are marked with an asterisk (*) in the proposed budget.

To provide the basis for properly allocating electric rates and charges among the various residential, commercial, industrial, and agricultural customer classifications, the proposed budget includes \$20,000 for an electric *Cost of Service Study**. This would show whether individual rate adjustments to various customer classes would be more equitable and appropriate than equal across the board percentage increases. The City recently completed installing demand meters on most larger commercial, industrial, and agricultural electric customers, even though some of those customers are not currently paying a demand charge. The data from those meters could be used to determine whether some adjustments to the electric demand charges would more correctly allocate the electric power costs to and among those high demand customers. Since it would be prepared by an independent agency or contractor, the data from such a study may also assist the City in educating the public regarding the issue of utility rate increases.

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 300 customers currently contributing. This is an increase of 15 customers (5.3%) over last year's 285.

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.

Proposed Electric Department CAPITAL expenditures include the following:

• <i>Gang Operated Switches (Segment Isolation)</i>	\$ 25,000*
• <i>Mapping Software Upgrades</i>	\$ 25,000*
• <i>Meters</i>	\$ 30,000
• <i>Misc. Equipment & Fixtures</i>	\$ 52,500
• <i>Misc. System Replacement</i>	\$ 102,000
• <i>Pole Replacement</i>	\$ 65,000
• <i>Storm Damage Replacement</i>	\$ 25,000
• <i>Substation Capital Maintenance</i>	\$ 30,000
• <i>Transformers, New</i>	\$ 140,000
• <i>Undergrounding (Elmira & 11th @ Gross Crk.)</i>	\$ 160,000*
• <i>Repaint Old Town Streetlights</i>	\$ 22,000
• <i>Residential Street Light & Fixtures</i>	\$ 25,000
• <i>Electronic Reader-Board Entrance Signs</i>	\$ 50,000*
• <i>Equipment & Fixtures - Private Reimbursements</i>	\$ 10,000
• <i>System Coordination Study</i>	\$ 18,000*
• <i>New City Shop - (Share)</i>	\$ 100,000
• <i>Equipment (Reserve)</i>	\$ 100,000*

* Capital projects that could be eliminated if sufficient funds are not available.

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 \$1,906,030, which is \$26,286 (1.4%) less than last year. With the continuing level of slow growth, water revenues are projected to remain relatively flat, as they have been for the last several years, unless water rates are increased as recommended.

50% of the water and wastewater treatment plant employee costs, 20% of the Public Works employee costs, and 25% of the Public Works Office Manager costs are allocated to the Water Department. 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.

Although no water rate increase was proposed last year, the 2013-2014 Budget Message predicted that a water rate increase would be necessary in fiscal year 2014-2015. To ensure sufficient funds to continue properly operating and maintaining the water system during the upcoming fiscal year, a rate increase of 27% has been included in the proposed fiscal year 2014-2015 budget. This would represent an additional \$4.70 per month (from \$17.40 to \$22.10), plus 10% tax, for the average inside-City residential customer using 5,000 gallons of water. The rates for all other customer classifications would be adjusted proportionately. Outside-City rates are higher, although the 10% tax is not applied. The last water rate increase was in 2006. It resulted in an increase of approximately 60%, which was an increase of \$6.52 per month (from \$10.88 to \$17.40), plus 10% tax, for that same inside-City residential customer.

It should also be noted that the recommended rate increase is projected to be the minimum required to provide funds for properly operating and maintaining the water system for another year, and an effort was made to keep that increase less than \$5.00 per month for the average household user. It includes only a minimal amount as reserves for future capital and major maintenance projects. One such critical need is dredging the Ferry Creek Reservoir and Geiger Creek Reservoir, both of which have become very silted-in, which has reduced their storage well below their original and permitted capacities. The Ferry Creek Reservoir was last dredged in 1999, and the Geiger Creek Reservoir has never been dredged as far as anyone can recollect. Based on the rate of silting, the reservoirs should probably be dredged every 10 to 12 years. Reservoir dredging has to be planned well in advance to allow time to secure the necessary permits and to schedule those activities considering weather, water usage, and fish impacts. To begin building a reserve for *Reservoir Dredging*, \$100,000 has been earmarked for that purpose in the Capital Improvement Fund (510) budget. In addition to the proposed water rate increase, water rates will probably have to be adjusted again in the near future to end such subsidies and enable the water utility to become self sufficient. Continuing to rely on utility system subsidies from other Funds in order to avoid rate increases is very inadvisable. As happened in prior years, that can lead to significantly negative impacts on those departments which do not have any dedicated revenue resources such as Police, Parks & Recreation, and Planning.

