

Date: May 5th, 2016
 To: The City of Willamina Budget Committee
 From: Budget Officer
 Subject: Budget Message – FY 2016/17

Dear Budget Committee Members,

This year's budget is a continuation of direction started by last year's Budget Committee. With the turnover of the City Manager and the overhaul of the City's financial systems, this year's budget is a better picture of Willamina's current condition. However, this condition is not yet one of stability. Major gaps in funding for General Fund and Water Department operations are addressed in this Budget to create the stability sought by last year's budget committee.

Major Budget Drivers

Because our financial systems were not producing reliable information last year, our budgeting efforts produced numbers that may not have been reasonable. With the hard work of staff and Kathy Taylor Consulting, we have ending and beginning fund balances that are reasonable and expected. They show the following:

Ending Fund Balances	End of 2016	End of 2017
<u>Fund</u>	<u>2015-16</u>	<u>2016-17</u>
10 General	\$ 35,794	\$ 143,565
20 Streets	\$ 49,061	\$ 67,828
21 Street SDC	\$ 81,420	\$ 103,268
30 Water	\$ (70,922)	\$ (119,293)
31 Water SDC	\$ 57,588	\$ 59,512
40 Sewer	\$ 168,314	\$ 157,850
41 Sewer SDC	\$ 9,975	\$ 5,117
50 Debt	\$ 413,526	\$ 364,734
Grand Total	\$ 744,756	\$ 782,581

The General Fund

As we end FY 2016 our General Fund (10) balance is extremely low. In order to have cash to support operations during the months of July through October prior to receiving our taxes, we need roughly \$375,000 ending fund balance every year. Also, we have budgeted for the recruitment of a full time City Manager in the amount of roughly \$90,000 salary and benefits. In order to end with an adequate balance that begins to approach stability, we have proposed that the library and museum be operated on a full time volunteer basis. The savings would roughly be \$100k; in addition, we have proposed that the rehab of the City Hall Building be discontinued saving roughly \$40k. Also, included in our proposed budget is a \$2.50 per customer monthly Utility Fee that will be added to utility bills. This fee has been

proposed to pay for the city's Street lights and accumulate small balance to handle unforeseen utility requirements.

Staff anticipates that savings generated by operating the library with volunteers and other belt tightening, should accumulate sufficient cash in General Fund balance, within two years to provide stability for the community.

The following project proposal will help detail staff plans to operate the Library and Museum on a volunteer basis;

City of Willamina

To Budget Committee -2016-17
 From Budget Officer
 Subject Proposed Volunteer Program

As part of the proposed 2016-17 budget, staff is proposing to run the Cities Library and Museum on a volunteer bases for the next two years as a minimum. The following document outlines the program that will allow this to take place.

Program Assumptions;

- 1) The City will continue to qualify for CCRLS money at it's current level and staff appropriately.
- 2) Every attempt will be made to keep Library Operating hours at 40 hours per week.
- 3) We will keep the Museum open at its current level.
- 4) We will expand this program to other City needs as applicable.

Program Components;

These components will be reviewed by the Library Board any changes in scope will be recommended for approval/ disapproval to City Council.

- 1) Current Library staff will be laid off July 1 as a staff reduction driven by budget requirements.
- 2) The budget will not include funding for any staff at the Museum.
- 3) The Code Compliance Officer will create a volunteer recruitment program and seek Council approval.
- 4) Our code compliance officer time will increase from .6 fte's to 1.0 as soon as possible so that she may begin creating the transitional plan from paid Library support to volunteer support. This plan will be presented to Council in June.
- 5) The Code Compliance Officer will move her office from City Hall to the Library to maximize her time on site.
- 6) The City Recorder will be back up to Code Compliance Officer for onsite responsibilities.
- 7) The 2016-17 budget will include money for operations sufficient to support the operating Hours of the library and to keep CCRLS funding.

