



ADOPTED
ANNUAL BUDGET
FISCAL YEAR 2015-16



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City of Cottage Grove, Oregon

2015-16 Annual Budget

BUDGET COMMITTEE MEMBERS

City Council

Thomas Munroe, Mayor

Jeff Gowing, Council President

Jake Boone

Garland Burback

Mike Fleck

Heather Murphy

Kate Price

Citizen Members

Brad Borigo

Eugene Brown, Jr.

Greg Ervin

Chris Holloman

Pamela Reber

Kenneth M. Roberts

Gary Williams

City Manager

Richard Meyers

Management Staff

Pete Barrell, Community Services Director

Michael Grover, Police Chief

Roberta Olsen, Finance Director

Howard Schesser, Community Development Director

Jan Wellman, Public Works Director





City Manager's Office

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May 20, 2015

Dear Mayor, City Council and Budget Committee:

Attached is the 2015-16 Proposed Budget for your consideration.

As always, the purpose of this budget message is to introduce the Proposed Budget, provide some background information and supply a brief overview of the document and how it will address the challenges of the coming year. I welcome a much more detailed discussion of the budget as the Budget Committee reviews the document.

The 2015-16 Proposed Budget for the City of Cottage Grove is, as required by Oregon Law, a balanced budget. Expenditures for all funds total \$26,432,466, an increase of \$2,964,853 from the 2014-15 Budget. That increase can almost be entirely accounted for in the funding of some major capital projects with more than half of those projects funded through capital improvement bonds.

The City's permanent rate continues to be \$7.2087/\$1,000 of assessed value. This Proposed Budget was prepared using the City's full permanent levy amount. The City may levy less than the full rate without jeopardizing future opportunities to levy the full rate. However, the revenue that could be generated cannot be recovered in a future year. The proposed full levy is estimated to generate \$4,050,000 of collectable tax revenue, \$165,000 more than the budgeted property tax revenue in 2014-15.

Another major portion of every annual budget for the City is the cost of personnel. We are a labor intensive organization. Many of our functions cannot be eliminated by automation, or we as citizens don't want the services to be automated. Every year we make efforts to attempt to reduce those personnel costs. In the current 2014-15 Budget we attempted to save funds when we replaced the full-time Parks Maintenance position with part-time employees. The attempt failed miserably. We could not keep part-time employees that would: meet our expectations of work, knew how to work, or would stay with the job once we got them trained. We were constantly training new employees which put a costly burden on other employees and the quality of our parks suffered. The Proposed 2015-16 Budget restores the full-time Park Maintenance position and reduces the number of part-time park employees.

Also discussed in the 2014-15 Budget was the Information Technology Director position. The position was not proposed in the budget but was to be created during the year if the General Fund carryover reached \$2,150,000. The General Fund carryover did not reach that mark, yet we began the recruitment. After the recruitment closed I was discussing our dilemma with Lane Council of Governments (LCOG) staff and we discussed the possibility of exploring using their staff and resources. LCOG currently

provides a variety of staff positions to smaller communities in the County on a contractual basis and provides some IT related services as needed to smaller communities. I explained that we needed something more than just an IT person to fix problems, but to become a part of the staff and help us catch up and move forward on IT issues. We worked out an arrangement to have a dedicated person in Cottage Grove as our staff at least two days a week and to provide remote assistance and special on-site assistance if needed the remaining days. The beauty of the arrangement is the City has not only secured an IT staff person but an entire IT department with the backup of the rest of LCOG's IT staff. We have already made use of other members of the LCOG staff and all for less than the cost of having our own full-time staff position. Next year I hope to report that this experiment was a success. So far, the first two months have been very successful and we have been making great strides at addressing our IT backlog.

We also made another change in the current budget that is reflected in the Proposed Budget. In October, 2014 it became necessary to change our legal counsel. After issuing a Request for Proposals (RFP) for City legal services and evaluating the responses, a new City Attorney and Prosecuting Attorney were selected. As a result of the selection, the need for a City Attorney Department in the General Fund was eliminated since all the costs for the new firm's representation were included in their contract rate. The cost for City Attorney services was relocated into the City Manager Department under "Contractual Services – Legal". The cost associated with the services for the Prosecuting Attorney remain in the Municipal Court Support Services Department.

