



**2014-2015**

**ANNUAL BUDGET**



## **Fiscal Year 2014-15 Budget Message**

TO: Adair Village Budget Committee  
FROM: Drew Foster, City Administrator/Budget Officer  
DATE: April 28, 2014

### Introduction

I present the Adair Village Budget for Fiscal Year 2014-15 to the Budget Committee and members of the community. The City's Budget shows the continued fiscal stability of our community's finances. The City continues to meet its current financial obligations and we have been able to implement projects to reduce water loss and to renovate the water plant to extend its life.

Bringing Public Works back in-house in 2011 enabled us to reduce costs, respond to emergencies, and begin maintenance programs in all our major public works funds-storm drain, streets, wastewater, and water. Our Public Works staff, led by Assistant City Administrator Pat Hare, consists of Supervisor Tom Shaddon and Utility Worker II Carl Schaumberg, and Utility Worker I Ron Tucker. They continue to improve all of our facilities, to make upgrades to our City Park, and they have established both improvement and maintenance programs in all areas of public works.

Two Administrative staff strengthens our financial management systems and provides greater segregation of duties in our daily activities. Utility/Court Clerk Kathy Edmaiston handles utility billing and all accounts receivable, Kathy added the task of recording the City Council in the previous budget year and her position will become full-time as she adds duties in support of meeting preparation and takes over the records archiving work previously in the hands of our Administrative Assistant Judy Vedamuthu position. Finance Clerk Brittany Kennedy deals with accounts payable, personnel, and payroll; Brittany also works as our Recreation Coordinator and continues to successfully find funding to provide a wider range of activities for the youth of the community.

The City continues an aggressive budget approach focused on preparing for our upcoming large infrastructure projects and making the change over to radio-read meters throughout our whole water delivery system. Many of the City's General Fund income resources from the State-cigarette and liquor taxes and state revenue sharing have remained static. We did see an increase

in assessed value on property tax, which meant that the City's revenue from property tax was higher than expected despite the Hewlett-Packard payback that all taxing districts had to share. Our utility franchise fees have remained consistent or grown slightly.

We have made an effort to provide prudent revenue estimates and to still leave the City with some ability to meet unexpected expenditures or requests for funding that frequently occur. With direction from the City Council Goal-setting session and the efforts of City staff in closely tracking our expenditures we continue in our efforts to provide consistent beginning balances across all our Funds. We will increase the Utility/Court Clerk to a full-time position and expanded duties. The implementation of a HSA (Health Savings Account) program has enabled significant savings in our health benefits.

Footnotes are provided at the bottom of the budget sheets where some added information and detail is likely to be helpful explaining changes to a line item.

### Background and Process

The Budget Committee is comprised of the City Council and an equal number of "lay citizens". The charge for the committee is to review the budget, as prepared by the Budget Officer, and recommend changes as appropriate based on the Committee's input. The initial work session simply provided background information for the Budget Committee. The second session, which will include an opportunity for public input, will allow the Committee to review the budget approach, each Fund's revenues and expenses, and basic information on long-term planning. The major issue affecting the budget is our continuing preparations for major capital improvements in our water and wastewater facilities. The Committee will have the opportunity at the second meeting to finalize its recommendation to the City Council or to schedule a further meeting.

State law establishes many of the items, processes, and format of municipal budgets. It requires that we advertise and hold hearings on the budget and various components such as state revenue sharing. State law requires the budget to provide background information on the actual revenues and expenditures for the two years prior to last year's budget. This is shown in the first two columns of the budget sheets. The next column shows our current adopted budget and the fourth column shows the proposed budget developed by the Budget Officer. The process then provides for changes by the Budget Committee that are forwarded to the City Council for further hearings and final adoption by resolution. The State Revenue Sharing funds will also receive public input as to their use for the whole community and the Committee will develop a recommendation for the use of these funds.

The City uses a fund approach to comply with generally accepted accounting procedures. These funds include the basic program funds-the General Fund, which is divided into five sub-sections, the Water and Wastewater Funds, the Stormwater Fund, the Street Fund, the small Reserve Fund, and the Systems Development Fund. The General Fund is where non-restricted revenues and expenditures are detailed and is comprised of the various departments that operate from the general revenue dollars. The Water and Wastewater Funds function as enterprise funds under a different set of accounting standards that basically provide these funds operate as not-for-profit business. The Street Fund is termed a special revenue fund, because the gas tax revenues that

support this fund are required by law to be used for street purposes. All the City funds are detailed below.