In accordance with the City Charter, and as was required in 2006, any water rate increase will require voter approval. The most appropriate time to vote on a water rate increase may be at the November 4, 2014, election. (The deadline for filing a referral measure with the County elections official is August 15, 2014.) That would mean the rate increase would take place during the winter, which is the time of year when water use and corresponding bills are generally at the lowest point. This would also provide sufficient time for the City Council and Water Resource Committee to undertake a program to educate and inform the electorate regarding the need for a water rate increase. The major problem with this election date is that Implementing a rate increase half way through the fiscal year is only projected to generate half of the annual revenue needed. The amount of the

recommended rate increase is based on revenue and expenditure projections made in March for the upcoming fiscal year which begins on July 1st. Once staff has a more accurate figure for the beginning fund balances at the beginning of the upcoming fiscal year, a final recommendation will be brought before the City Council. City staff will continue to monitor the Water Fund balances to determine whether any adjustments to the proposed expenditures are necessary.

In the event the recommended rate increase is not adopted or does not generate sufficient funds, a number of proposed expenditures and capital improvement projects should be put on hold unless and until Water Fund balances are deemed sufficient to fund their implementation. The items that could be eliminated or postponed are marked with an asterisk (*) in the proposed budget. In the event subsidies are needed, a small amount (\$42,000) has been included in the General Fund (100) which could be used.

To provide the basis for properly allocating water rates and charges among the various residential, commercial, industrial, and agricultural customer classifications, the proposed budget includes \$10,000 for a water system *Cost of Service Study**. This would show whether individual rate adjustments to various customer classes would be more equitable and appropriate than equal across the board percentage increases. Since it would be prepared by an independent agency or contractor, the data from such a study may also assist the City in educating the public regarding the issue of utility rate increases.

As recommended in the fiscal year 2013-2014 Budget Message, the Water Resource Committee was re-activated this year and has accepted the responsibility for examining the issue of water and sewer rate increases. It is anticipated that the Committee will report to the City Council regarding the matter of reducing water and sewer system expenses and/or increasing rates. 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. That would allow the City to undertake more frequent smaller increases as opposed to fewer, larger ones. Success in this endeavor would require an extensive educational campaign, which could be led by the Water Resource Committee.

In 2006, Bandon voters approved a general obligation bond for installing a new clarifier and ultra-violet disinfection system at the water treatment plant. At the time, the City agreed that if the voters approved a property tax financed bond in the amount of \$590,000, the City would utilize its Water SDC's to pay balance of the project costs. At the time, significant subdivisions and development was taking place, and it was anticipated that Water SDC funds would continue to grow and provide sufficient funds to repay that debt. However, with the economic slowdown in 2008, SDC revenues also slowed, and the City has not yet repaid that debt. For several years the City has been carrying a reserve balance in the Water SDC Improvement Fund (721) which had been tentatively earmarked for "Future Water Supply" and intended to provide part of the funding necessary for City participation in the Bandon Cranberry Water Control District's Johnson Creek Reservoir project. It now appears that the project will not proceed, so it would be an excellent time to utilize those reserves to repay the debt the City owes for the clarifier and ultra-violet disinfection system

improvements. Therefore, \$663,880 has been included in the Water SDC Improvement Fund to completely pay the remaining principal and interest balance owed by the City on that loan. This will completely retire that debt.

