



Mayor
Ron Holthusen

Councilors
Leith Hayes
Gary Hughes
Bill Kyle
Jim Ulrich

City of Shady Cove

AGENDA

JOINT STUDY SESSION OF THE CITY OF SHADY COVE CITY COUNCIL AND PLANNING COMMISSION

Shady Cove City Council Chamber
22451 Highway 62
Shady Cove, Oregon

Thursday, January 27, 2011 at 1:30 p.m.

1. Open meeting/Announcement – Meeting is being digitally recorded.
2. Roll Call.
3. Goal Setting and Strategic Planning. (Shaddox) (pgs 2-12)
4. Adjourn Study Session.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Planning Department at (541) 878-2225. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

CITY OF SHADY COVE, OREGON
CITY COUNCIL/PLANNING COMMISSION

ANNUAL GOALS AND OBJECTIVES DISCUSSION OUTLINE

January 27, 2011

1:30PM Study Session

Brief Discussion re Context/Recent History:

- Previous Council Goals and Objectives and Policy Statements
- Strategic Plan – need for a new plan with community input
- Legal Context
- Financial Context

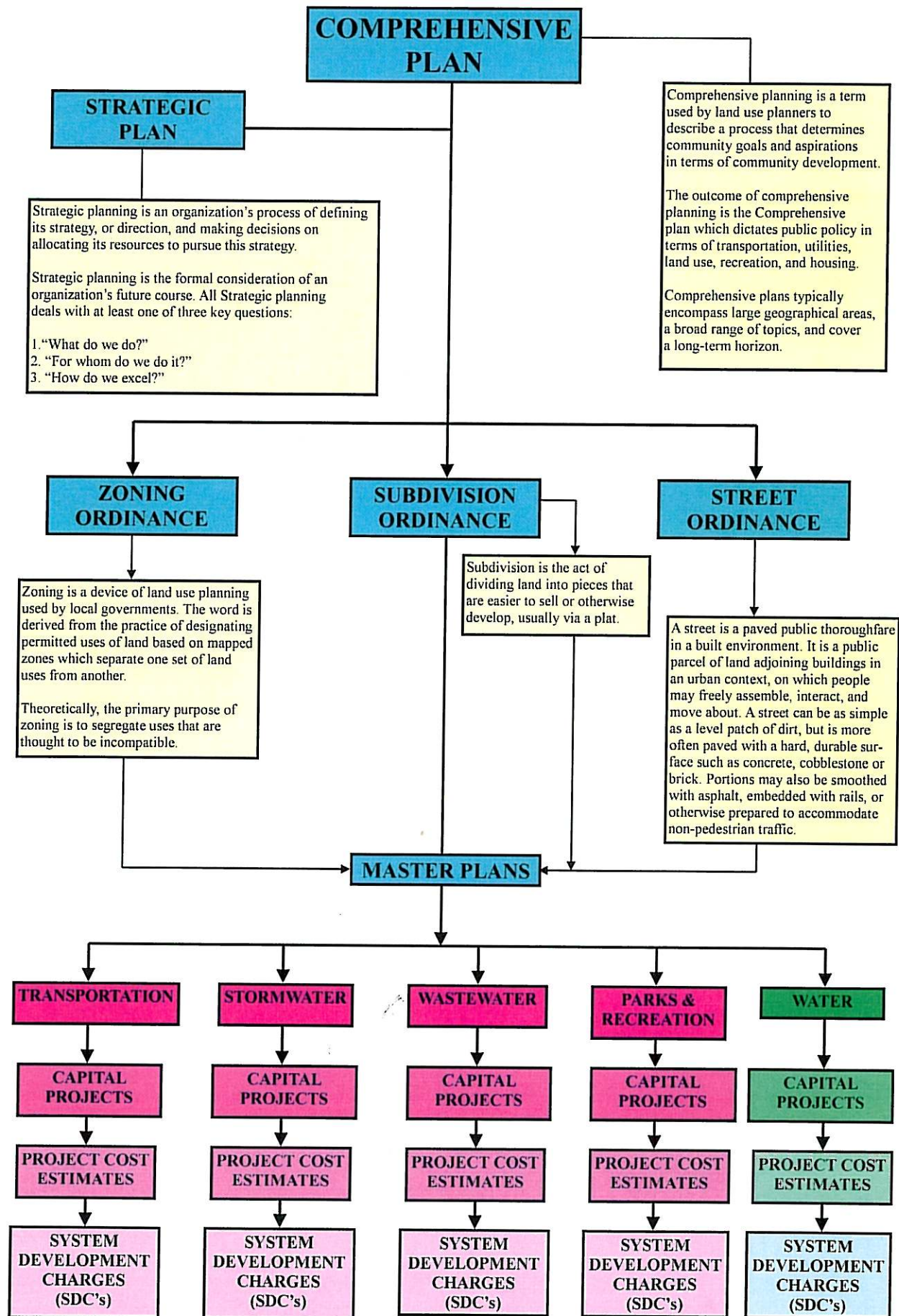
Discussion about the basic functions of city government in Shady Cove:

- Sanitary Sewer Collection/Treatment/Master Planning
- Public Streets Maintenance/Repair/Master Planning
- Storm Drainage Maintenance/Repair/Master Planning
- Public Parks Maintenance/Repair/Master Planning
- Public Safety – Police Services by contract
- Comprehensive Land Use Planning and Regulation
- [Public Safety – Fire Services by District]
- [Water System under consideration]

Subjects Proposed for Goals and Objectives Discussion:

- Future Water System
- Public Street and Storm Drainage Challenges – Maintenance and Needed Improvements
- Public Parks Challenges – Maintenance and Needed Improvements
- Sheriff Contract (ongoing operations management and scope of services)
- Highway 62 Traffic Enhancement project
- Downtown Business District Vision Plan
- Public Infrastructure Master Plan Updates
- Fee Schedules – Floodplain/General/Sanitary Sewer/Systems Development Charges
- Franchises – Review of Existing and Possible Additional Agreements (terms and fees)
- Floodplain Ordinance Management – Long-term strategy/staffing options/fees

- Land Use - Development Standards and Architectural Standards
- Status of Comprehensive Plan, Zoning Ordinance, Streets Ordinance, Subdivision Ordinance
- Public Infrastructure Design Standards and Details (streets/storm drains/public lighting/sanitary sewer)
- Riparian Ordinance
- Grant ID, Application, Presentation and Management Strategies
- City Records Management and Funding
- Computer Software and Hardware Management – Muni Court/Accounting/Utility Billing
- Tourism and Economic Development Funding Assistance – policy and budget considerations
- City Facilities Planning and Funding - city hall and public works
- City Staffing and Service Delivery Options – public works, planning, financial and payroll accounting, court, building permits, code enforcement, City Attorney, Auditor, City Engineer
- Disaster Preparedness – Plan Update, Orientation and Training, Exercise





Mayor
Ron Holthusen

Councilors
Margaret Bradburn
Leith Hayes
Gary Hughes
Bill Kyle

**TO BE USED AS A REFERENCE DURING THE ANNUAL
GOAL SETTING/STRATEGIC PLANNING SESSION
JANUARY 27, 2011**

**BUDGET MESSAGE
FY 2010/11**

**To: The Honorable Mayor and Members of the
Shady Cove Budget Committee**

**From: Dale Shaddox
Budget Officer**

Date: April 22, 2010

**Subject: Budget Message
Proposed Budget for Fiscal Year 2010-11**

The Shady Cove Budget Committee is the fiscal planning board for the City. The Committee reviews the proposed budget prepared by the Budget Officer. The Committee may approve the proposed budget intact, or change part or all of it prior to final approval. After notices and publications are filed according to law, the budget is forwarded to the Council for formal adoption prior to June 30.

