



AGENDA

CITY OF CANBY BUDGET COMMITTEE MEETING

November 30, 2011

6:00 PM

Council Chambers

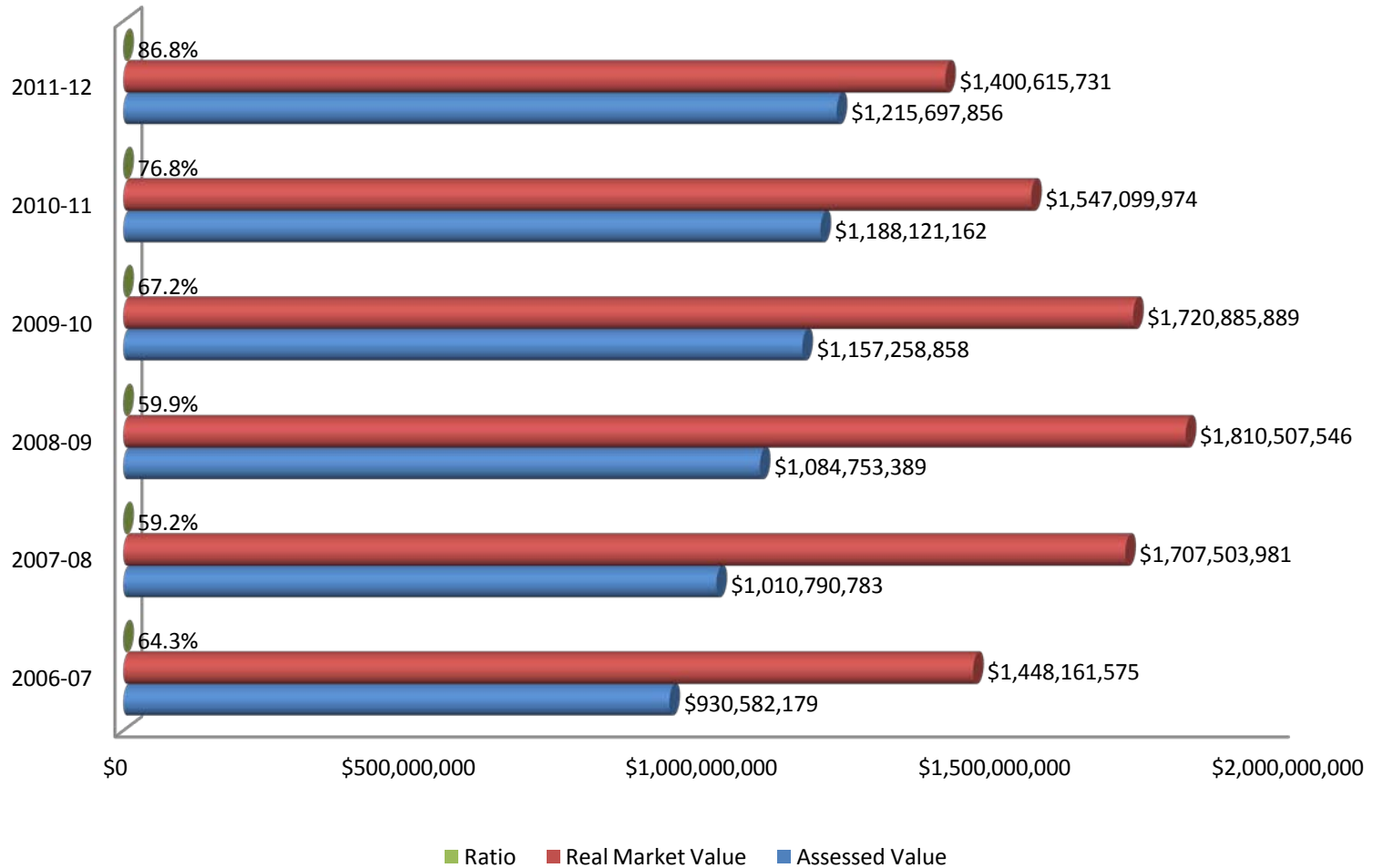
155 NW 2nd Avenue

CITY OF CANBY BUDGET COMMITTEE MEETING

1. **CALL TO ORDER**
 - A. Pledge of Allegiance and Moment of Silence
2. **COMMUNICATIONS**
3. **CITIZEN INPUT & COMMUNITY ANNOUNCEMENTS**
4. **NEW BUSINESS**
 - A. History of General Fund – Past Practice
 1. Cash Carryover
 2. Revenue
 3. Transfers
 4. Contingency
