

**CITY OF NORTH BEND BUDGET MESSAGE
FY 2010-2011**

To the Honorable Mayor Rick Wetherell, members of the City Council, citizen members of the Budget Committee and the community of North Bend, Oregon. As your budget officer, it is my pleasure to present for your consideration a balanced budget for the fiscal year 2010-2011. Many staff hours go into preparing the budget and we make every attempt to use the best information available to predict revenues and expenditures for the coming fiscal year. Our sources for projecting revenues include the League of Oregon Cities for Cigarette, Liquor, and State Gas Tax Funds; we review trends in franchise fees, state revenues, contracts and other revenues; and property tax information is provided by the Coos County Assessor's Office.

The proposed City of North Bend annual budget for fiscal year 2010-2011 has been prepared pursuant to Oregon Local Budget Law. This budget message also complies with Oregon Budget Law.

Following is a brief description of some of the major funds within the city's operating budget. The GENERAL FUND revenues come from property taxes, franchise fees, licenses, intergovernmental agreements such as the Coquille Indian Tribe annual payment, Coos County Airport District for fire and police services, grants and other sources that fund police, fire, parks, pool, planning, engineering, finance and administration. The STATE GAS FUND funds the Street Department operations including personal services and materials for minor maintenance of streets; the LIBRARY FUND funds the library operations and is part of a library cooperative service district with a separate tax revenue source. The WASTEWATER FUND funds wastewater operations including personal services, materials & services and equipment; continual upgrades to the treatment plant, 11 pump stations and all sewer lines throughout the city. TRANSIENT ROOM TAX FUND funds the operation of the information center and the room tax funds are used to promote the Bay Area with a portion of the tax provided to the Coos Bay North Bend Visitor and Conventions Bureau. As will be explained later, revenues in the Transient Room Tax Fund have declined. The city's STORM WATER FUND enables the city to maintain the city's storm water infrastructure, catch basins and outfall lines. During FY 2009-2010 the city made repairs in several areas of the city. Staff is planning for additional storm water projects in the coming fiscal year.

REVENUES

City staff has budgeted to receive grants as follows:

List of Grants being applied for in FY 2010-2011					
<u>Granting Agency</u>	<u>Purpose of Grant</u>	<u>Amount</u>	<u>Fund</u>		
Oregon Bureau of Justice	Bulletproof Vest Program	\$1,250	GF		
OR Dept. of Agriculture	Noxious Weed Removal	\$15,000	GF		
OR Assn Chiefs of Police	Police Safety Belt Grant	\$4,000	GF		
Dept of Land Conserv & Devel	OR Coastal Mgmt Planning Grant	\$10,000	GF		
OR State Marine Board	MAP Funds	\$3,300	GF		
Commun Dev Blk Grant	Unidentified Project	\$400,000	GF		
Misc Grants	Undetermined	\$5,000	GF		
US Dept of Homeland Security	Homeland Security Grant (Police)	\$70,000	GF		
Federal Government	Pedestrian Safety Grant	\$3,180	GF		
Misc Grants	Swimming Pool Improvement	\$100,000	Swim Pool Improve		
OR Community Foundation	Technology Grant	\$10,000	Library Donation		
Misc Grants	Unidentified	\$5,000	Library Donation		
Assistance to Firefighters	Fire Apparatus & Roof Upgrade	\$580,000	Fire Equipment		
Dept of Land Conserv & Devel	Hamilton Trail	\$45,000	Footpath & Bike Trails		
Misc Grants	Parks Improvement	\$40,000	Parks Improvement		
		\$1,291,730			

General Fund – General fund budgeted revenues of \$8,098,003 are up from the revenues anticipated in the current fiscal year, FY 2009-2010 \$7,852,553 compared to the funds actually received in FY 2008-2009 (\$7,469,649). The actual property taxes received in 2008-2009 amounted to \$3,115,636, the FY 2009-2010 budget for property taxes is \$3,066,543 and the proposed budget for taxes expected to be received in FY 2010-2011 is \$3,275,806. The tax figures used to prepare the budget document are provided to the city by the Coos County Assessor’s Office and the most recent assessed valuation information on which taxes are based was provided on April 12, 2010. During past years, the city has received general fund taxes in excess of the amounts budgeted. However, we remain cautiously optimistic since a tax shortfall will result in a reduction of expenditures in the general fund.