The proposed budget is a plan which prioritizes receipts and expenditures through service. The proposed budget mirrors State and local goals for a safe, healthy, caring and engaged community.

The format for this year's budget is generally consistent with prior years. The columns on the left side of the budget page reflect the current year's adopted budget and the actual resources and expenditures for the two years prior to the current year's budget, except that in the General Fund we have added another column on the left side to reflect "Year End Projections" which we hope will be useful as an added information column. The proposed budget is reflected in the first column on the right side of the page. A summary page for all funds is provided for your information. Explanatory narrative is provided in this Budget Message. As in the past, the proposed budget is prepared on the basis of slightly understating resources and slightly overstating expenditures. This helps account for anomalies that may occur, but which are unknown at the time of budget preparation.

Capital outlay categories continue to reflect only those capital items with a value of \$5,000 or more. Equipment purchases that are not capital items appear in the materials and services categories, consistent with City Auditor recommendations.

BUDGET OVERVIEW

The City remains financially sound. The City continues to maintain over \$1 million in non-appropriated deposits in the State pool and local banks. All funds and organizational units are balanced with resources equal to expenditures/requirements.

Resources

Property Taxes

Information from the County Assessor indicates that the City's Real Market Valuation is \$344,756,730 and the Maximum Assessed Valuation is \$221,025,220.

Taxes necessary to balance the General Fund are based upon the fixed rate of \$0.5474 per \$1,000 of maximum assessed value (MAV) of the City ($\$221,025,220/\$1,000 = \$221,025.22 \times 0.5474 = \$120,989$ less uncollected taxes \$7106=\$111,328). We have rounded estimated taxes to be received **down to \$110,700** which is reflected in the General Fund. This is intended to be a very conservative number to avoid any unexpected surprises in the actual collection rate even though our current year end estimate is \$121,000 based on correspondence we have received from the Assessor's Office.

Property taxes for debt service on the wastewater treatment system are reflected in the Sewer Debt Fund as required by law.

Other Revenues

General Fund resources other than property taxes and cash on hand include: State subventions (liquor, cigarette, revenue sharing and 9-1-1 fees), franchise fees (power, phone, cable, refuse, natural gas), and City fees (building and planning, business, raft tax, transient occupancy tax). For purposes of clarification the resources from the Municipal Court, Public Safety Fee, Administrative Allocation, and grants are enumerated on individual line items. Interest is computed as a percentage of available cash on hand and is not a significant source of funds.

Expenditures/Requirements

Personal Services

Union wages and benefits are prescribed by contract. This fiscal year calls for a 3.25 percent cost of living adjustment. Union wages reflect anticipated step increases during the fiscal year.

Wages and benefits for management are set by contract. Appropriations for management salaries are comparable with other small agencies. Management wage appropriations include the cost of living adjustment and incentives afforded to union employees.

Benefit expenditures (which include health insurance, workers' compensation, social security, and Public Employees Retirement) have been increased to reflect the run rate based upon projected wage expenditures and anticipated but unknown mid year increases for health insurance.

[It is noted here that the PERS rates for Shady Cove may increase by as much as 10% in FY 2011/12 due to conclusions of the new actuarial studies completed in late 2009 for the overall State-wide system. However, the PERS Board is not expected to determine the actual rates for the 2011-2013 biennium until late

September, 2010. There is also some early indication from PERS that Shady Cove rates are likely not to increase, or may even actually decrease, so we will simply have to wait until September for the decision and reflect the outcome in the following year city budget]

Materials and Services

The Material and Services category reflect all expenditures relating to daily operations for all departments. This category typically includes professional services, insurance, utilities, vehicle expenses and any building or equipment maintenance.

Capital Outlay

Capital Outlay funds are budgeted for specific and miscellaneous projects/vehicles/equipment as indicated in this narrative and in the budget detail sheets under each fund. Specific vehicle and equipment items are budgeted at a minimum of \$5,000, the threshold for defining a capital purchase.

