

# City of Union

**Date:** April 21, 2017  
**To:** Mayor, City Council, Budget Members and Residents  
**From:** Sandra Patterson, Budget Officer / City Administrator  
**Subject:** 2017-2018 Budget Message



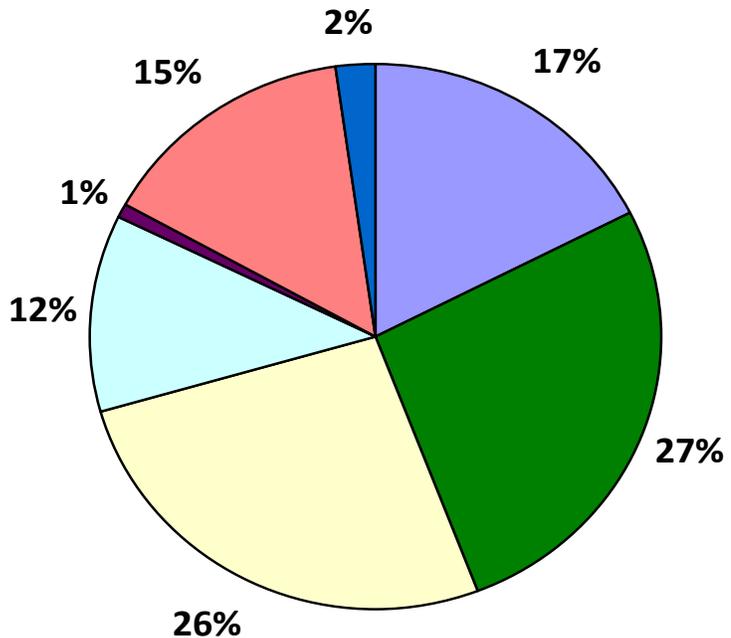
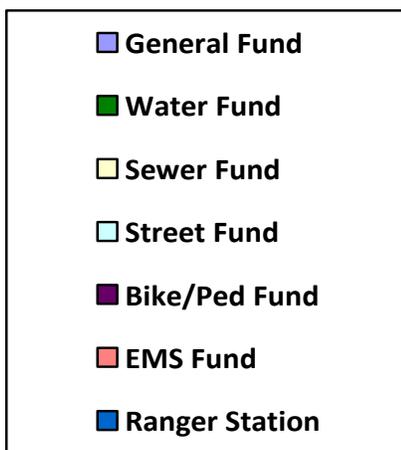
## INTRODUCTION:

I am pleased to present to you the City’s 2017-2018 Proposed Annual Budget, a financial roadmap for the City of Union that totals \$5,814,687. It is a balanced budget that does not reduce services; rather stabilizes services in several departments and reflects our commitment to provide the best quality services and amenities to our residents with the few dollars we have to budget with.

This budget emphasizes health, welfare and safety obligations followed by legal mandates ensuring financial stability and integrity and a focus on implementing City Council and Staff Goals set during strategic planning sessions. This budget is the means for allocating the resources of the city to a variety of programs necessary to move our community toward achievement of those goals with the constraints of available resources brought on by changes to the Charter in 2006 which will continue to financially impact the city as we move into the future.

Prepared to satisfy the legal requirements of the City of Union’s Charter and the State of Oregon local budget law. The proposed budget is balanced and stays within all of the State statutory requirements. It would be appropriate to view the proposed budget as the available resources for everyday operations within the City of Union.