State Gas Fund – The State Gas Fund budget projects an increase in revenue for 2010-2011 due to legislative action in the 2009 session. Still, there is very little revenue for capital acquisition and no State Gas Fund revenue is available for capital construction of streets. The city does continue to receive in Fund 06 Surface Transportation Program revenue which is used to complete at least one street project every year or so. The FY 2010-2011 budget includes an amount of \$200,000 from a local revenue source for street improvements. The amount is in the budget in the event the city makes a decision to create a new revenue source. However, pursuant to the 2009 legislative action, no local gas tax ordinances can be approved by cities until after the year 2014.

Equipment and Construction Fund – For FY 2010-2011, the Equipment and Construction Fund budget includes a revenue transfer from the general fund in the amount of \$370,000 which will enable the city to purchase public safety vehicles and add a substantial amount of revenue to the city’s equipment reserve fund. Often, municipalities experience unforeseen shortfalls in revenues from budget year to budget year. During years when there is apparent surplus revenue it is advisable to place the excess revenue in capital reserves so that adequate revenue is available for the replacement of public safety vehicles and other equipment. The City must maintain its public safety fleet at safe levels and every attempt is made to replace two vehicles per year. Following is a list of public safety vehicles including year and mileage (it should be noted that the city intends to dispose of Vehicle No. 17 and one canine vehicle, which is a jeep, in FY 2009-2010):

Police Department Vehicles:

<i>VEHICLE#</i>	<i>ASSIGNED TO</i>	<i>VEHICLE YEAR</i>	<i>VEHICLE MAKE</i>	<i>VEHICLE MODEL</i>	<i>VEHICLE VIN#</i>	<i>VEHICLE LIC#</i>	<i>Mileage</i>
20	Reserves	1998	FORD	CROWN VIC	2FAFP71W7WX139091	E197227	133,427
15	Volunteers	2000	FORD	CROWN VICTORIA	2FAFP71W7YX146528	E213707	127,996
8	Detective	2004	FORD	TAURUS SES	1FAFP5JV046114436	713DSD	56,745
18	Patrol K-9	2005	FORD	CROWN VIC	2FAFP71W25X103131	E208770	98,179
17	Patrol	2005	FORD	CROWN VIC	2FAFP71W45X103132	E218404	127,137
3	Patrol	2006	FORD	CROWN VIC	2FAFP71W06X148456	E234882	90,536
2	Patrol SGT	2006	FORD	CROWN VIC	2FAFP71W96X148455	E234883	90,855
6	Captain	2006	FORD	TAURUS	1FAFP53V66A151841	934 DAG	39,468
5	Chief	2007	FORD	TAURUS SEL	1FARP56V67A126838	714DSD	44,358
1	Patrol SGT	2007	FORD	CROWN VIC	2FAFP71WX7X150300	E239720	57,759

