

**CITY OF NORTH BEND BUDGET MESSAGE**  
**FY 2006-07**

To the Honorable Mayor Rick Wetherell, members of the City Council, citizen members of the Budget Committee and the wonderful citizens of North Bend, Oregon. Following is a brief description of the city's FY 2006-2007 budget. It is amazing how quickly the years have gone. I am pleased to say again this year that North Bend continues to be a stable city providing quality services to its citizens.

The proposed City of North Bend annual budget for fiscal year 2006-2007 has been prepared pursuant to Oregon Local Budget Law and through a cooperative effort by city staff. The budget is designed to provide essential services as well as upgrades and improvements in a variety of areas. North Bend holds a longstanding tradition of maintaining conservative spending practices. For example, we replace vehicles when it is absolutely necessary and it becomes no longer cost effective to maintain them. Usually, a retired police or fire vehicle will be assigned to public works or parks. It is just another way to "stretch the dollar". As with most cities, the areas in the city which require constant attention, are the most costly, and do not have a special funding source, are major street improvement projects and storm water related issues. Most of the city's revenue is spent on personal services costs. Although the city is not overly staffed by any means, the costs for people delivering services are, nevertheless, the city's greatest expense.

I believe it is important to re-state a brief explanation of some of the major funding sources to the city. The GENERAL FUND revenues come from property taxes, franchise fees, licenses, intergovernmental agreements such as the Coquille Indian Tribe corporation's in-lieu of tax, Transportation Security Administration for police services and Coos County Airport District for fire 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. Administrative costs such as accounts payable/receivable and payroll tasks associated with library operation is absorbed by the city's general fund and is not charged to the Library Fund. The WASTEWATER FUND funds wastewater operations including personal services, the treatment plant, pump stations and all sewer lines throughout the city; the TRANSIENT ROOM FUND funds the operation of the information center and the room tax funds are used to promote the area with a portion of the tax provided to the Coos Bay North Bend Promotions Committee.

**REVENUES**

City staff has budgeted to receive grants in the following funds: General Fund - Police Traffic Safety grant in the amount of \$7,200; Law Enforcement Block grant in the amount of \$1,250; Oregon Bureau of Justice Body Armor Grant in the

amount of \$1,250; Parks - MAP funds for boat ramp maintenance from Oregon Parks and Recreation Department in the amount of \$3,300 and \$29,900 for College Park restrooms; Planning - Oregon Coastal Management Grant in the amount of \$10,000; Transient Room Fund - Remaining funds from Department of Land Conservation and Development grant of \$20,000 which is budgeted to complete the Information Center interpretive exhibits (diorama) in the event the project is not completed in FY 2005-2006; Swimming Pool Fund: \$700,000 for ADA and other improvements to the swimming pool; Footpath and Bike Trails Fund: Oregon Parks and Recreation trail grant in the amount of \$50,000. The grants mentioned will enhance the city's ability to make improvements and to provide for more services in the city. General operations are not dependent upon the receipt of grant funds.

**General Fund** – General fund revenues are up slightly from the actual revenues received two years ago in FY 2004-2005 and the amount budgeted for FY 2005-2006. We anticipate an increase in tax revenues over the past year's budget by approximately \$116,000. This is partially attributed to new growth in North Bend, but is also based upon 4.5% increase over the prior year according to the Coos County Assessor.

**State Gas Fund** – The State Gas Fund budget includes \$105,000 from a local revenue source for street improvements. The staff has budgeted to receive the revenue in the event the city makes a decision to initiate a street improvement flat fee or local gas tax. Of course, this type of new revenue source would involve community input through hearings and other means of communication with the general public. However, street improvement remains an issue with most cities since the cost of capital improvements are not a part of the day to day operating budget and state gas revenues do not adequately fund city street department operations – in particular capital street projects.

**Equipment and Construction Fund** – For FY 2006-2007, this budget includes a revenue transfer from the general fund in the amount of \$25,000 which would enable the city to purchase one police car. The Equipment and Construction Fund also shows budgeted revenues from the Oregon Department of Transportation Surface Transportation Program of \$296,005. This revenue is federal money which is available to the city through ODOT's exchange program. The city is entitled to spend the money on street improvement projects and receives 94 cents on the dollar. This year's allocation is \$81,558. The budgeted number includes the past three fiscal years allocation. It is anticipated that the city will upgrade at least one street in FY 2006-2007 with the accumulated revenues.

**Building Program Fund** – With the new development in the City of North Bend, it is anticipated that fees through issuance of building permits will be considerably more than Fiscal Year 2005-2006. The fees include the Coquille Economic Development Corporation property development. This trend is expected to continue for the next few years as the new subdivisions are developed with residences. The city should save this revenue for a time when development decreases and funds will be needed for general operations of the building department.

**Improvement Revolving Fund** – The city continues to budget 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.

**Swim Pool Improvement Fund** – The city anticipates revenue will be generated from local fund raising sources with assistance from local groups such as the South Coast Aquatic Team, Special Olympics and others willing to contribute toward the pool improvement fund. The majority of the revenue raised for the major repairs to the pool will come from grants such as foundation. It is hoped that during Fiscal Year 2006-2007, through grass roots efforts and generosity from major funding sources, our pool, which was built in 1957, can be renovated.

