



CITY OF WOOD VILLAGE, OREGON

ADOPTED BUDGET



FISCAL YEAR 2009-10



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ADOPTED BUDGET

Fiscal Year 2009-10

Prepared by the
FINANCE DEPARTMENT

Peggy Minter, Finance Director

CITY OF WOOD VILLAGE, OREGON

Fiscal Year 2009-10

BUDGET COMMITTEE

CITY COUNCIL MEMBERS:

David M. Fuller, Mayor
Patricia Smith, Council President
Mark Clark, Council Member
Stanley Dirks, Council Member
Timothy Clark, Council Member

CITIZEN MEMBERS:

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Marilee Thome
Judy Burcham-Howard
Elzbieta Gerla
Beverly A. Stone

STAFF

| | |
|--------------|-----------------------|
| Sheila Ritz | City Administrator |
| Peggy Minter | Finance Director |
| Randy Jones | Public Works Director |

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**CITY OF WOOD VILLAGE, OREGON
2009-10 BUDGET MESSAGE**



INTRODUCTION

Oregon Local Budget Law (Oregon Revised Statutes Chapter 294) requires each local governmental unit to prepare and adopt an annual budget. A budget is a financial plan containing estimates of revenues and expenditures by fund for a single fiscal year. The accompanying document presents this information for the City of Wood Village for the fiscal year beginning July 1, 2009 and ending June 30, 2010.

A Budget Committee comprised of the City Council members and a like number of citizens of the City reviews and approves the proposed budget and the tax rate or levy. The citizen members of the Budget Committee are appointed by the City Council for three-year terms. The City Council may make certain adjustments to the approved budget before adoption in June.

OVERVIEW

This past year has been a world-wide financial roller-coaster ride, with huge drops in equity, large losses of jobs and businesses, unprecedented levels of foreclosures and uncertainty in abundance.

Wood Village, however, is in a more stable situation than many other government entities. Our major income is from property taxes, which is not as volatile as income taxes and will probably continue on the same positive trajectory as it has in past years. Our General Fund has absolutely no debt outstanding, so we can use our resources for current expenses rather than paying principal and interest on prior purchases. Except for Riverwood, Wood Village's newest neighborhood developed in 2006, most of our homes are modest with long-term residents and mortgages, making foreclosures less of a threat to Wood Village than other larger, growing communities.

Due to Wood Village's historically prudent and wise use of the taxpayer's dollars, we are fortunate to be in a position of relative safety in these chaotic economic times.

But with the financial future so difficult to read, the Budget Committee Members wisely suggested continuing Wood Village's careful course of maintaining the reserves we have worked so diligently to accumulate. Therefore, this budget has been planned to only utilize current revenues and carryover monies for one project for expenditures during FY 2009-10.

At the end of FY 2008-09 the General Fund Balance (including operating contingency, reserves for land acquisition, and unappropriated ending balances) is estimated at \$1,841,485. The planned ending balance for General Fund for FY 2009-10 is \$1,844,969.

To meet this easier said than done objective, all capital purchases that have been deemed to be deferrable have been postponed. Raises for employees have **not** been incorporated for this fiscal year, only a 3.4% Cost of Living Increase is included, using the Portland Urban Wage Earner CPI (Cost Price Index). Increases in health insurance costs have been split between the City and the employees.

The current fiscal year budget is comprised of five funds and is organized and presented by fund type. The budget has been prepared in accordance with Local Budget Law and follows general accounting standards practiced by local governments.

The Proposed Budget totals \$9,184,378 for all five funds. Overall, the ensuing fiscal year budget is a decrease of \$2,437,655 or about 20% below the FY 2008-09 adopted budget. This decrease is mainly due to the completion of numerous capital construction projects during the previous two fiscal years (FY 2007-08 and FY2008-09).

For the first time in many years, the personal services requirements reflect a complete staffing level, including two new positions (Public Works Office Assistant and Human Resources/Records Manager) that were recommended by last year's Job Task Study and approved by the City Council. Fringe benefits for personnel remained about the same except for a hike in the Regence Health Insurance program, of which the increase is split equally between employee and employer.

The accompanying table details the total budget requirements by fund and the percentage change from the prior year. Total requirements include budgeted expenditures and unappropriated fund balances.