### Budget Revenues



*Not all revenues are shown in graph.*

## **Budget Document Changes and Highlights:**

1. Bike/Ped Fund will fund replacement of lighting along park pathway and maintenance to pathway. These funds come from the Street Gas Tax. State law requires the city to spend 1% of funds on walking and biking.
2. To streamline the city's utility accounting and improve efficiency and increase value of information produced the city is budgeting for new Utility Accounting Software. Management has studied the current system and find the time lost due to inefficiencies, request to customer service, mistakes by the manufacture and the inability of the software to track complex information in today's world make the system high maintenance and costly to the citizens of Union.
3. Park Fund will focus on safety issues this year and replace the playground surround with a user friendly surround.
4. Each year health care increases, but the increase comes after July 1<sup>st</sup>. Due to the uncertainty of this increase I estimate a 10% increase for budget purposes which has been the norm for about 9 years now.
5. General Fund appropriations to the street fund will be \$25,000 to cover the street light cost.
6. Deer abatement line item is budgeted with zero funding this year, as the committee has not reported a need for funds.
7. City Council and the Historic Preservation Committee desires the restore the Ranger Station buildings. \$30,000 from the General Fund will be transferred to the Ranger Station to start this process. Replacing and or painting the siding on the buildings will be the first order of business.
8. Union County Sheriff Contract is budgeted at the same amount as prior years even though the city does not have a contract at this time.
9. Water and sewer rates will each automatically increase by 2.5% effective July 1, 2017 as provided for in Ordinance Number 508.
10. Revenues from operating accounts of the Parks, Sewer, and Water funds will continue and be used for capital improvements. In the water reserve fund for example, the proceeds from the \$6 per month project fee both past, present, and future will be placed in the water reserve fund. Sewer rate increases for the 2017/2018 and 2018/2019 should be considered to provide for continued transfers to the sewer reserve fund for future capital improvement projects.

The sewer reserve fund would also provide a means to bank a rainy day funds to help meet treatment system upgrades that will be necessary in the future. The question is not if wastewater treatment system upgrades will be required, but when. What will trigger future upgrade requirements is based solely on environmental regulations for contaminate loading in Catherine Creek which can change at any time.

11. 15% has been added to those employees' those employees that work weekends and overtime wages to cover over time and comp time.
12. In Building Maintenance several projects are slated if time allows. New carpet for city hall, Chamber sign, apply for matching grant funds for brick and mortar work on city hall.

## **Council Goals:**

One of the guiding principles for this budget are the City Council's short and long term goals, which have been set to reflect the priorities for our community. Council has created committees to work on the goals and report back to the council. The following short term goals are reflected throughout this proposed budget:

### **Council Short Term Goals:**

- Community Development
- City Charter
- Emergency Management Services
- Police Services
- Street Funding
- Overall budget review
- Clean water loans & public works contract(s)
- Cost savings for utilities

### **Staff Short Term Goals:**

Envisioning the ideas and thoughts of both staff and City Council, I attempted a new process this year and had city departments set short term goals. This is an attempt to bring a shared vision between staff and the city council. Council learned of staff goals with the hopes they might spark an interest. The following are the goals set by the front office administration and public works department.

#### **Front Office Administrator**

- Update utility operating system
- Create office operating procedure manual
- Process for limiting office interruptions
- Better interoffice communications
- Training of office staff

#### **Public Works Department**

- Working calendar
- Succession planning for the future
- Funding for street maintenance
- Public Perception

## **Union's Fiscal Condition:**

General Condition: Can the city be more efficient and find ways to save funds, yes. Too often we get too busy and think we can do more with less but this mindset can cost the city money. What small activities/projects do we step over daily, to complete other more important projects? What policies are not created because something more important took its place? These are the choices administrative staff make every day. In a community with limited funds these are the choices the council and citizens have made.

Water/Sewer: The City's revenue stream is largely influenced by the City's Charter. Ballet measures in 2006 specify water and sewer revenue is to be used for water and sewer operational costs only. The Utility Fund, comprised of the water and sewer revenues, and expenditures makes up nearly 50% of Union's total budget. Customer user fees for water and sewer are budgeted with a yearly 2.5 % increase as required by Ordinance 508. Other revenues expected to be generated in the utility fund will come from sewer labs, newsletter inserts advertising, bulk water sales and the use of the sewer pipe camera by surrounding communities.