The Proposed Budget includes wage adjustments for Bargaining Unit employees pursuant to the collective bargaining agreements. Police Guild members will receive a 1.0% increase, Public Works and General Unit employees will receive a 1.5% increase. Non-represented employees will receive a 1.5% cost of living increase to maintain parity with the employees they supervise.

The City's Enterprise Funds continue to improve because of the development of the previous 5-year financial plan. The plan expires with the current budget and a new 5-year financial plan has been prepared and the Council will be reviewing the plan for the utility funds (Water, Wastewater and Storm Drain Utility) with the consultant at the June 8th City Council meeting. The plan continues the efforts to meet the significant improvement costs for the aging infrastructure in the collection or distribution systems. This Proposed Budget incorporates the utility rate adjustments pursuant to the proposed 5-year financial plan. The proposed rates include the debt costs for projects completed two years ago and for projects that will be completed during the 2015-16 Budget Year through capital improvement revenue bonds.

	Water Base	Water Consumption /1000 gals.	Water Improvement	Wastewater Base	Wastewater Consumption /1000 gals.	Wastewater Improvement	Storm Drain /ESU	Storm Drain Improvement /ESU
Current Rates	\$16.44	\$1.31	\$23.51	\$7.28	\$3.74	\$17.11	\$3.37	\$5.15
Proposed Rates	\$16.74	\$1.33	\$23.93	\$8.04	\$4.13	\$18.91	\$3.65	\$5.58

The proposed rates result in a \$6.24 monthly increase for residential users using 5,000 gallons of water and a typically sized meter. The total increase will vary based on meter size, consumption and type of use. The rate increases are estimated to generate a total of \$51,300 in the Water funds (Water and Water surcharges), \$228,400 in the Wastewater funds (Wastewater and Wastewater surcharges) and a total of \$60,100 in the Storm Drain funds. Because we operate the utility funds with no profit margin, when electricity, fuel, supplies or other costs increase our rates must increase to continue to operate the service.

No other fee or rate increases are proposed in this Budget. During the year the City Council may review and adjust fees or charges but this Budget is not prepared relying on any increased revenues from other fees.

As I mentioned earlier, the Proposed Budget is significantly larger than the previous year. The major factor in that increase is a handful of capital improvement projects. Bond funds are being spent for: \$340,000 in fiber optic projects, \$378,000 in sewer system projects and \$1,176,712 in storm drainage system improvements. An additional \$390,000 is being spent for street projects from local and federal gas tax money and \$1,014,420 on water system projects from water reserve and System Development Charge money. All the projects total over \$3,299,211. In addition to the capital projects we are replacing \$485,000 in equipment.

Over all, this Proposed Budget continues the financial policies established by the City. Transfers to reserve funds continue, contingency funds and unappropriated ending fund balances continue to be maintained. Although it would be nice to have more revenue in all the funds to complete projects, make repairs or perform more of the services desired by the members of the community the funds are generally healthy and are able to continue current levels of service.

Only two funds warrant special notes; the Building Inspection Fund and the Industrial Park Operations Fund. The City should examine Building Permit fees. The Building Permit fees are used to cover the costs of enforcing the State established building codes. Once again, the General Fund is subsidizing the operation of the Building Inspection Fund by transferring \$3,080. The subsidy is actually more because the Administrative Fee that the Building Inspection Fund should be paying to the General Fund has been reduced to zero. The Council, during the year, should determine if we wish to continue to use tax funds to reduce the costs of conducting State required building inspections, want the Building Permit fees to cover the full costs for the State required inspection services or wish to discontinue providing the service and turn it over to the State or County. If the Council decides to pursue adjusting Building Permit fees, specific procedures must be followed with the State Building Codes Division.

The other is the Industrial Park Operations Fund. In last year's Budget Message I reported that we would be short money in the fund to pay existing debt on the park development unless we sold a parcel. The good news, we sold a parcel during the year that provided revenue creating a balance that will be able to pay the debt for the 2015-16 Budget Year. However, after paying the debt the fund will only have about \$1,800 as a remaining fund balance. That will not be enough to cover the 2016-17 debt payment of \$90,575. To reach that amount we will have to sell at least two of the remaining four parcels in the park. The debt payments drop to \$58,575 in 2017 and then drop again in 2021. The outlook is not completely bleak. The old SidePockets building was put on the market this year and it has quickly sparked interest and is all but sold. The City has been working with a party that is pursuing the purchase of the building. I can not reveal the potential purchaser, but they will be a major positive influence not only in the Industrial Park but also within the community. We will not see any direct benefit from the sale, but the new operation will revitalize the park and may help develop other sales.

