

## BUDGET MESSAGE

April 13, 2015

Honorable Mayor Holladay and City Commissioners,  
Budget Committee Members, and Citizens of Oregon City,

### INTRODUCTION

It is my pleasure to present the Proposed 2015 - 2017 Biennial Budget for the City of Oregon City. The budget is balanced and has been prepared in accordance with Oregon budget law. For the period July 1, 2015 through June 30, 2017 the total budget is \$165.1 million. Oregon City’s biennial budget is specifically designed to coordinate with the City Commission election and goal setting process. In addition, budgeting every two years saves hundreds of hours of administrative time, allowing policy makers and staff more time to focus on important projects for the community.

This message provides an executive summary of the budget document and is divided into four sections. First is a presentation of budget changes, including an overview of the total biennial budget and significant changes from the prior period. The next section provides highlights from City Commission priorities and important department goals. The third section gives an overview of the City’s major funds including summaries of revenues, expenditures and major programs. Finally, the message includes a description of the fiscal policies and assumptions that guided development of the budget.

### I. BUDGET CHANGES

Comparative information is presented throughout the budget document in columnar format. Oregon budget law requires historical information to be presented on an *annual* basis for the first three periods after cities adopt a *biennial* budget. As this is the City’s second biennial budget, the document includes two years of actual information on an annual basis and the current and proposed budgets on a biennial basis. In addition, the proposed budget represents the combination of two consecutive fiscal years over the biennium.

In accordance with budget law, the current biennial budget columns have been adjusted to include all supplemental budgets and adjustments that were approved by the City Commission during the current period and thus are titled 2013 - 2015 Amended Budget. As described below, an extraordinary budget adjustment was recently adopted to consolidate the City’s fund accounting structure. Comparing the proposed budget to the current budget without the consolidation adjustment is the most effective approach to understanding operational differences between the two.

The proposed budget of \$165.1 million is an increase of \$29.8 million over the amended prior budget of \$135.3 million (excluding the consolidation). In the General Fund, additional revenue is projected from user charges to electric and

Oregon City Total Budget (in millions)			
Current Budget		Proposed Budget	
Original	\$ 132.4		
Adjustments	2.9		
<b>Comparison</b>	<b>\$ 135.3</b>	<b>Proposed</b>	<b><u>\$ 165.1</u></b>
Consolidation	124.4		
Amended	<u>\$ 259.7</u>		

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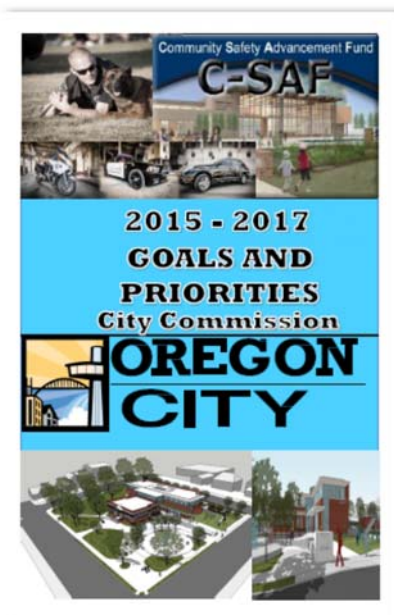
gas companies operating within the community rights-of-way. The City recently adjusted rates charged to those companies to market, consistent with other cities in the State. The new revenue, approximately \$1.0 million, is dedicated fully to economic development (utility infrastructure for identified industrial areas and incentive programs for business development) and parks deferred maintenance projects. Additional General Fund property tax revenues of \$1.9 million are dedicated to economic development incentives, much needed information technology systems (server replacements, a regional public safety and emergency system, and city-wide records management software).

The overall budget includes an additional \$7.9 million in anticipated capital expenditures and savings (ending balance reserves) for public facilities. As discussed below, the largest portion of that increase is from a voter approved bond to construct the library expansion.