There are some universal issues that you will note throughout the budget. The City has made a commitment to establish pay rates that are in line with the average pay for similar positions in similarly sized cities and this commitment was met for the present City staff at hire. This year's Budget includes a 2.5 percent COLA (Cost Of Living Adjustment) by 2.5 percent which matches the increase from last year (which was the first increase in three years). This year's adjustment matches the CPI (Consumer Price Index) increase for Portland for this year, so the increase does account for inflation.

No transfers are being budgeted. The following sections provide additional detail about each of the funds.

### **General Fund**

The General Fund accounts for general revenues and operating expenses and funded primarily by tax, State shared revenues, and other fees. Of note is the decreasing Beginning Fund Balance, which reflects the City's long-term stasis of General Fund revenues. We are in process of finding a new lessee for the restaurant in the Old Firehouse. Depending on the timing of bringing in a new lessee, the revenues here may come in a bit short of the estimate. Overall, I expect General Fund revenues to remain at the same level that they have been over the last ten years.

There are five (5) sub-accounts that make up the General Fund; they are Administration and Planning, Building Permit, Non-Departmental, Parks, and Public Safety. Information about these individual sub-accounts is presented below.

ADMINISTRATION: All basic consultant contracts-Attorney, Engineer, and Planner-will be funded primarily from this sub-account. Additional engineering and planning costs for specific projects are included in the Water, Wastewater, Storm Drain and Street Funds under Contract Services. Personal Services costs include ongoing work of planning, meeting preparation, contracts, franchises, and leases, and reporting to the City Council and State and Federal agencies. Personal Services costs do increase this year for two primary projects-development of the AVIS (Adair Village Industrial Site) and our planned effort to engage with Santiam Christian School and Weigel Farms in marketing and developing the newly annexed 128 acres on both sides of Ryals Road. The Planning Commission will be actively updating the Comprehensive Plan. They will also be looking at the long range planning for that area. The Community Service Officer will be supported from this Fund as a Contract Service, rather than the Public Safety Fund. Costs for City Attorney have increased with the hiring of a new City Attorney firm and the wider range of projects with which they will be involved.

BUILDING: The Building Department sub-account, primarily serves as a "pass-through" with moneys coming in from building permits and being paid out to the County and State. Benton County is contracted as the City's building official and is paid 70% of all fees connected with permitting and the City keeps 30%. We also collect a State surcharge of 12%. The State surcharge is for permits only and is not paid for corollary activities, such as plan reviews, zoning

charge, etc. This means that the State percentage will be less than 12% of the total that is listed under permits. Further, for new buildings, we collect a CET (Construction Excise Tax) that goes to the Corvallis School District 509J. This department has limited revenues estimated at this point in time.

NON-DEPARTMENTAL: This sub-account consolidates many “non-departmental” operating expenses into one area that are not directly attributed to other departments and serves no purpose in breaking out to other operations. The revenues come from the same sources in the General Fund to cover these expenses. All General Fund expenses for Postage and Telephone are now located only in Non-Departmental, since we have no tracking system to break them out amongst the General Fund sub-accounts, other than for Public Safety. The City’s Municipal Court has been moved back to this sub-account after being in Public Safety last year. Transit costs will nearly double this year as the Federal subsidy that the Corvallis Transit System shared with us no longer exists.

PARKS: The City will continue to fund the Recreation Coordinator position. Brittany Kennedy has been successful in obtaining grant funds to increase the level of service. We now have a one night a month Teen program year round and we are starting a “Tween” program focused more or less on middle school aged youth who are too young for the Teen program, but would benefit from their own program. We will be applying for a grant to build a permanent restroom at the Kiddie Park. Please review the Capital Improvement program information at the end of this document. This is the \$40,000 in Capital Outlay in the Parks sub-fund. If we are not successful with the grant, then this project will not proceed.

PUBLIC SAFETY: The budget for Public Safety contains the largest changes from last year. We now contract with the Benton County Sheriff’s Office (BCSO) for patrol services which are in addition to the regular patrol hours received simply as part of BCSO county-wide services. There is a small Personal Services charge which represents 5 percent of the City Administrator’s salary, which is used in coordination and oversight of the BCSO contract. This sub-fund also shows \$33,000 for Vehicles in the Capital Outlay budget. These are the funds from the sale of the Police Department’s two vehicles last year. These funds are (using the Government Accounting and Standards Board [GASB] 54 language) considered to be “Assigned,” which means that the “governing body”-the City Council-has established an intended use for these funds. .

