



## **2009-2010 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 3, 2009. 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 Peggy Hamlin at 575-0028.

The City of John Day relies 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). This was introduced at last year's Budget Committee meeting; however, it was not implemented. At this year's Budget Committee meeting, the Budget Committee felt the TUF was worth taking another look at. The John Day City Council will be conducting a telephone survey later this spring to seek public opinion on this topic. More information on this topic will be available via the local newspaper, radio and future newsletters before conducting the survey.

### **2009-2010 Budget Message City of John Day March 3, 2009**

Hello Ladies and Gentlemen of the Budget Committee:

As we enter the Fiscal Year 2009-2010 Budget process, we 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 2008 assessed valuation of \$80,886,104 times our permanent tax rate of \$2.9915/\$1,000 of assessed value giving us a total of \$241,970.78. When we subtract loss due to Measure 5 (-\$96.26) and Extension Gain/Loss (-0.02) and estimated uncollectables (\$26,606 - collection ratio of 0.89), the total budgeted General Fund taxes are \$215,268.

#### **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 (80% employer paid). 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. Public Works employees and the Administration employee's wages have been redistributed to account for the employees time spent in their respective departments. As projects get completed; the amount of time budgeted for each individual changes in the departments for which they work. Each year we like to reevaluate the employee's distribution codes in order to make sure our budget compares to where the employee physically does their work (worksheet included in your binders).

Public Works Department currently has one vacant position with another employee retiring in April 2009. We will be replacing these two positions with one employee due to the current economic situation and anticipated lack of revenues in the street fund.

### **INSURANCE**

We expect Health and Welfare insurance premiums rates to increase by 15%. Property and liability insurance rates are not expected to rise according to City, County Insurance Services; we have budgeted for a 2% increase in workmen's compensation. Effective July 1, 2009, the City will contribute \$30/ month per employee to a VEBA account from the current year \$25/month. This is according to the Agreement with the Grant County Police Officer's Association. This is a \$5/month increase from the current year.

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). A 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.

### **ELECTRICITY/AUDIT RATES**

Local news reports indicate that electricity rates could go up as high as 9% due to the rate increase from Bonneville Power. We have reflected this increase in the proposed budget. Audit rates are expected to remain the same from the current year.

### **GENERAL FUND**

Administration Department - Projected revenues in the Administration General Fund are down from the estimated current year by \$67,027 (approximately 11.5%). This is caused by the decreasing amount of net working capital (cash carry over) and revenues not keeping up with the cost of doing business. To that end, we did an analysis on how much time the administration staff spends doing administration-related work for the other departments within the City. You will notice we have Administration Departments within the water, sewer, and street funds. However, we currently do not have an Administration Department for the Dispatch 9-1-1 Fund. The Administration Department administers payroll, payables, and receivables for the 911 center as they do for the other departments within the City. The City Manager oversees the negotiation of union contracts, all personnel issues, including citizen complaints etc. Staff estimates the Dispatch Center uses an equivalent of a .75 (3/4) FTE employee from the administration department. We also added a materials and services section for the use of the copy machine, advertisements for job announcements, and a legal line item for union negotiations. This change added \$51,311 in the newly created Administration Department for the 911 Fund; thus lowering the proposed personnel costs in the Administration Department's General Fund by \$20,000 from the current year budget. The difference is because the wages in the Administration Department are split between the water, sewer, and street funds. By adding the Administration Department to the 911 it also lowered the administration costs to the water, sewer, and street funds; as will be addressed later in this message. Telecommunications Supervisor Valerie Luttrell confirmed with the Oregon Emergency Management (OEM) Program that this was an appropriate use of 911 funds.

We have also proposed an increase in business license fees in the proposed budget. As far as I know the business license fees have not been raised since the 1980s. We are proposing a \$5 increase to the current rate of \$25.00 (this is an annual fee).

This year we placed \$5,440 into the operating contingency; this can be used anywhere in the budget in the case of an emergency.

Police Department - remains relatively unchanged from the previous year.

Fire Department - The Rural Fire District contract has increased from the current year to \$33,220; an increase of \$7,896 from the current year. This increase was due to the 5-year rolling average at 28.14%.

Last year we added the Debt Service line item for the purchase of real property located at 316 S. Canyon Blvd., John Day (El-Cocinero Restaurant) in the amount of \$185,000 from Stella Lang. The City put \$40,000 down and entered into a contract for \$145,000 with Mrs. Lang for 15 years at 4.5% interest. The debt service reflects the City's annual principal and interest owed on this property. The City signed a Commercial Lease with Gud Fernando Leal Ponce. A monthly rental rate of \$650 was negotiated. This amount reflects on the new revenue line item "rental income". Also included in this line item is the annual rental income of \$275 for the billboard lease with Meadow Outdoor Advertising. Property taxes collected in accordance with the Commercial Lease agreement are shown in the revenue miscellaneous line item; property tax expenses are shown under materials & services line item.