The monthly water rate for this fiscal year will increase 2.5% effective July 1, 2017 in accordance with Ordinance 508. However, a monthly water rate increase above the 2.5% may need to be considered in 2018/2019 and 2019/2020 to keep pace with operation and maintenance costs. Future water rate adjustments will need to be evaluated and established during future rate evaluations and budget development.

Revenue in the sewer fund had not been keeping pace with operation and maintenance costs prior to last year. Even with the annual 2.5% increase in sewer rates, an increasing fund deficit between department revenues and costs was steadily developing. Available funds (savings) within the fund that are technically reserved for capital improvement projects had been being depleted to make up the budget shortfalls. When allowed to go unchecked, the ever increasing budget shortfall, which if left unattended

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Street Fund: This past winter took a significant toll on both project planning schedules and revenues. Emergency snow removal operations resulted in unanticipated expenditures to the Street Fund of over \$50,000. Approximately \$75,000 of street maintenance work which included gravel street maintenance and surfaced street patching was accomplished this year. Two (2) major street maintenance projects scheduled for this year will need to move to 2017/2018. This will be the last year that revenues will be available for major street maintenance projects. The 2017/2018 projected revenue will not fund much more than some isolated pothole patching, limited snow emergency work, and gravel street maintenance will

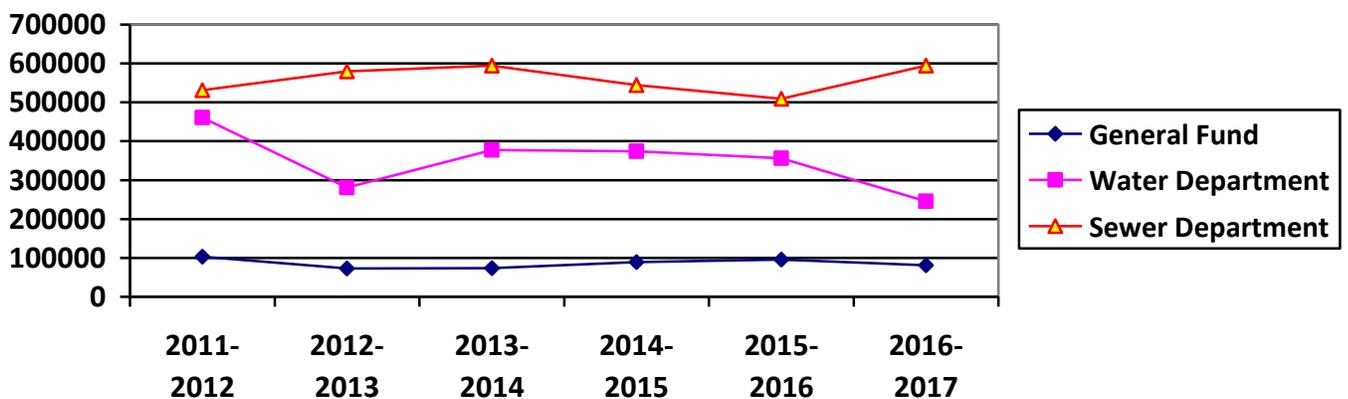
Declining revenue and ever increasing costs for street repair/reconstruction projects will result in a significant reduction in the amount of major street maintenance the City will be able to undertake

compared to prior years. Limited available funding makes “looking outside the box” ever more important. There are some reasonably priced soil stabilization products available that help reduce unpaved street blading with the added benefit of helping to control dust. A test section of one of the street projects planned for this year will include the use of the stabilization product. However, the overall condition of the City’s surfaced streets will exponentially continue to deteriorate under the current revenue available.

General Fund: Revenues in the General Fund are budgeted much the same as 2016-2017. Property taxes are budgeted to increase by 3% as allowed by the State, with \$140,000 as anticipated to be collected plus \$4,000 collected in back taxes. Entering into the last year of the library levy.