The most significant change in the budget is the addition of more than \$20.5 million in city services provided across the utility funds. The Engineering Fund budget has \$0.8 million in additional expenditures to support wastewater projects, the new rights-of-way management program, and improvements to general engineering operations to support commercial and residential customers. The Transportation Fund is increased by \$1.8 million, with plans to complete several popular pavement maintenance projects. The Wastewater Fund has \$8.4 million in additional expenditures, primarily to address a building moratorium, and to significantly strengthen a program focused on correcting subsurface water infiltration and inflow caused by aged pipes. The Water and Stormwater Fund budgets are \$3.2 and \$1.0 million higher than in the previous period, respectively. Several important pipe replacement and infrastructure maintenance projects are planned for the two programs. The System Development Fund has an additional \$2.2 million budgeted for growth related capital projects, and is projected to increase more than \$3 million from additional charges for services from new development.

Smaller changes are included throughout the overall budget as well. The general guidelines used for estimating personnel and materials costs are explained below in the Fiscal Policies and Budget Assumptions section.

The City Commission is committed to transparent financial reporting and stewardship of public funds. An important aspect of these goals is to maintain an accounting system that is easy to understand and allows for the segregation of restricted monies. Consistent with established accounting principles and Oregon Department of Revenue guidelines, the Finance Department consolidated several of the City's funds during the current period to reduce complexity within the financial reporting structure. While the adjustment was only administrative (did not affect any actual resources), it amended the 2013 - 2015 Budget by \$124.4 million, primarily in transfers between funds and ending fund balances.



## II. BUDGET HIGHLIGHTS


In January, the City Commission and executive staff participated in the biennial goal setting process and developed the **CITY COMMISSION 2015 – 2017 GOALS AND PRIORITIES**. The Commission emphasized two goals as the highest priorities for the City: 1) Maintain an Environment for Successful Economic Development and 2) Address Critical Facility Needs. The Commission identified several additional priorities as well. The Proposed Budget was developed with a focus on achieving those goals and priorities.

Major highlights from the City Commission Goals include ongoing support for the Willamette Falls Legacy Project, and funding to support the construction of utility infrastructure in the Beavercreek Industrial Area and for other incentive programs. Community facility projects include the Library expansion, a funding strategy for a new Police and Court facility, the allocation of additional resources to parks maintenance, and planning for improvements to the Public Works Operations Center. A complete presentation of the Commission's goals and priorities follows the budget message.

**Economic Development**

The City Commission has emphasized the importance of the Willamette Falls Legacy Project (WFLP) under **COMMISSION GOAL 1 – MAINTAIN AN ENVIRONMENT FOR SUCCESSFUL ECONOMIC DEVELOPMENT**, and the proposed budget reflects Oregon City’s continued contribution of funding and staff resources to the project. It is one of the most important undertakings in our City’s history. The 23-acre former industrial site along the Willamette River represents an opportunity to reconnect our community with Willamette Falls and to reclaim and repurpose a significant portion of the City’s original downtown footprint.

For the last two years, the Community Development Department has focused on public engagement, recognizing the significance of the project to surrounding neighborhoods and to the region as a whole. Oregon City, in partnership with Metro, the State of Oregon, Clackamas County, and the property owner have been working together to advance the specific project values of public access, economic redevelopment, cultural and historic interpretation, and healthy habitat.



**Willamette Falls Legacy Project Values**

- \* Public Access
- \* Economic Redevelopment
- \* Cultural & Historical Interpretation
- \* Healthy Habitat

At numerous community engagement events, the public has strongly supported public access and identified it as the number one goal of the WFLP. In response, the community and project partners have identified the opportunity for a public walkway along the river. “The Riverwalk” will be a major accomplishment of the project. The State of Oregon has allocated \$5.0 million in lottery backed bonds for The Riverwalk to provide assistance with land improvements, rehabilitation and enhancement of the area around the Falls. During the biennium, the City and partners will be preparing the initial design of the walkway and hope to complete a small portion of construction. Public easements have been successfully negotiated with the property owner and PGE for the design and construction area.



The above renderings display possibilities for “The Riverwalk” project.

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Along with the City's commitment to the historic WFLP, the proposed budget includes significant resource allocations to support additional economic development. Plans include continuing efforts with identified developable areas and new development incentive programs.