 - B. Mid-Year Review – Presentation to Budget Committee
 - C. PowerPoint Presentation Page 1
 1. Assessed Value vs. Real Market Value
 2. Per Capita FTE
 - D. Five Year Forecast Page 5
5. **CITIZEN INPUT**
6. **ADJOURN**

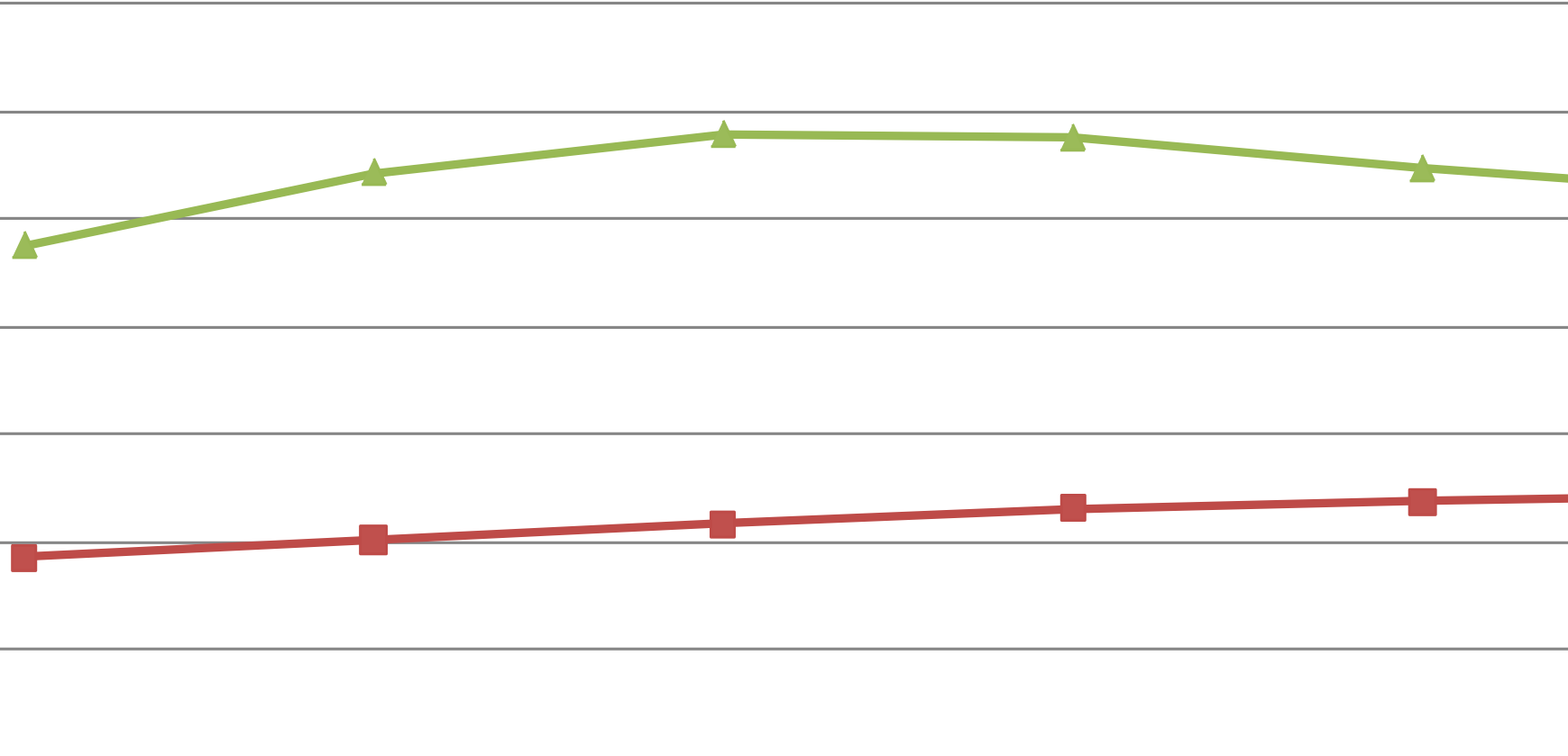
*The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made to the Finance Department at 503.266.4021. A copy of this Agenda can be found on the City's web page at www.ci.canby.or.us.