I want to take a moment and express my appreciation to staff that spent countless hours putting this budget together. I also want to thank all the members of the Budget Committee for volunteering your time to review the 2015-16 Proposed Budget. Last year we were unable to fill all the seats on the Budget Committee. The preparation, review, approval and eventual adoption of the budget is very important. To illustrate the importance of what this Committee is doing and what this Budget means, I would like to ask each of you to conduct a little experiment. Take a walk outside in the next day or two and stop anywhere in the City and look around. Do you see anything that is a result of what you are doing here tonight? A street light, a park bench, a park, the sidewalk, a traffic light, a street sign, garbage cans, trees, a manhole cover, a catch basin, a clean street and even the street itself. Do you also

see the impact around you of having safe clean water to drink, brush our teeth with, bath in or even water our gardens. Do you see (or smell) the impact of a sewer system? Now take all that away. Take away everything that is done by the City. What will you have? The City you love would be gone. I may be getting too philosophical for a Budget Committee meeting but I think too often we lose sight of what we have, we take for granted the treasures that have been left for us to care for. We have them for but a brief moment before we hand them over to the next generation. \$26 million dollars is a lot of money. It is expensive to care for 45 miles of streets, 1,385 traffic signs, five bridges, 49 miles of water lines, nearly 46 miles of sewer lines and over 243 acres of park land. (All treasures left to us by those that were before us.) I can go on but I think you can see the magnitude of what local government does. Through this budget process and your efforts as the Budget Committee we can lay out the financial plan to protect and build on the treasures we have been given. You can help make sure we are filling the right potholes and make sure we are not filling potholes when we should really be building a road.

The 2015-16 Proposed Budget is big and there is a lot of stuff in here. Nothing is secret. Ask any question. Your careful review and consideration of the 2015-16 Proposed Budget is important and essential to make sure that this budget meets the needs and desires of this community. If there is any information that you need in order to review and consider this Budget document, please ask questions or contact me and we will provide the information needed. I hope the information contained in this Budget document is useful and helpful for you as you review and consider the 2015-16 Proposed Budget.

I look forward to discussing the Proposed Budget and answering questions regarding the budget document.

Sincerely,

Richard Meyers
City Manager

BUDGET COMMITTEE CHANGES

FROM PROPOSED TO APPROVED BUDGET

After the presentation of the budget, the Budget Committee made several changes to the annual budget for Fiscal Year 2015-16. They are as follows:

In the General Fund, an additional \$9,000 was recognized as revenue from the Bicycle/Footpath fund, the contingency line item was increased to appropriate the additional funding. In the Community Promotions Department, the Budget Committee eliminated the CG Community Foundation contribution of \$2,000, and created a contribution to the Geneological Society in the amount of \$1,500.

The Storm Drainage and Storm Drain Reserve Funds were adjusted to reflect a lower rate increase as originally thought would be necessary, based on actual recommendations from FCS Group, Inc. The corresponding revenue line items were decreased and the appropriations in the contingency line items were reduced to reflect the change.

The budget was originally presented with amounts budgeted in the contingency line items for the Wastewater and Storm Drainage SDC Funds. For the past several years it has been the City's practice to budget funds in the Buildings and Improvements line items to ensure all funds are available for immediate expenditure if the need arises. The budget was changed to eliminate the contingency line items and increase the Buildings and Improvements line items.

The budget document reflects these changes in the approved column. The changes are outlined on the following pages.

BUDGET COMMITTEE CHANGES
FROM PROPOSED TO APPROVED BUDGET

	Proposed	Approved	Difference
General Fund			
Revenue			
Transfer from Bicycle/Footpath	\$ -	\$ 9,000	\$ 9,000
Community Promotions Department			
Materials and Services			
CG Community Foundation	\$ 2,000	\$ -	\$ (2,000)
Geneological Society	\$ -	\$ 1,500	\$ 1,500
Non-Departmental			
Contingency	\$ 332,317	\$ 341,817	\$ 9,500
Total General Fund	<u>\$ 7,960,106</u>	<u>\$ 7,969,106</u>	<u>\$ 9,000.00</u>
Storm Drainage Fund			
Revenue			
Storm Drainage Fees	\$ 287,125	\$ 286,060	\$ (1,065)
Expenditures			
Contingency	\$ 63,710	\$ 62,645	\$ (1,065)
Total Storm Drainage Fund	<u>\$ 429,070</u>	<u>\$ 428,005</u>	<u>\$ (1,065.00)</u>