Clackamette Cove and Former Landfill Site - The Economic Development Manager and supporting staff have worked diligently to advance development opportunities at the Cove and landfill sites. Additional developers have joined the Cove partnership and the City's Urban Renewal Commission has been supportive of proposed modifications to original disposition and development agreements, as well as a new soil excavation and site improvement agreement with the new partners. On April 1, 2015, the Urban Renewal Commission reached a landmark decision, approving both development and soil excavation agreements for the Cove project.

Over the past several years, commercial developers have expressed significant interest in the former landfill site off of Washington Street, next to Home Depot, but a project has yet to launch. Elected leaders and staff will continue to reach out to potential developers and coordinate with the current property owners to support a project.

Industrial Lands and Incentive Programs - As mentioned above, the budget includes new resource allocations to incentivize quality development. One focus for use of the funds is to provide leverage to obtain additional resources that would provide utility infrastructure improvements to the Beavercreek industrial area. The site is zoned campus industrial and consists of approximately 52 acres with easy access from Beavercreek Road and 650,000 square feet for potential build out. The right project could result in over 1,500 direct and indirect jobs for the community. The other focus for the funds is to create an economic development incentive program. The City's Urban Renewal Agency currently administers two very successful programs, and this project would allow for a City-wide program of gap funding for quality development projects that meet program criteria, which will include job creation.

Other economic development priorities for the biennium include a place-holder for a railroad quiet zone and enhancement of City-wide tourism promotion. The City has sufficient contingency funds to support railroad crossing mitigation efforts that would allow for quiet zones (where train horns are prohibited). These funds are available, on an as-needed basis, should an attractive mixed use residential development be proposed in the downtown area. The City is also planning an additional transient lodging surcharge that would be dedicated to promotion of tourism, including the many historic properties and attractions Oregon City has to offer.

### **Public Facility Investment**

The City Commission's commitment to address critical facility needs is renewed this budget cycle. Included under **COMMISSION GOAL 2 - ADDRESS CRITICAL FACILITY NEEDS** is completion of the library expansion project, implementation of a funding strategy for a new community safety facility, the commitment of funds to address deferred maintenance in parks, and efforts to address deficiencies at the public works operations center and other city facilities.

Library Expansion - For more than a decade, residents have recognized the need for expanded library services to serve the growing community. The library employs the latest technology to provide reading and reference materials and educational programs for residents of all income levels, and demand for library services is as strong as ever.

The City has been fiscally responsible with library district revenues, setting aside funds each year for future construction. Voters affirmed commitment to the project in May of 2014 with Measure 3-435 which authorized up to \$6 million in bonds for renovation and expansion of the library. Using reserve funds and committed future district revenues, the Library will be paid for with little or no additional tax dollars.

After reaching out to the community for input, and with recommendations from the Library Board, the Building Committee, the Parks and Recreation Advisory Board and the McLoughlin Neighborhood Association, the City Commission authorized the next phase of design for the Library Expansion Project with a two story addition centered behind the existing historic Carnegie building. The proposed budget includes funding to initiate and complete construction of the Library expansion.

Community Safety Facility - In the last budget cycle, the City Commission followed the recommendations of the 2004 Blue Ribbon Task Force and included funding for three new police officers. The Police Department has a talented group of dedicated professionals in place, and now it is time to create a facility that delivers the best public safety service possible. The current facility simply doesn't do that.

Federal standards require that essential needs facilities meet seismic standards by the year 2022. The existing facility was built in the 1960s and fails to meet even the minimum standards. The building was originally the City welfare office and has been home to several entities since. Intended as a temporary location, the Police Department was located in the building thirty years ago, and the size of the Department has since doubled. The building is woefully inadequate to serve the public. A new building will help the Department and the Municipal Court deliver the best customer service possible, and create a safe, user-friendly environment that is open and accessible to the community.

The Oregon City Police Department has undertaken an extensive community outreach program on a funding strategy for construction of the new building. Department representatives have met with neighborhood groups, the Oregon City Business Alliance, the Chamber of Commerce, and several other organizations and they have likewise shared information with larger multi-family property owners. The proposed budget includes a Community Safety Advancement Fund (C-SAF) utility fee that would pay for the new facility. The charge is a flat fee designed to have the least impact to commercial and residential customers. As currently proposed, the charge would be \$6.50 per month, and it would be removed after fifteen years when the facility is paid off. The utility fee is estimated to save property tax payers more than 30% over a conventional property tax levy. Oregon City voters will be asked to approve the project and related debt service in the following biennium.