By having the new debt service; we had to lower our motor pool transfer amount to make up the difference. In the past we transferred \$30,000 to the motor pool fund; the current year and the proposed budget motor pool transfer is now \$17,000.

The City has formed a Citizen's Advisory Committee to make a recommendation to the John Day City Council in regards to the construction and funding of a new fire station. The Committee met in January, 2009; the Fire Department is in the process of doing site visits with comparable cities that have recently constructed a new fire station. They will come back to the Committee with a power point presentation in March. (Citizen's Advisory Committee Roster included in your packets).

#### **WATER FUND**

Revenues in the Water Fund have not come in as projected in the current year. Last year we projected a 10% increase from the installation of the new radio read meters. In December we noticed our year to date revenues were less than from the previous year; and we had started reading meters during the winter months. In researching the issue, we made assumptions that we had a wetter, cooler summer than normal and people watered less. Another factor was Grant Western Lumber closing; this closure resulted in a loss of 9 million gallons of water revenue annually (over \$17,000 of revenue annually).

Based on projected and anticipated revenues, the proposed budget includes a \$2 increase to the base water rate for a minimum of 4,000 gallons. This brings the base rate to \$25.00 per month. Included in your binder is a spreadsheet on what it costs the City to produce water. As you can see from the spreadsheet; current revenue received is not keeping up with the cost of water production. Fiscal year 2008 water production costs were \$3.84/1,000 gallons. Revenues were down in the previous by \$66,720. The current overage rate is \$1.90/1,000 gallons. Staff recommends raising the overage rate to \$2.50/1,000; this would be a .60/1,000 increase.

Total budget for the Water Fund is down from the current year. This is mainly because of the creation of the new Administration Department for the Dispatch Fund and redistribution of wages for the Public Works Department.

#### **SEWER FUND/JOINT SEWER FUND**

The Sewer Fund and the Joint Sewer Fund remain relatively the same as the current year. We increased the transfer to the motor pool by \$12,500 in the Sewer Fund; and \$5,000 in the Joint Sewer Fund. Proposed transfers to the Joint Sewer Fund from Sewer Fund is down due to the proposed Joint Sewer Fund budget being down from the current year. This year we have budgeted Canyon City sewer flows to be 15% of the total flows as per our new agreement with Canyon City. Last year's percentage was based on population of 24%.

The Sewer Facilities Plan is expected to be completed by June 2009. The draft plan is clear that major upgrades will need to be completed or a new treatment plant (estimated costs are currently at \$8.3 million) will need to be constructed. The proposed budget includes a \$2.00 increase to the base sewer rate bringing the sewer rate up to \$31/month. Included in your binders is a spreadsheet labeled Treatment Plant Costs vs. Income. For FY 07/08 the spreadsheet shows the costs to run the Treatment Plant are more than the revenues we currently receive by as much as \$42,979. Another factor is the percentage of flows with Canyon City being lower than anticipated and the need to increase the sewer rates in order to obtain funding for upgrades or a new sewer treatment plant in the future. Staff recommends an annual rate increase in the Sewer Fund for future upgrades.

#### **TREATMENT PLANT EQUIPMENT FUND**

This fund remains relatively unchanged. The projected revenues from Canyon City and from the Sewer Fund are based on the percentage of flows; 15% for Canyon City, 85% for John Day based on \$15,000 (as per agreement).

#### **STREET FUND**

We have budgeted not to receive any funds from Grant County. We have taken out the \$180,000 for the TE Grant match (Main Street Improvement Project) as we can no longer afford the match.

Proposed budget for chip seal projects in the amount of \$35,000 includes the ODOT Small Cities Allotment (SCA) grant in the amount of \$25,000 we received this year. We lowered the transfer to the Motor Pool Fund by \$10,000.

We have again included the Transportation Utility Fee (TUF) that we discussed at last year's budget meeting. The City held a public hearing to discuss the TUF. Included in your binder are the minutes to the April 22, 2008 Public Hearing for your information. It was suggested to implement a 2% motel tax as a citizen thought it would produce as much or more revenue as the TUF and it would not tax the water users. In researching the proposed alternative to increase the transient tax already stated in the City Code under Section 3-5-2, the City would have to allocate 30 percent of the transient room tax for City services and 70 percent towards tourism as noted in ORS 320.350 (copy included in your binder). There were also concerns regarding the extra burden a TUF would place on local citizens and thought was that the City should look for other alternatives.