BUDGET COMMITTEE CHANGES
FROM PROPOSED TO APPROVED BUDGET

	Proposed	Approved	Difference
Wastewater SDC Fund			
Capital Outlay			
Buildings & Improvements	\$ -	\$ 67,795	\$ 67,795
Contingency	\$ 67,795	\$ -	\$ (67,795)
Total Wastewater SDC Fund	<u>\$ 82,050</u>	<u>\$ 82,050</u>	<u>\$ -</u>
Storm Drainage SDC Fund			
Capital Outlay			
Buildings & Improvements	\$ 104,385	\$ 287,875	\$ 183,490
Contingency	\$ 183,490	\$ -	\$ (183,490)
Total Storm Drainage SDC Fund	<u>\$ 319,830</u>	<u>\$ 319,830</u>	<u>\$ -</u>
Storm Drainage Reserve Fund			
Revenue			
Storm Drainage Surcharge	\$ 438,355	\$ 436,735	\$ (1,620)
Expenditures			
Contingency	\$ 508,770	\$ 507,150	\$ (1,620)
Total Storm Drainage Reserve Fund	<u>\$ 2,125,320</u>	<u>\$ 2,123,700</u>	<u>\$ (1,620.00)</u>

CITY COUNCIL CHANGES

FROM APPROVED TO ADOPTED BUDGET

The Fiscal Year 2015-16 Annual Budget approved by the Budget Committee was adopted by the City Council with the following changes:

The City anticipated purchasing police vehicles at the end of fiscal year 2014-15 with additional funding required in fiscal year 2015-16 to complete the purchases. The General Fund Revenues were increased for Loan Proceeds to be received, and the expenditure to purchase the vehicles was included in the Police Operations Department of the General fund, Capital Outlay – Motor Vehicles, as well as funds to repay the debt incurred. A four-year loan will be received to purchase the vehicles. Staff proposed the changes after learning of these funds prior to the adoption of the budget by the City Council.

	Approved	Adopted	Difference
General Fund			
Revenue			
Loan Proceeds	\$ -	\$ 89,380	\$ 89,380
Police Operations Department			
Capital Outlay			
Motor Vehicles	\$ -	\$ 58,268	\$ 58,268
Debit Service			
Principal Payment - Motor Vehicles	\$ -	\$ 28,935	\$ 28,935
Interest Payment - Motor Vehicles	\$ -	\$ 2,178	\$ 2,178
Total General Fund	\$ 7,969,106	\$ 8,058,486	\$ 89,380.00

The budget document reflects these changes in the adopted column.

ORGANIZATION OF THE BUDGET DOCUMENT

Local Governments have the option of budgeting on a 24-month biennial budget period, or by a fiscal year. The City of Cottage Grove operates on a fiscal year beginning July 1 and ending the following June 30. Priorities must be established based on the financial resources available to meet the needs of the community.

The budget document describes how the City plans to meet the priorities established and serves as a resource for citizens, city officials, and staff. The budget is divided into five major sections as described below:

General Information

This section contains an overview of the City, “City at a Glance” as well as the City’s budget process and calendar, and budget financial policies used to develop the Fiscal Year 2015-16 Budget. Budget amendment procedures are also discussed. Additionally, background information is provided such as economic information and demographics.

Budget Summaries

The City’s budget is organized on the basis of funds, and each is considered a separate accounting entity. This section includes a summary of resources and requirements of all city funds combined, and summaries of all individual funds.

Fund / Department Budgets

Fund and Department revenues and expenditures, as well as operational objectives, accomplishments, and performance measures are provided in this section. Historical financial information required by Oregon Budget Law for the two prior year’s actual, current year adopted, and next year’s proposed expenditures for each department is provided. This portion essentially provides actual adopted budget numbers. The City’s budget contains the following fund and fund types:

General Fund	Reserve Funds
Enterprise Funds	Debt Service Fund
Capital Projects	Trust Fund

Appendix

The appendix contains a variety of other budget-related information to assist with understanding the budget document. It includes listings of the various board members, and a glossary of terms and acronyms used in the budget document.