Debt Service

No General Fund or Street Fund debt is recommended in this budget. Sewer Fund Debt Service reflects all wastewater system project debt funded through sewer revenues for payments relating to the existing and upgraded wastewater treatment and collection system. The original 1980 debt on the system is reflected as a separate "Bonded Debt" fund because it is based upon property taxes, rather than sewer revenues.

Transfers

There are no fund transfers in the proposed budget. In prior years whenever Sewer Operations resources exceeded requirements there were transfers to the Sewer capital replacement fund to build up funds for future capital purchases.

Contingencies

Contingency is a line item appropriation based on the assumption that unforeseen spending may become necessary in an operating fund. The contingency line item is not a fund. Contingency monies may only be spent upon the specific approval of the City Council by resolution adopted at a regular or special City Council meeting.

Loan Payments

The Loan Payment category is used exclusively to repay bonded debt on the original wastewater system. It is unchanged.

Reserved for Future

Reserved for Future funds are indicated in each fund. Of note is a recommendation in the General Fund of \$100,000 as a result of resources exceeding requirements in the proposed budget.

The Systems Development Fees (SDC) funds are now shown in a different format, separately indicating the reimbursement and improvement projects

components of each fund balance, further explained below in SDC Funds narrative.

GENERAL FUND

The General Fund of \$1,108,200 includes Administration, Police (including County Sheriff contract) and Parks and Recreation. The fund includes a contingency of \$29,956 to address necessary but unanticipated expenditures in all General Fund organizational units. Additionally, there is a \$100,000 Reserved for Future line item accomplishing a reserve level at approximately 10%. The contingency and reserve are possible beginning this year because of economies in contracting for police services, and our effort to keep other appropriations to the absolute minimum for maintaining current service levels. Of significance is that the achievement of the reserve in this fiscal year will not need to be repeated in the future, so that any excess resources in subsequent years may be considered to address other important needs.

We have initiated a format change in this year's General Fund budget to add a column entitled "Year End Projections" for both resources and requirements. The intent is to better show how we use projected actual figures for the current year to build a budget for the next year. This is only reflected in the General Fund for FY2010-11 and not the other funds. If this proves to be a valued format then we may extend this format to all funds in succeeding years.

GENERAL FUND – 010 **GENERAL ADMINISTRATION**

The Administration organizational unit (\$549,400) funds functions in Administration, Building and Planning, Finance, Business, Floodplain Management, Utilities, Tourism, Human Resources, Legal, Municipal Court, the City Council and Planning Commission, and committees. This proposed budget aggregates funds previously allocated for 3 part time positions into one new full-time Administrative Assistant position. A full-time position will afford the advantages of long-term tenure, continuity of service and cross training opportunities that we do not have currently. The assignment of classification, duties and method of recruitment will be determined by the new City Administrator with input from the City Council and Staff.

GENERAL FUND – 030 POLICE

The Police organizational unit (\$420,744) funds Police operations. The appropriations fund police and code enforcement services under contract with the Jackson County Sheriff plus Municipal Court clerical staffing.

[It is noted here for future reference that Sheriff contractual costs will be higher in year two (FY 2011-12) due to a need to contribute an additional estimated \$80,000 to the County equipment replacement fund. Then in the following fiscal year (FY 2012-13) the annual cost will go down, having accomplished the needed adjustment to fully participate in the equipment replacement fund.]

GENERAL FUND – 070 **PARKS & RECREATION**

The Parks and Recreation organizational unit (\$8,100) predominantly pays for Aunt Caroline's Park maintenance and upkeep.

SPECIAL REVENUE FUND – 001
STREETS

A special revenue fund is used to show dedicated revenues. The Street Fund (\$198,500) supports services such as road maintenance, dust control, storm drain maintenance, and coordinates the design and implementation of street improvements. The bulk of the City street maintenance projects are completed early in the fiscal year.

