CITY OF NORTH BEND BUDGET MESSAGE
FY 2011-2012

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 2011-2012. City staff has worked well together in estimating operational needs for the next fiscal year. When comparing North Bend to some other governmental entities, we feel fortunate that drastic cuts and employee layoffs are not projected for FY 2011-2012. We continue to spend conservatively, although we are very much aware that the public employee retirement system, health insurance, and general operating costs, particularly fuel, continue to rise. This proposed budget projects higher spending in these categories and others. 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 2011-2012 has been prepared pursuant to Oregon Local 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, 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. The city's STORM WATER FUND enables the city to maintain the city's storm water infrastructure, catch basins and outfall lines. Staff is planning for additional storm water projects in the coming fiscal year.

PROPOSED GRANT REVENUES

City staff has budgeted to receive grants as follows:

Granting Agency	Purpose of Grant	Amount	Fund
OR Dept of Land Conserv & Devel	Oregon Coastal Management Planning Grant	$10,000	General (01)
OR Bureau of Justice	Bulletproof Vest Program	$1,650	General (01)
OR State Marine Board	Maintenance Assistance Program	$3,300	General (01)
CityCounty Insurance Services	ADA Enhancements	$10,000	General (01)
OR Infrastructure Finance Authority	CDBG CDC MEDAL Program Project	$100,000	General (01)
Oregon Asso. Chiefs of Police	Safety Belt Grant	$4,000	General (01)
US Dept of Homeland Security	Homeland Security Grant	$35,000	General (01)
Bicycle Transporation Alliance	Pedestrian Safety Grant	$3,180	General (01)
Unidentified	Swimming Pool Improvement	$100,000	Swim Pool Improv (11)
OR Dept of Environmental Quality	Pony Creek Evaluation Grant	$41,000	Storm Sewer (12)
Meyer Memorial Trust	Heat pump replacement (5)	$85,000	Library Donation (13)
Unidentified	Mobile computer lab	$10,000	Library Donation (13)
FEMA-Assistance to Firefighters	Fire truck and apparatus	$327,750	Fire Equipment (15)
OR Dept of Land Conserv & Devel	Hamilton Trail	$45,000	Footpaths & Bike Trails (17)
Unidentified	Unidentified	$20,000	Parks Improv (21)

General Fund – FY 2011-2012 General Fund budgeted revenues total $7,410,445 which is down from the revenues anticipated to be received in the current fiscal year ($8,698,003). It should be noted that revenue in the amount of $900,000 was budgeted in 2010-2011 as pass through revenue for the Coos Bay North Bend Water Board. Therefore, non Water Board revenue shown in the current year budget totals $7,798,003, which actually makes the difference in revenue approximately $400,000. The actual property taxes received in 2009-2010 amounted to $3,230,464, the FY 2010-2011 budget for property taxes is $3,275,806 and the proposed budget for taxes expected to be received in FY 2011-2012 is $3,332,743. 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 18, 2011.

Franchise fees are expected to decline in FY 2011-2012 as compared to the current fiscal year. Revenue from the school district for pool use has dropped due to swim lessons being cut. Working capital to begin FY 2011-2012 is expected to be less than in prior years due to higher transfers in FY 2010-2011 from the general fund to other funds as well as less revenue being received in FY 2010-2011 when compared to FY 2009-2010. The FY 2010-2011 transfer from the general fund to Fund 06, the Equipment and Construction Fund totaled $370,000 which is $270,000 higher than is proposed for FY 2011-2012. The FY 2010-2011 budget also included a $100,000 general fund transfer to the PERS Fund, but no such transfer is budgeted for FY 2011-2012. The Contingency Fund has dropped from $583,939 in FY 2010-2011 to a proposed $495,781 in FY 2011-2012. The city expects to receive less revenue in cigarette tax and revenue sharing in the coming year, however, revenue from intergovernmental agreements is expected to increase by about $45,000.

<u>State Gas Fund</u> – The State Gas Fund budget projects an increase in revenue for 2011-2012 due to legislative action in the 2009 session. Staff questions whether state gas receipts will be received as budgeted due to the rising cost of fuel which could result in less gas and diesel purchases. 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 2011-2012 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. We continue to budget this $200,000 in the event the city should consider an alternate revenue source although no such alternative has been discussed. The State Gas Fund budget includes funding for 3 street department employees and part-time summer help. A 4th employee retired during FY 2010-2011 and a decision was made not to replace him.