The City has a track record of keeping funding commitments and expiration of the C-SAF is no different. When our community voted to annex to the Clackamas Fire District in November of 2007, City leaders committed to a fixed property tax rate for five years, maintaining the rate at \$0.8981 per thousand below the maximum allowed in the Oregon Constitution. The City not only kept that promise, but has maintained the tax rate at \$0.6481 per thousand below the maximum for an additional two years. The cap will be maintained this biennium as well.

Parks Maintenance - The most significant challenge for our Community Services Department is deferred maintenance at park facilities. The issue exists because of the City's aging infrastructure and the lack of a sufficient, dedicated funding source. The proposed budget includes an additional \$200,000 in each year for park maintenance and repairs to restrooms, play structures, irrigation systems and other facilities. A longer term solution will need to be considered for future years.

Public Works Operations Center - The Planning and City Commissions adopted the Public Works Center Master Plan in 2010, which recognized the existing Center Street location as an ideal site to expand the Public Works operation because of the established facility (lowest cost alternative) and strong surrounding bedrock foundation. However, the City Commission recognized that an expansion could impact residents of the nearby McLoughlin Neighborhood.

Over the last four years, the City Commission and staff have evaluated over fifty different locations for the Center. No successful alternative site could be found. The Public Works Director recently offered an alternative concept plan for the Center Street location that would substantially reduce the neighborhood footprint over the original Master Plan. As a result, use of the upper yard area and truck traffic on John Adams Street would be reduced substantially. The proposed budget includes continued funding that will allow consideration of the alternative plan at the existing Center Street location.

### **III. MAJOR FUNDS OVERVIEW**

#### **General Fund**

Property tax revenues are projected at \$23 million for the biennium. This reflects estimated 4% increases in the assessed value of property for each of the two years, with 0.3% compression, and 94% collection rates after discounts and delinquencies. As described above, the proposed budget maintains a property tax rate

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significantly below the maximum allowed under law. This is very rare for cities in Oregon and saves single family home owners in Oregon City more than \$200 annually, based on the current median home prices.

The remaining major sources of revenue for the General Fund are: rights-of-way user fees in the amount of \$6.7 million for the biennium, charges for services of \$3.1 million, intergovernmental revenues of \$2.7 million, and Municipal Court and other program fines and penalties of \$1.9 million. Other revenues totaling \$2.8 million include transfers in from other funds, licenses and permits, and miscellaneous income.

General Fund program expenditures are for Policy and Administration, Police Department, and Community Services. Policy and Administration is a collection of departments that provide governance services directly to the community and provide services and support to front-line operating departments throughout the City.

The Police Department, with a total budget of \$18.2 million, is the largest department in the General Fund, representing 41% of expenditures. Policy and Administration (City Commission, City Manager, City Recorder, Finance, Municipal Court, Human Resources, Economic Development, Information Services and Legal) and Community Services (Parks and Cemetery Maintenance, Recreation and Aquatics, and Pioneer Community Center operations) have budgets of \$9.9 million (22% of General Fund expenditures) and \$7.8 million (17%), respectively. With the fund consolidation described earlier, Policy and Administration added several programs that were previously accounted for in separate funds, including tourism promotion and community enhancement grants, cable recording contracts and pass through payments for the Downtown Oregon City Association. The remaining 20% of the General Fund budget is composed of general government shared services, transfers, and ending fund balance reserves.

General Fund operations are budgeted within the means of available revenues. Total revenues (resources excluding beginning fund balance) are \$40.3 million for the biennium. Expenditures for Policy and Administration Departments, Police, Community services, and the General Fund's share of General Government costs (\$1.3 million) total \$37.2 million. Street lighting costs add an additional \$0.8 million for a total of \$38 million.

The General Fund resources are being used to pay for services from other departments and partially to support their operations. Transfers are made to Community Development (\$1.1 million), the Library (\$0.4 million), Development Engineering (\$0.2 million) and Building Operations (\$0.2 million). The total of these transfers is \$1.9 million. General government expenditures also include \$0.4 million for the Willamette Falls Legacy Project.

