

May 31, 2018

Members of the Monroe City Budget Committee
Citizens and members of the community of Monroe, Oregon

2018-2019 Budget Message

INTRODUCTION

Oregon Budget Law is clear and yet sometimes complex. It is a public process, probably one of the most far reaching elements of community education, awareness and involvement processes of self-governance. It is also a primary objective for Oregon Public Budget Law to have it be as consistent of a process as possible with the diversity that exists within the 241 Oregon cities. The budget officer is to present a budget (required) and a budget message (required). The budget committee made up of an equal number of elected officials (council and mayor) and citizens serve as the city budget committee (required). The committee is to allow for an opportunity to hear the public at a budget committee meeting (required). The budget committee has the task to review a proposed budget submitted by the budget officer and negotiate among the committee until a majority of the committee members (8) votes are casted to approve a budget to recommend to the City Council. Then the City Council will conduct another public hearing and adopt a budget.

A budget is a plan. It is a financial plan to implement an operational plan for a twelve-month period starting July 1st. It is a planning document that creates a prioritization of the resources available to the municipal organization to provide the best level of services possible for the community. The budget officer proposes the budget. The Budget Committee approves the budget. The City Council adopts the budget and then directs staff to implement it.

PURPOSE OF MESSAGE

The budget message must:

- a. Explain the budget document
- b. Include a brief description of the proposed financial policies
- c. Describe the important features of the budget document
- d. Explain the reason for changes from the previous year in appropriation and revenue
- e. Explain the major changes in financial policy

Describe the important features of the budget document-

- I. Clarity and transparency -This budget, while perhaps longer in form, is clear as to the intent for the financial plan and priorities for the 2018-2019 fiscal year.

II. This document is presented in the state approved model standard of forms and formats which does include one significant change for the city budget.

III. A recent change in state law requires that the FTE-Full Time Equivalent Employee figure be reflected right in the finance format page for each organizational unit so now the amount of staff being funded within each organizational unit is a part of the budget document.

Explain the major changes in financial policy

I. There are no major changes in financial policy from the current budget document.

II. Priorities and the foundation for the proposed budget are based on and directed towards the established goals as determined by council action.

CITY OF MONROE GOALS

Introduction:

On Tuesday April 4, 2017, a team of volunteers from the Monroe City Council, Budget Committee and Planning Commission met for the purpose of creating goals and priorities for the City of Monroe. Also participating in the planning event was Superintendent of Public Works, David Claborn. City Administrator Hohnbaum provided an outline of existing and former organizational goals as well as results from surveys taken from participants of the goal setting team. Hohnbaum also recapped recommendations from master plans previously done by engineering firms for wastewater, storm water and parks. In addition, information was shared with recommendations relating to computer hardware needs for the city and Mr. Claborn shared issues related to water source issues.

Exercises:

When surveyed, the team prioritized the allocation of funds for new expenditures:

For Planning (4)

For Projects (3.75)

For Programs (2.25)

When surveyed, the team prioritized the administrative staff time for the organization to be expended on;

1. Funding-grant acquisition	(95 votes)	<i>Staff hours increased by 54% with only a 12% increase of cost to the municipal organization during the first three months Of 2017.</i>
2. Staff Development	(59 votes)	
3. Getting Paper House in order	(57 votes)	
4. Electronic media	(48 votes)	
5. Better Customer Service	(46 votes)	

Brain Storm:

After reviewing all of the information shared, interpreting past and present projects, programs and planning efforts, the team developed all the potential priorities for each of the three work areas for the organization (projects, programs, planning). These were discussed, voted on and ranked for prioritization

Results:**PROGRAMS****Funding/Grants****Enforcement Ordinances****Development Code Update****PROJECTS****Storm Water****Utility Bills Online****Computer Hardware****PLANNING****Water Source****Telecommunications****Sidewalks**

Listed but not prioritized was law enforcement, business development, 6th Street Trail and Orchard Street, covered picnic area at City Park, speed study (to lower speed of traffic). While everyone received 5 votes to cast as they desired, only two items (funding/grants and water source) received ten or more votes.

Include a brief description of the proposed financial policies

I. The financial policies are to provide the best accurate data available relating to resources and expenses to produce a draft document which will allow the budget committee and city council to make the best possible informed decisions relating to a financial and operational plan for 2018-2019.

II. The proposed budget does recommend a base rate increase of \$1.52 for water. The water fund is an enterprise fund which is defined as a fund which the expenses are met by the customers. Currently the water fund revenue is not adequately funding the costs of the water service.