Proposed Water Department CAPITAL expenditures include the following:

• <i>Madison Avenue Mainline Loop</i>	\$ 133,000
• <i>Mapping Software Upgrades</i>	\$ 8,334*
• <i>Meters</i>	\$ 20,000
• <i>Service Lines Misc</i>	\$ 15,000
• <i>Water Plant Surge Protection</i>	\$ 10,000*
• <i>iPad with SCADA Software</i>	\$ 5,000*
• <i>Fire Hydrant Replacement</i>	\$ 5,000
• <i>Chlorine System Replacement</i>	\$ 10,000*
• <i>2 Seismic Operated Emergency Shut off Valves</i>	\$ 100,000
• <i>Replace Ohio Avenue South Water Line (Reserve)</i>	\$ 20,000*
• <i>Misc. Capital Improvement Projects</i>	\$ 15,000*
• <i>New City Shop - (SDC Share)</i>	\$ 75,000
• <i>Misc. SDC Water Projects - (Reserve)</i>	\$ 108,554
• <i>Water Reservoir Dredging (Reserve)</i>	\$ 100,000

* Capital projects that could be eliminated if sufficient funds are not available.

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 Sewer Department budget is \$3,198,850, which is \$56,904 (1.7%) less than last year. With the continuing level of slow growth, sewer revenues are projected to remain relatively flat, as they have been for the last several years, unless sewer rates are increased as recommended.

50% of the water and wastewater treatment plant employee costs, 20% of the Public Works employee costs, and 25% of the Public Works Office Manager costs are allocated to the Sewer Department. 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.

No sewer rate increase was proposed last year, but a 13.2% rate increase has been included in the proposed fiscal year 2014-2015 budget to ensure sufficient funds to continue properly operating, maintaining, and improving the sewer system. This would represent an additional \$4.50 per month (from \$34.00 to \$38.50), plus 10% tax, for the average inside-City residential customer using 5,000 gallons of water. The rates for all other customer classifications would be adjusted proportionately. Outside-City rates are

higher, although the 10% tax is not applied. The last sewer rate increase was a 6% increase in 2011, which was an increase of \$1.92 per month (from \$32.08 to \$34.00), plus 10% tax, for that same inside-City residential customer.

The recommended rate increase is projected to provide sufficient funds for operating and maintaining the sewer system for another year, and includes funds for enough capital and major maintenance projects that should allow the City to at begin building additional reserves for future capital and major maintenance projects.the following year. Like the proposed water rate increase, an effort was also made to keep the sewer rate increase less than \$5.00 per month for the average household user.

In accordance with the City Charter, any sewer rate increase will require voter approval. Until this year, the City Council had authority to set sewer rates in accordance with bond covenants which were attached to financing agreements that pre-existed the City Charter amendments restricting the City Council's rate-setting authority. Those covenants required the City to maintain sewer rates at a level which would ensure proper operation and maintenance of the sewer system and enable the City to meet its debt service obligations. Those bonds have now been repaid in full, so the prior covenants no longer apply. The most appropriate time to vote on a sewer rate increase may be at the November 4, 2014, election. (The deadline for filing a referral measure with the County elections official is August 15, 2014.) That would mean the rate increase would take place during the winter, which is the time of year when water use and corresponding sewer bills are generally at the lowest point. This would also provide sufficient time for the City Council and Water Resource Committee to undertake a program to educate and inform the electorate regarding the need for a sewer rate increase. The major problem with this election date is that implementing a rate increase half way through the fiscal year is only projected to generate half of the annual revenue needed. The amount of the recommended rate increase is based on revenue and expenditure projections made in March for the upcoming fiscal year which begins on July 1st. Once staff has a more accurate figure for the beginning fund balances at the beginning of the upcoming fiscal year, a final recommendation will be brought before the City Council. City staff will continue to monitor the Sewer Fund balances to determine whether any adjustments to the proposed expenditures are necessary.

In the event the recommended rate increase is not adopted or does not generate sufficient funds, a number of proposed expenditures and capital improvement projects should be put on hold unless and until Sewer Fund balances are deemed sufficient to fund their implementation. The items that could be eliminated or postponed are marked with an asterisk (*) in the proposed budget. In the event subsidies are needed, a small amount (\$42,000) has been included in the General Fund (100) which could be used.

To provide the basis for properly allocating sewer rates and charges among the various residential, commercial, industrial, and agricultural customer classifications, the proposed budget includes \$10,000 for a sewer system *Cost of Service Study**. This would show whether individual rate adjustments to various customer classes would be more equitable and appropriate than equal across the board percentage increases. Since it would be

prepared by an independent agency or contractor, the data from such a study may also assist the City in educating the public regarding the issue of utility rate increases.