At the conclusion of the biennium, the General Fund unrestricted fund balance (contingency) is budgeted at \$1.0 million. The actual balance will likely exceed that amount given moderately forecasted revenues, potential return funding from the departments (vacant positions, unspent materials budgets, etc.), the likelihood that at least some projects will not fully expend allocated amounts, and from lower than anticipated employee benefits costs. An additional \$0.9 million in "Reserved for Future Expenditures" represents the total ending balance of resources restricted for specific purposes (tourism promotion and community enhancement grants, for example).

### **Community Development Funds**

The Community Development Department manages two major funds: the Community Development Fund and the Building Fund.

The Community Development Fund is budgeted at \$3.5 million for the biennium and includes two programs; Planning and Geographic Information Systems (GIS). The largest source of funding for these programs is transfers in of \$1.5 million, including \$1.1 million from the General Fund and \$0.4 million from direct charges for services to other departments. Planning provides significant general government services (long-range community planning, for example) and using General Fund resources to pay for those services is appropriate. However, with reduced economic activity the amount of funds transferred has increased over the past several years. Community Development is implementing a time tracking system to provide detailed information on the allocation of work performed for the General Fund, private developers and others. The department will also be

performing a development fee review to confirm that fees, indexed for inflation, have remained appropriate since the last update.

Charges for services and licenses and permits are budgeted at about \$0.6 million in total. Land use applications and other plan reviews are the largest source of anticipated charges, including services to be provided for major projects at Clackamas Community College, Willamette Falls Legacy Hospital and the Clackamette Cove (a portion of the development). Pass-through revenues and expenditures total \$1.2 million. The City collects school excise taxes on behalf of the Oregon City School District and remits the funds to the district for construction of school facilities. Additional ongoing residential development is anticipated as well, although at a slower pace than in the previous biennium.

In the prior biennium, Intergovernmental revenues of \$0.7 million included contributions from partners for the WFLP. The funds were used to provide staffing and consultant services for a comprehensive community engagement and planning effort. As discussed above, a large portion of the next phase in development will be accomplished using contributions administered by Metro.

The Community Development Planning Division provides the following services: annexations, zone changes, master planning, site plan and design reviews, subdivisions and partitions, conditional use permits, sign permits, natural resource overlay district permits, floodplain protection, historic reviews and various other land use related services. The Planning budget is \$1.8 million (after subtracting pass through payments). Personnel and materials costs are generally consistent with the prior biennium, other than the reduction of contracted planning costs for the Willamette Falls project. The GIS Division provides complex mapping support for the entire City and is budgeted at \$0.4 million. At the conclusion of the biennium, the fund will have an ending balance (contingency) of approximately \$20 thousand.

The Building Fund total budget is \$2.6 million. Licenses and permits revenue of \$1.7 million, General Fund transfers of \$0.2 million and a portion of beginning balance reserves are projected to fund services for the biennium. Pass-through revenues of \$0.4 million include State surcharge and Metro construction tax monies that are collected and remitted to those agencies.

Building revenues are inextricably tied to development activity and the City was forced to vacate two positions, a plans examiner and a building inspector, a few years ago. Two major residential developments sustained the fund subsequent to that; “The Landing” on Glen Oak Road and “Pavilion Park” near Pease Road. Inspection revenue from the College, Hospital and Cove projects are expected to sustain proposed service levels in the near-term; however due to market uncertainty, program activity and related expenditures will continue to be carefully monitored by management.

The building program ensures that new buildings constructed in the City are safe and structurally sound. Managing the program requires balancing immediate service needs and sustaining the program to provide long-term responsiveness for future development. Two changes proposed in the budget will support both objectives. First, a building inspector has been added to perform commercial electrical and plumbing inspections that are currently administered through a contract with Clackamas County. The change will create efficiencies in communication, reduce costs and allow more thorough inspection services, possibly increasing revenues as well. The second change is to provide one time funding for the purchase of a new permits system. The existing system is severely outdated and the upgrade will provide for better work flow and customer service. The cost of the permit system will be shared with the Public Works Engineering Division.