<u>Equipment and Construction Fund</u> – For FY 2011-2012, the Equipment and Construction Fund budget includes a revenue transfer from the general fund in the amount of $100,000, which will add revenue to the city's equipment replacement fund and enable the city to purchase public safety and other vehicles. As stated earlier, the proposed transfer from the general fund in the coming fiscal year is much less than the 2010-2011 transfer. The City must maintain its fleet at safe levels and every attempt is made to replace vehicles each year. It is important to maintain a healthy reserve fund for vehicle replacement. Following is a list of public safety vehicles including year and mileage. Higher mileage vehicles will be disposed of upon purchasing new vehicles. As is evidenced below, it does not take long for police and fire vehicles to accumulate high mileage. The city vehicles receive regular maintenance and are well taken care of. However, because of high usage, public safety vehicles must be rotated out more often than other vehicles in the city's fleet.

Police Department Vehicle Inventory

VEHICLE#	*ASSIGNED TO*	*VEHICLE YEAR*	*VEHICLE MAKE*	*VEHICLE MODEL*	*VEHICLE VIN#*	*VEHICLE LIC#*	*Mileage*
20	Volunteers	1998	FORD	CROWN VIC	2FAFP71W7WX139091	E197227	138,061
8	Detective	2004	FORD	TAURUS SES	1FAFP5JV046114436	713DSD	62,700
18	Patrol K-9	2005	FORD	CROWN VIC	2FAFP71W25X103131	E208770	106,965
3	Patrol	2006	FORD	CROWN VIC	2FAFP71WO6X148456	E234882	112,048
2	Reserves	2006	FORD	CROWN VIC	2FAFP71W96X148455	E234883	107,636
6	Captain	2006	FORD	TAURUS	1FAFP53V66A151841	934 DAG	47,356
7	Chief	2007	FORD	TAURUS SEL	1FARP56V67A126838	714DSD	54,617
1	Patrol SGT	2007	FORD	CROWN VIC	2FAFP71WX7X150300	E239720	79,477
5	Patrol	2010	FORD	CROWN VIC	2FABP7BV6AX132418	E251107	20,756
4	Patrol	2010	FORD	CROWN VIC	2FABP7BV6AX132419	E251106	20,515
9	Patrol	2011	FORD	CROWN VIC	2FABP7BV8BX123822	E251125	5,028

Fire Department Vehicle Inventory

Number	Make	Mileage	Hours	Condition	Year	
8301	Ford exp	1894		New	2011	
8302	Ford pu	74,012		Good	2001	
8303	Ford exp	85,300		Good	2001	
8308	Ford 1 ton	105,106		Poor	1994	
8312	Chevy taho	147,258		Fair	1996	
8304	Gruman eng	75,541	6148	Fair	1989	21 years old
8305	Simon eng	37,327	2827	Good	2001	10 years old
8306	KME eng	14,256	2283	Excel	2004	7 years old
8307	Ameritec eng	15,562	2415	Good	1984	32 years old
8310	Ferrara ladder	19,054	2318	Fair	1995	16 years old
8314	Ford 850	36,158		Good	1987	24 years old

The Equipment and Construction Fund also shows budgeted revenues from the Oregon Department of Transportation Surface Transportation Program (exchange program) of $336,308. As a reminder, 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 $336,308 (amount after the exchange) includes the balance of previously exchanged revenue, the 2011 and the 2012 exchange revenue which will be accessed through an intergovernmental agreement with ODOT. It is anticipated that in FY 2011-2012, the city will use these accumulated revenues to upgrade California Street between Hamilton and Monroe Streets. The city council will likely determine the next street improvement project during the coming year.

<u>Building Program Fund</u> - The city anticipates the receipt of approximately $70,000 in building department fees for the current fiscal year. We have budgeted $50,000 in permit fees for 2011-2012. Due to a drop in revenue and in building activities, the city has reduced the building official to a part-time position and the budget reflects that change.

<u>Improvement Revolving Fund</u> – 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 $320,000 for a street improvement project using the LID fund.