### **Reserve Fund**

This fund operates as the City’s “savings account” where we hold money in “reserve” for future capital expenditures. This fund is established by resolution of the City Council specifying the purposes for which this money is being held. In our case, the money is being saved to cover basic plant, building and equipment needs. The initial budget may need to commit some Reserve Funds to support the needs covered from the General Fund expenditures. There has been no change in this Fund for three years.

## **Storm Drain Fund**

The charge for storm drains was raised to \$2.50 per month per resident household in 2009. Charges to commercial accounts were raised incrementally after a new review of impervious surface area for commercial accounts was completed. Prior to that, the Storm Drain Fund brought in about \$6,000 per year and was in deficit every year. No storm drain improvements had been undertaken for a considerable time. With the new fees, the Storm Drain Fund brings in \$16,000+ per year, covers all its expenses, and is growing by \$4-6,000 per year, which has allowed our Public Works staff to implement an improvement program, which will be used to provide upgrades to the worst sections of the system. There are no specific projects on line at this time.

## **Street Fund**

This fund is a “special revenue” fund and designed to track revenues the City receives from the State’s gas tax. These monies, by law, may only be spent on transportation related items, which may include pedestrian and bike paths. Revenues are delivered on a per capita basis and anticipated to be higher this year based on the City’s higher population, which is certified after the start of this fiscal year. Revenue from this State fund has increased slightly over the last three years. The City’s CIP (Capital Improvement Program) will invest \$12,000 per year in improvements to both a section of street and ADA (American Disabilities Act) improvements to the sidewalks. Improving sidewalks in conjunction with street improvements is a requirement. In this budget cycle we will be addressing the deteriorated section of Azalea starting west of the speed bump. This will consist of a street overlay that spans from the speed bump to the corner heading west. An initial review with Benton County engineering staff shows that while the surface pavement needs to be replaced throughout the Loops, the road beds are in very good shape.

## **System Development Fund**

This fund documents the resources and expenditures of System Development Charges and fees received by the City in conjunction with local development. They are regulated by State statute and may be utilized for only specific purposes associated with capacity enhancement. The revenues include a “reimbursement allowance” for prior expenditures and bonded debt. The reimbursement portions you will note are transferred to the Water and Wastewater Fund and used to meet our debt obligations for revenue bonds. By separating these revenues from the operating funds (street, water and wastewater) we prevent them from being “co-mingled” with operating revenues and expended for unauthorized purposes.

Because these funds are uncertain, they are budgeted as “money in – money out” and generally do not have a significant impact on the budget regardless of development patterns. The City will update its CIP (Capital Improvement Program) every year to account for new, known needs and the SDC rates to account for inflation. It was important to put a new SDC program in place before the UGB (Urban Growth Boundary) expansion is complete. We have had only two new houses built in the City and one new rural water service adding to this fund in the last three

years. We expect to have at least one new residential house built this year, but it will not have any significant impact on this fund.

### **Wastewater Fund**

The revenues in the Wastewater fund come primarily from User Fees and have remained relatively constant since the last increase in 2011. The Wastewater Fund is a Proprietary fund, which means that it develops its own revenues by delivering a service. It is designed to keep the City current on operating costs and debt service, but with increasing needs for maintenance and repairs, the unappropriated fund balance for this fund has gotten smaller over the last five years. The basic wastewater fee was increased in two steps last year in an attempt to remove the yearly deficit that this fund had been incurring. We need to continue to keep up with inflation in this fund. This year, we are proposing a two step increase (5 percent in each step) in basic Wastewater rate. This will allow the City to keep up with inflation and to continue to provide basic maintenance and operating costs without a diminution in the Balance Forward amount.

In 2012, the City received a \$180,000 loan from Oregon Department of Environmental Quality (DEQ) to complete a Wastewater Facility Plan update, which includes the possibility of treating the leachate from Coffin Butte Landfill in partnership with Republic Services/Allied Waste. Repayment begins this year, and will continue for the next four years after. We also developed a partnership with Republic Services which included a \$150,000 investment in this project over the last three years (the last payment is listed as “Partnership Payments” in this Budget). There will be a final facet to the project-bench testing of the presumed approach.

With improvements undertaken to existing equipment, our Public Works staff has been able to reduce costs for Chemicals and Lab Analysis below last year’s budgeted estimates; we expect these savings to continue. With these savings, Public Works has built ongoing maintenance schedules for all vehicles and equipment. This year’s budget will reflect an increase in equipment maintenance and equipment purchase. Over the last three years, Public Works has focused on becoming more self reliant.