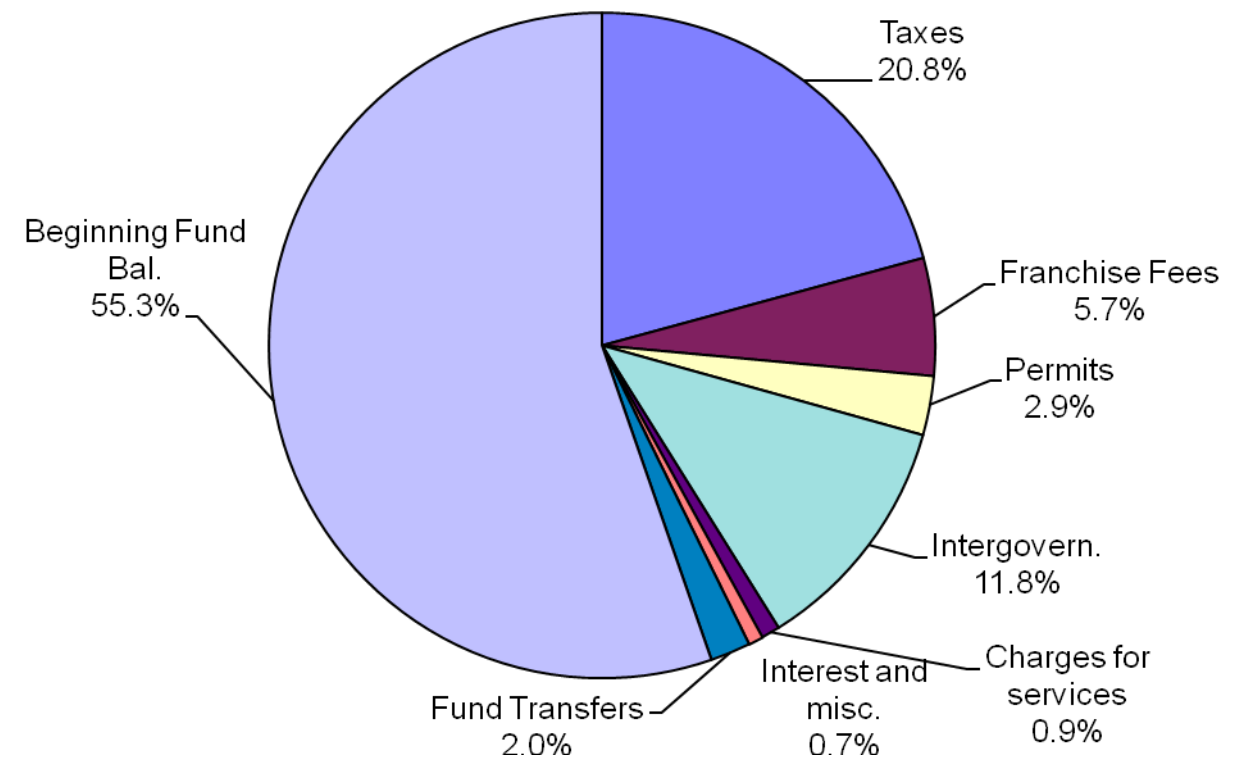
| Funds | Adopted Budget FY 2008-09 | Proposed Budget FY 2009-10 | Percent Change |
|------------------------------------|--|---|---------------------------|
| General Fund | \$4,434,922 | \$4,098,370 | (8%) |
| Street Fund | 412,002 | 330,699 | (20%) |
| Improvement Bond Fund | 155,808 | 165,986 | +6% |
| Water Fund | 2,326,348 | 1,343,505 | (42%) |
| Sewer Fund | 4,292,953 | 3,245,818 | (24%) |
| Total Proposed Requirements | \$11,622,033 | \$9,184,378 | (20%) |

GENERAL FUND

The General Fund, as the major operating fund for the City, represents 44.5% of the proposed budget. The General Fund portion of the budget is \$4,098,370. The budget decreased by \$336,552 or 8% from the FY 2008-09 amount of \$4,434,922. The General Fund includes such organizational units as general government, administration, parks, and public works management. The general government unit is comprised of city council activities and the administration unit includes executive, city recorder, finance, public safety contracts, building permit, land use planning and zoning, and economic development services.