<u>Transient Room Fund</u> – As reported in the previous budget message, the Transient Room Fund revenues have drastically declined. The drop in revenue is a result of the Coquille Indian Tribe's decision to collect a 7% room tax on its own behalf for the casino hotel (property held in trust). The Coquille Indian Tribe continues to pay the tax on the RV Park because that property is not in trust. In FY 2010-2011, the city's Transient Room Fund budget included $62,000 for room tax. The actual receipts are currently anticipated to be $85,000. Community promotions and visitor center operations are expected to continue at current levels during Fiscal Year 2011-2012 with funding from working capital revenue and anticipated room tax receipts. It appears that sufficient revenue will be available to operate the information center through 2012-2013. Funding levels for visitor center operations will drop to inadequate levels beginning 2013-2014 and the city will need to determine a subsidy to the fund if they are to operate status quo. The subsidy could, for example, come from the general fund. Another solution to the insufficient funding levels for year 2013-2014 could be to form a partnership with the North Bend Downtown Association or another organization to provide promotional assistance in exchange for a financial contribution. Most communities have visitor information centers and their services are economically advantageous to the business community. Funding the visitor center will be a policy decision for consideration by the North Bend City Council.

<u>Swim Pool Improvement Fund</u> –There are FY 2011-2012 budgeted funds for miscellaneous repairs and upgrades to the pool building and grounds. Although a considerable amount of upgrades have been accomplished on the 53 year old swimming pool building, there are continual mechanical and building repairs that must be done each year to maintain this important

community asset. Revenue should be budgeted each year in order to maintain a cash flow adequate to meet the pool's maintenance needs.

<u>Fire Equipment Fund</u> – The city has budgeted to receive a Federal Assistance to Firefighter's grant or a grant from another source in 2011-2012. At this time staff is interested in seeking a grant to replace a fire engine and equipment at the main fire station. Staff continues to budget revenue transfers from the general fund to the Fire Equipment Fund to ensure sufficient funding is available in the event a grant opportunity becomes available.

<u>Footpath and Bike Trails Fund –</u> The city is interested in developing the Hamilton Trail and over the past few years has submitted grant applications for its construction. Staff will again submit a grant application during FY 2011-2012 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.

<u>Parks Improvement Fund</u> – The city has budgeted $20,000 in the Parks Improvement Fund for the receipt of a grant. If successful, a park restroom project could be completed.

<u>Technical Equipment Reserve</u> – This fund was used in FY 2010-2011 to upgrade the city's financial computer system. The FY 2011-2012 budget includes a $5,000 transfer from the general fund. It is advisable for the city to continue general fund contributions to this reserve fund for future system upgrades and/or a telephone system replacement.

<u>Capital Projects Fund –</u> Each fiscal year, the city budgets to receive 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 2011-2012. Nevertheless, the budget shows revenue from a sale in the amount of $200,000. The FY 2011-2012 budget shows a transfer from the general fund to Fund 26 in the amount of $200,000. Although no major capital projects are planned at this time, the capital construction fund should be adequately funded to ensure available revenue for both anticipated and unexpected expenses in maintaining the cities buildings.

<u>VALUE AND TOTAL BUDGET</u>

According to the Coos County Assessor's Office, the City of North Bend's estimated tax assessed valuation, reported to staff on April 18, 2011 is $623,808,539. According to the Coos County Assessor, the city's tax assessed valuation in 2010-2011 totaled $609,292,833, which is a difference of $14,515,706. North Bend's fixed tax rate is $6.1831 per thousand assessed valuation. After deducting 10% for uncollectible taxes, the FY 2011-2012 budget projects $3,332,743 in taxes to the general fund. The proposed FY 2011-2012 budget for the general fund, which includes taxes and other sources of income, is

$7,410,445. Budget recommendations for all funds total $26,019,866. Of that amount, $6,244,464 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.

At the time of this writing, the city is in union negotiations and as such COLA increases are not going to be discussed in this budget message. Staff anticipates that liability insurance will drop by 11% and property/auto insurance will remain flat as compared to current year actual 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 and again in 2011-2012. The city has chosen to spread the credit over three fiscal years. The credit is distributed throughout the budget. Health insurance has been budgeted at an increase of 4.5% for Blue Cross/Blue Shield and for Teamsters Trust Insurance the budget proposes an 11% increase. Because notification of Teamster's insurance premium changes is not given until December of each year, the 11% is an estimate. Workers' Compensation insurance varies depending on job classification and will increase approximately 9%. Staff has budgeted 20.15% for PERS costs for Tier 1 and Tier 2 employees and 14.69% for OPSRP general service employees and 17.40% for OPSRP public safety employees. A portion of the PERS cost is shown in each department's personal services budget. PERS costs are budgeted at a higher rate in the upcoming fiscal year and will continue through FY 2012-2013. 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% of wages. 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 do so 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. However, it should be noted that the proposed amount of revenue in the contingency fund and reserves funds is much less than the current fiscal year. The city should continue to spend conservatively and monitor revenues closely.

Respectfully submitted,

Jan Willis, Budget Officer