III. The proposed budget does recommend a base rate increase of \$.48 CENTS increase to the base rate for waste water service

III. The proposed budget recommends for the budget committee to determine how much of an increase is prudent to address the storm water capital improvement needs as outlined by the December 2015 engineering report.

III. That while the budget is a one-year plan, consideration of both short-term resources needed as well as long-term resources should be considered throughout this budget review, approval and adoption.

IV. The elected officials and staff for the City of Monroe does fully document all elements of expenditures and revenues administered by the City and support and provide all data that we have knowledge of for the annual independent audit that is conducted. Copies

of the past audits for the City of Monroe are available online through the Oregon Secretary of State where the city annually submits a completed audit.

V. The City last year approved and adopted resolutions as required by state budget law defining the reasoning why and purpose for all reserve funds contained within the budget document.

Explain the reason for changes from the previous year in appropriation and revenue

I. There are a few changes which will be outlined as I review each fund.

Explain the budget document

BUDGET: GRANTS

Grants included in the budget:

\$75,000 Oregon State Parks and Recreation Department- The City was awarded a \$75,000 parks development grant with the Oregon State Parks and Recreation Department to construct restrooms and create a sheltered picnic area at the City Park. The budget for the project is \$109,000 which includes the grant, \$10,000 city funds, donated supplies and city staff time as well as volunteers.

\$10,000 Ford Family Foundation to assist with a full-time community planner/facilitator staff member through the RARE program at the U of O. RARE-Resource Assistance for Rural Environments is an American Vista Program providing graduate students with experience by assisting non-profits and rural communities. The cost is \$23,500 for a full-time person for 11 months of service and their areas of specialty is planning, community development and community volunteers. The City currently has a RARE Participant (RJ) and has applied for a new one as RJ's service term is up on the last day of July. If the City receives a new RARE participant, that person would be involved with creating and updating city planning and zoning code, promoting and increasing Monroe's level in the Oregon Main Street Program working with downtown development, business development and planning, and staffing the re-write of the city comprehensive plan. The Comp Plan is a 20-year projected growth plan which the City of Monroe last finished in 1986.

\$2,000 in support for the RARE participant from South Benton County Recreational Alliance.

\$50,000 Small City Allotment Grant from Oregon Department of Transportation. (Street Fund) was awarded received during 2017-2018 but has not yet been used or received.

\$5,000 Willamette Valley Visitors Association has awarded Monroe \$5,000 for a special event to support local economy which will be held in the spring of 2019.

\$5,000 Willamette Valley Visitors Association awarded last year and MAY award for the 2018-2019 fiscal year \$5,000 to support the RARE Participant in Monroe.

\$20,000 Technical Assistance Grant from Infrastructure Finance Authority (state agency) for the purpose of creating a water system master plan. (Water Fund)

\$23,000 Oregon By Design is attempting to apply for and receive a RARE participant for just their planning and community involvement projects. IF they are successful the position will be funded by outside resources (grants) to fund another RARE participant who would be based in Monroe but working for two other communities plus Monroe.

Grants NOT included in the budget

\$160,000 The city completed a **pre**-application for a TGM grant (Transportation Growth Management). The pre-application was received and reviewed by the state and met with city staff recommending that the City apply for the Grant. This grant would provide professional consulting services for the planning of the Riverside District for the City of Monroe.

1. A new zoning overlay along the Long Tom River that will accommodate new and future commercial and residential development, while preserving river access and multi-modal transportation options between residential neighborhoods, the high school and commercial district.
2. A new plan and agreement between the City of Monroe and ODOT to revitalize the commercial downtown district of the city through streetscape renovations, further promoting a vibrant downtown that accommodates multi-modal access and safety for patrons.

It is the budget officer's position to place into the budget grants expected but not to include grants which are more unknown as to whether or not they are actually awarded to the City.

BUDGET: PERSONNEL

The most valued resource for the municipal organization is our City staff. It is where the past, current and proposed financial policy of investment has been intentionally made. In the proposed budget is funding to increase the number of hours for the part-time public works

employee and the part-time janitorial employee to include upkeep and maintenance at Legion Hall. The City does provide benefits for its three full-time employees. This is an investment of resources for the City, to have and maintain a professional element of staff and is for the benefit of the community. Within the budget is the pass-through of revenue and expenses for a spousal unit of a full-time employee who pays the city and the city writes the check for their health benefits.