City at a Glance

Cottage Grove, the “Covered Bridge Capital of Oregon”, is located in the middle of western Oregon and in the southern part of Lane County, on Interstate 5 (I-5). Cottage Grove is approximately 20 miles from the major population center of the area (Eugene-Springfield) and serves an immediate labor market of approximately 35,000 people. Cottage Grove was selected as an All-America City in 1968 and 2004, one of only two cities in the State to have received the award twice.

Cottage Grove has the council-manager form of government. There is a seven-member Council including the Mayor. The City provides twenty-four hour police coverage and operates the water and wastewater systems serving the City. The City also operates a public library which is open six days a week and provides planning and development, park maintenance, and operates an 18-hole golf course. The City completed an \$11 million upgrade to the wastewater treatment system, and a \$9 Million upgrade to the water treatment plant in 2009. These facility upgrades reflect the community’s commitment to protecting and improving the environment.

The July 2014 certified population estimate from Portland State University for Cottage Grove was 9,840. Between 2000 and 2010, the population of Cottage Grove grew by 12.3% which is somewhat faster (0.60 faster) than the population increase in Oregon.

The average high temperature in July and August is 82 degrees with the average low on summer nights in the low 50’s. The coldest month is December, with an average low of 34 degrees and highs in the mid 40’s.¹

General Information

Date of Incorporation	February 11, 1887
Area in Square Miles	3.98
Elevation in Feet	641’
Annual Precipitation	46.25”

Police

Stations	1
Patrol Units	8
Sworn Officers	16
Physical Arrests, Juvenile and Adult (including traffic)	1,082
Traffic Violations	318
Parking Citations	123

Streets

Miles of Paved Streets	45.66
Miles of Gravel Streets	1.5
Miles of Storm Sewers	30.85

¹ Retrieved May 19, 2015 from <http://www.usclimatedata.com/climate.php?location=USOR0077>.

Water		
Miles of Water Mains		49.05
Hydrants		402
Active Service Connections		3,747
Daily Average Production in Millions of Gallons		
	May – October	1.6
	November – April	1.0
Maximum Daily Capacity of Plant in Million Gallons		4.0
Wastewater		
Miles of Sanitary Sewers		45.72
Treatment Plant		1
Service Connections		3,608
Daily Average Treatment in Million Gallons		
	May – October	1.0
	Nov. – April	3.3
Maximum Daily Capacity in Million Gallons		13.0
Broadband		
Miles of Fiber (Figure includes fiber in Creswell)		7.54
Wi-Fi Radios Installed		103
Community Services		
Community Centers		1
Parks & Open Spaces		32
Park Acreage		243.58
Golf Courses		1
Skateboard Parks		1
Tennis Courts		2
Trails (miles)		10.3
Health Care		
Hospitals		1
Hospital Beds		14
Education		
Elementary Schools		2
Elementary School Instructors		51
Secondary Schools		3
Secondary School Instructors		89

Top Ten Taxpayers in the City of Cottage Grove²

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>
Wal-Mart Real Estate Business Trust	\$ 9,340,550
Village Green Resort, LLC	\$ 5,841,658
Safeway, Inc. Store #1458	\$ 5,008,961
Gregory A. Falk, LLC	\$ 4,238,956
Magnolia Gardens Assisted Living	\$ 3,865,187
Charter Communications	\$ 3,647,100
Whittaker-Northwest Partners	\$ 3,473,161
Wal-Mart Stores, Inc.	\$ 3,250,996
Home Investments LLC	\$ 3,234,772
K & M Holdings LLC	\$ 3,194,061

Ten Year Statistics

<u>Year</u>	<u>Assessed Value</u>	<u>Population</u>	<u>School Enrollment</u>
2003-04	\$338,331,809	8910	2803
2004-05	\$349,406,767	9010	2827
2005-06	\$400,236,137	9110	2714
2006-07	\$426,789,165	9275	2724
2007-08	\$444,250,454	9345	2716
2008-09	\$483,168,933	9445	2835
2009-10	\$525,779,935	9705	2635
2010-11	\$537,670,091	9745	2761
2011-12	\$551,007,682	9745	2718
2012-13	\$546,268,728	9745	2639
2013-14	\$559,169,501	9785	2732
2014-15	\$585,890,795	9840	2613

Petty Cash

Oregon Revised Statute 294.465 requires that each petty cash account and the amount thereof be listed in the budget document. The City of Cottage Grove has the following cash accounts:

Finance	\$750
Finance Petty Cash	\$200
Library	\$ 40
Police Department Petty Cash	\$100
Public Works Petty Cash	\$200
Golf Course	\$700

² Retrieved May 19, 2015 from <http://www.lanecounty.org/Departments/AssessmentandTaxation/pages/default.aspx>.