As recommended in the fiscal year 2013-2014 Budget Message, the Water Resource Committee was re-activated this year and has accepted the responsibility for examining the issue of water and sewer rate increases. It is anticipated that the Committee will report to the City Council regarding the matter of reducing water and sewer system expenses and/or increasing rates. 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. That would allow the City to undertake more frequent smaller increases as opposed to fewer, larger ones. Success in this endeavor would require an extensive educational campaign, which could be led by the Water Resource Committee.

Proposed Sewer Department CAPITAL expenditures include the following:

•	<i>I & I - Mainline - 11th St SW @ Harrison Ave</i>	\$ 120,757
•	" " " " " "	\$ 98,743*
•	<i>Mapping Software Upgrade</i>	\$ 8,332*
•	<i>WWTP Dewatering & North Ave. Pump Station</i>	\$2,000,000
•	<i>WWTP Debt Service Reserve</i>	\$ 70,000*
•	<i>Misc. Equipment</i>	\$ 40,000*
•	<i>Misc. Mainline (Reserve)</i>	\$ 40,000*
•	<i>Misc. SDC Capital Projects (Reserve)</i>	\$ 117,997

* Capital projects that could be eliminated if sufficient funds are not available.

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 \$139,354 in *NON-DEPARTMENTAL EXPENDITURES*, including a \$10,000 reserve for *Insurance Liability Risk Share* to pay a higher deductible which reduces the City's liability insurance premium; \$25,000 for *Other* unanticipated minor expenses; \$42,000 which could be transferred to one or more of the utility funds as *Utility System Subsidies* in the event the recommended utility rate increases are not made or revenues are insufficient to provide adequate funds to properly operate, maintain, and improve those utility systems; an \$8,000 line item to expense unanticipated *Miscellaneous Grants* (which is offset by an identical Revenue line item); a \$40,000 *Transfer* into the State Street Tax Fund (210) to cover shortfalls in the Street Department Budget; and \$14,354 in *Contingencies*.

State Revenue Sharing Fund (260)

State Revenue Sharing money is a share of the Oregon liquor revenues which is annually distributed by the State to municipalities. The total proposed State Revenue Sharing Fund (260) budget is \$31,363, which is \$4,843 (18.3%) more than last year.

Unlike most municipalities, the City of Bandon has for the last several years not been utilizing its State Revenue Sharing funds for general operating purposes, but has instead annually contributed most of these funds to various local community service organizations. In addition to the prior requests, the City has received a number of new requests as well as some requests for additional funding from the previously funded organizations. Several years ago, to make sure as many organizations as possible could benefit from this money, the Budget Committee and City Council set the maximum contribution level at \$3,500 for any one organization and also decided that no additional organizations would be added. Since both of those decisions were made by a motion they are not binding, the Budget Committee or City Council could re-determine the maximum amount or could decide to add other organizations. As required by the State as condition for receiving State Revenue Sharing funds, the City will hold a public hearing before the Budget Committee on April 21, 2014 to solicit recommendations regarding how those funds should be allocated. All requests from outside organizations will be reviewed, and a recommendation made, at that hearing. The list of requesting organizations and the amount requested has continued to grow to the point where the total request far exceeds the \$25,025 which is projected to be available for *Contributions to Organizations* in fiscal year 2014-2015.

<u>Organization</u>	FY 2013-2014 Actual	FY 2014-2015 Request
• <i>Retired Senior Volunteer Program (RSVP)</i>	\$ 1,000	\$ 1,000
• <i>Bandon Community Youth Center</i>	\$ 3,500	\$ 3,500
• <i>Coos County Area Transit - Bandon Dial-A-Ride</i>	\$ 3,500	\$ 3,500
• <i>Belloni Ranch Shelter Care</i>	\$ 0	\$ 700
• <i>Women's Safety & Resource Center</i>	\$ 525	\$ 650
• <i>EAT (Everyone At the Table) Meals Program</i>	\$ 1,000	\$ 1,200
• <i>Bandon Historical Society</i>	\$ 3,500	\$ 3,500
• <i>Bandon Lion's Club - 4th of July Celebration</i>	\$ 1,000	\$ 1,000
• <i>Neighbor to Neighbor Dispute Resolution Service</i>	\$ 500	\$ 680
• <i>Bandon Senior Nutrition Program</i>	\$ 3,500	\$ 3,500
• <i>BRAVO (Bandon Readers & Volunteers Org.)</i>	\$ 2,000	\$ 2,500
• <i>Greater Bandon Association (Main Street)</i>	\$ 2,500	\$ 2,500
• <i>Go Native Project - Bandon High School</i>	\$ 2,500	\$ 3,500
• <i>Washed Ashore</i>	\$ 0	\$ 3,500
• <i>BandonPrepares (Emergency Preparedness)</i>	\$ 0	\$ 1,500
• <i>Coastal Harvest (Food Distribution)</i>	\$ 0	\$ 2,500
TOTAL:	\$25,025	\$35,230