### **Library**

The Library Fund is budgeted at \$5.2 million for the biennium. District property taxes are projected conservatively at \$4.0 million and comprise 76% of total resources. The remaining significant resources are beginning fund balance of \$0.7 million and miscellaneous charges for services of \$0.1 million, comprising 14% and 2% of total resources, respectively.

The fund accounts for all Library operations. The budget for staffing and materials purchases is \$3.0 million. Principal and interest payments for the new library bond are \$0.8 million, leaving \$1.3 million in ending fund balance (contingency). The Library Reserve Fund was used in the past to account for money saved and bond

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proceeds for the new Library facility. The City consolidated the reserve fund into the Community Facilities Fund in 2015, which now accounts for all City facility projects with segregated resources.

### Public Works Funds

The Public Works Department operates in a series of funds, including the Engineering Fund and one for each of the City's utilities: Transportation, Water, Wastewater, and Stormwater. The utility systems each have unique operational and infrastructure replacement needs. To effectively manage the public investment in these systems, updated master planning has been completed for Transportation, Water and Wastewater; Stormwater master planning is proposed in the 2015-2017 biennium.

The Water master plan highlighted a significant need for replacement of older distribution lines, and the budget includes some funding for replacement projects. Capacity for water line replacement is limited by a rate cap in the City's charter. As a result, a major water line replacement effort will need to be undertaken at some point in the future beyond the proposed biennium. In addition, the Wastewater Plan identified capacity deficiencies within certain areas of the sanitary sewer collection system which have the potential to result in discharges of untreated sewage. Last year, the Commission authorized rate increases to fund the capital projects required to improve capacity. Funding to begin these projects is included in this budget.

### Transportation

The Transportation Division is responsible for the construction and maintenance of roadways, pathways, sidewalks, traffic signalization, and guardrails. Funding was budgeted across three funds prior to the proposed biennium: Street Operations, Pavement Maintenance Utility, and Street System Development. Street Operations and Pavement Maintenance Utility are now combined into the Transportation Fund for improved project management and reporting. The Street System Development Fund has been combined with all other funds that collect system development charges. The new System Development Fund accounts for transportation, water, wastewater, stormwater and park development charges and will be discussed later in this section.

The Transportation Fund is financed by state gasoline taxes which are anticipated at \$3.9 million for the biennium (including only slight increases in each year) and, in accordance with State law, fund system improvements, safety enhancements, and roadway maintenance. Transportation also collects revenues estimated at \$4.4 million from the pavement maintenance utility. The revenue is restricted for use in implementing the City's annual pavement maintenance plan.

Expenses in the fund include \$3.8 million for City-wide roadway reconstruction projects, \$0.7 million for contracted roadway repairs such as slurry sealing, \$0.6 million for transportation enhancement capital projects such as turn lanes, safety measures, signalization projects and sidewalk improvements, \$0.1 million in engineering costs for plan updates and signalization studies, and \$0.1 million in landscaping. Additionally, the fund will transfer \$0.3 million for each of the Public Works building and fleet replacement reserves to provide for effective future programming.

### Water

The Water Utility Division maintains the City's potable water distribution system. Division activities are accounted for in the Water Fund. Last year, the City made the final payment on water fund debt and closed the related rate stabilization fund, adding additional resources for operations.

The Water Fund is budgeted at \$15.9 million for the biennium. Water utility charges are projected to be \$12.0 million. Water rates are budgeted at current levels with inflationary increases of 3% in each year.

Operational costs include significant replacement projects such as the South End and Lawton area pipe replacement at a cost of \$0.8 million, 15<sup>th</sup> Street from Main to Division Street at \$0.7 million, Center Street pipe work of \$0.3 million, and Main Street upgrades of \$0.2 million. Smaller replacement projects totaling \$0.6 million will be constructed as well, including the 99E Bluff pipe replacement, Boynton Reservoir fall



protection, Mountain View fence replacement and the Pope Lane/Forsythe Road project. Service contracts totaling \$0.4 million are included in the budget for engineering, paving and patching, leak detection, and emergency repairs. Funding is also allocated for waterline replacements associated with the annual Pavement Maintenance Utility program. The most significant expenditure in the fund, budgeted at \$3.3 million, is for purchases of treated water from South Fork Water Board, the partnership jointly owned by Oregon City and West Linn.