Resources

GENERAL FUND RESOURCES BY SOURCE FY 2009-10



The proposed budget for the General Fund is supported by a variety of revenue sources with the most significant receipts coming from taxes estimated at \$850,999 or 21% of General Fund resources. Taxes are 46% of current year operating revenues (resources less the beginning fund balance). Tax sources include FY 2009-10 property taxes estimated at \$732,815, the prior years' property tax receipts of \$23,184 and motel taxes estimated at \$95,000.

The beginning fund balance (including unexpended monies from the previous fiscal year) is estimated at \$2,267,692 or 55% of projected General Fund resources. As was requested for the past few fiscal years, \$1,000,000 of General Fund balance has been reserved for resource stabilization. This request came in response to challenges over the past few years to several of the City's main revenue sources: franchise fees, state shared revenues, and the Multnomah County Business Income Tax.

Also, the Oregon property tax structure, after constitutional changes made in 1997, severely limits municipalities' options to address major downward fluctuations in resources. This reserve should remain unappropriated unless a major resource shortfall or unprecedented increase in contracted services occurs. Significant expenditures for unanticipated emergency repairs, facility upgrades, and vehicle and equipment replacements in any of the City's funds would likely require the use of General Fund monies. As a result \$290,000 of the fund balance (over the stabilization amount) is appropriated as contingency.

The levy of Wood Village's maximum permanent property tax rate of \$3.1262 per \$1,000 of assessed value is proposed for General Fund operating purposes. The Oregon Constitution and Oregon law both limit the amount of tax that a local government may impose. Measure 50 (voter approved in May 1997) establishes the permanent rate limit for local governments at rates in place in tax year 1997-98, rolled back the taxable assessed value of each unit of property for the tax year 1997-98 to its 1995-96 real market value less ten percent, and limits increases in the assessed valuation of property to 3% per year excluding new construction and development. Measure 5 (voter approved in November 1990) limits the combined property tax rates for all local governments (city, county, and regional districts) to \$10.00 per \$1,000 of real market value per property.

In fiscal year 2009-10, it is projected that the permanent rate limit will raise property taxes totaling \$779,591. The projected taxes are based on an estimated taxable assessed value of \$249,373,345. The estimated assessed value includes the constitutionally allowed 3% increase on the FY 2008-09 assessed value of \$236,930,930. Under Measure 5 and Measure 50, new construction is valued at significantly less than real market value. Assessors apply a "changed property ratio" averaging 55% (based on the most common types of additions).

The estimated imposed tax levy on property owners is \$779,591. After applying a first year estimated uncollectible rate factor of approximately 6%, the amount of property taxes remaining and necessary to balance the General Fund is \$732,815. The uncollectible amount of \$46,775 includes discounts given for timely property tax payments and those taxpayers that do not pay their taxes in the year billed.

An analysis of the tax levy is shown as follows:

| | |
|---|--------------------|
| FY 2008-09 Assessed Value | \$248,722,071 |
| "Capped" Increase in AV at 3% | 7,461,662 |
| Net new Construction and loss of Merix Corp | <u>(6,810,388)</u> |

| | |
|---|----------------------|
| Total Estimated Assessed Value | <u>\$249,373,345</u> |
| Property Tax Levy @ \$3.1262 per \$1,000 AV (\$249,373,345/\$1,000 x \$3.1262) | 779,591 |
| Uncollected Amounts and Discounts Allowed @ 6% | <u>(46,775)</u> |
| Estimated Tax Levy Included in Budget | <u>\$ 732,815</u> |

Wood Village's tax rate over the past ten years and a comparison of the assessed and real market values is shown below:

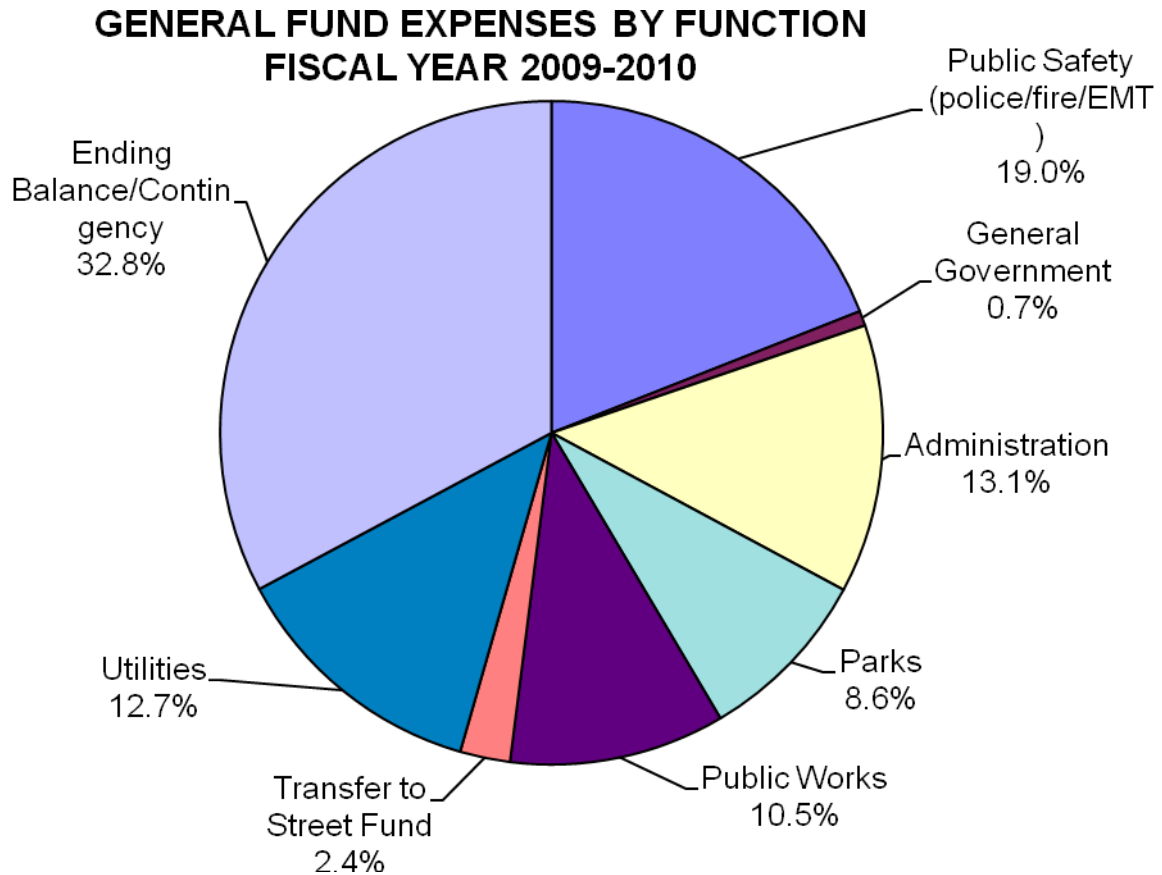
TAX RATE AND PROPERTY VALUATION HISTORY

| Fiscal Year Ended June 30, | Rate Per \$1,000 Wood Village | Assessed Value in Millions | Real Market Value in Millions |
|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
| 1998 | 3.1262 | 106.3 | 137.7 |
| 1999 | 3.1262 | 108.5 | 143.8 |
| 2000 | 3.1262 | 113.3 | 152.9 |
| 2001 | 3.1262 | 134.1 | 186.1 |
| 2002 | 3.1262 | 158.9 | 229.0 |
| 2003 | 3.1262 | 160.1 | 245.1 |
| 2004 | 3.1262 | 188.1 | 263.1 |
| 2005 | 3.1262 | 193.9 | 271.8 |
| 2006 | 3.1262 | 210.7 | 304.5 |
| 2007 | 3.1262 | 221.3 | 339.6 |
| 2008 | 3.1262 | 248.7 | |

The City's share of the Multnomah County Business Income Tax (BIT) has increased significantly in the past several years to exceed original projections. However, with the fiercest recession in the past seven decades, the 2009-10 budget reflects a significant decrease in expected revenues from a 23% drop in 2008-09 to an additional 17% drop this budget year. The BIT is a significant and important resource used to provide general government and public safety services; losing these revenues produces a major impact on our ability to provide services.

During the past year, two other previously lucrative resources, building permits and interest income were hit hard by the recession and are expected to bring even lower revenues this coming year. Building permit revenue depends on development and Wood Village is close to full build out. Interest income is subject to levels of investment and earnings rates. In the past eighteen months interest rates have fallen from a high of 5.25% to a current 1.25%. Other General Fund revenue sources are expected to remain stable in FY 2009-10.