\$6,338 is allocated for *Other* expenses. This amount is intended to provide a backup resource in case the actual State Revenue Sharing receipts are less than anticipated. This is important also because it could provide a beginning balance for next fiscal year like it did this year, which allows the annual allocations to organizations to exceed the amount actually projected to be received in any one year. It also serves as a cash flow buffer since many of the organizations request their annual allocation prior to the City actually receiving the funds from the State.

Block Grant Fund (410)

The total proposed Block Grant Fund (410) budget is \$221,888, which is \$31,601 (16.6%) 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 \$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 these payments, a sizeable 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.

Other budgeted items include \$100,000 for unspecified *Capital Improvements*, \$5,000 for *Legal Cost* (associated with preparing loan documents), \$6,888 for *Consulting Services*, and \$50,000 for unspecified *Other* expenses.

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.

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. Last fiscal year, the City deposited 10% of the utility tax receipts into the Capital Improvement Fund and 1% into the Equipment Reserve Fund, with 89% deposited into the General Fund. In the proposed fiscal year 2014-2015 budget, 15% of those receipts will be deposited into the Capital Improvement Fund, and 15% will be deposited into the Equipment Reserve Fund, with the remaining 70% deposited into the General Fund.

The total proposed Capital Improvement Fund (510) budget is \$1,469,072, which is \$246,372 (20.1%) more than last year. This increase is primarily attributable to a higher *Beginning Fund Balance* and the corresponding increase in capital projects and reserves.

Proposed CAPITAL expenditures include the following:

- *Major Equipment - Backhoe/Sweeper (Reserve)* \$ 170,000
- *Water Reservoir Dredging (Reserve)* \$ 100,000
- *Miscellaneous Capital Projects (Reserve)* \$ 353,644 *
- *Land Purchase (Receipts from Prior Sales)* \$ 94,428 **
- *New City Shop (Share)* \$ 450,000
- *Parks & Park Grant Matches* \$ 100,000
- *Grants (Misc. Grants Revenue/Expenditure Offset)* \$ 200,000

* Based on actual bids received on 3/20/14, a significant amount of these reserves may have to be used for the *New City Shop* construction.

** The *Land Purchase Reserve* is significantly less than last year, reflecting the \$140,000 purchase of 2.2 acres south of the new City Shop site for recyclable materials storage which was made in early 2014.

The total proposed Equipment Reserve Fund (520) budget is \$86,293, which is \$9,160 (11.9%) more than last year. This increase is primarily attributable to the City's ability to deposit a higher percentage of the utility tax money into this Fund.

Proposed CAPITAL expenditures include the following:

- *Police Vehicle Purchase* \$ 33,000
- *Miscellaneous Other Purchases (Reserve)* \$ 53,293

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 will be making payments on 8 existing bonds and loans. This is one less than last year, reflecting the repayment of an electric utility bond. Once all of fiscal year 2013-2014 payments have been made, the outstanding principal balance on the City's total debt as of July 1, 2014 will be \$4,518,631, which is \$461,964 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, 2014.