Fire Department Vehicles

		North Bend Fire & Rescue Vehicles									
Type of Unit		Number	Year	Make	Mileage	Hours	Fuel Type				
Command	Vehicle	8301	1999	Ford	85,100		Gas	Fair			
Command	Vehicle	8302	1999	Ford	71,506		Gas	Fair			
Command	Vehicle	8303		Chev	141,109		Gas	Poor			
Engine	Pumper	8304	1989	Grumman	74,358	6096	Diesel	Fair			
Engine	Pumper	8305	2001	Spartan	32,631	2232	Diesel	Excellent			
Engine	Pumper	8306	2004	KME	13,746	2175	Diesel	Excellent			
Engine	ARFF	8307	1984	Ameritec	15,700	2355	Diesel	Good			
Staff Unit	Utility	8308	1995	Ford	29,768		Gas	Fair			
Truck	Ladder	8310	1995	Ferrara	18,836	2245	Diesel	Excellent			
Staff Unit	Utility	8311	1992	Ford	81,969		Diesel	Poor			
Engine	Wildland	8314	1987	Ford	36,001		Gas	Good			
Boat	Fire Boat	8355	1984	MK-1		600	Diesel	Good			

The Equipment and Construction Fund also shows budgeted revenues from the Oregon Department of Transportation Surface Transportation Program (exchange program) of \$184,000. As reported previously, this revenue is federal money which is available to the city through ODOT's exchange program. The city must expend the revenue on street improvement projects and the exchange rate is 94 cents on the dollar. The budgeted number of \$184,000 (amount after the exchange) includes the 2010 and 2011 exchange revenue which will be accessed through an intergovernmental agreement with ODOT. It is anticipated that in FY 2010-2011, the city will use these accumulated revenues to upgrade California Street between Hamilton and Monroe Streets and select one additional small scale street improvement project.

Building Program Fund – We have seen a slight improvement in new development in the City of North Bend over the past 12 months. Three new residential permits were issued for single family dwellings between January 2009 and March 2010. Two additional permits were issued for manufactured home dwellings. The city issued one permit for a commercial structure. The city anticipates the receipt of approximately \$45,000 in fees for the current fiscal year. Although we have budgeted \$100,000 in permit fees for 2010-2011 as a place holder, unless there is an economic change that drives new residential construction and/or commercial development the permit fees will be down again this coming fiscal year.

Improvement Revolving Fund – The city continues to carry budgeted funds in the Improvement Revolving Fund (also known as the LID fund). This revenue could be made available for a city street improvement project on an assessment basis. The city will have approximately \$319,500 for a street improvement project using the LID fund. Several unimproved city streets have been paved using the LID fund and the city hopes to form a street improvement partnership with a group of property owners in 2010-2011.

Transient Room Fund – As stated earlier, the Transient Room Fund revenues have declined drastically. The drop in revenue is a result of the Coquille Indian Tribe's decision to collect a 7% room tax on their own behalf for the casino hotel (property held in trust), which the tribe has claimed is their right as a sovereign nation. The issue of whether or not the Coquille Indian Tribe could collect a tax and not abide by the city's room tax ordinance was resolved in a mediation proceeding during FY 2009-2010. The result of the mediation was that the Coquille Tribe is not obligated to collect and pay the tax collected on hotel rents to the city, therefore, no transient room tax was paid to the City of North Bend by the Coquille Indian Tribe during FY 2009-2010 for the hotel. Further, no revenue from the Coquille Indian Tribe for the hotel is budgeted to be received in the Transient Room Tax Fund for FY 2010-2011. The Coquille Indian Tribe will continue to pay the tax on the RVpark because that property is not in trust. In 2008-2009, the city received \$306,630 in room tax; the city budgeted room tax in the amount of \$255,600 in 2009-2010 and has budgeted a mere \$62,000 for room tax in 2010-2011. Community promotions and visitor center operations will continue during Fiscal Year 2010-2011 due to a combination of cash carryover and new room tax receipts from existing hoteliers. Since sufficient revenue to operate the information center is not projected to be received during 2011-2012 discussions concerning the operation of the North Bend Information Center will take place during the coming fiscal year.

Swim Pool Improvement Fund –The Save our Pool Committee has expressed interest in continuing to raise revenue for the final phase of the pool expansion which includes a physical therapy pool, exercise area and addition of a party room. However, due to economic conditions efforts have been limited until foundations and grant agencies have recovered from investment losses. Having said that, we did budget for a grant/donation in FY 2010-2011. There are funds budgeted for miscellaneous repairs and upgrades at the pool.