**Storm Sewer Fund** - City staff have budgeted to receive \$100,000 in storm sewer fees through a local revenue source. This fund, like the new revenue source for local street improvements in the State Gas Fund is contingent upon the city initiating a local revenue source for storm sewer repairs. It is advisable to maintain a steady revenue source for storm sewer repairs. The wastewater fund revenue is derived from user fees and sewer system repair are funded with reserves. Ideally, a separate fund would be available to maintain the storm sewers as well. Replacing several feet of storm sewer pipe can cost the city several thousand dollars. Our population is just under the required population number for a storm sewer mandate (10,000). The city currently follows some of the requirement maintenance procedures of the mandate such as street sweeping, catch basin cleaning and controlling pollutions. However, the city should plan for the future in this regard.

**Wastewater Fund** – The city paid in full its bonded debt in the wastewater fund during 2005-2006 with reserve revenues. It is the city's goal to continue to transfer user fees to the city's wastewater capital reserves fund in order to maintain the city's wastewater infrastructure and plant.

**Fire Equipment Fund** – The city has budgeted to receive a FEMA grant in the amount of \$224,770 with a match of \$11,830. The grant would be used to purchase necessary fire equipment such as dispatch consoles, radios, pagers and a mobile breathing apparatus unit.

**Parks Improvement Fund** – The city has budgeted \$29,900 in the Parks Improvement Fund for College Park restrooms located on Oak Street. It is anticipated that the project will be completed in 2005-2006, however in the event the restrooms are not installed until after July 1, 2006, funds have been budgeted to cover the costs.

**Equipment and Construction Fund** - Funds have been budgeted in the Equipment and Construction Fund (06) for future vehicle replacement. We have carried over in the FY 2006-07 budget, funds for the upgrades to the police department in city hall. The east and south exterior of city hall (police department area) will be upgraded during the summer of 2006. The remainder of the repairs including a new heating and air conditioning system and police department upgrades are

scheduled for late summer and fall of 2006. In January 2006, the city's Street Department was relocated from the airport to the new shop facility located on California Street. Revenues from this fund were used to pay construction costs.

The City of North Bend's estimated property value at January 1, 2006 (excluding urban renewal) is \$500,385,136, which is up approximately \$20,000,000 over January 1, 2005 property values. In part, the increased value is due to another year of new construction. North Bend's fixed tax rate is \$6.1831 per thousand valuation. After deducting 10% for uncollectible taxes, it will be necessary to budget \$2,784,538 in taxes to balance the general fund. The FY 06-07 proposed budget for the general fund, which includes taxes and other sources of income, is \$5,995,883. Budget recommendations for all funds total \$17,419,875. Of that amount, \$1,965,406 is revenue that passes through the city's budget but is not expended on city services (Coos Bay North Bend Water Board, Coos County Airport District (includes 1,000,000 for terminal building upgrade and runway improvements and one existing airport loan which is in the name of the City of North Bend but paid by the Airport District) or is revenue transferred within funds, enterprise fund revenue or separate taxing district revenue. The City of North Bend general government per capita cost is approximately \$656.

Salaries paid from more than one source are detailed in the budget document. The budget includes contracted salary adjustments for the city's street department union, fire union and police department union. An amount has been placed in the budget for cost of living increases equal to 3 % for non-represented employees. This amount is slightly lower than the December 2005 Portland CPI of 3.4%. Normally, the city uses the CPI-U to determine the annual cost of living adjustment.

We have budgeted for increases in health insurance as well as liability and property insurance. Liability and Property insurance premiums have increased by 10%. Health insurance has been budgeted at 10% increase for Blue Cross/Blue Shield and for Teamsters Trust Insurance. Workers' Compensation insurance has increased significantly in several categories. We have budgeted 22% for PERS costs. A portion of the PERS cost is shown in each department's personal services budget. In addition, the city created a new fund in FY 2005-2006 entitled, PERS Fund. This fund will be used to pay additional PERS costs anticipated due to the higher employer participation percentage rates. Staff has budgeted \$100,000 in additional revenues for FY 2006-2007 to combine with the FY 2005-2006 budgeted revenue in an effort to plan for the higher rates. In future years, these revenues will be budgeted in the personal services categories of the city's department budgets.

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.

In summary, I believe the city is in fairly good financial condition. Although personnel costs continue to rise, the city

**proposes to maintain current staffing levels. The budget plans for the completion of improvements to city facilities such as the exterior and interior of city hall, upgrades to the city hall heating system, allows for much needed improvements to the swimming pool with grant funds and community support, includes revenue for wastewater service upgrades, parks improvements and the usual and customary services provided by our staff in public safety and general services. Further, the budget document provides for unanticipated expenses through the contingency fund and allows for sufficient cash flow for operations between July 1, 2006 and January 1, 2007 through the unappropriated ending fund balance. The staff looks forward to another good year of providing quality services to the citizens of North Bend.**

**Respectfully submitted,  
Jan Willis  
Budget Officer**