The Water Fund

The Water Operations Fund 30 also shows a negative ending fund balance for FY 2015-16. The deficit is budgeted to increase in FY 2017. This deficit balance is caused by several factors:

1. **Fund Balance** – The lack of completed audits for previous years delayed accurate accounting fund balances.
2. With the **new consumption based billing** structure for water, the City is collecting less money and selling fewer cubic ft. of water therefore collecting less revenue. The cost to produce and deliver the service is the same and it increases each year with inflation. For that reason we need to raise rates an approximate 16% as stated in the water rate study. It will take rate increases in this and future years to bring the revenue in line with the cost of producing and distributing water.
3. **Interfund loans** to the General Fund were not recorded until June 2015.
4. **Rates** have not been increased to keep up with inflation.

Included in the proposed budget are the following items to deal with the factors as presented above:

1. Increase all water rates 10% this year, next year and the year after
2. Reduce Sewer rates by 3% 2016/17 only
3. Add a surcharge to all extraterritorial water accounts of 15% above the proposed current increase
4. Pay off \$51,000 (Water FHA 91-01 Rural Dev Bond) from reserves in the Debt Service Fund. There are adequate water debt reserves to fund this transaction lowering requirements for higher rates.
5. Next year refinancing \$971,700 (Water (FHA) 91-02 USDA Rural Dev Installment Revenue Bond to lower the interest rate.

All other Funds appear to be operating in a stable manner.

Accounting Structure

The following fund has been deleted from our accounting structure.

1. Cemetery Fund 81 – this is a discretionary fund and all resources and requirements will be represented as a department in the General Fund. Prior to June 30, 2015 all resources including cash and fund balance were exhausted. The General Fund has subsidized the cemetery fund for several years.
2. Also the Downtown Loan Fund 61 and Special Revenue Fund 60 are discretionary funds and all resources and requirements will be represented as a department in the General Fund.

Personnel

The proposed budget is built on the following staffing changes: (Please see appendix II);

1. General fund reduction of Senior Librarian and Librarian (2 FTE's)
2. Parks addition of 2 summer helpers (.5 FTE's)

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|----------------------------------------|--------|
| 3. Addition of full time City Manager | 1 FTE |
| 4. Addition of a Volunteer Coordinator | .4 FTE |

Wage increases are based on the union contract. (1% step and 2% COLA)

Operations

To be a balanced budget, the operational revenue should exceed operational requirements. Fund Balance is available for emergencies or one-time items to be determined after year-end audit. The following table shows the differences between revenue and requirements by Fund.

Revenue minus expenses

Net Income (Loss)	Projected FY 16		Proposed FY17	
	<u>2015-16</u>		<u>2016-17</u>	
10 General	\$	6,821	\$	205,955
20 Streets	\$	519	\$	18,767
21 Street SDC	\$	21,420	\$	21,848
30 Water	\$	(40,656)	\$	(48,371)
31 Water SDC	\$	(1,826)	\$	1,924
40 Sewer	\$	11,012	\$	(10,464)
41 Sewer SDC	\$	(5,025)	\$	(4,858)
50 Debt	\$	(85,000)	\$	(48,792)
	\$	(92,735)	\$	136,009

As a whole this budget is moving towards being balanced, with work still to be done on specific funds. Details for each fund are included in the following budget beginning on page 12 of this document.

Capital

Willamina capital expenditures this year are minimal (Please see Appendix) down from near \$80k in 2015/16 to about \$22k for 2016/17. For major capital expenditure, the budget includes a review and redesign of the water intake system (\$10k) to ensure its stability over the coming years.

Debt

The proposed budget does not anticipate any new debt at the City. However, we do plan to pay off one outstanding water debt using reserves in the Debt Service Fund after an audit in the FY 2016/17. Staff anticipates refinancing outstanding debt if feasible. However, debt is budgeted at the current repayment schedules (See Appendix).

The City of Willamina Budget Committee has set the City on the course of sustainability. Next year's budget will be in better shape than this one and the City can continue to make Willamina a great place to live.

Presented by:

Ross Schultz, Budget Officer