Wastewater Fund – As in prior years, the Wastewater Fund includes a transfer of user fees in the amount of \$500,000 to the city's wastewater capital reserves fund in order to maintain the city's wastewater infrastructure. Each year, staff plans for major sewer line replacements and upgrades to the system.

Fire Equipment Fund – The city has budgeted to receive a Federal Assistance to Firefighter's grant for 2010-2011 with a match of 5%. At this time staff is interested in seeking a facilities grant to upgrade and replace the roof at the main fire station. During Fiscal Year 2009-2010 a grant was awarded and has been used to purchase a heavy duty washer/dryer for turnouts and diesel filters for fire apparatus. The city received notice that an applied for Assistance to Firefighters' grant for a fire engine was not awarded. A grant application for an engine will be submitted during FY 2010-2011.

Footpath and Bike Trails Fund – The city is interested in developing the Hamilton Trail and over the past few years has submitted grant applications for its construction. Staff will submit a grant during FY 2010-2011 in the amount of \$45,000 for the development of the Hamilton Trail. The budget includes a match of 50%, however, the local requirement could be less depending on the grant program.

Parks Improvement Fund – The city has budgeted \$40,000 in the Parks Improvement Fund for the receipt of a grant. During Fiscal Year 2008-2009, city staff worked with the Ford Leadership Group to accomplish several tasks associated with the College Park improvement project. The remaining project for the park is the creation of off street parking. It is hoped that the city will receive a grant for the off street parking lot in FY 2010-2011. Currently there is approximately \$18,000 in the Parks Improvement Fund.

Technical Equipment Reserve – This fund is used to upgrade the city's financial computer system. With the adoption of the FY 2010-2011 budget, the city will have set aside approximately \$50,000 for future upgrades.

Community Center – General Obligation Bonds - The debt was paid in full in December 2009. There is a small amount of revenue in the fund which will be transferred to the debt service fund. The revenue is derived from back taxes paid to the city.

Capital Projects– Fund 26 – Each fiscal year, the city budgets for new revenue as the result of a property sale. Although the

city does have some property that could be sold, it is not likely that any sales will occur in 2010-2011. Nevertheless, the budget shows revenue from a sale in the amount of \$200,000. Fund 26 also proposes revenue from a loan in the amount of \$700,000. The amount shown for loan proceeds is contingent upon the city deciding to borrow at a low interest rate to replace roofs on city owned buildings. A transfer from the general fund to Fund 26 is proposed in the amount of \$200,000.

VALUE AND TOTAL BUDGET

According to the Coos County Assessor's Office, the City of North Bend's estimated tax assessed valuation, reported to staff on April 12, 2010 is \$611,879,621. According to the Coos County Assessor, the city's tax assessed valuation in 2009-2010 totaled \$573,170,964, which is a difference of \$38,708,657. North Bend's fixed tax rate is \$6.1831 per thousand assessed valuation. After deducting 10% for uncollectible taxes, the FY 2010-2011 budget projects \$3,275,806 in taxes to the general fund. The proposed FY 2010-2011 budget for the general fund, which includes taxes and other sources of income, is \$8,098,003. Budget recommendations for all funds total \$22,406,830. Of that amount, \$1,025,017 is revenue that passes through the city's budget. Pass through revenue includes Coos Bay North Bend Water Board, Coos County Airport District loan or is revenue transferred within funds, and includes revenue from a separate taxing district such as the Library Fund. The City of North Bend general government per capita cost is approximately \$729.

Salaries paid from more than one source are detailed in the budget document. It should be noted that the FY 2010-2011 budget will show a few changes in salary distribution. The Community Development Director's position has been moved from the City Administrator's budget (01-03) to the Public Works Budget (01-12) which are both general fund departments. Additionally, because revenue in the Transient Room Tax Fund has been sharply reduced, costs of administering the fund have been removed from the budget. A percentage of the salaries for parks employees, finance and administration are no longer charged to the Transient Room Tax fund. What is shown as personal services includes one full time and one part time employee both of whom work in the North Bend Information Center.