Requirements



The General Fund proposed budget (excluding operating contingency and unappropriated fund balances) includes expenditures of \$2,153,400. Expenditures include materials and services of \$1,278,141 or 59% of budgeted expenditures, personal services of \$440,421 or 20%, and capital outlay of \$434,838 or 37%. Materials and services include public safety costs of \$779,262, an increase of \$50,694 or about 7%.

For FY 2009-10, only 2.4% of the budget for General Fund expenditures consists of transfers to other funds for operations. The City Council's efforts during the last few years to improve the financial solvency of the City's Water and Sewer Funds have significantly reduced the need for these transfers and the funds are in excellent fiscal condition. To maintain the revenues required by our loan documents with OECDD, we will need an increase in user fees in each fund, but the funds themselves are healthy and self-sufficient. The only transfer needed is from the General Fund to the Street Fund which requires \$100,000 to be solvent this year.

OTHER FUNDS

Street Fund

The Street Fund accounts for the City's cost to maintain streets, alternative transportation pathways, and storm drainage systems. The main operating resource in the Street Fund is State gasoline taxes. Oregon law restricts the use of gasoline taxes to construction, maintenance, and repair of streets, roads and bike and foot paths. The Street fund uses other revenue sources (when available), to fund storm drainage improvements (necessary to prevent weather related flooding within the City). We are anticipating a CDBG grant to fund some street catch basin repair during this upcoming fiscal year.

The Street Fund represents 4% of the budget with total requirements of \$330,699. The budget includes the replacement of some catch basins, some storm water abatement corrections, and minimum maintenance required for street sealing and pavement management (to coat and keep street surfaces smooth and drivable). Street lighting electricity remains a major cost within the fund and is supported with General Fund transfers into the Street Fund.

Improvement Bond Fund

The Improvement Bond Fund is used to account for special assessments and payment of related debt service principal and interest on the limited tax improvement bonds issued.

This fund represents about 2% of the proposed budget. Improvement Bond Fund requirements total \$165,986, with no expected expenditures this year. All debt from both the Series 1995 and Series 2000 bond issues has been paid off, saving the city many thousands of dollars in interest expenses.

Water Fund

The Water Fund accounts for the financial activities of the city-owned water utility operations. Sales of water and related charges are the major revenue sources. This fund represents 15% of the proposed budget, with requirements of \$1,343,505.

Budgeted water user fees reflect a 2% increase in user rates (about 50 cents per month per family), to comply with our OECD loan requirements of maintaining fees so that net profit is at least 110% of the annual debt service. The annual debt payment is \$82,892, so net profits must equal \$91,181. As costs to operate the water system increase with inflation, user fees will need to increase to keep pace with the 110% net profit rule.

Construction of a new deep water aquifer well was completed last fiscal year and a related reservoir and booster station are anticipated to be completed by September 30, 2009. These projects are being financed with a 25 year low interest loan from the Oregon Economic and Community Development Department.

Sewer Fund

The Sewer Fund accounts for the financial activities of city-owned sewer utility operations. Charges to customers are the major revenue source. The Sewer Fund represents 35% of the proposed budget, with requirements totaling \$3,245,818. Budgeted revenues from sewer user fees reflect a 7% increase in user rates (about \$2.00 per month for a household). As with the Water Fund, we must comply with our OECD loan requirements of maintaining user fees so that net profit is at least 110% of the annual debt service. The annual debt payment is \$175,185, so net profits must equal \$192,704. As costs to operate the water system increase with inflation, user fees will need to increase to keep pace with the 110% net profit rule.

The findings in the Sewer Master Plan completed in FY 2003-04 indicated that the City's sewage collection system is operating over desired capacity due to the significant level of inflow of storm water run-off and infiltration of ground water (I & I). The I & I containment work is continuing with a budgeted \$208,000 for repairs on the older sewer lines during FY 2009-10.

The Sewer Fund ending fund balance includes system development charges that are restricted to capacity increasing (for new users) system improvements, listed in the Sewer System Capital Improvement Plan or debt service related to the improvements. A separate accounting of SDCs is maintained and reported to ensure State restrictions are met.

WORK FORCE

The proposed budget includes 16.93 full time equivalents (FTEs), which is finally at a full staffing level. During the previous fiscal year, we hired personnel to cover the Public Works Office Support position and the Human Resources /Records Management position. The FY 2009-10 budget includes the first actual full funding year for both of these positions.