Debt: The city’s only long term debt obligation is in the sewer portion of the Utility Fund. The fund is currently obligated to two general obligation bonds (GO) and one revenue bond. The large revenue bond was refinanced last year and the anticipated payoff is 2030. At that point the sewer fund will have nearly \$16 per month that can be used to fund wastewater upgrade projects or banked for a future project to discontinue treated wastewater discharge to Catherine Creek.

**Actual Expenditures - 6 years**



Savings: As part of our strategic budgeting approach several projects are planned and budgeted for the near future. For example the park reserve fund sets aside money received from the General Fund each year to fund capital improvements at the park. This is the fifth year of saving which now has \$44,000 in the fund.

In the water department, the Capital Improvement Fund will receive proceeds from the \$6 per month per water account project fee and fund construction of capital improvements identified in 2011 when the \$6 fee was first imposed.

Health Care: This budget fully funds the City personnel health insurance obligation. A 10% increase has been added to last year's health care cost for this proposed budget, as this seems to be the norm over the past few years. This is however, only an estimate, health insurance costs could be more or less.

Voucher Coding: As with past years city hall continues to contribute significant amount of time and energy decoding and separating out expenditures by fund, department and line item.. By law, the city Charter mandates the separation of expenditures in the water and sewer fund. While this takes a great deal of employee time it provides additional transparency. While coding can be a challenging situation we are confident that our current practice of tracking expenditures and record keeping strategies save on cost and protect the city from fraud and misuse of public funds. City Councils participation in the expenditures is out of the norm as compared to other communities. Once again, the City does not have a spending problem, city has a revenue problem.

## **Contract Reviews:**

The city currently does not have a contract with the Sheriff's Department for police services. At time of this message the city had agreed to an animal control contract but had not signed an agreement. Police Service Committee had not indicated if funding is needed at time of report. Policing Service funding has been budgeted at same cost as prior years.

## **Capital Improvement Priorities:**

### STREET PROJECTS

Major street improvement projects planned for the coming year carry over from last year. No funding sources other state fuel tax are included in the revenue projections for the maintenance projects identified in the upcoming budget. This list of maintenance projects does not even scratch the surface of the overall City of Union street system maintenance needs.

Street repair and reconstruction funding levels are falling drastically behind the required level of street rehabilitation, maintenance, and repair needs in our community. In order to maintain the surfaced streets in the City at their current condition state is going to require a significant increase in yearly funding for the Street Department. Therefore, funding has been budgeted in the proposed budget for several preventive maintenance and resurfacing projects. Subject to available funding the following projects are on the list for completion during the 2015-2016 budget year:

- Continue with a hot patching program for paved street problem areas throughout town similar to last summer. Pick up patching with the streets that were planned for patching last year, but needed to be postponed due to resources.
- Continue to address improving drainage away from streets.
- Winter Maintenance

## Major Street Maintenance projects;

Three (3) significant projects have been proposed in the proposed Budget for several preventive maintenance and resurfacing projects. The amount of the projected major street maintenance work identified for this year will depend on the bids received for the work and the available funding, less engineering design services.



- East Fir Street – North Main Street to Stockshow grounds. Reconstruct road surface/base and overlay.chip seal.
- West Beakman Street – South Main Street to South First Street. South First Street – West Beakman Street to West Arch Street. Reconstruct road surface/base and overlay/chip seal.
- West Dearborn Street – South Main Street to South Tenth Street. Reconstruct isolated failing street sections, pre level, seal cracks, and widen to the north along the athletic complex.

## Oregon State Department of Transportation funded projects.

- West Fulton Street – West Fulton Street, West Third Street, and South Main Street Sidewalks. This project has approximately \$684,000 in total State funding. Any project costs over that amount will be borne by the City. Engineering design of the project will begin in 2017 and be completed in early 2018. Construction will occur in the summer of 2018.
- East Beakman Street – South Main Street to South College Street. Reconstruct sidewalks and ramps to comply with ADA requirements in preparation for overlaying the Catherine Creek Highway in the future. Available funding from the State will be approximately \$120,000.