The Street Fund is anticipated to receive additional funds as a direct result of an increase in the State gas tax rate and the corresponding change in the per capita formula for sharing these revenues with cities. The result is an approximate \$40,000 increase in revenues for FY 2010-11. This additional revenue is welcomed as a way to increase our ability to keep up with ever increasing costs, and also allows us to recommend the cash purchase (vs. lease/purchase) of a replacement truck (50%Streets/50%Sewer). The Bike Path continues to be reflected in Streets under Capital Outlay upon recommendation of the City's auditor. This appropriation reflects one percent of the State Highway revenue resource (gas tax). A \$40,102 contingency is available to cover necessary but unanticipated expenditures during this fiscal year.

Note, however, that the Street Fund Capital Outlay section includes several projects and maintenance activities, amounting to \$150,500, that staff believes are essential to the proper maintenance of our streets but cannot be funded even with the enhanced revenue stream. It is important to show this type of information in the budget document to remind us each year to attempt to find solutions to this gap. There is at least some good news for future years in that the State gas tax subvention is expected to increase again by an additional \$59,000 in FY 2011-12 and beyond.

ENTERPRISE FUND – 02
SEWER OPERATIONS

The Sewer Operations Fund is an enterprise fund. This is a fund established to finance and account for acquiring, operating, and maintaining facilities which are self-supporting from user charges and fees.

The Sewer Operations budget (\$811,750) funds the operation, improvement, and debt for the wastewater collection and treatment system.

The proposed resources are based on current fees and charges and reflect a very small increase from the prior fiscal year. It contemplates very little revenue in connection fees due to the economy.

Materials and Services have increased slightly (2.3%) due to increasing costs of chemicals, supplies and utilities. The only recommended capital outlay item is the cash purchase (vs. lease/purchase) of a replacement truck (50%Sewer/50%Streets). Note that there are several additional minor capital projects identified by staff as needing to be done in the next year, amounting to \$145,000 that cannot be funded within the current revenue stream. An annual evaluation of rates should be considered in an attempt to fill this funding gap. Deferring needed minor projects such as these could prove to be even more costly in the future. However, a contingency of \$13,090 is recommended.

Debt service reflects loan payments made from sewer revenues. These loan payments remain stable on an annual basis. The outstanding loans are a Water/Wastewater loan from OECD for the replacement of Lift Station #2 and force main discharge line, a loan from the United States Department of Agriculture and the loan from the Department of

Environmental Quality for the upgrade of the wastewater treatment facility. The budgeted aggregate payment on these debts \$235,402.

Due to the revenue and demand issues identified above the department is not able to recommend a transfer of funds from current revenues to the Sewer Operations Replacement fund to provide for future major capital replacements.

BONDED DEBT – 03 SEWER

This fund is a Debt Service Fund to account for the payment of principal and interest on general obligation long-term debt. It accounts for the long-term debt on the original wastewater system. When the Budget Committee categorizes taxes, it includes a property tax rate sufficient to pay the annual debt service. The taxes and available resources need to equal the annual payment of \$82,414.

Based upon our available resources we would need to assess for \$78,914 assessed valuation, a rate of \$0.36 per thousand dollars of assessed valuation would be required. This is 4 cents per thousand higher than last year. ($\$78,914 / AV\$221,025.22M = \$0.36$) Theoretically, since the total annual payment remains the same each year, the cost to individual property owners declines as the assessed value of the City increases. However, the FY 2010/11 budget does not have an anticipated carry over to begin the year, resulting in total needed revenue of \$78,914, which is \$9,500 more than the \$69,414 needed in FY 2009/10. This is the reason for the higher tax rate as noted above.

RESERVE FUND – 04 SEWER OPERATIONS

A reserve fund is a type of special revenue fund to accumulate money for a specific purpose. This fund reflects funds transferred from sewer operations to ensure compliance with our loan agreements. Those agreements require we maintain a year's worth of the annual payment (\$138,700) in "reserve." Since we have met that reserve, no transfer is proposed for this fiscal year. The only change in this fund would be interest collected.