### **Water Fund**

The Water Fund is also a proprietary fund. The Revenues of the Water Fund reflect the increased water rate that the Council approved via Resolution 2012-#2 on May 1, 2012. The new rate will enable the City to undertake the \$2.3 million revenue bond. This budget does not include the \$2.1 million, 25-year revenue bond that we are developing in order to replace the in-ground reservoir on Voss Hill, east of the city, with above ground tanks. We plan to move forward with this bond issue in this year and will undertake a supplemental budget to account for the revenue bond when appropriate.

The revenue bond was initially considered to support repairs of approximately \$150,000 at the water facility to reduce water loss there and \$60,000 for new radio meters for all water service customers throughout our service area. We have completed the water plant facility work and purchased all the radio-read meters over the two previous budget years.

This \$2.1 million project is only the first project necessary of \$15 million in upgrades defined in our Water Facility Plan update, which are necessary to replace our existing Water facility and primary transmission lines. This first project focuses on the Voss Hill reservoir because that is the primary location of our systems water loss. We have added an additional \$2,500 a year to continue work replacing valves and metal connections in the water transmission lines.

### **Capital Improvement Program (CIP)**

The CIP focuses on present needs and the time frame for purchase varies from one year to five years. These items will be tracked in Capital Outlay in the appropriate Fund. This means that for most of these items, the funds budgeted in Capital Outlay are “Assigned,” but will not be spent this year and will carry over into a future budget year. To qualify as a Capital Outlay, the purchased item must cost more than \$5,000 and have at least a five year life span.

### **General Use**

Cost for these items will be split amongst the four Public Works Funds at roughly these percentages-Storm Drain (8%), Streets (12%), Wastewater (30%), and Water (50%). These rates will vary slightly to simplify tracking the items across Funds.

#### **Rhino-\$7,000 (two years)**

An All Terrain Vehicle (ATV) will be utilized to maintain transmission lines, parks, and city streets. This vehicle will be necessary for leaks along the main water transmission lines. In the past, Public Works staff have utilized their own equipment when emergency situations have arisen. The City currently has nine miles of water transmission lines running through farm land and E.E. Wilson Game Management area. The only way to access these lines is by an ATV. The ATV will allow staff to carry equipment to problem areas and monitor the transmission lines.

#### **Pick-up-\$10,000 (four years)**

The Public Works department currently has three vehicles that have over 150,000 miles. Over the next four years, at least one of these vehicles will need to be replaced.

#### **Pole Barn-\$15,000 (five years)**

Currently, our vehicles are being covered by tarps and housed inside the maintenance shop. Until the Waste Water Facilities Plan is completed and the layout of a new wastewater plant is designed, the City cannot move forward with a storage building. A pole barn will be built once the layout is complete and a five year CIP would cover the cost.

### **Wastewater**

#### **Generator-\$20,000 (five years)**

The city is required by the Oregon Department of Environmental Quality (DEQ) to have a backup power supply to the wastewater lift station located in the county park. Currently, there is no backup power at the lift station. If the power went out the city could be fined a large amount. The five year CIP puts the city in compliance with DEQ, because there is a plan in place to take care of the issue.



## **Water Fund**

### **Driver/Soft Start-\$7,000 (this year)**

The driver soft starts are included in the upcoming budget because the city does not currently have a backup finish water pump. The city has been operating without a backup pump, but if the main pump fails water cannot be produced.

### **Turbidity Meters-\$10,000 (two years)**

The city's current turbidity meters are not manufactured anymore and parts are no longer available. These meters have to be in working condition to operate the water plant. There are two of them that need replaced over the next two years.

## **Street Fund**

### **Street Overlay-\$12,000 per year**

This would allow the City to make necessary road repairs and sidewalk upgrades over the next five years. Sections of the upper and lower loop need to be overlaid before they deteriorate beyond repair. The base underneath the road is still in good condition according to Benton County's road crew. They recommended doing asphalt overlay projects every year.

## **Parks Fund-\$5,000 (two years)**

### **Play Structures**

Brittany Kennedy (Recreation Coordinator) will be applying for a grant that would allow us to put permanent restrooms in at the Kiddie Park. The grant requires that the City pay 15% of the total cost. The \$5,000 in capital outlay will be used as our percentage. If we are not successful with the grant, we will purchase new equipment to replace the teeter-totter and the merry go round.