BUDGET PROCESS AND CALENDAR

The process followed in the preparation of this budget complies with the Local Budget Law established by the State of Oregon (ORS Chapter 294). This process also applies to the Urban Renewal Agency's budget. The process and calendar are as follows:

Phase I – Budget Request

In this phase the Department Heads submit their needs for staffing, materials, and supplies. They also provide the text portion for their operations. The finance department computes the wages and benefits for all departments, except public works.

<u>Calendar</u>	<u>Process</u>
February 2015 Appoint Budget Officer ORS 294.331	The City Charter establishes the City Manager as the Budget Officer. The City Manager establishes the priorities for FY 2015-16 as well as identifies issues to be addressed by this year's budget.

Phase II – Budget Proposal Phase

The proposal phase entails reviews by the City Manager and Finance Director with each Department manager. Financial requests are reviewed for changes and inconsistencies from prior years. Increases/decreases are explained. The City Manager decides which additions/deletions are approved and provides guidance on the narrative and financial portions of each fund. During this phase the capital projects are also reviewed and all funds are balanced. At the conclusion of this phase the proposed budget document is prepared for printing and compilation.

<u>Calendar</u>	<u>Process</u>
Mar.-May 2015 Proposed Budget ORS 294.331	The Finance Director and City Manager meet with each department manager to review budget requests and ask questions about changes, enhancements, budget variances, and performance measures.
May 2015 Notices of Budget Committee Meeting ORS 294.401	Required public notices are published in the local newspaper no more than 30 days before the first meeting and city website. The City Manager's proposed budget is finalized and submitted to the Budget Committee Members for review and consideration. At least five days after the first public notice, but no less than five days before the first meeting, a second notice is published.

Phase III – Budget Approval Phase

During the Approval phase, the budget committee meets and is presented with the Budget Message from the City Manager. The Committee has the responsibility to evaluate the proposed budget and may make changes as they deem necessary. At the completion of their review, they are required to take formal action to approve the budget and refer it to the City Council for adoption.

<u>Calendar</u>	<u>Process</u>
May 2015 Budget Committee Meets ORS 294.401 ORS 294.406	Budget Committee meets to receive the FY 2015-16 Budget Message, to discuss funding issues, and to take public input. When the Committee is satisfied with the budget, including any deletions or additions, the proposed budget is approved.

Phase IV – Budget Adoption

The fourth and final phase of the process is adoption. The City Council may make additional changes if desired, within limitations set by statute, and then adopts a resolution to appropriate expenditures by fund, and set a tax levy.

<u>Calendar</u>	<u>Process</u>
June 2015 Publish Budget Summary & Notice of Budget Hearing ORS 294.421	After the Budget Committee has approved the proposed budget, a summary of the budget and a notice of the Budget Hearing to be held before the City Council is published in the local newspaper, five to thirty days before a public hearing for adoption.
Last Council Meeting In June 2015	A public hearing before the City Council is held to allow citizens to comment on the approved budget. After the hearing, the City Council may adopt the budget with no changes or they may make additions and reductions within certain limitations. A resolution is adopted making the appropriations and levying taxes.
July 15, 2015	The adopted budget for fiscal year 2015-16 becomes effective July 1, 2015. Certain reports, forms, and documentation are provided to the County Assessor's office by July 15.

BUDGET/FINANCIAL POLICIES

The development and eventual implementation of this budget are guided by the following policies:

OPERATING BUDGET POLICY

Personal Services –

Comply with existing union/association agreements, making sure the total compensation package is comparable to similar positions and communities.

Materials and Services –

Adopted increases for materials and services are targeted to remain level or increased only after substantiation and demonstration of need by the department manager.

Capital Outlay –

Capital outlay is reviewed on a case-by-case basis. Equipment requests are discussed with the City Manager.