BUDGET: THE FUNDS

The City budget is actually 17 separate funds. In 2017-2018 the budget included closing a fund. A majority of these separate funds are created in order to keep dedicated funds tasked to dedicated services or activities. Water customers support the water fund and state gas taxes support the street fund are two primary examples of why we have 17 separate funds. Each fund will be explained.

In 2017-2018 we created two new separate sub-funds within the General Fund (library and Parks). In this proposed budget (2018-2019) is the creation of a third sub-fund within the General Fund for Legion Hall. These sub funds add transparency to the expenditure of funds so that the costs of these organizational units are easier to track and ascertain.

Per state budget law, within each operational fund are the following classifications:

- Personnel Services

- Materials and Services

- Capital Outlay

In addition there are acceptable special categories within funds.

- Debt Service

- Transfers

- General operating contingencies

- Unappropriated ending fund balance

BUDGET: GENERAL FUND: REVENUE

There will be less carryover to start the year in the General Fund for several reasons including the expenditure of \$31,000 for the gas station property and the fact that the City is placing twice as much into reserve funds than previously done (\$25,000). The City receives estimates from the state regarding the state revenue sharing. Liquor sales are going up and cigarette sales are going

down. The City receives a nominal amount of state marijuana tax which is received only if the City does not outlaw the sale or processing it, which technically the City of Monroe does not.

BUDGET: GENERAL FUND: EXPENDITURES

Separated out by organizational unit, there is now an expenditure page parks library and this year, Legion Hall in addition to the regular general fund expenditure sheet.

Materials and Services: LB 30 General Fund Line 10: Law Enforcement Contract-There is a budgeted increase as the City is exploring the potential of increase law enforcement support and services.

Materials and Services: LB 30 General Fund Line 12-Resource Assistance for Rural Environment-If the City is selected and if the City decides to move forward with having a RARE participant, the funding for this expense would be tracked by this line item. If not, then no funds would be expended from this line item.

Materials and Services: LB 30 General Fund Line 14-16: Staff and Volunteer development has been an established direction by council.

Materials and Services: LB 30 General Fund Line 17: Supporting volunteer commissions and committees is in the best interest of the organization and the budget officer is proposing a new line item for that purpose. This is for travel and training or other expenses as determined throughout the fiscal year.

Capital Outlay: Line 2: Upgrading computer hardware is an organizational priority as listed in the adopted goals.

Capital Outlay: Line 3: Legion Hall is for the capital improvements funded by the Hull Grant.

Parks: New page for organizational unit within the general fund.

Parks: Materials and Services: Line 21-22: The current budget projected \$2,000 for expenses and yet we spend \$1,650 on the porta-potty bill. The proposed budget separates out those two expense lines.

Parks: Capital Outlay: Line 31: If the City receives the \$75,000 grant (revenue is included on the general fund) then the \$75,000 would be expended from this line item. The proposed budget for the project is actually \$109,000 with donated services, supplies, city staff time and city funds. If we do not receive the grant, this budget proposes \$10,000 for capital projects.

Library: New Page for organizational unit within the general fund.

LB 30 NOT ALLOCATED PAGE-This is a page reflecting expenditures not allocated to any organizational unit.

Line 23-24-Transfers to reserve funds

Parks: Interfund Transfer: Line 25: This is a new line to create a revenue source for the Parks Reserve Fund #402.

Line 29-Contingency fund. These are funds that by council vote can be reassigned within the general fund if needed throughout the year. It would take a council vote and a resolution to transfer these funds outside of the general fund but can be done by council action with some limitations.

Line 34-Unappropriated Funds-Leaving money designated to start next fiscal year

STREET FUND #201

Street Fund Revenue: The City is required to have a separate Street Fund due to the revenue that we receive from the state gas tax funds. The ability to track and monitor all expenditures related to the state funds that we receive is critical in order to continue receiving them.

Street Fund Revenue: Line 6-The City will be applying for a small city allotment grant of \$50,000 which is also funded from gas tax funds to assist cities in street repair and overlays.

Street Fund Expenditure: Materials and Services: Line 18-This proposed budget designate funds specifically for the dust control typically done through an intergovernmental agreement with Benton County.

Street Fund Expenditure: Materials and Services: Line 19-During this current fiscal year the City received in insurance check reimbursing the expenses for the entrance sign that was destroyed in a motor vehicle accident.

Street Fund Expenditure: Capital Outlay: Line 25-The city has been awarded a \$50,000 Small City Allotment Grant and will receive funds as the project is expensed out.