The City will continue the contract with Multnomah County Sheriff's Office (MCSO) to provide inmate work crews to perform grounds maintenance at the City Park, City Hall, and the landscaped tree medians. However, to support projects that are beyond the capacity of the work crews 0.83 FTEs are budgeted for seasonal work in these areas.

The proposed budget includes a cost-of-living increase of 3.4% based on the Portland/Salem CPI-W for calendar year 2008, however in deference to the uncertainty of the financial markets, we have not included any step or merit increases for any employees.

The PERS employer contribution rate will remain the same in FY 2009-10. Based on figures from City County Insurance Services (CCIS), the budget includes no (\$0) increases for Kaiser Plan health insurance premiums and an approximate 16% increase in Regence 90/10 Plan health insurance premiums. For the past five years, all increases in medical insurance premiums are split between the employee and the City.

CAPITAL PROJECTS

The City is proposing capital outlay expenditures totaling \$3,301,308 as compared to \$4,153,612 in the prior year. The majority of the expenditures are for projects in the Water Fund and Sewer Fund to address system capacity issues.

General Fund capital outlay totals \$434,838 and includes monies for AV equipment for the Council Chambers, completing a retrofit to the City Hall facility to create additional office and storage space, and the completion of the Metro Urban Parks Wetlands preserve in the Donald L. Robertson Park.

Street Fund capital outlay totals \$60,000 for catch basin replacement projects for street and storm water system maintenance.

Water Fund capital outlay totals \$465,678, including \$442,578 for retrofitted water reservoir and related pump station, as well as an emergency generator for the Operations Building.

Sewer Fund capital outlay totals \$761,695. The proposed items include completion of the Sandy Boulevard Wastewater Transmission Improvements (a line to support transmission of City of Wood Village and City of Fairview sewage to the regional waste water treatment plant and manhole/access port rehabilitations to correct inflow and infiltration problems in existing lines.

Water and Sewer Fund projects are funded by loans from the Oregon Economic and Community Development Department (OECDD), and will be complete by September 30, 2009. The loan payments will begin on December 1, 2009 and will continue for 25 years, funded entirely by user fees. Inflow and infiltration repair projects of \$208,000 are proposed and reflect Council's ongoing commitment to correcting this issue.

DEBT SERVICE

All LID Bond funds have been paid off. Assessment installments from benefited property owners continue to accrue to replace the money that Wood Village fronted for the payment of the loans. The City does not have any general obligation debt.

LONG-TERM FINANCIAL PLANNING

The City's General Fund has benefited from significant economic growth and private capital investment within the City. Recurring deficits in the Water Fund and Sewer Funds have been eliminated as well based on steps taken by the Council to adequately fund operations through user fees.

While the Water Fund and Sewer Fund are currently self-sustaining, the Street Fund remains unable to maintain itself on its exclusive revenue source, the gas tax funding from the state. The gas tax funding continues to decrease at the rate of about 4% per year and is unlikely to be increased anytime soon. The materials to keep streets in adequate repair will only become more expensive as oil prices continue their upward trend, exacerbating the problem of self-sustainability within the Street Fund. As a fund that should pay for itself, Council may want to begin looking for applicable street user fees that will allow the Street Fund to be free of General Fund subsidy.

The loss of Wood Village's largest property tax customer, Merix Corp, in March 2008 produced some worries for tax revenue decreases. Those concerns were ameliorated when xSunx, an emergent business, located in the vacant Merix building. The recent news of the State's rejection of xSunx's application for state energy credits has been a concern, but for the current fiscal year Wood Village still seems to be in a stable financial situation.

With the combination of OECD loan funding and a Public Works department with excellent leadership and staffing to accomplish the needed goals, the City has been able to complete some major deferred maintenance and capital needs in the FY 2008-09 budget. We are fortunate to have most of our major projects complete at this time and can be secure while the financial storm swirls around us. Fund reserves are being vigilantly maintained and careful spending continues to protect the City against this volatility.

CONCLUSION

This budget reflects our continuing conservative fiscal philosophy and promotes the mission of Wood Village city government to provide dependable public services and leadership, to maintain fiscal responsibility, and to support and enhance the community's quality of life.

We would like to thank the Budget Committee members for their consideration of this proposed budget and their continued dedication to the City and residents of Wood Village.

Respectfully submitted,

Peggy Minter
Finance Director

Sheila M. Ritz
City Administrator