Year	Assessed Value	Real Market Value	Real Market Value Ratio
2006-07	\$930,582,179	\$1,448,161,575	64.3%
2007-08	\$1,010,790,783	\$1,707,503,981	59.2%
2008-09	\$1,084,753,389	\$1,810,507,546	59.9%
2009-10	\$1,157,258,858	\$1,720,885,889	67.2%
2010-11	\$1,188,121,162	\$1,547,099,974	76.8%
2011-12	\$1,215,697,856	\$1,400,615,731	86.8%



Change in Property Tax Values

November 30, 2011



2006-07

2007-08

2008-09

2009-10

2010-11

\$1,448,161,575

\$1,707,503,981

\$1,810,507,546

\$1,720,885,889

\$1,547,099,974

\$930,582,179

\$1,010,790,783

\$1,084,753,389

\$1,157,258,858

\$1,188,121,162

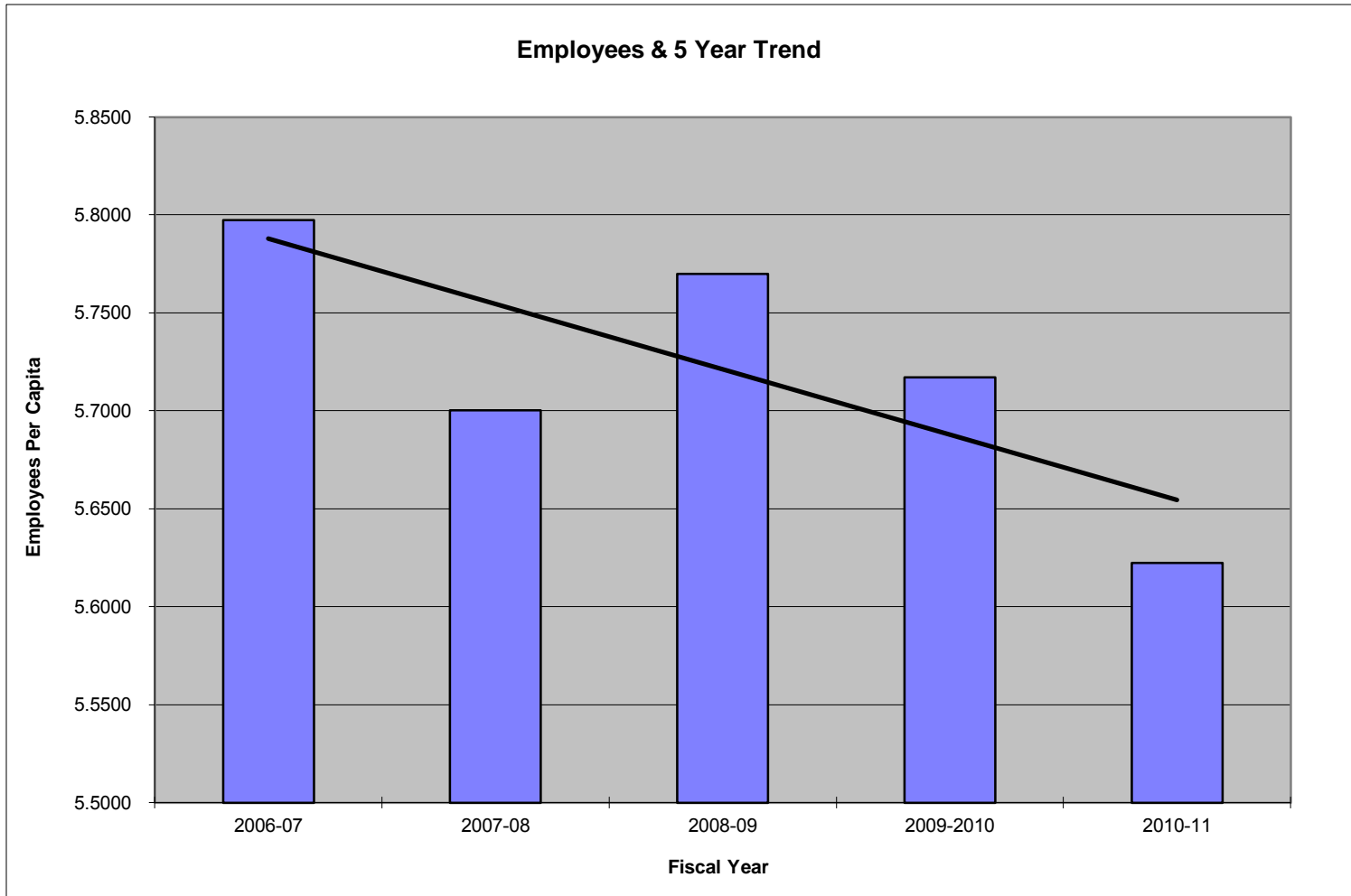
Formula:

$$\frac{\text{Number of municipal employees}}{\text{Population}}$$

Warning Trend:

Increasing number of municipal employees per capita

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-2010	2010-11
Number of municipal employees	85	86	88	87	89
Population	14,705	15,140	15,165	15,230	15,830
Number of municipal employees per 1,000 Population	5.7973	5.7001	5.7699	5.7170	5.6222



CITY OF CANBY

FIVE-YEAR FORECAST

FISCAL YEARS ENDING 2012-2016

INTRODUCTION

This 5-year forecast is provided to the City Council and Budget Committee to assist with future operational and financial planning decisions. It is important to note up front that this forecast is built on several assumptions, which are spelled out in detail below.

Factors that could change the outcome of this model are:

- population growth, which could affect staffing levels and the demand for services;
- debt required for capital purchases or projects;
- unforeseen reductions in revenue, i.e. reductions in franchise fees or reductions in state shared revenues, and;
- Un-funded federal, state or county mandates.

The forecast should be viewed as a look into the future using present day data. It should not be viewed as a self-fulfilling prophesy. This forecast should be updated annually to include the best information available, and a copy provided to the Budget Committee in advance of each subsequent year's budget deliberation. The primary value of the forecast is tied to its ability to forewarn key decision makers about future financial issues so today's decisions are made with tomorrow in mind.

The data prepared and used in this forecast is based on prior years' actual data with changes in law or policies and the economic environment taken into consideration. Again, projections reflect present day staffing levels, except as amended through the annual budget process. The forecast focuses on the city's major operating funds: General Fund, Street Fund, and Sewer Fund. It also provides information regarding the city's debt load.

The City Council has adopted policies and programs to help encourage investment in the historic downtown, and the currently under-utilized Canby Pioneer Industrial Park. The establishment of the Canby Urban Renewal Agency will allow additional key investments to be made over the next 10 years that focus on improving existing assets and creating incentives to attract key industries to the city.

The authorization of the Commercial Facade Improvement Program is another program that seeks to increase the value of existing assets and keep the commercial heart of Canby viable into the future. The Facade program is not funded from General Fund proceeds, but utilizes funds from the Canby Urban Renewal District that can be used in this manner. Canby residents have a strong emotional connection to the historic downtown. From a financial standpoint, especially over the long haul, it is far more cost-effective to encourage investment into existing infrastructure than it is to encourage new infrastructure to serve new development. In addition, focusing attention on creating new jobs in the existing industrial park, adding new businesses to existing buildings in the downtown area and strengthening existing commercial areas has significantly less impact on existing operations.