The budget includes contracted salary adjustments for the city's street department union, fire union and police department union. As is tradition, an amount has been placed in the budget for cost of living increases equal to 2.7% (CPI-U) for non-represented employees. Other than increases for contracted salary adjustments, salaries basically remained flat in 2009-2010.

Staff anticipates that liability insurance will remain flat as compared to the current year budgeted premiums. The city received notice that the Board of Trustees for City County Insurance Services awarded a credit to cities to begin in FY 2010-2011. The city has chosen to spread the credit of \$82,615 over three fiscal years. The credit is distributed throughout the budget. Health insurance has been budgeted at an 8% increase for Blue Cross/Blue Shield and for Teamsters Trust Insurance the budget proposes a 15% increase although notification of premium changes is not given until December of each

calendar year. Workers' Compensation insurance varies depending on classification and for the most part will increase just slightly. We have budgeted 16.05% for PERS costs for Tier 1 and Tier 2 employees and 12.54% for OPSRP general service employees and 15.25% for public safety OPSRP employees. A portion of the PERS cost is shown in each department's personal services budget. This budget document includes a transfer from the general fund to the PERS reserve fund which will bring the reserve amount to approximately \$346,649. It is anticipated that PERS costs will rise in FY 2011-2012 and the reserves would be available to pay employee retirement costs. In addition to PERS employee/employer costs, the budget includes a \$3.00 per hour contribution to the street department employees who are covered by the Teamster's retirement plan which is equal to 15%. One city employee remains in the Great West retirement plan and the city's contribution to that plan is 21%. It should be noted that the PERS and Great West Retirement plan contributions include the employer's liability and the entire contribution is not credited to individual employee retirement accounts. Also, the city continues to fund the Great West Retirement Plan and will until no employee is drawing retirement from the plan.

The city's proposed unappropriated fund balance continues to be \$725,000. Once established as unappropriated during the upcoming fiscal year, this \$725,000 cannot be expended except in an emergency situation created by civil disturbance or natural disaster. The working capital enables the city to finance operations from the beginning of the fiscal year until after November when property taxes begin to flow in. This budget document has been prepared to include reserves for unanticipated expenditures and/or revenue shortfalls and for capital purchases. The City of North Bend is typically conservative in budgeting revenue and cautious about its spending. As a result the current year working capital amount is higher than was budgeted. This amount is rolled over to FY 2010-2011 and is shown in the contingency fund, the capital fund and the equipment and construction fund. The excess revenue is budgeted in these funds as an extra measure of caution in the event revenues and/or expenditures for 2010-2011 do not come in as projected. For example, during the FY 2009-2010 fiscal year, the city experienced a shortfall of approximately \$600,000 when the Coquille Indian Tribe made the decision to withhold payment of Payment in Lieu of Tax and Room Tax. Had the city not received a portion of that budgeted general fund revenue during FY 2009-2010, layoffs would have occurred and public safety vehicles would not have been replaced. Reserves are meant to sustain city operations during financially difficult times and as such should be treated as a customary rather than occasional part of the budget process. It is my belief that the city is in good financial shape and will be as long as it takes the conservative approach to spending and projecting revenues. It should be comforting to know that the FY 2010-2011 budget allows for normal operations in the city departments because other cities are not faring so well. Development of the annual budget for the City of North Bend is an interesting process and one that I enjoy. I would like to take this opportunity to thank the department heads and North Bend city staff for the cooperation shown as we worked through the budget process. It is the team spirit of our staff, the support of our council and an appreciative community that makes North Bend a great city to serve.

Respectfully submitted,

Jan Willis, Budget Officer