RESERVE FUND – 05 SEWER OPERATIONS REPLACEMENT

This is a special revenue fund to accumulate funds to replace equipment. This year we propose no additional transfer from Sewer Operations into this fund which, with projected interest earnings, will reach a total of \$119,700 for future replacements.

RESERVE FUNDS – SYSTEMS DEVELOPMENT CHARGES

System Development Charge (SDC) funds are reserve funds for the purpose of accumulating resources to complete repairs/maintenance/replacement to existing system components ("reimbursement" component) or system wide improvements in the future ("improvements" component) in the areas of transportation, storm drainage, wastewater, and parks and recreation. SDC's are based upon a capital improvement program adopted by the Council and supported through permits for new construction. Also note that each SDC total fund balance summary sheet is annotated to reflect the beginning year monies available for "reimbursement" and "improvements".

Collectively, SDC resources have not increased other than from interest. The predominant reason for the failure of these funds to thrive is the low levels of construction activity.

A land purchase line item in the amount of \$24,000 is shown in the Requirements section of the Parks and Recreation SDC fund. Even though this is shown as an allocation there is no identifiable opportunity at this time for such a land purchase. This was a donation from several years ago that is exclusively earmarked for land acquisition to expand Aunt Caroline's Park if the opportunity arises. It is logically shown in this fund rather than establishing a separate fund for just this one item.

OTHER ISSUES AND OPTIONS

At two Budget Committee study sessions conducted in recent months there were several issues and options discussed that could have an effect on the Shady Cove budget in the coming years. I thought it prudent to capture a couple of those themes in this budget message as a means to remind us of them as those future budgets are considered. These include the following:

- ◆ Revenue Options and Constraints: The attached discussion outline (Exhibit "A") from the March Budget Committee study session lists the various sources of revenue currently or potentially available to Shady Cove. The FY 2010-11 proposed budget was not constructed in anticipation of either enhanced or new revenues. However, it is recommended that the existing fee schedules for fees/charges/taxes, Systems Development Charges and monthly sewer rates be considered to be "tied" to an index inflator that will automatically adjust rates each year to keep up with inflation. These rate adjustments should be effective each July 1 coincident with the new fiscal year budget, and the budget document should reflect the increases in revenues accordingly.
- ◆ Even though there is some reason to be optimistic about the General Fund benefit from lowering police costs, Shady Cove should remain on its historic track of fiscal conservatism by living within its means and setting aside funds for reserve in order to respond to changing circumstances and emergencies.
- ◆ It is recommended that the City evaluate a different strategy for coordinating the issuance of building permits for the purpose of monitoring compliance with conditions of planning approvals and construction of public improvements in connection with them, in addition to coordinating the building permits themselves. The strategy would include the contracting with an individual/firm to perform duties of a Building Official, paid out of building permit fees. This would require an analysis of any impact on the budget and needed associated fee schedule changes. It would also require a change in the structure of the City's agreement with the County Building Department.
- ◆ Another area of concern is that I have noted a high degree of expectation that the rezoning of properties in the City is easily approved. I note this to be especially focused on residentially zoned properties. This is not intuitively a budget issue per se. However, it can have a significant impact on the City's finances and its ability to provide (and pay for) the public infrastructure in the long term. Rezoning properties to higher densities not contemplated by the Comprehensive Plan and Zoning Ordinance will compromise the master planned capacities in our transportation, sanitary sewer, storm drainage and parks plans; will render the Systems Development Charges established to pay for expansions in these facilities totally inadequate; and will outstretch the ability and costs of predicted staffing levels in police, public works and administrative staff to support necessary services levels.

My thanks are offered to Gretchen Meloth and George Bostic for their roles in preparing this years' budget. Their knowledge and professional efforts were invaluable in completing this informative document for your review and action.

Respectfully submitted,

Dale Shaddox
Budget Officer