



2008-2009 Proposed Budget Message

Below is the Budget Message that was delivered to the John Day Budget Committee and the John Day City Council at our budget meeting held on March 4, 2008. This message explains the major changes in the proposed city budget. For questions or comments on the proposed budget or its message; please call City Manager Peggy Gray or City Recorder Anna Bass at 575-0028.

I ask that you pay special attention to the proposed changes in the Street Fund. The City of John Day now must rely on the state gas tax as the main source of street funding due to the loss of the timber receipts from the County. The state gas tax has not increased since 1993, and the rising cost of material and labor has diminished the purchasing power of this revenue source. In search for new revenue options to address the deficit caused by the stagnant gas tax and loss of timber receipts, a number of Oregon cities have chosen to implement local transportation utility fees (TUFs). In the proposed budget for FY 2008-2009, staff is recommending a Transportation Utility Fee (TUF) of \$2.00 flat fee for each water meter. The Budget Committee agreed to pursue the TUF, and the City of John Day would like to hear from our citizens regarding this fee. The City will hold a public hearing on this issue at our second regular monthly Council meeting, April 22, 2008 at 7:00 p.m. to educate the public on the proposed TUF and to receive public comment.

**2008-09 Budget Message
City of John Day
March 4, 2008**

Hello Ladies and Gentlemen of the Budget Committee:

As we enter this Fiscal Year 2008-2009 Budget process, I welcome your input and teamwork. Together we can make this proposal for city spending a wise investment of city finances.

PROPERTY TAXES

Once again we have utilized the Revenue Spread – General Fund in the proposed budget to show you where the property tax dollars go. The proposed property tax revenue is based on 2007 assessed valuation of \$78,825,099 times our permanent tax rate of \$2.9915/\$1,000 of assessed value giving us a total of \$235,711.98. When we subtract loss due to Measure 5 (\$93.18) and Extension Gain/Loss (-0.12) and estimated uncollectables (\$22,151- collection ratio of 0.89), the total budgeted General Fund taxes are \$209,783.

PERSONNEL SERVICES

The proposed budget includes a 2.5% cost-of-living increase to salary step plans, and status quo on employee health and welfare benefits. The 2.5% increase was negotiated in the Agreement between the City of John Day and the Grant County Police Officer's Association contract 2007-2010. This cost-of-living is spread across the board for union as well as non-union employees.

INSURANCE

We expect Health and Welfare insurance premiums rates to increase by 15%. Property and liability insurance rates are also expected to rise by 15%. Effective July 1, 2007, the City started contributing \$25 per month per employee to a VEBA account. A VEBA is a voluntary employees' beneficiary association authorized by Internal Revenue Code Section 501(c)(9). VEBAs are a special type of tax-exempt trust vehicle which provides employee benefits.

Hundreds of public employers in the Northwest have adopted the HRA VEBA Plan - a VEBA program which offers a health reimbursement arrangement (HRA). An HRA provides employees and retirees with a tax-free source of funds to

pay or reimburse qualified out-of-pocket health care expenses and premiums. This was negotiated into the Agreement between the City of John Day and the Grant County Police Officer's Association contract 2007-2010.

GENERAL FUND

Administration Department - remains relatively unchanged from the previous year. The welcome signs and metal elks project has been put on hold. The General Fund budget is really tight and there is no contingency in this fund in the proposed budget.

Police Department – remains relatively unchanged from the previous year.

Fire Department – Major changes in this department. This Fund down approximately \$400,000 due to the Homeland Security grant received in the previous budget year. The John Day City Council is currently negotiating with property owner Stella Lang for real property located at 316 S. Canyon Blvd. It is the intent of the Council to purchase this real property for future development of a new fire station. As of the date of this budget message, the Council offered \$200,000 for the purchase of the real property with \$40,000 down with the balance to be paid over 15 years at 4.5% interest (estimated payments would be \$1,224/month). The \$40,000 down payment will be paid out of the Motor Pool fund that will be addressed later in this message.

Negotiations are continuing and we expect to complete the negotiations in the near future. To accommodate the budget for this purchase (should it happen) we suggest the following:

Reduce the Motor Pool transfer from \$30,000 current year to \$17,000 proposed budget.

Add new line item under Capital Outlay titled Buildings (new facility fund) in the amount of \$8,500.

Add new line item under Debt Service titled Fire Department Land Loan – principal in the amount of \$7,500.

Add new line item under Debt Service titled Fire Department Land Loan – interest in the amount of \$7,800.