The economy for the City of Canby as well as its citizens has slowed significantly. The housing market has decreased in activity, fuel costs continue to rise and the job market has been drastically reduced as many businesses have been down-sizing or closing their doors. The increased fuel cost has also increased costs for other products and services the City utilizes.

DEMOGRAPHICS

The current population estimate per Portland State University for 2011 is 15,830. This is an increase of 3,040 people over the 2000 Census (2000 = 12,790).

<http://factfinder.census.gov/home/en/datanotes/expsf3.htm>

GENERAL FUND

The General Fund accounts for revenues and expenditures that are not legally required to be recorded in one of the other fund types used by governmental agencies. The primary revenue source for the General Fund is from property taxes. The second largest revenue source is from transfers from other city funds that cover the costs paid from the General Fund for services provided for accounts payable, payroll and general administration related to the other funds.

Property tax levies are approved by the Budget Committee, adopted by the City Council and then submitted to the County Assessor to be levied and collected from property owners who live within the city limits. Due to the passage of Measure 5 and Measure 50, property taxes are now collected based on a fixed rate and the assessed value (AV) is limited to a 3 percent annual growth, rather than the previous levy-method that was tied to a dollar value and limited to a 6 percent growth in AV. The 3 percent increase in AV may be greater if there are annexations or new construction that increase the assessed value of property located within the city limits. During the last several years, the City of Canby has experienced an AV growth slightly higher than 3% due to new construction and annexations. The growth rate in AV is anticipated to be only minimally higher than 3% over the next three years, as new construction starts diminish.

It should be noted that residential growth is a double-edged sword. The city depends on some growth to increase the AV to help keep up with ever-increasing operational costs. In addition, new residential growth helps lower the burden of existing and future bonded debt by spreading the burden over a wider tax base. However, as the city grows so will the demand for additional services. This is especially true where residential growth is concerned. More housing means more people which places more pressure on the City to provide additional police services, additional parks, street maintenance, and water and sewer utility workers to help maintain the infrastructure associated with new subdivisions.

The property tax rate per \$1,000 of assessed value for the City of Canby is a fixed rate of \$3.4886. This rate does not include taxes levied for the Swim Center local option levy passed by the voters. For the fiscal year end of June 30, 2009, the City levied \$3,395,089 in property taxes. The actual amount collected for the fiscal year ending June 30, 2010 was \$3,593,431 and the budgeted amount (unaudited) for the fiscal year ending June 30, 2011 is \$3,700,000.

Another primary source of revenue for the General Fund is franchise fees, which are received from utilities providing services to residents within the city limits and have been granted a franchise agreement with the city. The City receives franchise fees from Northwest Natural Gas, Canby Telecommunications Association, Canby Disposal and an in lieu of taxes payment from Canby Utility. Franchise revenue has become slightly unstable, especially revenues related to

communications and cable. These revenues are not growing at the same rate as housing is increasing due to the increased cell phone usage, and competition from dish services and wireless networks.

Revenue from franchise fees overall is expected to plateau as growth levels off. Franchise fees from Northwest Natural Gas have declined significantly over the past three year because they have asked the Public Utility for rate decreases, generating less revenue, which decreases the franchise fee.

	2012-13	2013-14	2014-15	2015-16	2016-17	
General Fund	Projected	Projected	Projected	Projected	Projected	% Change
Primary Revenue						
Property Taxes	3,891,901	4,008,658	4,128,918	4,252,786	4,380,369	3.00%
Franchise Fees	961,520	971,135	980,847	990,655	1,000,562	1.00%
Intergovernmental*	303,000	306,030	309,090	312,181	315,330	1.00%
OH Transfers In	788,967	804,746	820,841	837,258	854,003	2.00%
Revenues	5,945,388	6,090,570	6,239,696	6,392,880	6,550,237	2.45% Average

*Cigarette Tax, Liquor Tax, State Shared Revenue

The Police Program is the largest program in the General Fund. For the fiscal year end of June 30, 2012, projected General Fund expenditures totaled \$7,482,337 (excluding contingency and un-appropriated ending fund balance) and of this total \$4,049,911 were for the Police Budget. This represents 54.1 percent of the total General Fund expenditures. The second largest General Fund expenditure category is for the Administration Department. The projected total for this department, for fiscal year 2011-12, was \$1,456,025, or 19.5 percent of total General Fund expenditures.