### **Wastewater**

The Wastewater Division is responsible for the operation, maintenance and improvement of the City's sanitary sewer collection system. Division activities are accounted for in the Wastewater Fund.

The Wastewater Fund is projected to receive \$10.4 million in utility revenue for the biennium. This includes rate increases of 15% in the first year and inflation of 3% in the second year. The 15% increase is required to fund the capital projects necessary to improve capacity and mitigate the sewer moratorium. For the biennium, approximately \$0.4 million in rights-of-way usage charges are collected from the County's regional treatment plant and are allocated to support wastewater operations. The fund is budgeted to collect \$7.8 million in pass-through charges as well. Those funds are collected from customers for the Clackamas County Tri-City Sewer District.

Significant projects in the Wastewater Fund include sewage pipe replacements at Linn Avenue, 13<sup>th</sup> Street, Division Street, 12<sup>th</sup> Street, Hazelwood Drive, and Washington Street totaling approximately \$1.2 million. All but the last project are to address the sewer moratorium and will be completed or under construction by the end of the biennium. Additional projects include remaining Settlers Point Pump Station repairs at \$0.1 million and other projects at \$0.2 million. The budget includes staffing and \$0.4 million in contract services for infiltration and inflow investigative activities, \$0.1 million for inspection and leak detection and \$0.1 million for repair services, as well as various other inspections and manhole installation projects.

### **Stormwater**

The Stormwater Division is responsible for the operation, maintenance and improvement of the City's systems of water runoff conveyance, flood control, and pollution control. Division activities are accounted for in the Stormwater Fund.

The Stormwater Fund is budgeted to receive utility revenue of approximately \$5.0 million. This includes scheduled rate increases of \$0.25 per dwelling unit in each year of the biennium.

Expenditures are budgeted for 7.5 miles per year of video inspections and assessments as part of the "Pipe Assessment Condition Program." In addition, more than 1,400 catch basins will be cleaned annually, and the City's seventy five storm water quality retention ponds will undergo scheduled maintenance eighteen times each year. The following capital projects are proposed as well: Harding Boulevard is funded at \$0.2 million, 14<sup>th</sup> Street at \$0.1 million, Kathaway Court at \$0.1 million, and several other culvert replacement and general reconstruction projects at \$0.3 million.

### **System Development**

System Development Charges (SDCs) are collected on new development to fund future capacity-increasing projects required to meet the demands of related growth. Charges fund projects in Transportation, Water, Wastewater, Stormwater, and Parks. Prior to 2015, the City accounted for each of the City's SDC activities in a separate fund. These have now been combined into one System Development Fund, while maintaining revenues and expenses for each function separately. The fund is budgeted at \$17.7 million.

The Transportation Division is projected to receive \$1.1 million in SDCs during the biennium. This is consistent with the prior budget and anticipated development. Project funding totals \$2.1 million and includes concept planning for certain corridor improvements (street arterials and collectors). Examples of these

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planning areas include Meyers Road (Highway 213 to High School Lane), Loder Road, and Holly Lane. Other expenditures include money match funds for important City projects, should the City be successful in securing grant funding. Top project priorities include Molalla Avenue Phase III, Main Street from 10<sup>th</sup> to 15<sup>th</sup>, and Meyers Road from High School Lane to Highway 213.

The Water Division anticipates \$0.8 million in SDCs for the biennium and is addressing growth related infrastructure as prioritized in the master plan. Funding has been allocated for land acquisition for a new reservoir, pump station and force main on Beaver Creek at \$0.4 million and for capacity upgrades on 15<sup>th</sup> Street from Main to Division at \$0.2 million. Other pipe upgrade projects include Taylor Street, Whitney Lane, and the Pope Lane I-205 undercrossing. Place-holders of \$0.3 million are budgeted should additional development occur.

Wastewater Division SDC revenue is budgeted at \$0.5 million for the biennium. Growth related sewer projects include expenditures of \$2.7 million for design and construction of moratorium projects (also funded with wastewater rates) including 12<sup>th</sup> Street, 13<sup>th</sup> Street, Division Street, and Linn Avenue.