Add new line item under Revenues titled Rental Income in the amount of \$10,800. This income will come from the renter under contract at the location doing business as El-Cocinero Mexican Restaurant (\$900/ month).

The Rural Fire District contract has increased from the current year to \$25,324; an increase of \$13,422 from the current year. This increase was due to the 5-year rolling average at 25.41%.

WATER FUND

It has been two years since we raised water rates. It has been our practice to raise water rates at a \$1.00 minimum every two years in order to keep up with the costs of operation and maintenance. This proposed budget includes a \$1.00/ month increase on the base water rate bringing it to \$23.00 for the first 4,000 gallons. We also anticipate a 10% increase in revenues due to more accurate meter reads from the installation of the new automatic radio meters we are currently in the process of installing. Estimates revenue for water sales is \$505,000; an increase of \$48,000 from the current year.

Personnel services are up to \$183,513 from the current budget year of \$151,549 and increase of \$31,964. This is because of the wage distribution for Public Works. Budget Officer Anna Bass ran a spreadsheet showing the actual hours the employees worked in the different departments. The new distribution reflects a more accurate split between funds.

We were able to transfer \$10,000 into the Water Replacement Reserve Fund and increased the Motor Pool transfer by \$10,000 for a total of \$30,000 going into the Motor Pool from the Water Fund.

SEWER FUND/JOINT SEWER FUND

We have proposed to raise sewer rates by \$1.00/month in this budget for the same reasons as stated above. The personnel services have decreased by \$22,545 from the current budget year due to the redistribution of wages. The only other major change in the sewer fund is the interfund transfer to the Joint Sewer Facilities Fund; an increase of \$28,672 from the current year. This increase is due in part to our Net Working Capital coming in \$17,834 under what we estimated for the current year in the Joint Sewer Fund.

We have new agreements with Canyon City for both water and sewer. Flows from Canyon City will be based on flows instead of population in the future. New flow meters have been installed at the intertie and coming into the treatment plant. We will be keeping track of the flows this next year in order to have accurate numbers for next year's budget. However, since we have just installed the new flow meters we do not have accurate numbers to base the percentage by flows. Both cities have agreed to base the percentage by population for this proposed budget until we have accurate numbers from the new meters.

TREATMENT PLANT EQUIPMENT FUND

The only change in this fund is that the City decided not to construct the water load/wastewater unload station as budgeted for last year. We have made this decision because we are in the process of completing a Sewer Facilities Plan and decided not to spend money on this project if the study shows we need to build a new treatment plant in a new location.

STREET FUND

The only good news in this fund is that we got it balanced this year. As you know we will not receive any funds from the County; and have budgeted as such. This fund is down \$586,280 from the current year. This is due to the Grant received in the current year from ODOT for the NW Bridge Street Sidewalk Project and a decrease in our Net Working Capital due to the loss of the timber receipts from the County.

We are wrapping up the NW Bridge Street Project which involves new sidewalks and a pedestrian bridge. Due to a hard winter; this project is running late; however, the pedestrian bridge is ordered and expected to arrive in a few weeks. Dice Construction continues to pour concrete and sidewalks are approximately 75% complete.

The City received a Transportation Growth Management (TGM) from the Oregon Department of Transportation (ODOT) to develop a Local Street Network Plan. The purpose of the Plan is to provide guidance for street layout, improve pedestrian and bicycle transportation routes within the City of John Day and access to area schools. The grant amount is \$60,000 and administered directly through ODOT; thus, no funds will be run through the City's budget. We will be utilizing public involvement in developing this plan.

We have once again included the \$180,000 Transportation Enhancement (TE) grant match. Two years ago the City made the reserve list for our Main Street Enhancement Project. This project would remove overhead utility lines for street lights, telephone, and cable TV lines to underground with new pedestrian-friendly street lights installed (lights would be like the new street lights installed on SE Dayton Street). The project had to be phased due to costs. Phase 1 of the project will include the area from Canyon Creek Bridge east to Elm Street on US Hwy 26. The City has submitted a Notice of Intent to ODOT for the grant application and the City was invited to apply for a complete application.

In your budget binders you were given a survey on Transportation Utility Fees (TUFs) written by the League of Oregon Cities. This survey explains what a TUF is and the methods used in calculating a transportation utility fee. In this proposed budget we have proposed a \$2.00 flat fee for each water meter following La Grande's model. La Grande's street user fee was passed by the City Council with little opposition or controversy. There was a public input process during council meetings, and the city also held neighborhood meetings. Using "before and after" pictures from street projects funded by bonds, the city illustrated the benefit of adequate funding for needed street projects.