## WATER PROJECTS

Water department staff schedule at least one (1) of the water line improvement projects to accomplish each year. These projects are funded with the \$6 per month per account special improvement charge. Water line improvement project number five (5) was completed last year. Projects and capital improvements planned for the coming year to be funded by the \$6 per month special improvement charge are as follows.

1. Water line project #6 is planned to be completed this year by water department staff. The improvements will also include new service lines to each meter.
2. Water line project no. 10 and 14 will be designed, bid, and then constructed under a public contract.

3. Upgrade remaining commercial water meters to radio read.
4. Develop plan, estimate, and contract for providing standby generator at each well during and emergency or purchase new/used generator. (Safe Drinking Water Revolving Loan)
5. Develop plan and estimate for remote monitoring/control system. (Safe Drinking Water Revolving Loan)
6. Begin the process of evaluating and setting up a Geographic Information System (GIS) program for water system infrastructure.

### SEWER PROJECTS

The waste water facilities plan completed in 2015 identified and addressed system improvements necessary to the wastewater treatment plant which would assure reliable service to Union citizens, at the same time meeting regulatory department (DEQ) requirements. However, the water quality standards for discharge to Catherine Creek which initially drove preparation of the Facilities Plan have been modified. The modification may allow the City to continue discharge to Catherine Creek with minor improvements to the wastewater treatment plant for at least some time into the future, postponing the project and, at least for the present, avoiding a large rate increase (\$26/month) as a result thereof. Staff will continue to work with the City Engineer and ODEQ this budget year to develop a strategy that is in the best interest of the City. In addition, the following projects are planned for the coming year.

1. Evaluate the feasibility of using ultraviolet disinfection rather than chlorine. The biggest benefit here would be reduced chemical needs, but more importantly a significantly reduced risk of NPDES discharge non-compliance.
2. New billing and accounting system.
3. Insulate shop lean to and install door to protect equipment from freezing.
4. Complete fire alarm system installation and connection.
5. Begin the process of evaluating and setting up a Geographic Information System (GIS) program for sewer collection system infrastructure.
6. A section of 10-inch asbestos cement mainline that is currently leaking and cracked on South 4<sup>th</sup> Street between South Beakman Street and Center Street is scheduled for replacement. This project is being carried over from last budget year.

## LIBRARY

The library has been budgeted full time for the 2017-2018 year. The library board is preparing for a 5 year levy in November 2017. There are a couple minor changes to the budget, which I will bring to the hearing. For many years the library has operated on only the dollars needed to keep the doors open. This is the first year in many, the library has had a few dollars to purchase needed supplies and a few books.

## PARK

Several small projects are planned for the park department this coming year.

1. Replace lighting along park pathway with similar type fixtures. Upgrade electrical circuit(s) to provide more locations for vendors during community activities or park use functions.
2. Main Street sidewalk and curb cut between Catherine Creek and library.
3. Sidewalk repair on Main Street, north of the restrooms.
4. Replace playground perimeter barrier.

## **Vehicles and Equipment:**

Several vehicles and assorted pieces of equipment are proposed for purchase this year. The purchase price for vehicles and equipment that are shared by more than one fund or department will be proportioned between those departments based on the expected utilization thereof. These vehicles and equipment will be purchased through the Vehicle and Equipment Reserve Fund. Each department or fund will transfer to the Reserve Fund an amount equal to a percentage of the final purchase cost. The following is a list of the proposed vehicles and equipment to be purchased, together with the respective apportionment of cost:

- Newer used pickup for wastewater treatment plant. \$20,000. Sewer Department, 100%
- Newer used pickup for to replace the dodge work truck in the water department. \$20,000. Water department, 80% and sewer department 20%.
- Purchase Carryover - Hydro excavator/debris vacuum. \$85,000. This machine is planned to be used by water and sewer departments when hydro excavation is possible. It will also be used by the sewer department in connection with jet rodding sewers and cleaning sumps at the treatment plant. Water department, 50% and sewer department 50%.