The Stormwater Division is anticipated to receive approximately \$0.6 million for the biennium. Projects include the Coffee Creek drainage system improvements and completion of a City-wide Surface Water Management Master Plan and Capital Improvement Program, as well as the adoption of updated stormwater design standards.

### **IV. FISCAL POLICIES AND BUDGET ASSUMPTIONS**

As discussed above, the Biennial Budget was developed with a focus on achieving City Commission goals and priorities and important departmental goals that are designed to provide efficient and quality services to our citizens. The following fiscal policies and assumptions were also used to guide the budget process.

#### **Revenues**

Revenues are forecasted moderately to maintain operations and support reasonable ending reserves. Major revenue assumptions include assessed value increases for property taxes in both years of 4%. Sewer rates are budgeted to increase 15% in the first year of the biennium and 3% in the second. Water, stormwater and pavement maintenance service charges include adjustments based on established Commission resolutions, with inflation of 2 to 3%. Other charges for services and general revenues are calculated based on a six year average with conservative adjustments as requested by departments.

The budget includes new revenue from the City's rights-of-way management program and implementation of the Community Safety Enhancement utility. As described above, those funds are primarily dedicated to economic development, parks maintenance, wastewater operations and savings for the proposed new Police and Court facility. Additional revenue is recognized as well from anticipated adjustments to the transient lodging tax and solid waste surcharge at the Metro Transfer Station. The money is dedicated to tourism promotion and community enhancement projects, respectively.

#### **Expenditures**

The City's budget guidelines typically require an identified new revenue source before positions can be added. The proposed budget includes a half time risk manager position in the Human Resources Department and a parks maintenance employee, both funded with rights-of-way revenue. In Community Development, a senior building inspector is added using savings from previously contracted work. The Public Works Department has three new positions, two in Wastewater to manage the moratorium and ongoing Infiltration and Inflow programs, as well as support the Stormwater program, and a third engineering position funded with savings from previously contracted work. Finally, two Information Technology positions are included in the budget utilizing anticipated savings from the City's service contract. The risk manager and Information Technology positions are dependent on upcoming needs analyses. To support our existing employees, 2% and 3% cost of living increases are included for salaries. Moderate increases are projects for PERS retirement and health care

benefits. The City recently learned that increases will be minimal, so there could be even stronger fund balances at the conclusion of the biennium.

Additional budget guidelines included inflation assumptions of 3% for materials and service contracts, and 2% for capital purchases, each year. Capital improvement/development fund budgets are exceptions to the capital guidelines because projects are often funded with non-operating resources such as grants and system development charges. Departments were directed to maintain existing service levels while continuing to provide the highest quality service possible.

#### CONCLUSION

The Budget was developed through many hours of in-depth analysis, discussion and cooperation among supervisory staff, the Executive Team, and my office. The result is a balanced budget that supports our Commission's goals and provides for vital municipal services that will benefit every citizen and visitor.

This document could not have been developed without the dedicated efforts of our entire City staff. The commitment demonstrated by our departments in support of our community continues to amaze me. The Department Directors work creatively and diligently as a team to accomplish the goals established by our Commission. They also strive to make their departments function more efficiently, often in small ways that add up significantly over time, even if they do not generate headlines. Our team strives to share resources and ideas while making the City a fun and challenging environment in which to work. The Finance Department deserves special recognition for the development of the budget. Finance Director, Wyatt Parno and Deputy Finance Director, Mireya McIlveen have taken the Department to new higher levels of performance that will pay enormous dividends to the City in its ability to provide services, sound fiscal analysis, and funding for capital needs.

Our Mayor and City Commissioners tirelessly demonstrate, through their volunteer service, the value of representative governance that has been a hallmark of Oregon City longer than any other in the western United States. Their dedication to establishing public policy, goals and priorities has provided clear direction and a solid foundation for this budget.

I want to thank the Budget Committee for assuming the important task of receiving this budget on behalf of our community. The time they take to review the budget, attend meetings, and stay informed about community issues is very much appreciated.

Sincerely,



David W. Frasher  
City Manager