The \$2.00 flat fee is estimated to generate \$16,000 in revenue in the proposed budget. This isn't enough to do a street project; however, it is enough to do some chip sealing and maintenance. Should the Budget Committee decide to pursue the TUF; this fee can be adopted by ordinance of the John Day City Council and fees imposed by resolution after a public input process.

KAM WAH CHUNG MUSEUM

The purpose of this fund is for the maintenance of the restrooms located at the City Park; the City of John Day is in partnership with the John Day/Canyon City Parks & Recreation District and Oregon State Parks. Our responsibility is for the maintenance of the restrooms. The revenue in this fund is carryover from previous years. As you can see no funds are being transferred into this account; when the revenue runs out we can close this fund. Staff suggests transferring the KWC Restrooms line item over to the General Fund or we can split the cost of maintenance between the water and the sewer funds.

MOTOR POOL

Police- This year the Police Department purchased a new police vehicle. Our 2008 Impala arrived this week and will be the Police Chief's new vehicle. Please be aware that the funds transferred into this fund are not enough to cover expenses. It is becoming increasingly difficult to find money in the General Fund to transfer to the Motor Pool.

Fire – This year we have expended \$27,000 for a used fire truck from the City of Boise, Idaho. This is also where the City would expend the \$40,000 for a down payment to Stella Lang for the property located at 316 S. Canyon Blvd. for the purpose of building a new fire station should the City Council approve the purchase. Our auditor stated we could use this line item as a means for the down payment since these funds were originally transferred from the General Fund. In this proposed budget we did not increase the fire truck replacement line item; however, we did add the new line items previously discussed in the General Fund.

General Motor Pool

Relatively the same as last year with an increase for gas-oil-lube due to increasing prices. We have \$69,831 in Capital Outlay for equipment/vehicle purchases for the Public Works Department. We are in need of a new backhoe, and sludge truck.

WATER REPLACEMENT RESERVE

This year the City purchased the new automatic read water meters with funds transferred to the Water Fund from this Fund. We currently in the process of installing the new meters and have transferred \$10,000 back into this fund. We anticipate being able to transfer more revenues once we have all the meters installed and see the results with the more efficient meters.

SEWER COLLECTION REPLACEMENT FUND

This fund is relatively the same as last year with no funds being transferred in this proposed budget due to budget restraints.

LCDC MAINTENANCE GRANT

At their February 12, 2008 City Council meeting the John Day City Council accepted a grant agreement with the Department of Land Conservation and Development for \$1,000 for planning assistance. We should be receiving this grant sometime this spring. These funds will be used for Land Use Planning purposes.

9-1-1 FUND DISPATCH

The City received a \$20,000 grant from Homeland Security. This grant is for a Communication Plan; once the plan is developed we can use it to apply for Homeland Security grants. We need to add a line item call "*Professional Services*" under Materials and Services in the amount of \$20,000 in order to expend the grant money. We will need to decrease "*Equipment Replacement*" in Capital Outlay by \$20,000, making the total \$36,039 in order to balance the fund. Total for Materials and Services will be \$62,555; Capital Outlay will be \$43,239.

Contracts have been increased by 4% for the dispatch contracts, same as previous year.

UNPAID COMPENSATION FUND

This is the fund we use to pay leave for employees that exceed their normal paid leave for the payroll year. This fund remains relatively unchanged from the current year.

DRUG ENFORCEMENT FUND

The Police Department is anticipating the District Attorney releasing drug money confiscated from a drug related case in the amount of \$4,000 later this fiscal year. The money will have to be spent on drug enforcement.

HAZ MAT FUND

This Fund remains relatively unchanged in the proposed budget.

There are no major changes to the accounting policies of the City of John Day

In order to ensure adherence of limitations and restrictions placed on the use of the money available to the city, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which revenues and expenditures for various purposes are classified, for accounting and reporting purposes, in account groups that are in accordance with activities or objectives specified under an adopted budget. The operation of these funds is accounted for by providing a set of self-balancing accounts. The basis of accounting utilized by the City is the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Together we are budgeting \$3,715,680, including the transfers. This is down from the current year by \$1,412,208. The difference is not attributable to any one item, but is a combination of increases in some Funds and decreases in other Funds. The two major factors resulting in the decrease is the Homeland Security Grant in the amount of \$422,304 in the General Fund (Fire Department) and the decrease in the Street Funds from the current year in the amount of \$586,208.

It is an honor to serve you.

Peggy Gray
City Manager