

# CITY OF VERNONIA

## BUDGET MESSAGE FY 2013-2014

March 19, 2013

### **Members of the City of Vernonia Budget Committee and Citizens of Vernonia,**

I am pleased to present this balanced Fiscal Year 2013-2014 Operating Budget and Capital

Improvement Plan as required by Oregon Budget Law.

As has been the case in recent years, this is a significant year for the City of Vernonia as we continue our quest to maintain service delivery in these trying economic times.

This past year we have seen a new school open and a former school campus transition to become a new park; we have seen the flood damaged buildings elevated and razed as we see plans for a new social services complex emerge; and we see plans firming for wastewater facility as plan together our means to pay for this improvement.

As we have done in recent years, the attached budget is designed to support the expectations of our community. The budget used the goals of department heads, city committees and City Council as a basis for its design.

The budget requires no utility rate increase to achieve balance. However, City Council will review professional assessments of both the water and sewer utility rate and may direct staff to modify rates in the future.

The City Council has directed staff to complete an update of the Master Capital Plan and Master Park Plan. These will be used by City Council and the Budget Committee in years to come to establish a more formal approach to Capital Improvement Plan investments.

The Finance Administrator developed an informative budget package that includes graphics that will attempt to visually describe our overall budget and each of the funds.

The following pages describe budget assumptions and highlights of both revenue and expense forecast for Fiscal Year (FY) 2013-2014.

## **Overall Budget:**

The City of Vernonia total budget is \$7,722,696; this compares to last year's adopted budget of \$4,393,939; an increase year to year of \$3,328,757 or 76%. The increase is directly related to capital improvement projects planned this coming year.

The cost drivers include:

### **1. Personnel Services**

- a. > ~6% PERS
- b. > ~11% Health Benefits
- c. > ~9% Liability insurance
- d. > 2.5% Cost of Living
- e. Three Police Officers (5%) Step Increase per CBA

### **2. Materials and Services**

- a. Materials and Services see a minor increase year to year due to inflation assumptions and increased cost of fuel and power.

### **3. Capital Outlay**

The City is forecasting expending at least \$3,000,000 on planned wastewater facility improvements – approximately 50 percent of the total project costs.

## **Revenues and Expenditures by Fund**

General Fund and Enterprise Funds revenue growth continues to lag due to the slow economic recovery, depressed property assessments and a decision at this time to not raise utility rates prior to reviewing options. If a budget modification occurs during the fiscal year that management decision may trigger a supplemental budget review requiring Budget Committee and City Council action required by Oregon Budget Law.

### **General Fund**

The City has a permanent rate of \$ \$5.8163 per thousand of assessed value.

Property tax is the single largest form of revenue to the General Fund. In addition to property tax revenue, the General Fund is bolstered by Franchise Fees, State Revenue Sharing, and other unrestricted fees. Revenue assumptions predict tight cash flow through November 2013 pointing out the need to manage a conservative budget. Expenditure highlights low legal costs in both Police and General Fund; stable costs in City Administration and Library and increased personnel cost in Police; and EPA Brownfield Assessment Grant is new this year in the General Fund.

### **Airport Fund**

The Airport Fund functions off of earned revenue from hanger rental and tie down fees. The Airport Fund has some expenditure links to the Park Fund. Currently there is no staffing support for the airport.

### **Building Fund**

New construction and significant remodeling projects are conservatively forecast at two permits.

### **Cemetery Fund**

The Cemetery Fund is self-supporting. City staffers manage and maintain the cemetery.

## **VCLC Fund**

The VCLC is not self-supporting at this time. The building needs maintenance and enhanced programmatic management. Both are a priority in the coming budget cycle but to achieve this goal we will seek a community volunteers and other partnerships.

## **Park Fund**

The Park Fund is self-supporting. The Parks system supports part-time temporary maintenance and regular public works staff for various maintenance functions. Revenue assumptions are based on a new park fee schedule. Monthly park fees were not changed.

## **Water Fund**

The Water Fund is an enterprise utility fund. The Water Fund is designed to be self-supporting and is used to operate the management and maintenance of the City of Vernonia's Waterworks. There was no adjustment made to the water utility rate in developing the proposed budget. We maintained last year's reduction in Public Works personnel this will continue to result in a modest reduction in services provided. Budget assumptions include deferral of a planned aggressive meter replacement project, encourages regular distribution system leak detection and repairs.

## **Sewer Fund**

The Sewer Fund is an enterprise utility fund. The Sewer Fund is designed to be self-supporting and is used to operate the management and maintenance of the City of Vernonia's Wastewater Treatment Facility. There is a reduction in Public Works personnel planned, and there will be a modest impact on services provided. There was no adjustment made to the sewer utility rate at this time.

## **Street Fund**

The Street Fund is self-supported. There is a reduction in Public Works personnel that will have a modest impact on services provided. Revenue and expense forecast are conservative.

## **System Development Charges**

Revenue assumptions forecast two single-family houses will pay SDC fees. This is a very low estimate on revenue. SDC's may be used for a portion of the work planned in park improvements and in paying for some planning documents.

## **Sewer Rehab Fund**

The Sewer Rehab Fund is used as a conduit for loans and grants used to develop the wastewater treatment plant facility improvements. Funds proposed in the Sewer Rehab Fund include Oregon Department of Environmental Quality *Clean Water State Revolving Fund* loan proceeds that will be used for the construction of the wastewater treatment plant facility improvement project. This fund will also see a small amount of Oregon Infrastructure Finance Authority *Community Development Block Grant* and US Environmental Protection Agency *State and Tribal Assistance Grant* proceeds for the same project but are restricted to engineering, planning and predevelopment costs.

## **Water and Sewer Debt**

These two accounts are new this budget cycle and will be used to repay waterworks and wastewater facility indebtedness

## **Reserve Accounts**

ORS 294.525 authorizes the establishment of reserve funds and the City budget may make annual transfers to reserves. Three of the four reserve accounts are new in this budget cycle. The fourth will be eliminated as funds previously tracked in this fund were dispersed to the three new reserve funds in order to comply with Local Budget Law. The general fund account will be a sinking fund for assets

owned by the city, the parks will be the same for park assets, and the water will serve upgrades to distribution and production components of the waterworks.

## **Conclusions**

The FY2013-2014 Budget includes a number of enhancements, and while it is our goal to have this document be an excellent resource, and flow easily and logically for the user, we know that there are further improvements to be made. We will listen and learn how to better present the budget in the Budget Committee process. For further information please contact:

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