Fund (Prior)	Type of Financing	Purpose	FY 2013-14 Payment	Final Year	07/01/14 Balance
365 (343)	2000 RD Water GO Bond	New Water Plant	\$ 48,363	2040	\$2,560,634
365 (344)	2000 SDWA GO Bond	New Water Plant	\$ 28,029	2020	\$ 194,158
365 (375)	2006 Water GO Bond	Clarifier & UV	\$ 24,345	2034	\$ 805,158
910 (370)	1994 Electric Rev Bond	2-Mile Substation	\$ 75,000	2014	\$ 0
940 (380)	2006 Airport Utility Loan	Water	\$ 20,590	2030	\$ 384,664
633	2000 Street & Sewer LID	Local Imp. District	\$ 2,645	2023	\$ 28,117
634	2001 Bandon Ave LID	Local Imp. District	\$ 553	2017	\$ 10,302
635	2004 Hwy 101 Sewer LID	Local Imp. District	\$ 11,819	2034	\$ 455,903
636	2012 12 th Court LID	Local Imp. District	\$ 4,498	2041	\$ 79,695
TOTALS			\$ 215,842		\$4,518,631

CONCLUSIONS AND FUTURE OUTLOOK

Based on the revenue and expenditure projections in the proposed fiscal year 2014-2015 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 continue to be ensuring the ongoing 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. This is illustrated in the 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 negative impact of the economic slowdown can also be seen in the system development charge (SDC) revenues, which had been the mainstay of providing water and sewer reserves. The proposed fiscal year 2014-2015 budget projects relatively flat electric, water, and sewer utility sales, although the gap between revenues and increased costs will be closed, at least in the short term, by implementing the recommended utility rate increases.

As previously indicated, 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. That would allow the City to undertake more frequent smaller increases as opposed to fewer, larger ones. Success in this endeavor, however, would require an extensive educational campaign, which could be led by the Water Resource Committee.

It should also be noted that any increases in water, sewer, or electric rates will generate additional revenues from the 10% tax added to all inside-City utility sales. At the current allocation rates, 70% of those revenues are deposited into the General Fund, 15% into the Capital Improvement Fund, and 15% into the Equipment Reserve Fund. The City also charges an in-lieu franchise fee/property tax of 6% of the water, sewer, and electric utility sales. These in-lieu funds are deposited into the General Fund.

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 combined receipts from property taxes, utility taxes, and transient occupancy taxes. 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 or other equipment purchases which are now funded by the Equipment Reserve Fund.

A proposed police levy was placed on the ballots in 2009 and 2010, but they were soundly defeated by the voters. As a result of budget limitations, the City has only been able to maintain a force of six uniformed officers, which is one officer less than the City had at one time. The City has done its best to provide 24-hour police protection as much of the time as possible. However, 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 further reduction in the number of uniformed police officers and further 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 has been 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 economy.

Streets, Drainage, and Pedestrian Facilities

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

State Tax Street Fund receipts have remained fairly consistent for the last several years, although costs have continued to rise. It has now reached the point where those funds are insufficient to even cover the Street Department labor costs, so the proposed fiscal year 2014-2015 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.

The largest single, dependable 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 that tax was extended again by the voters for 10 years until 2021 which 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. Another resource for capital projects is the street and drainage SDC's, although those balances continue decline and are not being replenished due to slow building activity, and the use of those funds is also restricted to certain capital improvement projects.

By careful budgeting of all of these resources, it does appear 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 the balance of its money from a 6% fee assessed against some subdivisions in lieu of park land dedication several years ago. With the discontinuance of the Capital Improvement Fund transfer over the last two years, with police protection utilizing an ever increasing portion of the General Fund, and with no new subdivisions taking place or planned, there are very few resources for the development and maintenance of parks and recreation facilities.

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 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 Urban Renewal 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)

System Development Charges (SDC's) have served as the primary funding source for a large number of capital improvement and system expansion projects for many years. The use of SDC's is restricted to projects specified in the SDC Plan and for capital projects associated with capacity building to meet the demands placed on the street, drainage, water, and sewer systems by future growth, so they cannot be used for ongoing operating expenses.

Several capital improvement projects utilizing SDC's have been included in the proposed fiscal year 2014-2015 budget. 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. With the overall downturn in the national, state, and local economies, together with the slowdown in the housing market, SDC revenues from new construction have dropped significantly. Although some revenues continue to be received from SDC payment agreements for previously completed projects, SDC revenues are projected to continue dropping, particularly once those prior assessments have been paid. SDC revenues and corresponding fund balances will not pick up significantly until the economy improves and construction activity picks up.