## **System Development Highlight:**

The city adopted the System Development Charge (SDC) Ordinance in 2006 for water and sewer only. In accordance with that ordinance and Oregon law, a fund has been designated for those revenues. The funds are segregated and accounted for in separate line items. The city may only use these funds for

system capacity expansion projects. As per State law, methodology must support how the city calculated the charges. During 2012-2013 the city's SDC rates were reevaluated by Anderson Perry and Associates. A total maximum SDC charge of \$16,511 for water reimbursement, improvement and sewer reimbursement was calculated during the exercise. The water SDC is still under review. In an effort to keep construction costs competitive with other local, the 2013 City Council set the maximum SDC charge for water and sewer to be \$5,200. There are no growth related water or sewer infrastructure system expansion projects planned for expenditure of SDC funding in 2017/2018.

### **Emergency Management Services EMS Highlights:**

Our local volunteers continue to provide extraordinary response times and high quality service, while holding our ISO rating at an outstanding 4, Union's Department stands above other departments in the area. This rate keeps home owners insurance premiums low. On the downside, the ambulance department continues to be the only source of income other than the user fee for both ambulance and fire departments. As with the last seven years, an emergency service user fee is budgeted to balance the Emergency Service Fund. A fee of \$10.00 per household has been calculated to bring in \$115,000. The department like all in the United States is under the watch of many regulatory agencies.

While the Emergency Management Committee will continue to negotiate with Union Rural Fire the department will start the New Fiscal Year with new leadership. That leader for the EMS department at the time of this message is unknown.

### **Ranger Station Highlights:**

After last year's rent study rent was adjusted to better reflect going costs. The department continues to save funds so major repairs can be made.

### **Following is a list of key elements:**

- ✓ The City's permanent tax rate is \$1.57 per \$1,000 of assessed value.
- ✓ The last attempt to raise property tax in Union was in 1996. The measure failed.
- ✓ Emergency Management Services user fee will continue.
- ✓ Ranger Station gets added funds for building maintenance.
- ✓ Library levy will be on ballot in November, library only budgeted for 5 months.
- ✓ Transfer Station is removed from budget.

### **Looking Forward**

Looking forward beyond the 2017-2018 fiscal year, it is projected sharply increasing future costs in various categories including health care costs, supplies, infrastructure maintenance, salaries and other benefits. To meet such increasing financial demands the city will need to maintain its fiscally

conservative practices and generate significant additional revenues when possible. This will require strategic management and careful planning. Here are a few principles fellow employees and I will follow as we move into the future:

1. First and for most, to enhance public safety, insuring reduced City liability.
2. City does not have a spending problem, city has a revenue problem.
3. Always live within our means.
4. Employ cost recovery programs for services provided, when and where possible.
5. Provide for transparency in both operation of City departments and expenditure of City funds.

## **Conclusion**

This budget supports the Council's goals and commitment to maintain a similar level of City services the Community has enjoyed in the recent past. Every effort has been made to implement appropriate measures that will both maximize productivity and deliver the highest quality of service within available resources. We have worked collectively to implement creative ways to do more with less. We remain committed to maintaining the highest quality of life our residents expect and deserve. The Union City Council should be commended for their commitment and loyalty to our community.

Further, I want to extend my appreciation to city staff without all their ideas and suggestions, this budget would be impossible and my job would be more difficult. Special thanks to Mr. McKee for help pulling this report together and his assistance during the year.

I appreciate the opportunity to be part of the process.

Respectfully Submitted,

Sandra Patterson  
*Budget Officer*