EQUIPMENT RESERVE FUND #202

Equipment Reserve Fund: Revenue: Line 4 is a new line. Capital expense for equipment needs for the organization should be funded from all three of our major organizational units and yet the water fund evidently has not. If and when the City needs a new vehicle, all three funds have a cost in expense.

Equipment Reserve Fund: Expenditure: There is no known major equipment expenses or needs for the 2017-2018 fiscal year. There is a need to set funds in reserve to afford replacement of significant equipment needs in the future.

WATER REVENUE BOND FUND #300

No changes. This fund is a separate standalone fund to receive revenue (transfer in from Water Fund) and pay the bond (loan). The City has a long standing debt for this fund of annual payments of \$30,193 at 4.5% until 2049.

2010 GENERAL OBLIGATION AND REFUNDING BOND FUND #302

No major change. This is a pass through fund dedicated to receive property tax dollars to make annual payments until 2029. The one minor finance housekeeping difference is line 14. The city paid the \$400 annually, just didn't budget for it.

BUILDING RESERVE FUND #401

No changes.

PARKS RESERVE FUND #402

This fund did not have a revenue source. This new fund was created during the current fiscal year. It was a policy decision for the Council as to maintain a reserve fund for the Parks and it was established by the approval of Resolution #2017-07.

WATER RESERVE FUND #403

No major changes: Line 16-18 provides details on potential expenditures for the proposed budget.

Water Reserve Fund: Expenditure: Line 17: Addressing water source issues is the number one organizational priority this next fiscal year. This will involve permitting, licensing, water rights, legal and perhaps drilling.

Water Reserve Fund: Expenditure: Line 18: The City needs a Water System Master Plan completed and while grants are available for up to \$20,000 at various times through the year, it is a \$30,000 to \$40,000 project.

SEWER RESERVE FUND #404

The history of this fund has included significant revenues which were paybacks from the water fund to whom it had borrowed money to. The loan to water has been reimbursed so there is less revenue flowing into this fund.

Sewer Reserve Fund Expenditure: Line 18: The City had a Wastewater Master Plan completed in 2015. However, the lines of the sewer collection system have not been televised. The City has a significant I & I Problem. Inflow and Infiltration may sound like a military term but it is about water entering our collection system and requiring our pumping and treatment system to process all this additional flow. Hours after a hard rain, there has been up to about a 60% increase of sewer flow. Staff questions the need to increase the size of the pump at the river if we gained the upper hand in fixing the I & I. I & I is something cities spend a lot of time and resources on and never are satisfied that they are able to find and fix the leaks. There is a break-even point or acceptance point when you have extended all reasonable sources and there are still I & I issues. However, the first step is to get the system televised and analyzed to determine the amount and location of leaking lines in order to start addressing the issues. This proposed budget includes funding for that purpose.

Parks System Development Charge Fund # 407

Sewer System Development Charge Fund #408

Street System Development Charge Fund #409

Storm System Development Charge Fund #410

Water System Development Charge Fund #411

No changes. Each of these funds are budgeted with the projection of receiving two building permits (equivalent dwelling units) during the 2017-2018 fiscal year. I have attached to the budget document the resolution that outlines the system development charge program. It is a well written document. Existing funds in the SDC's (system development charge) designated accounts can only be spent on capital projects outlined in the master plan that created the SDC and planning documents. The Water System Development Charge Fund would be the first additional resource to fund the water master plan document.

WATER FUND #601

Water Fund: Revenue: This proposed budget does not include a proposed increase in water rates.

Water Fund: Expenditure: Line 22: The budget projects that there will be legal costs involved in the water source project.

Water Fund: Expenditure: Line 25: The budget officer is expecting an increase of about \$840 for this line item this next year due to additional state required testing for Cryptosporidium.

Water Fund: Expenditure: Capital Outlay: Line 2: There are no specific projects designated for this line item.

Water Fund: Expenditure: Capital Outlay: Line 3: The City is replacing old water meters with new ones that can be read electronically with a “wand”. 35 of our existing 277 meters are already installed with the new electronic reading process. Line 3 is for the wand (\$2,000) and to increase the amount of meters to replace (\$181 each). The City does not have a registry of meters and some are original. Water systems lose money by not have a meter replacement program. As meters get older, the reading wheel affects the amount of turns that the numbers make which are being read so the measurement of water used is less and less even if it is more water being used. Since we do not have an inventory of meters and when they were installed, it would be my recommendation that this project, already started by our outstanding public works crew, be prioritized.