Current Operating Revenues -

Current operating revenues will be sufficient to support current operating expenditures. Fund balance appropriated shall not exceed an amount that management can reasonable expect to save during the year.

Debt or Bond Financing-

Debt or Bond financing will not be used to finance current non-capital expenditures. Transfers to debt service for scheduled principal and interest payments, as well as estimates for new issues are estimated and included in the appropriate fund.

Performance Measures –

The City will continue to develop and integrate performance measures and productivity indicators with the annual budget.

Risk Management –

The City will continue to develop the risk management program to provide for protection against loss and a reduction in exposure to liability. The comprehensive safety program will also be enhanced to minimize the City's exposure to liability and thereby reduce the number of claims filed.

Balanced Budget –

The requirement of local budget law is such that the sum of each fund's resources equal its appropriations and unappropriated ending fund balance.

Accounting Standards –

It is the City's policy that the operating budget be prepared in accordance with Generally Accepted Accounting Principles.

REVENUE POLICY

Assessed Valuation –

Shall be estimated based on historical trends and growth patterns in a conservative manner.

Fees –

The City sets fees that will maximize user charges in lieu of Ad Valorem Taxes for services that can be individually identified and where the costs are directly related to the level of service:

- a. To the extent possible, user charges for water, sewer, and storm drainage will be sufficient to finance all operating, capital and debt service costs for said services.
- b. The Community Center will operate in a manner such that 10% of budgeted operating costs will be financed through user charges.
- c. Golf Course operations and maintenance will be funded from user charges for all programs for which it is practical to charge. Fees will represent at least 100% of the operating and debt service costs.
- d. Building and code enforcement activities will be funded through user charges in the form of building permits, inspections, and plan review fees. These fees should represent 100% of operating costs.
- e. To the extent practical, any general city service, which is of a higher level or benefits specific recipients, shall be supported by user fees designed to recover costs from such recipients.
- f. Where user fees are based on cost recovery, said costs shall be reviewed annually and fees adjusted as practicable.

DEBT POLICY

Capital Projects –

Financing for capital projects through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project.

General Obligation Bonds –

The general obligation debt of the City will not exceed 3% of the real market value of all taxable property within City boundaries as provided in ORS 287.004.

Debt Service –

Total debt service on tax-supported debt of the City will not exceed 15% of total general government operating revenue.

Bond Rating –

The City will maintain its financial condition so as to maintain a minimum AA bond rating.

Avoidance of Unfunded Liabilities –

The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.

RESERVE POLICY

Unappropriated Fund Balance –

The City will maintain an unappropriated fund balance of 8% of fund operating budgets (excluding capital outlay). These funds will be used to avoid cash-flow interruptions, generate investment interest income, eliminate need for short-term borrowing, and assist in maintaining an investment-grade bond rating.

Contingency –

The City will establish a contingency in each operating fund to provide for unanticipated expenditures of nonrecurring nature or to meet unexpected increases in service delivery costs. The contingency amount will be budgeted at 5% of the fund revenues estimated for that fiscal year. The contingency funds cannot be spent without an action by the City Council.

ACCOUNTING POLICY

Accounting System –

The City will establish and maintain the accounting system in accordance with Local Budget Law and Generally Accepted Accounting Principles. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.

Audit –

An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement if required. Full disclosure will be provided in the financial statements and bond representations.

The City's Comprehensive Annual Financial Report (CAFR) will be prepared according to the standards necessary to obtain the Certificate of Achievement of Excellence in Financial Reporting from GFOA.

BUDGET AMENDMENT PROCESS

Procedures to be followed to amend the budget as events occur after budget adoption is set forth in Oregon Local Budget Law. The type of event determines the procedure to be followed.

The adopted budget appropriates certain amounts for contingencies in each fund to be used at the discretion of the governing body. Contingencies in each fund can only be appropriated for specific unforeseen events by approval of a resolution by the City Council. Specific appropriations of contingencies may include funding for service level changes, unforeseen catastrophic events, or redirection of resources.

State law allows the adoption of a supplemental budget. When the supplemental budget will adjust a current fund's budget by ten percent or less of that fund's expenditures, the supplemental budget can be acted on by the City Council at a regularly scheduled meeting. If the supplemental budget includes any changes greater than ten percent in any fund, a public hearing must be held to adopt the supplemental budget.