It will be important for the City to monitor both revenues and expenditures and look for ways to control costs in order to maintain a healthy General Fund with the current economic climate. Due to the change in the economy and the housing market, the increase in property taxes will begin to level off to an annual increase of no more than 3%.

The City is in a position many would like to have in that drastic alternative reductions or other revenue resources are not required at the current time. However, staffing levels will need to be kept to a minimum in order to maintain service levels over the next 2-3 years, and new programs will need to be thoroughly vetted to insure sustainability.

STREET FUND

The Street Fund is a Special Revenue Fund, and revenues from this fund pay for street operations and repairs. The primary revenue source for the Street Fund is state highway apportionment revenue, or gas tax dollars. The State of Oregon uses the population of the city as determined by the State Board of Higher Education's Center for Population Research & Census to allocate out revenues to the various entities.

For fiscal year 2009-2010 (the last audited budget), the Street Fund received \$631,527 from State Highway Apportionment proceeds, which represent roughly 33 percent of the total fund revenue, including the beginning fund balance. In addition the City received \$328,785 from Local Gas Tax, and \$521,956 from Street Maintenance Fee. There was no Federal Fund Exchange (Federal

Gas Tax) taken for the 2009-2010 or 2010-2011 fiscal year but the FFE for 2011-2012 is \$454,637 which represents the monies rolled over from the previous two fiscal years.

The graph below reflects a positive picture for the Street Fund with revenues projected to increase over the next five years. One of the major increases in the Streets Fund will be the addition of a 6 cent/gallon tax increase that went into effect January 1, 2011. The revenue outlook will allow the City to schedule projects and to perform regular road maintenance and to maintain a minimum contingency.

	2012-13	2013-14	2014-15	2015-16	2016-17	
<u>Streets Fund</u>	Projected	Projected	Projected	Projected	Projected	% Change
<u>Primary Revenue</u>						
State Highway Fund	867,000	884,340	902,027	920,067	938,469	2.00%
Local Gas Tax	326,400	332,928	339,587	346,378	353,306	2.00%
Street Maintenance Fee	530,400	541,008	551,828	562,865	574,122	2.00%
Federal Fund Exchange	178,500	182,070	185,711	189,426	193,214	2.00%
Revenues	1,902,300	1,940,346	1,979,153	2,018,736	2,059,111	2.00% Average

SEWER FUND

This is an enterprise fund and is accounted for much like a business operation in that charges for services must cover the operations and capital replacement costs for the sewer system. Customers receiving sewer services are charged a fee based on their service classification, i.e., residential, industrial or commercial.

As of a November 29, 2011, there were 4,571 sewer customers, and of this total, 4,295 were residential customers and 276 were commercial or industrial. This is an increase in total customers from October 2011 (Total of 4554) of only 17 customers, two of which were not residential.

Residential sewer/stormwater combined rates are set by resolution as part of the City Fee Schedule and are currently \$38/month. Commercial and industrial rates are a minimum of \$38/month/100 cubic feet (100 cubic feet = 750 gallons). Canby Utility provides the City Finance Department an annual report that allows us to determine average monthly water use from which we calculate the sewer/stormwater bill for commercial and industrial users.

Sewer/Stormwater service charge revenue for fiscal year 2008-2009 was \$2,485,569 increasing to an estimated \$3,100,000 for the 2011-2012 fiscal year. The increase is the result of rate increase in both the 2010-2011 and 2011-2012 fiscal year. The projection for the next five years is that revenues will keep pace with expenditures.

DEBT ANALYSIS

The City of Canby is in the enviable position of having very little long term debt. Other than lease payments annual debt payments consist of \$74,518 for both Phase 1 and Phase 2 of the Molalla Logging Road paving and \$298,265 for improvements to the Wastewater Treatment Facility in 2008.