The City is currently working with an Advisory Committee for our Local Street Network Plan. This plan will show the need for local street connectivity and improvement projects. The Plan is on task to be completed by June 30, 2009. The plan is being funded by a Transportation Growth Management (TGM) grant through ODOT. This planning document will provide direction that will assist in prioritization and implementations of City transportation improvement projects, solicitation and effective use of funding opportunities, and more efficient efforts in roadway maintenance. One open house was held in November 2008, with another one planned in the spring. There will be a joint Planning Commission and Council work session scheduled this spring with a Joint Public Hearing to follow (Advisory Committee Roster is included in your packet).

We included the TUF as a proposed funding source to pursue once the Local Street Network Plan has been completed. As you know the County is set to receive federal assistance from the extension of the Secure Rural Schools funds. In the past, the County has shared these funds with the cities; we are scheduled to meet with the County's Budget Committee on March 4<sup>th</sup> to request assistance from the County.

#### **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 - The \$20,000 transfer from the General Fund to the Motor Pool is not enough to cover police vehicle maintenance expenses. It is becoming increasingly difficult to find money in the General Fund to transfer to the Motor Pool. It has been our practice to replace a police vehicle every two years. This is the year to replace a vehicle; however, there are not enough funds to allow the purchase of a new police vehicle in the proposed budget.

Fire - Same as last year's budget. We have carried over the Fire Truck Replacement line item from the previous year in the amount of \$20,128.

General Motor Pool - We have added a Personnel Services section to this fund. This is to reflect personnel costs for the Utility Worker that performs general maintenance work on the city's vehicles. Previously these wages were taken out of the water, sewer, and street funds. Public Works Director David Holland suggested adding this section to the Motor Pool which assists in lowering the personnel services in the other funds. Our auditor confirmed that this could legally be done and provides a more accurate reflection on where the work is being performed.

We have \$96,006 in Capital Outlay for equipment/vehicle purchases for the Public Works Department. Public Works is in need of a new backhoe, and sludge truck. This is up from the current year due to cash carry over and extra funds being transferred in from the sewer funds.

#### **WATER REPLACEMENT RESERVE**

In the current year we have budgeted to expend \$15,000 for Water System Development Charges (SDCs). We have contracted with Anderson Perry to develop a plan to provide a general summary of the planning objectives and purpose of the System Development Charge Plan. The plan will determine reimbursement fees for the water system for capital improvement projects. It is anticipated the plan will be completed by June 30, 2009.

#### **SEWER COLLECTION REPLACEMENT FUND**

As in the Water Replacement Reserve; we have budgeted to expend \$15,000 in the current year for the Sewer System Development Charges (SDCs).

#### **LCDC MAINTENANCE GRANT**

The City received a \$1,000 grant from the Department of Land Conservation and Development for planning assistance last year. The City is in the process of updating our Airport Approach Zone in order to annex in the industrial park. Once the code is updated (on task to be completed by June 30, 2009); we anticipate using this fund to help pay for annexation costs.

#### **9-1-1 FUND DISPATCH**

As previously addressed in this message; this is where we created the new Administration Department for the 911 Fund in the amount of \$51, 311 (see General Fund-Administration Department, page 2).

We have budgeted to expend \$20,000 for the Communication Plan that is expected to be completed by June 30, 2009. This plan is required in order to apply for Homeland Security grants. This plan is being funded by a State Homeland Security Grant.

Under the Building Remodel line item; you will notice a significant increase here. We have budgeted \$30,000 for a new addition onto City Hall. We would like to add an office and storage space on the east end of the building. Currently the City Recorder's office adjoins the office shared by the Police Chief and the Telecommunications Supervisor. As they need more room and privacy; we would like to move the City Recorder to the new office on the east side of the building; remodel her old office to make a new office for the Police Chief and a separate interrogation room to provide safety for the dispatch center as requested by our insurance company (CIS). The remodel will offer additional security for the Dispatch Center as well as for City Hall.

Dispatch Contracts have been increased by 4% same as current year. We have flat lined the proposed 911 revenue; you will notice in the Prior 1 year column we received more revenue than anticipated (\$331,866). This was due to an extra payment from the state. We do not anticipate receiving this extra revenue in the current year or the proposed year due to the current situation of the state's budget. The Equipment Replacement line item has increased to \$141,682; up from the previous year of \$36,039 due to the extra payment received from the state in the prior year. We do not anticipate expending these funds in the proposed budget.

The miscellaneous revenue line is for revenue received from Grant County for their portion of the service maintenance agreement with the Sheriff's Department for the CAD (computer assisted dispatch) system. It was previously missed in the prior year; the County paid the prior and current year together this fiscal 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**

We do not anticipate any revenue coming into the fund. The fund will work entirely on the cash carryover.

#### **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 \$3,530,992, including the transfers. This is down from the current year by \$398,461. The difference can be attributed to the NW Bridge Street Improvements Project completed last fiscal year.