Water Fund: Expenditure: Capital Outlay: Line 4: City staff is proposing the expenditure of funds to all off-site remote access to the monitoring of the water treatment plant. A SCADA/Operator Interface System provides the ability to monitor and control the operation of the water plant while not physically on-site. This would be a significant increase of added value to staff time being able to monitor while working in other aspects of public works operations or even at home when the automated phone system sends an alert. This project will create a monthly cost of \$35.00 for a static IP address from Monroe Telephone.

Detailed Budget:

\$ 27.50 for Monroe Telephone one time set up fee

\$ 895.00 install remote desktop login on SCADA computer with security, encryption and authentication

\$ 995.00 Add the reservoir level to the SCADA computer system to view and set alarm set points

\$ 500.00 Install conduit and cable for reservoir level to SCADA computer

\$ 34.95 monthly fee for static IP address

Water Fund: Expenditure: Capital Outlay: Line 5: While there have been efforts to clean the reservoir including one about six years ago, the City has not had a professional reservoir cleaning contractor clean the reservoir. It is recommended by state standards that we do it every five years.

WASTEWATER FUND #602

Wastewater Fund: Revenue: This proposed budget does not include a proposed increase in sewer rates.

Wastewater Fund: Expenditure: Line 36: The new line was added to address operational needs.

Wastewater Fund: Expenditure: Capital Outlay: Line 2: No particular project has been tasked to this expenditure.

Wastewater Fund: Expenditure: Capital Outlay: Line 3: City staff is proposing some basic lab equipment acquisition for the purpose of decreasing the amount of outside testing being conducted by the organization. There are two tests, BOD and TSS in the wastewater operations each which require 39 tests annually. We have the space and the ability. The financial payback if these labs are moved in house would be 1.3 years for the BOD and 1.9 years for the TSS. It also allows greater flexibility in timing as to when to conduct the tests since city staff has to conform to the lab's pickup and testing schedule. BOD we currently expend \$2,301 annually and TSS we expend \$1,014 annually. In addition the city is expending \$546 annually for 13 e-coli lab tests that we could also do in-house. Line 3 detailed project budget is actually \$7,135.42. The budget officer wants to be prepared for any additional setup costs that may occur.

STORM WATER FUND #603

This fund has the greatest amount of proposed changes during this current fiscal year within the entire budget. Staff is not recommending an increase of the storm water rate. However staff is recommending that the budget committee seriously consider the long term needs for storm water improvements as well as the listing of recommended projects from the master study completed in 2015 and they may want to consider a rate adjustment.

Storm Water Fund: Revenue: Line 2: This proposed budget is based upon a one dollar increase for both residential (currently \$2) and non-residential units (currently \$3). A one dollar increase per customer across the board.

Storm Water Fund: Expenditure: Personnel Services: This proposed budget includes 5% of public works personnel costs to be expended based upon the amount of staff time expended on storm water infrastructure needs for the city. The 17-18 budget is the first time that this staff proposal has been made.

Storm Water Fund: Expenditure: Line 30: This is a small storm water project where 7th Street turns into 8th Street. This consistent overflow situation will include digging up the street but it is a project our public works crew can do in-house. This is one of two projects which we want to see a high degree of success to share with the community the issues and concerns held relating to storm water needs within the City.

Storm Water Fund: Expenditure: Line 31: This is a small but significant storm water issue on the 8th street extension which city staff can do in-house. It will involve heavy equipment and the placement of culverts. It is the second project that we need to accomplish with a high degree of success as we move forward in educating the community of the storm water needs within the City.

Storm water: A project listed (#5) in the Storm Water Master Plan priority list the City is attempting to get accomplished in partnership with Benton County. While the project is within the City, it is on county owned property and 75% of the basin that is collecting the water causing the issue, is actually in the county and not in the City.

In the budget packet is the executive summary of the Storm Water Master Plan. I would encourage the public to review it.

SPECIAL FUND: MASTER UTILITY FUND #604: This fund was closed last year as an inactive fund starting in 2017-2018. It had been used for the water project including grant and loan funds.

CONCLUSION

It is my honor to present the proposed 2018-2019 budget to the City of Monroe Budget Committee. While hours of staff time has been expended in preparation of this document, the real work is just beginning. Many volunteers serve in the capacity of Budget Committee members and you have the challenging job of prioritizing and formatting the financial plan for the City. I, along with city staff, stand prepared to provide additional information and respond to inquiries in order for the committee to make informed decisions as this very public process moves forward.

Respectfully submitted;

Rick A. Hohnbaum, Budget Officer

Date: