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July 22, 2013

Citizens of Grants Pass
Mayor Darin Fowler and City Council Members
Budget Committee Members
City Staff



Budget Message for Fiscal Year 2013-14

BUDGET OVERVIEW

I am pleased to present to you the balanced budget for the Fiscal Year 2013-14 (FY'14). This budget represents the combined efforts of the City Council, the Budget Committee, staff, advisory boards, and the citizens of Grants Pass. This year's budget planning process and resulting Strategic Plan incorporates input from all stakeholders and extra meetings were held to collect this key input. Citizens, Elected Officials, Committee and Commission members, and Staff each had an opportunity to contribute to the goal setting and strategic planning process and Council had an opportunity to prioritize the resulting work plan items.

This year the budget document is organized slightly different as compared to past years. In an effort to make the budget a more effective communication and planning tool, this message provides a broad overview of this year's budget considerations. Followed by this message are the key financial budget summaries and some key financial factors affecting this year's budget. Followed by this section are the financial policies and planning procedures that guide the annual budget process for a better understanding of how this budget comes together each year. Many of the tables and summaries that have historically been found in the appendix of the budget book have been placed near the beginning of the book, and certain schedules have been moved to the appendix or remain in the appendix. Throughout the program budget narratives you will also see a more uniform format for the reporting of performance measures in each of the operating departments.

The City of Grants Pass budget document is prepared in accordance with best practices established by the Government Finance Officers Association (GFOA) to receive their Distinguished Budget Presentation Award. The City's budget document has received this award for the past 28 years.

Our City budget is made up of three main pieces: General Fund, Enterprise Funds and Capital Improvement Funds. There are also some special revenue funds that collect certain restricted revenues and some internal service funds that provide support services to City operating and capital programs.

The General Fund makes up 32.5% of the City's total budget in the FY'14 adopted budget. The General Fund is made up primarily of property tax, state-shared revenue, franchise (right-of-way) taxes on utilities, and various licenses, permits, and fines. 67% of the General Fund revenue comes from property tax revenue that is made up of both a permanent rate and a local option levy, all of which is dedicated exclusively to Public Safety divisions. The General Fund also finances many other basic services, including Parks and Recreation, Development, and others. The General Fund has the City's only discretionary revenue sources which currently account for annual revenues of approximately \$4.5 million that are shared by all General Fund programs.

More than 22% of the City's total budget comes from enterprise funds, which include the Water and Wastewater Utilities. Almost no tax dollars support the enterprise funds because they are designed to be self-supporting through user fees. Users of these programs pay fees that support all the costs associated with delivering these services, and these fees cannot be used for any other purpose.

Capital Construction Funds account for approximately 17% of the total budget. Special revenue funds such as Transportation, Transient Room Taxes, and others account for approximately 9% of the budget, and the remainder of the total budget comes from Debt Service Funds, Internal Service Funds, and the Trust Fund.

Similar service without increasing tax levy

Citizens showed overwhelming support for the Public Safety Local Option levy in the November 2010 vote which will allow the City to continue to provide similar service levels without increasing its tax levy in FY'14. Thanks in part to this support and successful past financial planning, Council directed staff to present a budget that will provide the same level of service for all operating divisions. One of the highest ranked priorities in this year's Strategic Plan is to work on a renewal of the levy which would begin in FY'15 after a public vote in November of 2013.

We owe this responsible budget and proactive financial planning in part to previous Councils and staff who prepared for the future. A few examples of the actions taken include: 1) creation of the intern program which provides college interns to assist firefighters; 2) the layoff of eight employees at the beginning of the construction industry downturn; 3) use of Community Service Officers to relieve police officers of more routine duties; 4) staff participation in health insurance planning and cost sharing; 5) minimal cost of living increases in recent years for managers, supervisors, and the City's four unions; 6) minimal insurance losses in the areas of workers compensation and general insurance to lower rates for current and future years; and 7) staff working hard to turn back budgetary savings from operating budgets each year. Without these past actions, the City would not be able to continue to provide the same level of services in coming years without significant adjustments to annual revenue sources.

Voter approved levy

This budget document includes the resources that the voters authorized through passage of the Three-Year Public Safety Levy in November of 2010. The approved levy provides an estimated \$4.5 million in FY'14 for City Public Safety operations. While all property taxes are dedicated to Public Safety, the temporary local option levy will expire June 30, 2014. The overwhelming support for the Public Safety Levy in 2010 demonstrates the community's desire for quality services. The budget for FY'14 continues the high level of Public Safety services and other government services our citizens have received and expect to receive over the period covered by the current levy. The three-year levy starting in FY'12 is set at the same rate as the previous two-year levy. While conservative projections through FY'14 show that significant General Fund savings will have to be used in this final year of the current levy, the resources provided by the levy should be sufficient to maintain current services through the next fiscal year in combination with the drawdown of General Fund reserves.

Residents appreciate City services

The empirical and statistical data gathered from the citizens of Grants Pass indicate that the residents appreciate the services provided by the City. Both the last vote for General Fund Public Safety Funding and past annual surveys demonstrated the community's desire to have City services maintained at the current service level. While the typical phone survey was not completed in 2011, it was completed again in 2012 showing similar satisfaction results.

This budget has been prepared with an eye toward continuing to provide the high quality services the City has delivered over the years while acknowledging the more fiscally conservative stance that the local economy demands. However, inflationary pressures on operations will not always match up with revenue growth. The difference between revenue growth and actual operational inflation is expected to be unusually heightened in coming years causing budgets for various City operations to be under significantly more pressure in the near future. The continuation of longer-term financial planning will be key to maintaining the services our Citizens expect today. While this annual budget process only results in a budget approved and adopted for FY'14, the budget projection for the second year in FY'15 has also been incorporated into the budget book for informational purposes and to help plan for operations beyond FY'14.

Budget based on Council goals

Grants Pass is a strategically motivated municipality, whose direction is annually defined and affirmed by the Governing Body through a series of goal statements that reflect the values of the community. The Council affirmed the goals in 2012-2013 without any changes and these goals are used to formulate a Strategic Plan with corresponding performance measurements. The Strategic Plan serves as the foundation upon which the budget is developed. The normal day to day duties and budgets required to maintain operations do not change a great deal from year to

year. However, the City Council recently completed the 2013-14 Strategic Plan and identified a number of non-routine operating and capital projects that are to be considered both in the short-term and longer-term. This budget, through its allocation of resources, communicates and defines priorities we believe will serve the community for the ensuing year while attempting to retain sufficient reserves for future needs of local government operations.

The City of Grants Pass enhances the “quality of life” in our community through sound service delivery systems. The City offers high quality and well maintained streets, parks, water and wastewater systems. The City’s nationally accredited Police and Communications operations are among the best in the country and many of the City’s other activities have received national recognition for their performance. While affirming the goals, Council also prioritized the potential work plan items that will help the City make those goals a reality. This operating and capital budget places an emphasis on the work plan items in the new Strategic Plan that were scored the highest in priority by the City Council.

Budget guidelines

The executive team and staff were given some specific guidelines for preparing the FY’14 budget. With limited growth in resources and expected cost inflation pressures in many of the most routine operational expenditures, general directions included the need to hold the line where possible on personnel and other expenditures. No new staff positions or newly funded staff positions are included in this budget as compared to the approved staffing level at the end of FY’13. There remains to be a high number of approved but unfunded staff positions in this year’s budget. This allows the City to quickly react to demand for additional services throughout the year if approved by the City Council.

Budget changes overview

Effective January 1st of 2013, the City operational departments have been reorganized in an attempt to provide better customer service and be as financially responsible as possible. With the retirement of the Director of Parks and Community Services, there was an opportunity to evaluate the wide range of services under this former department. Department Directors embraced this opportunity to reorganize service delivery in a more efficient way as shown in the following changes:

- **Administration:** Took over the leadership of Property Management, Information Technology, Tourism, and Downtown
- **Finance:** Took over the leadership of Fleet Maintenance, Equipment Replacement, and Grant Management
- **Community Development:** Took over the leadership of Parks & Recreation and renamed the department **Parks and Community Development**

This reorganization provided a net reduction to FTE (full time equivalent staffing) and as you read this year’s budget you will see some staff time from these departments such as the director position allocated in part to the new divisions under management

by that department. The reorganization also provided a net reduction to City-wide expenditure budgets as compared to what the operating budget would have been without these changes.

The total budget, which includes all internal service funds, carry-over balances, contingency balances, and capital project resources is \$99,524,381 and a 1.3% reduction to the current year's total adopted budget of \$100,871,860. Total Fund budget tables can be found in the appendix of the budget book, while operating budget summaries and other total budget summaries can be found in the tables following this message.

The FY'14 Operating Budget, excluding contingencies, debt service, and transfers out to capital projects, totals \$32,765,666. This is up approximately \$1.26 million from the current year's Operating Budget total of \$31,482,255, or a 4.1% increase year over year. The projection for FY'15 included in this budget shows a lesser 3.4% increase. Some factors heavily impacting inflation increases to the operating budget this year include higher PERS rates, an increase to health insurance rates, and COLAs (cost of living adjustments) granted to most employees. Retirements can also significantly affect budgets in the year of retirement; particularly in General Fund operating departments due to the way leave time is accrued and paid. There is a higher than normal amount of potential retirements scheduled and budgeted for Public Safety and certain other departments in FY'14.

Staff and Council continue to work hard in negotiations when it comes to changes to salary and benefit schedules with the four bargaining units. A change made to the City's main insurance plans began January 1, 2013 and will save the City over \$200,000 per year as compared to the rate increase without the plan change. Additionally, all bargaining units accepted a cost sharing agreement to future increases in health insurance. After a number of years of minimal or no COLAs for all City employees, COLAs were successfully negotiated with all employees and units with the exception of the Fire union which is still in negotiations as of the date of this letter. Personnel budgets are by far the largest component of the operating budget and typically make up the largest portion of operating budget changes from year to year. It will be important to continue working hard at successful negotiations with the bargaining units and to provide competitive compensation packages to attract and retain qualified and motivated employees.

PREPARING FOR TODAY AND THE FUTURE

Public Safety

The construction of new fire and police facilities has been executed with foresight and efficiency and completed during early FY'11. The voters approved the bond levy that paid for these facilities, a training tower, and three new fire trucks. These resources will help provide more effective and efficient Public Safety services to our community for decades to come. The City now has the critical tools necessary to achieve emergency response times that meet national standards, particularly in the southern

sectors of our community without having a major impact on capital needs in the next levy term. This project, along with the historic approval of Public Safety Local Option Levies, demonstrates the value that the community continues to place on Public Safety services. Including the property tax levy for the bonded debt, the total FY'13 property tax rate for City residents was relatively unchanged and will remain nearly flat for this budget period. The permanent property tax rate of \$4.1335 cannot be increased under current State law and for the near-term the local option levy and permanent property tax rate will continue to provide the majority of the funding needed for Public Safety.

Public Safety programs have been supported in the past entirely by property taxes, dedicated revenues, and through the use of resources set aside in reserve. There are two noteworthy impacts of this financing practice. First, historically, Public Safety has not drawn significantly on other General Fund resources that have been used for other public services and second, all property taxes will continue to be dedicated to Public Safety services. This year, similar to FY'13, other General Fund resources also must be directed to Public Safety programs to continue the current level of services. Without redirecting approximately \$2.05 million of General Fund resources to Public Safety functions, there would have been cuts roughly equivalent to at least six to seven police officer equivalent positions from the FY'14 adopted staffing levels. These positions would not use the whole General Fund resource allocation, but rather reflect approximately how many positions would have to be eliminated to avoid drawing down the General Fund ending balance in a typical year. Budgets are never fully spent unless unplanned needs surface throughout the year because the budget reflects full capacity for the whole year based on approved staffing levels.

Looking out to FY'14 and FY'15, Public Safety's draw on other General Fund resources and reserves increases significantly each year due to relatively minimal growth in property tax revenues and the absence of the one-time revenue such as Redevelopment Agency property tax turnover and grant revenues that were scheduled to be phased out. If the levy rate is kept the same for the term of the next Public Safety operating levy, it will take a dedicated and coordinated effort to avoid deterioration to the level of Public Safety services without drawing down the General Fund reserve balance to dangerous levels outside financial policy guidelines.

With such a large part of the Public Safety budget resources provided by property taxes, Public Safety will have to rely on other General Fund support dollars until changes to assessed property values and property market values match up closer or exceed cost of living increases on the expenditure side. With the maintenance of current level of Public Safety services as a goal, under the City's current funding rates it is only possible for future Public Safety revenue and expenditure changes to match up well and keep a balanced budget if real estate market values increases start matching up more closely with CPI (inflation measure) increases. Changes to real estate market values and inflation measures have been significantly disconnected in recent years and the buffer between assessed values and real market values is growing smaller and smaller.

Activity picks up in Community Development

Grants Pass, like other regions throughout Oregon, has experienced a severe decline in building activity in the last six years. Community Development departments such as Building Services and Planning Services continue to budget for low levels of activity and low levels of staffing compared to previous years. There has, however, been a significant increase in development activity in the current year versus levels seen in the last two years. In fact, activity was high enough for Council to approve during the current year additional funding for one of the many unfunded positions in the Planning Division. Both residential and commercial development activity has picked up significantly in the current year, although there are still 16.5 positions (by FTE) in Parks and Community Development divisions that are authorized but unfunded in this budget.

The Building and Safety Division wisely maintained restricted reserves from prior years and is thus able to manage the temporary decline in revenues from permit activity. Prompt actions such as changes to staffing levels has helped ensure that restricted reserves last as long as possible during this period of the building cycle and will allow management to respond quickly when service demands pick up. This year, a \$50,000 General Fund transfer (subsidy) to the Building division has been eliminated due to the pickup in development activity. This annual transfer began in FY'11 and the goal is to make sure there is closer to three years of operating reserves available to the Building department for maintaining services during low levels of permit activity. Shutting down the Building and Safety department and turning this required program over to the State would be a decision that by law could not be reversed in short order if activity picked up. Currently, this division of the Community Development department remains with only two full-time funded employees and uses contractors to help meet service demands.

Financial policies incorporated into the Budget

The adopted FY'14 budget has retained a General Fund contingency of \$3,315,000 excluding Building's restricted resources / requirements, which is well in excess of the typical 5% General Fund operating expenditure budget to allow the Council the flexibility to potentially enter into a temporary contract with Josephine County for Jail or other Criminal Justice program services. The County's Criminal Justice services that the City relies on have been cut back significantly in the last year due to funding challenges at the County level. This larger contingency and should provide Council with the resources to deal with emergencies in combination with contingencies available in other funds. Contingencies cannot be transferred to other appropriation categories in any dollar amount without Council's approval in a budget adjustment during the fiscal year.

In FY'10 Council adopted a new financial policy target for the proper range of beginning fund balances for the General Fund, and the Council acted in FY'12 to address financial policies regarding contingencies and ending fund balances in the utility operating funds and certain other funds. These new financial policies, along with other financial policies can be found in the Budget Process and Financial

Policies section towards the beginning of the budget book. These financial policies are key to understanding the financial management of the City and the resulting budget.

When reviewing contingency balances, it's important to remember that a higher or different level of contingencies does not mean a higher level of spending, it merely means a higher level of financial protection and flexibility for Council in dealing with unexpected events. Contingencies can only be appropriated for use by the City upon approval by the City Council, and are one-time reserves that cannot be repeatedly used without building them up again. Most City Funds outside of the General Fund place the entire ending fund balance in contingencies in the budget process to provide for the highest degree of financial flexibility during the year. Contingencies are meant to be carried over from year to year without being used and serve many purposes beyond just emergency operating funds.

New financial policy updates that went into effect last year also included the recommendation that governmental operations strive to contribute resources to equipment replacement funds over time for major capital assets and that the City's utility funds should be setting aside at least enough resources per year (at a minimum) to match depreciation costs as measured in the City's annual financial report. Depreciation is not recorded as a budgetary transaction, but it is a true cost of doing business that must be recognized through transfers out of utility operating funds to utility capital project funds. Currently the utilities are not setting aside quite enough funds from operations to cover the cost of infrastructure depreciation over time, which may result in higher unexpected infrastructure projects and more severe utility rate changes in the future. For this reason, all resources in excess of the utility's recommended minimum 25% contingency balance are being transferred to the utility's capital projects fund each year as 25% is the minimum balance per the financial policies.

CHALLENGES AHEAD

Public Safety faces staffing challenges

One of the most significant challenges facing Grants Pass is the need for a secure financial funding resource for Public Safety services. While a local option tax can provide secure funding after it is approved; the time, effort, and the uncertainty of it passing all have costs to the City and impacts on retention, recruitment, and stability within a department that is already significantly understaffed compared to the service needs and calls for service. For example, it takes nearly 5 years for a new officer to become trained and sufficiently experienced on the job. The need for Fire and Police services is constant and it is a far better practice to ensure that funding of the services is more secure as well.

Two years ago Council held various workshops and discussions on alternative funding sources available and whether to begin to take public input on funding alternatives. In the end, Council decided that the current use of the local option levy

for City Public Safety services is still the preferred funding method. After the terms of the next levy are decided in coming months and the next election takes place, the Council and community should consider the changing local landscape of Public Safety and Criminal Justice program services and whether there is a more permanent funding solution or series of solutions available to either the City Public Safety or County Criminal Justice programs. While the City and County operate unique and separate public services that can't be easily combined, each relies on the other to some extent to carry out operations.

While the City continues to struggle in addressing the staffing need of the Police and Fire Divisions, the implementation of the new Computer Aided Dispatch system and new Mobile Data Terminals is slowly providing operational efficiencies to Public Safety as implementation and trouble-shooting continue with the new system. Other technology projects such as E-ticketing are in process this year and should benefit operational efficiencies to a smaller degree. Public Safety is still unable to fund positions recommended by a staffing study completed in 2000 as well as the Strategic Plan adopted by Council in 2008 and will be unable to meet these recommended staffing levels without additional resources or a change to tax rates.

On the Police side, officers take many more calls per officer than our city peers. As discussed in the last year, the Grants Pass Police department is one of the most understaffed agencies in Oregon compared to the service need and in order to respond to the urgent calls for service, some of the proactive work cannot be addressed. Grants Pass is the commercial hub of Josephine County and this speaks to both the population surge that Grants Pass experiences during a typical day and the need to boost staffing to be able to handle the relatively high calls for service. While many citizens may not be aware of how busy our Police force actually is today because they may not have been personally affected yet, we look forward to working with the Council and community on addressing these challenges before they get too far out of control. While Grants Pass still feels safe and is safe, it's not prudent to breeze over this risk to our residential and business community.

Public Safety concerns are also affected by the County. The County's federal funding continues to decline and will be nearly used up by the County in the coming fiscal year unless federal lobbying efforts to renew part of the funding are successful. The County has already cut back criminal justice program services significantly during May and June of 2012 as a result of lower federal funding levels and the County residents turned down a property tax levy in 2012 and 2013 for these services. As all parts of the City and County rely on services such as the Adult Jail, the District Attorney, and Juvenile Justice, the future local, state, and federal funding decisions that affect the County will also continue to affect the City.

Staffing for an expanding Park System

Over the last 5-10 years, park acreage and developed park sites have increased substantially to match a larger City. While park and trail maintenance responsibilities are increasing, the Parks Division eliminated one full-time position in 2010 due to the

economic climate and has not had significant changes to in-house staffing levels in the last 10 years. The 2011 budget slightly increased funding for additional contractual labor to maintain the expanded park system and the position added to the FY'13 budget last year mostly just replaced ongoing contractual work.

Utility Infrastructure

Significant upgrades to utility infrastructure are ahead for all the City's managed utility systems. The City Council recently approved a task force to study the aging Water Treatment Plant facility and long-term strategic options for either a series of upgrades on the existing site or the need for a new plant and new location. Upgrades that are needed at the Water Plant today can't proceed without significant investments in the seismic protection built into the facility (under current commercial building codes). The task force, which includes three representatives from the City Council, will be studying the best way to meet the City's long-term Water Treatment needs. There is also an expansion necessary to the Wastewater Restoration Plant on the intermediate-term horizon and routine maintenance and upgrades to an aging Water, Wastewater, and Street infrastructure systems are necessary regardless of the level of growth in the community. Accompanying an aging utility infrastructure is a significant financial obligation to replace the pipes, streets, pump stations, reservoirs, and plants that serve the City's basic water and transportation needs.

Addressing PERS funding

As anticipated, employee benefit costs continue to be a factor in operating expenses. Like other Oregon public agencies, the City of Grants Pass experienced an increase in rates paid to the Public Employees Retirement System (PERS) effective July 1, 2011 and another large rate increase was set to occur July 1, 2013. The PERS Board made a policy decision to spread unfunded liabilities, largely the result of retirement benefits for Tier 1/Tier 2 employees, to all groups. As the membership in Tier 1/Tier 2 has declined due to retirements, the financial impact of liabilities and financial market losses in 2008 produced staggering rate projections for these employees. Government agencies have found these impacts more manageable by allocating a portion of the liabilities across all groups of employees. It is noteworthy that the State has addressed the issue of Tier1/Tier2 benefits in that since 2003 new public employees do not have the same defined benefits. However, the system remains to be a defined benefit plan that sets retirement benefits based on time of service rather than by how much is earned in an employee's individual retirement account. This type of retirement plan is challenging to manage when retirement portfolio returns come in well under average long-term expectations as was the case in 2008.

PERS rate changes are largely and directly correlated to the broad performance of financial markets, and rate changes tend to lag the actual performance of financial markets by at least two years. The FY'10 and FY'11 rates billed by PERS were reduced because of financial market performance that was healthy prior to 2008. However, knowing that 2008 was one of the worst financial market performances in many years, the City billed all departments at the same PERS rates as the previous

two-year cycle and set aside additional reserves in the Benefits Administration program (Insurance Fund). Reserves have been set aside for many years by charging slightly different rates to operating departments as compared to the PERS system payment requirements and at the peak of the PERS rate setting cycle these reserves will be used to lessen the impact of higher rates. Due to a PERS law change made by the State Legislature in this year's session, rates starting July 1st, 2013 will be similar to rates paid in the last two years and the City's PERS reserve will allow the City to hold internally billed rates at the same level for a number of years after FY'14.

Due to the historic losses in financial markets in 2008 and limited recovery of those losses in recent years, it is currently expected that at least 3% increases will be implemented by the state PERS program every two years until the losses are recovered and the retirement assets equal the actuarial liabilities. Over the next two years, the City will bill all departments at rates slightly higher than what is paid into the system each year on average. The PERS reserve will grow slightly and be used to offset future rate increases.

Actuarial liabilities compared to growth in assets for the State operated PERS system will have to be monitored to predict the impact of future rate setting cycles. Ultimately the move to create a relatively small amount of City PERS reserves will lessen the future impact of PERS rate hikes towards the end of the rate increase cycle and will help smooth the potential volatility of City personnel and related benefit costs. While the City cannot control these rates and must follow the rules of the State's system, the City has taken steps to prepare for future PERS cost increases.

Starting July 1, 2013, the rates paid in without the previously mentioned law change would have increased by between 3.66% and 4.38% for the various classes of PERS employees. If the City was fully staffed for all funded positions in the adopted budget next year, this increase would amount to approximately \$575,000 per year starting with the Fiscal 2014 budget year. In contrast, the City's PERS reserve will only approach approximately \$1.8 million at the end of FY'13 and those reserves can only be used once. This speaks to the continued need to build the reserve to prepare for future rate increases that are nearly certain unless other law changes are made. City Staff will continue to plan for additional rate increases in the future and discuss with Council the limited options we have at the local level on dealing with PERS rate changes every two years.

Managing health care costs

The City has a choice of two health care packages effective January 2007. Employees (except the Teamsters union) can select either a standard existing plan or a plan in association with an HRA/VEBA account funded by the City. There was a significant increase in the number of participants in the HRA/VEBA plan in the last three to four years, with nearly 90% of eligible employees taking advantage of the opportunity to have monies placed in a tax-deferred account for future out-of-pocket costs, assuming a greater share of co-pays and expenses. This move, approved by the Council, saves the City money compared to traditional taxable benefits and

strengthens management's goal of achieving greater employee ownership in managing health care costs.

After a couple years of below average annual increases to health insurance premiums (last year was less than 1%), the City was originally facing a 23% increase annual increase to health insurance premiums for calendar year 2013. While the City's agent was able to negotiate this down to 16%, this was still not acceptable nor was it within budget parameters. The City and Staff successfully implemented changes to the deductible and out of pocket structure so that the final increase for 2013 came in closer to 7% between the two plans, which is a savings of approximately \$200,000 per year as compared to the plan cost without these changes. The typical experience in the City and most other major public and private businesses is an average annual rate increase of almost 10% each year in the last 10 years. In the future budget periods presented in this budget, rate increases of 10% per calendar year have been factored in for periods after calendar 2013.

Negotiating with labor organizations

In the next year the City will be negotiating with at least two of the four unions/bargaining groups. The Grants Pass Employees Association (GPEA) is now considered an official bargaining unit within the City effective in 2010. GPEA makes up most non-supervisory employees that are not part of another union and two years ago the first contract with GPEA was completed with the option to talk about either wages or insurance benefits in certain years covered by the new three-year contract. The other unions include GPPA (Grants Pass Police Association), IAFF (International Association of Firefighters), and the Teamsters Local Union.

After a number of years of minimal or no COLAs (Cost of Living Adjustments) for all employees, the following is the summary of what has been agreed upon for the period beginning January 1, 2013:

- GPEA – 2.3% (wages only negotiation for calendar year 2013)
- GPPA – 3.5% (two year contract with second year no increase)
- Teamsters – 2.85% (one year contract)
- IAFF – Still in negotiations as of today
- Non bargaining – 2.6%

However, costs impacting all union negotiations are the rising costs of PERS rates and health insurance rates. Costs for each employee group are rising an estimated 2% to 3% on average each year even before a COLA is considered. As these increases to PERS rates and health insurance rates are expected to continue many years into the future, wage negotiations that also affect costs many years into the future will need to factor in PERS and health insurance rate considerations. The personnel budgets for FY'14 and the projected FY'15 year presented in this budget book factor in inflation to salary schedules each year in amounts close to recent nationally reported CPI changes. In summary, COLAs, Insurance, and PERS are the primary reason for changes to operating budgets for all departments as personnel

makes up the largest category of operating expenses for a service organization like the City of Grants Pass.

CONCLUSION

The City of Grants Pass is an innovative organization that is focused on value. Our elected officials and employees demonstrate a willingness to seek and create alternative solutions to problems. This was certainly demonstrated in the last year as Staff embraced the City Departments' reorganization and necessary changes to health insurance plans. The knowledge and years of experience of our employees will help Grants Pass succeed. Through this budget we are recognizing the needs of today and the needs of the future by planning strategically and implementing measurable objectives. With the Council adopted and prioritized Strategic Plan, staff will be able to direct their energies, skills, and talents, in applying the recommended financial resources to make measurable progress toward achieving those goals.

Throughout the narrative pages of the operating divisions presented in this adopted budget, you will see a more uniform format of presenting performance measures. There is much more to the budget than just the financial figures associated with maintaining the level of services our citizens expect. In each operating division you will see at least one output measure, one efficiency measure, and one effectiveness measure that helps describe some of the operating conditions that affect the budget. These measures are important to monitor over time and important to achieving our goals.

This budget recognizes the economic reality of today and enhances the efficiency of City operations. While this budget provides the same level of services as the past year, tough decisions are quickly approaching as the City is not immune to the economic realities of today. If the next Public Safety levy moves forward at the same rate it has been at for the last five years, there will need to be a coordinated effort by Staff and Council to avoid cuts to the level of City services and to avoid depleting the City's necessary operating reserves that it maintains today. Reserves and contingencies must be maintained both for the seasonality of cash flow and for emergencies the City may face throughout its utility and governmental operations.

Throughout the organization the pressure is growing as demand for services is outstripping our ability to safely respond and resources in the utility funds are not adequate to keep up with infrastructure needs. In the intermediate-term, major upgrades are necessary to both the Water Treatment Plant and the Wastewater Restoration Plant. The Public Safety levy will need to be renewed this year and the City's utility rates will always need to be reviewed on a regular basis. We will also have to continue to explore potential changes to employee benefit structures through the bargaining process to make sure we're all on the same page of providing fair and competitive wages in combination with a reasonable sharing of benefit costs. We will need to continue working together successfully to evaluate benefits with a focus on those that are under our control at the local level such as health insurance costs.

In closing, I would like to acknowledge the teamwork, commitment, and assistance of all of our elected officials and Budget Committee members, City staff, and participating members of our community in the preparation of both the City's Strategic Plan and this adopted budget document. I am particularly grateful to the entire Finance staff for their continuing commitment to excellence in municipal finance and budgeting for the benefit of our community. Creating and maintaining a sustainable, balanced budget helps the community provide its critical and quality services for many years to come.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Aaron K. Cubic". The signature is fluid and cursive, with the first name "Aaron" and last name "Cubic" clearly distinguishable.

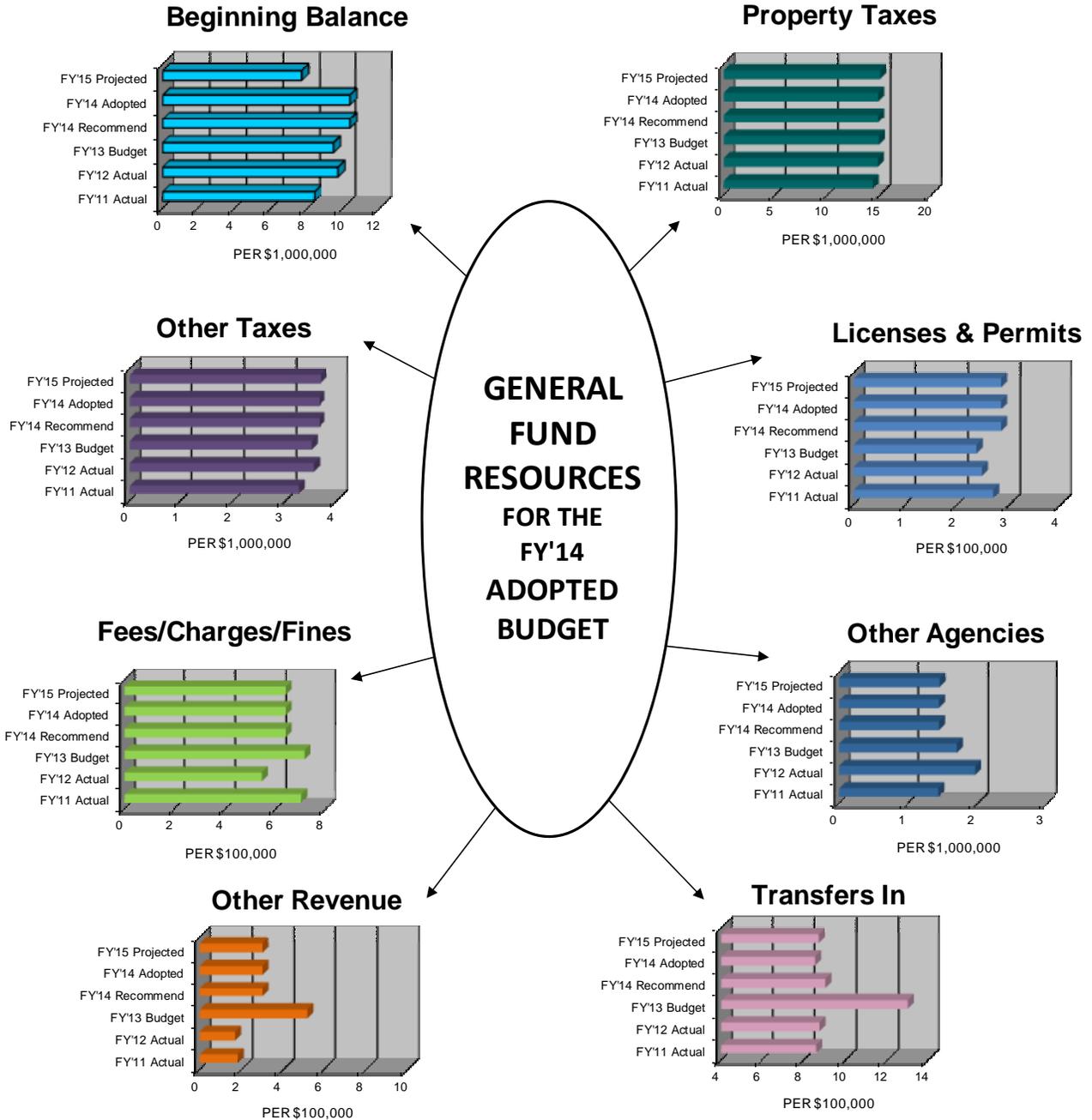
Aaron K. Cubic, City Manager



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Quick Facts

<u>Adopted FY'14</u>	<u>Operating & Other</u>
<u>Where The Money Comes From:</u>	
Property taxes	\$ 15,814,000
Business taxes	282,200
Transient room taxes	1,010,500
Franchise fees	2,814,800
Other governments	6,613,969
Licenses and permits	296,100
User fees and charges	21,130,351
Fee in lieu of franchise	547,600
System development charges	551,000
All other revenues	3,949,582
Carryover/beginning balance	<u>39,090,866</u>
Total Resources	<u>\$ 92,100,968</u>
Transfers in	7,423,413
<u>Where The Money Goes:</u>	
Personnel services	\$ 24,035,416
Materials and supplies	2,076,164
Contractual services	10,633,621
Direct charges for services	2,679,090
Capital outlay	28,340,042
Indirect charges	3,094,823
Debt service	2,688,283
Contingencies/reserves	10,653,826
Un-appropriated ending balance	<u>7,899,703</u>
Total Requirements	<u>\$ 92,100,968</u>
Transfers out	7,423,413
<u>Other Facts:</u>	
Permanent staffing (funded full time equivalencies)	222.75
Temporary staffing (funded full time equivalencies)	10.29
Bonded Debt outstanding (June 30, 2013 est.)	\$ 15,332,500
Property tax rate (per \$1,000 assessed value)	
Permanent rate levy	\$ 4.1335
Public safety operating levy	\$ 1.7900
Bonded debt (2013 estimate)	\$ 0.3891



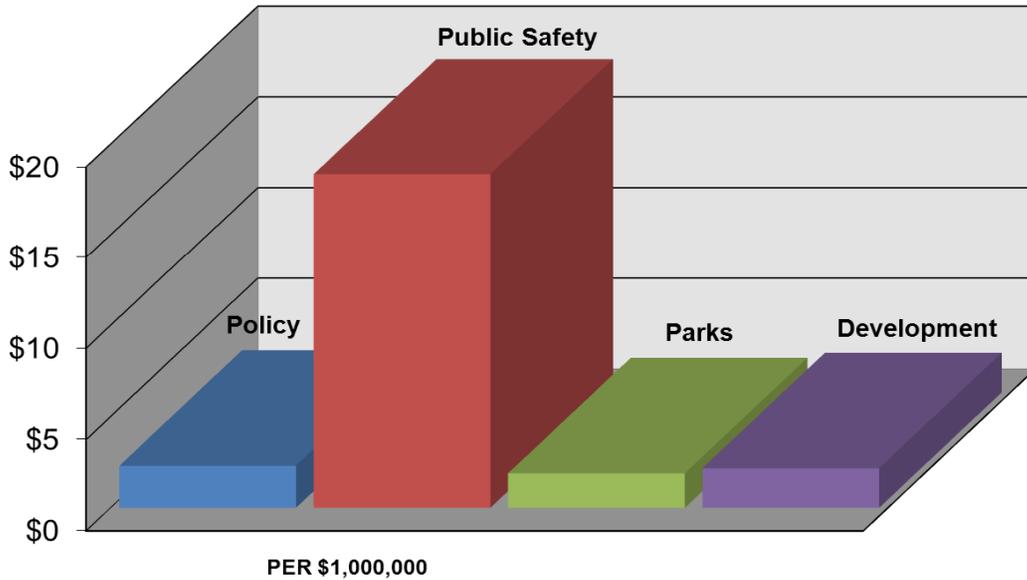
This chart shows the distribution of resources for the general fund operating budget for the FY'11 and FY'12 Actual Budgets, FY'13 Budget, FY'14 Adopted Budget and FY'15 Projected Budget.

A description of each category is found in the Budget Process & Financial Policies section under Revenue Sources.

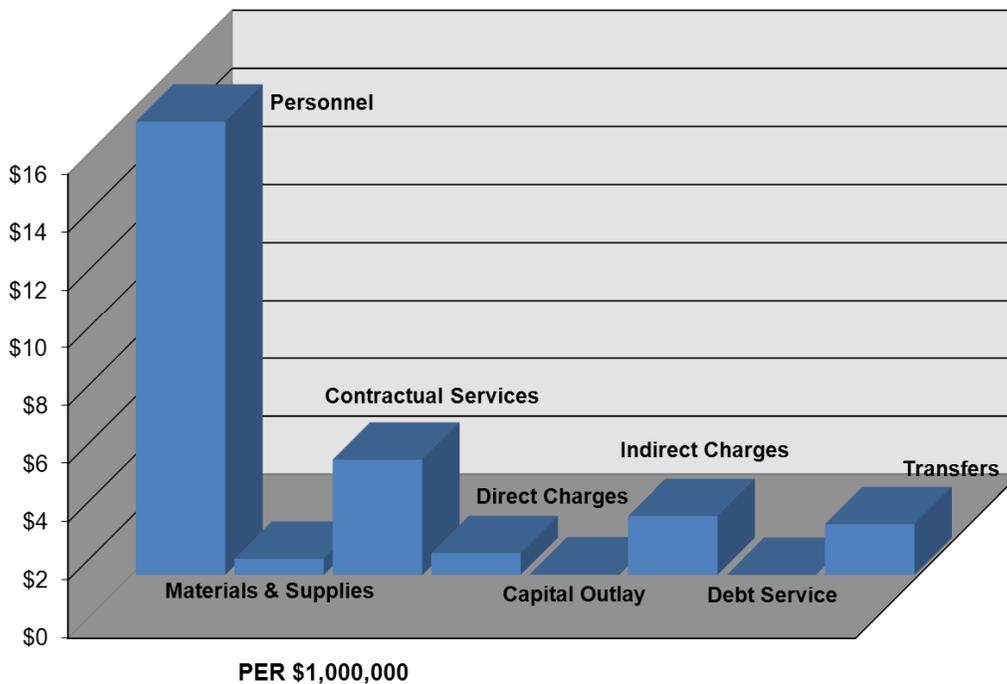
General Program Expenditures

For the Adopted FY' 14 Budget

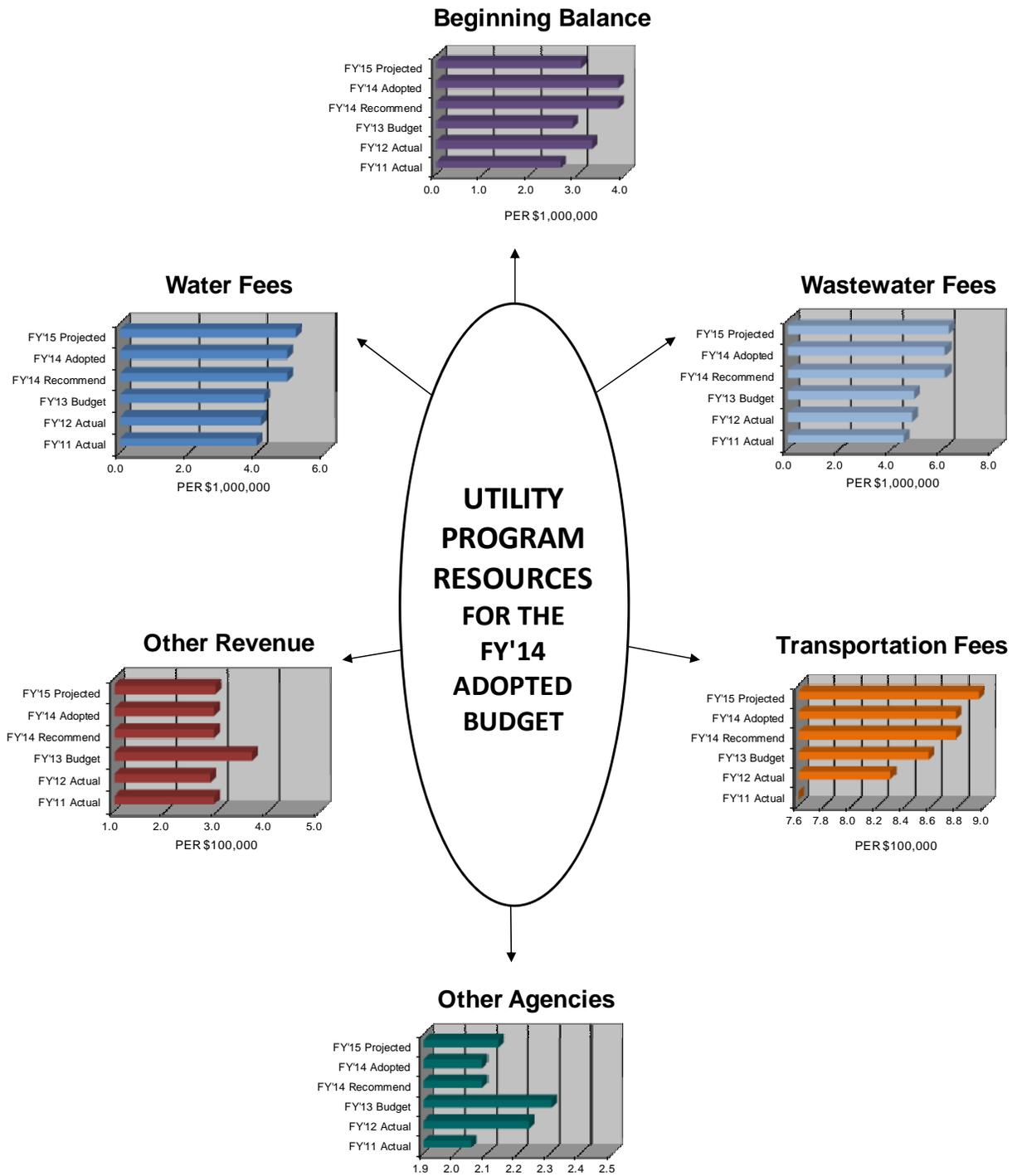
Program Expenditures



Expenditure Categories



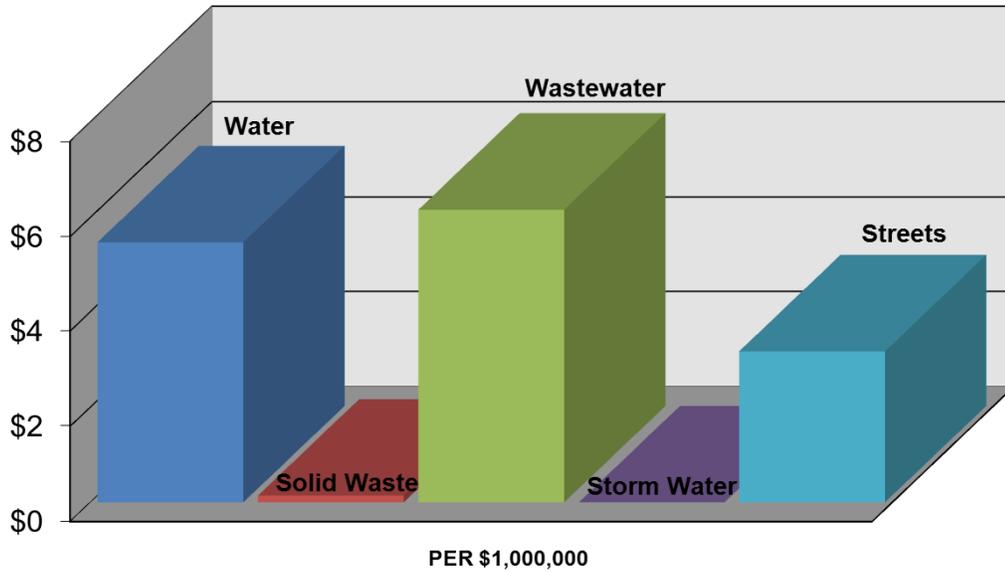
These charts show the distribution of expenditures for each program and category of expenditures in the general operating budget for the FY' 14 Adopted Budget. These expenditure charts do not include contingencies or ending fund balances. The history and current expenditures for the programs are found in the program summary pages through the document.



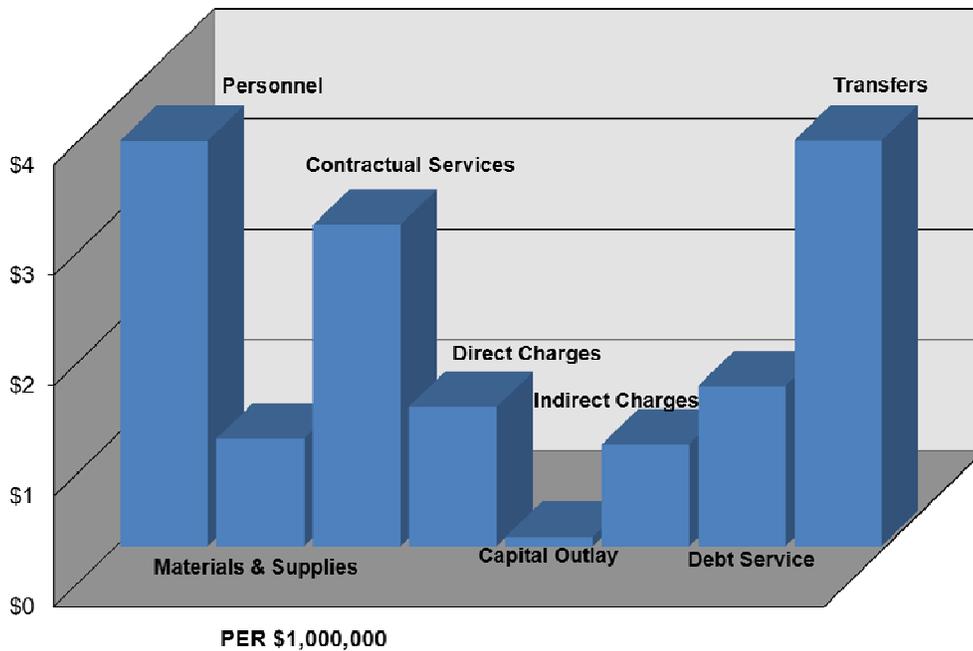
This chart shows the distribution of resources for the utility operating budget for the FY' 11 and FY' 12 Actual Budgets, FY' 13 Budget, FY' 14 Adopted Budget and FY' 15 Projected Budget.

A description of each category is found in the Budget Process & Financial Polices section under Revenue Sources.

Utility Program Expenditures For the Adopted FY' 14 Budget Program Expenditures



Expenditure Categories



These charts show the distribution of expenditures for each program and category of expenditures in the utility operating budget for the FY' 14 Adopted Budget. These expenditure charts do not include contingencies or ending fund balances. The history and current expenditures for the programs are found in the program summary pages through the document.

HISTORY OF GENERAL FUND RESOURCES

	ACTUAL FY'11 \$	ACTUAL FY'12 \$	BUDGET FY'13 \$	MANAGER RECOMMEND FY'14 \$	COMMITTEE APPROVED FY'14 \$	COUNCIL ADOPTED FY'14 \$	PROJECTED FY'15 \$
Designated Resources							
<i>Beginning Balance</i>	7,649,444	9,101,115	8,953,955	9,811,204	9,811,204	9,811,204	7,266,557
General Operations							
Business Taxes	290,832	289,609	287,100	282,200	282,200	282,200	282,200
Franchise Taxes	2,501,300	2,770,960	2,732,600	2,814,800	2,814,800	2,814,800	2,832,600
Fees in Lieu of Franchise	453,559	476,079	475,600	547,000	547,000	547,000	565,000
Licenses	7,465	7,090	6,900	6,700	6,700	6,700	6,700
State Rev. Sharing	273,267	303,474	303,900	315,700	315,700	315,700	322,000
State Cigarette Tax	51,640	50,542	47,200	45,500	45,500	45,500	43,500
State Liquor Tax	390,524	442,068	428,500	459,900	459,900	459,900	469,100
Other Misc.	32,546	192,472	871,608	11,700	11,700	11,700	11,700
Investment Interest	80,618	83,252	73,500	71,500	71,500	71,500	71,500
Total General Operations	4,081,751	4,615,546	5,226,908	4,555,000	4,555,000	4,555,000	4,604,300
Public Safety							
Property Taxes	14,299,222	14,784,914	14,884,600	14,835,100	14,835,100	14,835,100	15,009,600
Grants & Intergovernmental	718,233	982,337	735,999	621,500	621,500	621,500	616,100
Fees & Chg.'s for Services	224,431	83,000	259,300	234,000	234,000	234,000	234,000
Other Misc.	467,676	487,208	601,400	607,713	607,713	607,713	606,100
Total Public Safety	15,709,562	16,337,459	16,481,299	16,298,313	16,298,313	16,298,313	16,465,800
Development							
<i>Build. & Safety Beg. Bal. *</i>	704,512	578,522	488,109	538,615	538,615	538,615	380,470
Building and Safety *	401,579	370,327	368,200	405,500	355,500	355,500	355,500
Planning	75,279	77,116	60,000	75,400	75,400	75,400	75,400
Economic Development	132,027	114,118	114,100	117,200	117,200	117,200	120,600
<i>Tourism Beg. Balance *</i>	13,822	13,662	13,662	0	0	0	0
Tourism Promotion*	275,350	283,471	284,200	292,200	292,200	292,200	300,900
Downtown Development	127,991	133,444	131,450	130,050	130,050	130,050	133,450
Total Development	1,730,560	1,570,660	1,459,721	1,558,965	1,508,965	1,508,965	1,366,320
Parks							
Parks Maintenance	185,670	186,041	175,000	175,425	175,425	175,425	179,925
Aquatics	1,177	0	0	0	0	0	0
Recreation	816	693	800	400	400	400	400
Total Parks	187,663	186,734	175,800	175,825	175,825	175,825	180,325
Total General Fund	29,358,980	31,811,514	32,297,683	32,399,307	32,349,307	32,349,307	29,883,302

*Building & Safety and Tourism are the only departments within the General Fund that carry their own restricted fund balance.

HISTORY OF GENERAL FUND REQUIREMENTS

	ACTUAL FY' 11 \$	ACTUAL FY' 12 \$	BUDGET FY' 13 \$	MANAGER RECOMMEND FY' 14 \$	COMMITTEE APPROVED FY' 14 \$	COUNCIL ADOPTED FY' 14 \$	PROJECTED FY' 15 \$
Requirements							
Mayor and Council	156,312	188,591	289,524	296,438	316,438	306,438	291,728
General Operations							
Personnel Services	0	38,201	194,112	0	0	0	0
Contractual/Prof Svcs.	23,535	196,018	291,200	117,200	117,200	142,200	252,200
Direct Charges	45,480	68,640	67,140	115,540	115,540	115,540	116,740
Contingencies	0	0	1,100,000	1,100,000	1,130,000	3,315,000	1,145,000
Debt Service	0	0	0	0	0	0	0
Transfers Out	876,067	859,115	1,382,040	1,790,000	1,740,000	1,740,000	770,000
<i>Ending Fund Balance</i>	9,101,115	10,446,858	7,355,288	6,151,557	6,151,557	3,951,557	4,024,073
Total General Operations	10,046,197	11,608,832	10,389,780	9,274,297	9,254,297	9,264,297	6,308,013
Public Safety							
Police Division	11,542,743	12,079,334	13,237,144	9,327,768	9,327,768	9,327,768	9,643,072
Support Division	3,198,789	3,491,486	3,803,264	3,035,871	3,035,871	3,035,871	3,126,844
Fire Rescue Division	0	0	0	5,590,923	5,590,923	5,590,923	5,739,698
Crisis Support Services	39,618	40,267	41,480	42,730	42,730	42,730	44,000
Street Lighting	293,549	308,713	319,000	349,450	349,450	349,450	360,000
Total Public Safety	15,074,699	15,919,800	17,400,888	18,346,742	18,346,742	18,346,742	18,913,614
Development							
Building and Safety *	527,569	481,216	542,530	944,115	894,115	894,115	735,970
<i>Build. & Safety End. Bal. *</i>	578,522	467,632	313,779	0	0	0	0
Planning	601,458	630,443	726,765	780,879	780,879	780,879	799,971
Economic Development	164,813	170,050	174,340	194,704	194,704	194,704	199,018
Tourism Promotion*	275,510	297,134	307,862	302,171	302,171	302,171	308,703
<i>Tourism End. Balance*</i>	13,662	0	0	0	0	0	0
Downtown Development	313,552	339,712	355,823	374,408	374,408	374,408	385,855
Total Development	2,475,086	2,386,187	2,421,099	2,596,277	2,546,277	2,546,277	2,429,517
Parks							
Parks Maintenance	1,389,844	1,472,701	1,535,600	1,624,481	1,624,481	1,624,481	1,670,640
Aquatics	84,092	99,789	122,688	122,104	122,104	122,104	124,282
Recreation	132,750	135,614	138,104	138,968	138,968	138,968	145,508
Total Parks	1,606,686	1,708,104	1,796,392	1,885,553	1,885,553	1,885,553	1,940,430
Total General Fund	29,358,980	31,811,514	32,297,683	32,399,307	32,349,307	32,349,307	29,883,302

*Building & Safety and Tourism are the only departments within the General Fund that carry their own restricted fund balance.

Summary of Requirements by Fund and Activity

	ACTUAL FY'11	ACTUAL FY'12	BUDGET FY'13	RECOMMEND BUDGET FY'14	COMMITTEE APPROVED FY'14	COUNCIL ADOPTED FY'14	PROJECTED FY'15
General Fund							
Mayor and Council	156,312	188,591	289,524	296,438	316,438	306,438	291,728
Development							
Planning	601,458	630,443	726,765	780,879	780,879	780,879	799,971
Building and Safety	1,106,091	948,848	856,309	944,115	894,115	894,115	735,970
Economic Development	164,813	170,050	174,340	194,704	194,704	194,704	199,018
Tourism Promotion	289,172	297,134	307,862	302,171	302,171	302,171	308,703
Downtown Development	313,552	339,712	355,823	374,408	374,408	374,408	385,855
Total Development	2,475,086	2,386,187	2,421,099	2,596,277	2,546,277	2,546,277	2,429,517
Parks							
Parks Maintenance	1,389,844	1,472,701	1,535,600	1,624,481	1,624,481	1,624,481	1,670,640
Aquatics	84,092	99,789	122,688	122,104	122,104	122,104	124,282
Recreation	132,750	135,614	138,104	138,968	138,968	138,968	145,508
Total Parks	1,606,686	1,708,104	1,796,392	1,885,553	1,885,553	1,885,553	1,940,430
Public Safety							
Police Division	11,542,743	12,079,334	13,237,144	9,327,768	9,327,768	9,327,768	9,643,072
Support Division	3,198,789	3,491,486	3,803,264	3,035,871	3,035,871	3,035,871	3,126,844
Fire Rescue Division	0	0	0	5,590,923	5,590,923	5,590,923	5,739,698
Crisis Support Services	39,618	40,267	41,480	42,730	42,730	42,730	44,000
Street Lighting	293,549	308,713	319,000	349,450	349,450	349,450	360,000
Total Public Safety	15,074,699	15,919,800	17,400,888	18,346,742	18,346,742	18,346,742	18,913,614
General Program Operations	10,046,197	11,608,832	10,389,780	9,274,297	9,254,297	9,264,297	6,308,013
Total General Fund	29,358,980	31,811,514	32,297,683	32,399,307	32,349,307	32,349,307	29,883,302
Management Services	716,528	622,751	758,920	635,481	635,481	635,481	655,118
Administrative Services	1,271,957	1,333,376	1,437,121	1,639,839	1,639,839	1,639,839	1,715,952
Legal Services	334,843	258,685	333,651	295,552	295,552	295,552	309,415
Human Resources	361,726	398,302	462,971	485,452	485,452	485,452	496,608
General Program Operations	699,003	815,377	609,726	827,528	827,528	827,528	799,103
Total Administrative Fund	3,384,057	3,428,491	3,602,389	3,883,852	3,883,852	3,883,852	3,976,196
Transient Room Tax	940,207	973,893	1,084,700	1,010,500	1,010,500	1,010,500	1,039,600
Community Dev Block Grant	992,244	1,025,944	910,413	1,719,080	1,719,080	1,719,080	434,940
Housing & Economic Dev.	985,710	991,819	991,726	704,942	704,942	704,942	410,827
Total Special Revenue Funds	2,918,161	2,991,656	2,986,839	3,434,522	3,434,522	3,434,522	1,885,367
Debt Service - General Obligation	1,495,217	1,086,203	1,100,300	1,088,200	1,088,200	1,088,200	1,121,200
Debt Service - Bancroft	457,315	347,869	869,059	797,239	797,239	797,239	2,039,239
Total Debt Service Funds	1,952,532	1,434,072	1,969,359	1,885,439	1,885,439	1,885,439	3,160,439
Lands & Buildings Projects	5,667,829	6,523,839	9,325,565	8,539,167	8,539,167	8,539,167	2,888,544
Total Construction Funds	5,667,829	6,523,839	9,325,565	8,539,167	8,539,167	8,539,167	2,888,544
Environmental Waste Fees Fund	254,111	250,941	225,000	244,000	244,000	244,000	255,000
Agency Fund	302,078	267,148	264,861	262,451	262,451	262,451	246,951
Total Agency Funds	556,189	518,089	489,861	506,451	506,451	506,451	501,951

Summary of Requirements by Fund and Activity

	ACTUAL FY'11	ACTUAL FY'12	BUDGET FY'13	RECOMMEND BUDGET FY'14	COMMITTEE APPROVED FY'14	COUNCIL ADOPTED FY'14	PROJECTED FY'15
Water Treatment	1,405,166	1,432,233	1,649,406	1,636,499	1,636,499	1,636,499	1,713,711
Water Distribution	1,054,760	1,014,314	1,247,157	1,259,875	1,259,875	1,259,875	1,318,628
Customer Service	341,344	352,298	396,015	377,835	377,835	377,835	389,675
Debt Service	397,653	396,253	146,000	507,220	507,220	507,220	504,770
General Program Operations	2,236,251	2,280,210	1,844,165	2,750,479	2,750,479	2,750,479	2,309,270
Water Debt Reserve Fund	0	0	0	0	0	0	0
Water Construction Projects	2,848,966	2,918,134	7,619,249	4,383,058	4,383,058	4,383,058	1,327,343
Total Water Fund	8,284,140	8,393,442	12,901,992	10,914,966	10,914,966	10,914,966	7,563,397
Wastewater Collection	632,113	610,532	725,525	724,766	724,766	724,766	752,424
Wastewater Treatment	1,630,827	1,658,256	1,795,092	2,004,990	2,004,990	2,004,990	2,042,799
Jo-Gro	537,690	650,324	708,807	622,513	622,513	622,513	662,582
Customer Service	268,214	255,016	273,512	410,326	410,326	410,326	418,922
Debt Service	485,573	491,356	492,813	941,763	941,763	941,763	941,963
General Program Operations	1,861,254	2,569,389	2,446,469	2,820,322	2,820,322	2,820,322	2,783,612
Wastewater Debt Reserve Fund	0	0	0	0	0	0	0
Wastewater Construction	2,939,722	3,343,146	2,986,180	3,594,738	3,594,738	3,594,738	1,237,676
Total Wastewater Fund	8,355,393	9,578,019	9,428,398	11,119,418	11,119,418	11,119,418	8,839,978
Solid Waste Field Operations	18,213	16,856	25,063	17,032	17,032	17,032	17,622
Post Closure Operations	44,629	72,177	207,200	122,600	122,600	122,600	125,140
General Program Operations	139,121	150,457	155,603	174,967	174,967	174,967	190,945
Solid Waste Construction	1,392,909	1,426,750	1,379,505	1,482,131	1,482,131	1,482,131	1,596,131
Total Solid Waste Fund	1,594,872	1,666,240	1,767,371	1,796,730	1,796,730	1,796,730	1,929,838
Street & Drainage Maintenance	1,075,410	1,097,912	1,253,127	1,266,708	1,266,708	1,266,708	1,297,557
Customer Service	66,837	53,308	53,723	171,789	171,789	171,789	178,806
General Program Operations	1,930,000	2,388,260	2,027,708	2,194,476	2,194,476	2,194,476	2,020,178
Transportation Projects	10,420,040	10,710,361	9,578,125	7,864,976	7,864,976	7,864,976	3,903,416
Total Streets Utility Fund	13,492,287	14,249,841	12,912,683	11,497,949	11,497,949	11,497,949	7,399,957
Storm Water Maintenance	0	0	0	0	0	0	0
Customer Service	0	0	0	0	0	0	0
General Program Operations	10,563	10,563	10,563	10,563	10,563	10,563	10,563
Stormwater & Open Space Projects	808,841	847,475	749,297	413,795	413,795	413,795	122,493
Total Storm Water Utility Fund	819,404	858,038	759,860	424,358	424,358	424,358	133,056
Garage	628,718	652,618	640,144	761,997	761,997	761,997	809,911
Equipment Replacement	1,089,078	1,044,471	987,409	1,627,165	1,627,165	1,627,165	1,582,437
Information Technology	4,053,583	4,219,953	3,927,912	3,894,685	3,894,685	3,894,685	2,774,901
Property Management	718,880	780,971	732,417	770,607	770,607	770,607	728,493
Engineering	1,239,380	964,954	1,034,025	867,617	867,617	867,617	880,235
Community Development Mgmt.	802,040	1,103,559	1,032,832	1,217,319	1,217,319	1,217,319	1,230,716
Insurance	3,641,718	3,913,244	4,178,021	4,032,832	4,032,832	4,032,832	3,654,306
Total Support Services Funds	12,173,397	12,679,770	12,532,760	13,172,222	13,172,222	13,172,222	11,660,999
Total All Funds	88,557,241	94,133,011	100,974,760	99,574,381	99,524,381	99,524,381	79,823,024

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2015 Projected										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	380,470	464,448	10,563	1,054,554	1,363,572	173,117	3,446,724
Current Revenues										
Property Taxes	0	15,009,600	0	0	0	0	0	0	0	15,009,600
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	276,900	10,000	0	0	0	2,500	289,400
Fines & Forfeitures	0	238,400	0	7,700	0	0	0	0	0	246,100
Revenue From Other Agencies	0	616,100	3,600	700	2,123,193	0	0	0	11,750	2,755,343
Use of Assets	0	0	0	3,200	2,000	0	9,000	9,500	600	24,300
Fees & Charges	0	234,000	0	158,600	894,400	0	5,112,440	6,175,330	125,140	12,699,910
Other Revenue	0	184,600	22,625	5,250	2,500	0	39,660	42,000	15,600	312,235
Direct Charges for Service	0	0	0	0	0	0	20,400	11,900	0	32,300
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	183,100	154,100	533,500	0	0	0	0	5,000	875,700
Total Current Revenues	0	16,465,800	180,325	985,850	3,032,093	0	5,181,500	6,238,730	160,590	32,244,888
Total Prog. Gen. Res.	0	16,465,800	180,325	1,366,320	3,496,541	10,563	6,236,054	7,602,302	333,707	35,691,612
General Support Resources										
	6,599,741	2,447,814	1,760,105	1,063,197	0	0	0	0	0	11,870,857
Total Resources	6,599,741	18,913,614	1,940,430	2,429,517	3,496,541	10,563	6,236,054	7,602,302	333,707	47,562,469
General Support Resources										
Beginning Balance	7,266,557									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,115,400									
Fees in Lieu of Franchise	565,000									
Licenses & Permits	6,700									
Fines & Forfeitures	0									
Revenue From Other Agencies	834,600									
Use of Assets	71,500									
Fees & Charges	0									
Other Revenue	11,100									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,604,300									
Total General Support Resources	11,870,857									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2015 Projected										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	14,387,903	623,052	1,106,776	685,978	0	1,517,760	1,616,787	11,610	19,949,866
Materials and Supplies	20,700	398,425	131,000	31,585	67,162	0	465,927	461,780	6,440	1,583,019
Contractual Services	453,200	2,378,863	842,422	467,648	583,615	0	969,792	1,352,419	84,010	7,131,969
Direct Charges for Services	161,158	37,500	158,531	410,043	393,736	0	413,260	454,031	29,142	2,057,401
Capital Outlay	0	28,000	9,000	0	0	0	77,500	15,760	10	130,270
Indirect Charges	25,610	1,682,923	176,425	201,508	174,120	0	355,500	410,100	13,450	3,039,636
Operating Expenditures	660,668	18,913,614	1,940,430	2,217,560	1,904,611	0	3,799,739	4,310,877	144,662	33,892,161
Other Requirements										
Debt Service	0	0	0	0	1,100	0	504,770	941,963	0	1,447,833
Transfers Out	770,000	0	0	5,000	1,116,000	0	818,000	891,000	0	3,600,000
Total Other Expenditures	770,000	0	0	5,000	1,117,100	0	1,322,770	1,832,963	0	5,047,833
Contingencies	1,145,000	0	0	206,957	474,830	0	1,113,545	1,458,462	189,045	4,587,839
Ending Balance	4,024,073	0	0	0	0	10,563	0	0	0	4,034,636
Total Requirements	6,599,741	18,913,614	1,940,430	2,429,517	3,496,541	10,563	6,236,054	7,602,302	333,707	47,562,469

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2014 Adopted										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	538,615	667,858	10,563	1,606,908	1,403,380	156,549	4,383,873
Current Revenues										
Property Taxes	0	14,835,100	0	0	0	0	0	0	0	14,835,100
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	276,900	10,000	0	0	0	2,500	289,400
Fines & Forfeitures	0	238,400	0	7,700	0	0	0	0	0	246,100
Revenue From Other Agencies	0	621,500	3,600	700	2,073,515	0	0	0	11,750	2,711,065
Use of Assets	0	0	0	3,200	2,000	0	9,000	9,500	600	24,300
Fees & Charges	0	234,000	0	158,600	877,000	0	4,856,430	6,057,900	122,600	12,306,530
Other Revenue	0	184,600	22,625	5,250	2,600	0	39,570	42,000	15,600	312,245
Direct Charges for Service	0	0	0	0	0	0	20,000	11,900	0	31,900
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	184,713	149,600	518,000	0	0	0	0	5,000	857,313
Total Current Revenues	0	16,298,313	175,825	970,350	2,965,115	0	4,925,000	6,121,300	158,050	31,613,953
Total Prog. Gen. Res.	0	16,298,313	175,825	1,508,965	3,632,973	10,563	6,531,908	7,524,680	314,599	35,997,826
General Support Resources	9,570,735	2,048,429	1,709,728	1,037,312	0	0	0	0	0	14,366,204
Total Resources	9,570,735	18,346,742	1,885,553	2,546,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,364,030
General Support Resources										
Beginning Balance	9,811,204									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,097,600									
Fees in Lieu of Franchise	547,000									
Licenses & Permits	6,700									
Fines & Forfeitures	0									
Revenue From Other Agencies	821,100									
Use of Assets	71,500									
Fees & Charges	0									
Other Revenue	11,100									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,555,000									
Total General Support Resources	14,366,204									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2014 Adopted										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	13,972,987	600,411	1,065,667	657,593	0	1,450,460	1,551,733	11,090	19,309,941
Materials and Supplies	21,800	372,330	130,400	33,270	65,587	0	443,677	458,240	6,320	1,531,624
Contractual Services	356,700	2,324,278	819,506	468,140	571,301	0	944,727	1,311,476	82,300	6,878,428
Direct Charges for Services	159,958	37,500	154,782	397,332	384,944	0	402,070	445,996	28,582	2,011,164
Capital Outlay	0	6,000	9,000	0	10,000	0	55,500	19,200	90	99,790
Indirect Charges	25,720	1,633,647	171,454	196,398	170,000	0	340,700	398,700	13,100	2,949,719
Operating Expenditures	564,178	18,346,742	1,885,553	2,160,807	1,859,425	0	3,637,134	4,185,345	141,482	32,780,666
Other Requirements										
Debt Service	0	0	0	0	1,100	0	507,220	941,763	0	1,450,083
Transfers Out	1,740,000	0	0	5,000	1,308,000	0	1,333,000	1,034,000	0	5,420,000
Total Other Expenditures	1,740,000	0	0	5,000	1,309,100	0	1,840,220	1,975,763	0	6,870,083
Contingencies	3,315,000	0	0	380,470	464,448	0	1,054,554	1,363,572	173,117	6,751,161
Ending Balance	3,951,557	0	0	0	0	10,563	0	0	0	3,962,120
Total Requirements	9,570,735	18,346,742	1,885,553	2,546,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,364,030

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2014 Approved										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	538,615	667,858	10,563	1,606,908	1,403,380	156,549	4,383,873
Current Revenues										
Property Taxes	0	14,835,100	0	0	0	0	0	0	0	14,835,100
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	276,900	10,000	0	0	0	2,500	289,400
Fines & Forfeitures	0	238,400	0	7,700	0	0	0	0	0	246,100
Revenue From Other Agencies	0	621,500	3,600	700	2,073,515	0	0	0	11,750	2,711,065
Use of Assets	0	0	0	3,200	2,000	0	9,000	9,500	600	24,300
Fees & Charges	0	234,000	0	158,600	877,000	0	4,856,430	6,057,900	122,600	12,306,530
Other Revenue	0	184,600	22,625	5,250	2,600	0	39,570	42,000	15,600	312,245
Direct Charges for Service	0	0	0	0	0	0	20,000	11,900	0	31,900
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	184,713	149,600	518,000	0	0	0	0	5,000	857,313
Total Current Revenues	0	16,298,313	175,825	970,350	2,965,115	0	4,925,000	6,121,300	158,050	31,613,953
Total Prog. Gen. Res.	0	16,298,313	175,825	1,508,965	3,632,973	10,563	6,531,908	7,524,680	314,599	35,997,826
General Support Resources	9,570,735	2,048,429	1,709,728	1,037,312	0	0	0	0	0	14,366,204
Total Resources	9,570,735	18,346,742	1,885,553	2,546,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,364,030
General Support Resources										
Beginning Balance	9,811,204									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,097,600									
Fees in Lieu of Franchise	547,000									
Licenses & Permits	6,700									
Fines & Forfeitures	0									
Revenue From Other Agencies	821,100									
Use of Assets	71,500									
Fees & Charges	0									
Other Revenue	11,100									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,555,000 *									
Total General Support Resource	14,366,204									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2014 Approved										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	13,972,987	600,411	1,065,667	657,593	0	1,450,460	1,551,733	11,090	19,309,941
Materials and Supplies	21,800	372,330	130,400	33,270	65,587	0	443,677	458,240	6,320	1,531,624
Contractual Services	341,700	2,324,278	819,506	468,140	571,301	0	944,727	1,311,476	82,300	6,863,428
Direct Charges for Services	159,958	37,500	154,782	397,332	384,944	0	402,070	445,996	28,582	2,011,164
Capital Outlay	0	6,000	9,000	0	10,000	0	55,500	19,200	90	99,790
Indirect Charges	25,720	1,633,647	171,454	196,398	170,000	0	340,700	398,700	13,100	2,949,719
Operating Expenditures	549,178	18,346,742	1,885,553	2,160,807	1,859,425	0	3,637,134	4,185,345	141,482	32,765,666
Other Requirements										
Debt Service	0	0	0	0	1,100	0	507,220	941,763	0	1,450,083
Transfers Out	1,740,000	0	0	5,000	1,308,000	0	1,333,000	1,034,000	0	5,420,000
Total Other Expenditures	1,740,000	0	0	5,000	1,309,100	0	1,840,220	1,975,763	0	6,870,083
Contingencies	1,130,000	0	0	380,470	464,448	0	1,054,554	1,363,572	173,117	4,566,161
Ending Balance	6,151,557	0	0	0	0	10,563	0	0	0	6,162,120
Total Requirements	9,570,735	18,346,742	1,885,553	2,546,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,364,030

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2014 Recommended										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	538,615	667,858	10,563	1,606,908	1,403,380	156,549	4,383,873
Current Revenues										
Property Taxes	0	14,835,100	0	0	0	0	0	0	0	14,835,100
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	276,900	10,000	0	0	0	2,500	289,400
Fines & Forfeitures	0	238,400	0	7,700	0	0	0	0	0	246,100
Revenue From Other Agencies	0	621,500	3,600	700	2,073,515	0	0	0	11,750	2,711,065
Use of Assets	0	0	0	3,200	2,000	0	9,000	9,500	600	24,300
Fees & Charges	0	234,000	0	158,600	877,000	0	4,856,430	6,057,900	122,600	12,306,530
Other Revenue	0	184,600	22,625	5,250	2,600	0	39,570	42,000	15,600	312,245
Direct Charges for Service	0	0	0	0	0	0	20,000	11,900	0	31,900
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	184,713	149,600	568,000	0	0	0	0	5,000	907,313
Total Current Revenues	0	16,298,313	175,825	1,020,350	2,965,115	0	4,925,000	6,121,300	158,050	31,663,953
Total Prog. Gen. Res.	0	16,298,313	175,825	1,558,965	3,632,973	10,563	6,531,908	7,524,680	314,599	36,047,826
General Support Resources	9,570,735	2,048,429	1,709,728	1,037,312	0	0	0	0	0	14,366,204
Total Resources	9,570,735	18,346,742	1,885,553	2,596,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,414,030
General Support Resources										
Beginning Balance	9,811,204									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,097,600									
Fees in Lieu of Franchise	547,000									
Licenses & Permits	6,700									
Fines & Forfeitures	0									
Revenue From Other Agencies	821,100									
Use of Assets	71,500									
Fees & Charges	0									
Other Revenue	11,100									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,555,000 *									
Total General Support Resources	14,366,204									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2014 Recommended										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	13,972,987	600,411	1,065,667	657,593	0	1,450,460	1,551,733	11,090	19,309,941
Materials and Supplies	21,800	372,330	130,400	33,270	65,587	0	443,677	458,240	6,320	1,531,624
Contractual Services	321,700	2,324,278	819,506	468,140	571,301	0	944,727	1,311,476	82,300	6,843,428
Direct Charges for Services	159,958	37,500	154,782	397,332	384,944	0	402,070	445,996	28,582	2,011,164
Capital Outlay	0	6,000	9,000	0	10,000	0	55,500	19,200	90	99,790
Indirect Charges	25,720	1,633,647	171,454	196,398	170,000	0	340,700	398,700	13,100	2,949,719
Operating Expenditures	529,178	18,346,742	1,885,553	2,160,807	1,859,425	0	3,637,134	4,185,345	141,482	32,745,666
Other Requirements										
Debt Service	0	0	0	0	1,100	0	507,220	941,763	0	1,450,083
Transfers Out	1,790,000	0	0	5,000	1,308,000	0	1,333,000	1,034,000	0	5,470,000
Total Other Expenditures	1,790,000	0	0	5,000	1,309,100	0	1,840,220	1,975,763	0	6,920,083
Contingencies	1,100,000	0	0	430,470	464,448	0	1,054,554	1,363,572	173,117	4,586,161
Ending Balance	6,151,557	0	0	0	0	10,563	0	0	0	6,162,120
Total Requirements	9,570,735	18,346,742	1,885,553	2,596,277	3,632,973	10,563	6,531,908	7,524,680	314,599	50,414,030

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2013 Budget										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	501,771	437,558	10,563	1,021,804	1,265,825	145,506	3,383,027
Current Revenues										
Property Taxes	0	14,884,600	0	0	0	0	0	0	0	14,884,600
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	230,000	8,000	0	0	0	2,500	240,500
Fines & Forfeitures	0	294,200	0	10,000	0	0	0	0	0	304,200
Revenue From Other Agencies	0	735,999	4,000	5,700	2,029,770	0	0	263,000	11,500	3,049,969
Use of Assets	0	0	0	3,600	1,500	0	7,500	9,000	560	22,160
Fees & Charges	0	259,300	0	149,600	857,130	0	4,201,969	4,847,493	207,200	10,522,692
Other Revenue	0	132,700	26,300	5,250	600	0	39,470	47,000	15,600	266,920
Direct Charges for Service	0	0	0	0	0	0	12,000	9,900	0	21,900
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	174,500	145,500	553,800	0	0	0	0	5,000	878,800
Total Current Revenues	0	16,481,299	175,800	957,950	2,897,000	0	4,260,939	5,176,393	242,360	30,191,741
Total Prog. Gen. Res.	0	16,481,299	175,800	1,459,721	3,334,558	10,563	5,282,743	6,442,218	387,866	33,574,768
General Support Resources	10,679,304	919,589	1,620,592	961,378	0	0	0	0	0	14,180,863
Total Resources	10,679,304	17,400,888	1,796,392	2,421,099	3,334,558	10,563	5,282,743	6,442,218	387,866	47,755,631
General Support Resources										
Beginning Balance	8,953,955									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,020,400									
Fees in Lieu of Franchise	475,600									
Licenses & Permits	6,900									
Fines & Forfeitures	0									
Revenue From Other Agencies	953,600									
Use of Assets	73,500									
Fees & Charges	0									
Other Revenue	20,000									
Loan Repayment	250,000									
Unspent Contingency	0									
Transfers In	426,908									
Total Current Revenues	5,226,908	*								
Total General Support Resources	14,180,863									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2013 Budget										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	194,112	13,116,766	688,610	967,067	652,323	0	1,414,288	1,520,095	10,585	18,563,846
Materials and Supplies	24,700	460,145	122,800	25,335	67,440	0	449,627	362,130	7,320	1,519,497
Contractual Services	490,013	2,181,994	766,297	460,601	569,400	0	922,897	1,224,358	95,694	6,711,254
Direct Charges for Services	110,651	30,000	48,132	413,181	272,339	0	445,221	333,578	24,764	1,677,866
Capital Outlay	0	42,000	9,000	0	0	0	82,500	30,000	75,000	238,500
Indirect Charges	22,500	1,528,783	161,553	186,136	155,600	0	334,200	361,300	21,220	2,771,292
Operating Expenditures	841,976	17,359,688	1,796,392	2,052,320	1,717,102	0	3,648,733	3,831,461	234,583	31,482,255
Other Requirements										
Debt Service	0	0	0	0	1,100	0	146,000	492,813	0	639,913
Transfers Out	1,382,040	41,200	0	5,000	1,195,946	0	524,327	996,750	0	4,145,263
Total Other Expenditures	1,382,040	41,200	0	5,000	1,197,046	0	670,327	1,489,563	0	4,785,176
Contingencies	1,100,000	0	0	50,000	420,410	0	963,683	1,121,194	153,283	3,808,570
Ending Balance	7,355,288	0	0	313,779	0	10,563	0	0	0	7,679,630
Total Requirements	10,679,304	17,400,888	1,796,392	2,421,099	3,334,558	10,563	5,282,743	6,442,218	387,866	47,755,631

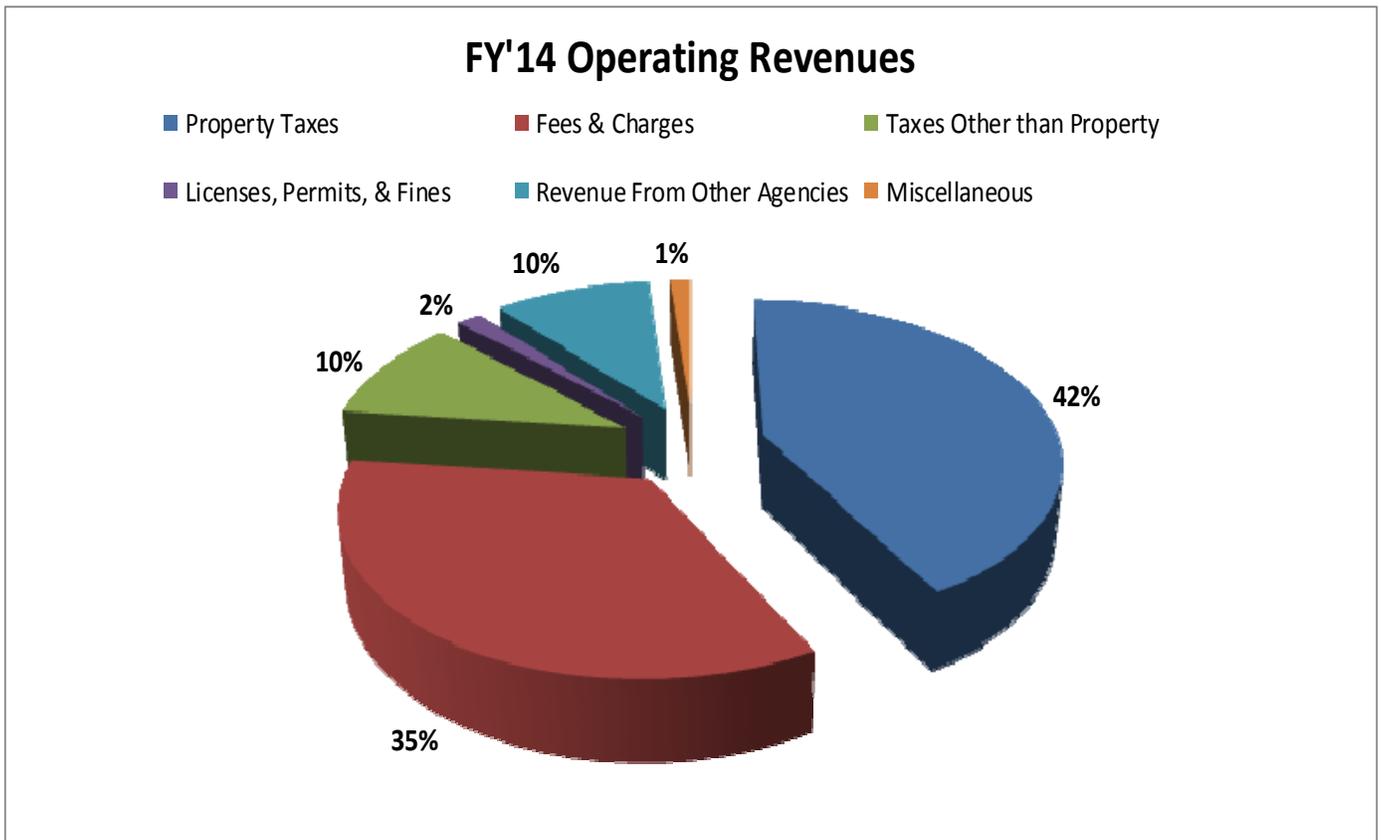
Operating Budget Summary of Resources by Program & Source for Fiscal Year 2012 Actual										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	592,184	726,525	10,563	1,280,617	1,153,845	104,442	3,868,176
Current Revenues										
Property Taxes	0	14,784,914	0	0	0	0	0	0	0	14,784,914
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	240,191	8,506	0	0	0	2,830	251,527
Fines & Forfeitures	0	288,123	0	13,355	0	0	0	0	0	301,478
Revenue From Other Agencies	0	982,337	4,000	1,040	1,969,640	0	0	254,761	11,000	3,222,778
Use of Assets	0	0	0	3,221	3,463	0	9,641	9,984	587	26,896
Fees & Charges	0	83,000	0	160,563	828,645	0	4,105,622	4,768,496	105,031	10,051,357
Other Revenue	0	24,594	37,243	6,280	2,701	0	56,165	43,299	15,600	185,882
Direct Charges for Service	0	0	0	0	0	0	23,263	4,488	0	27,751
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	174,491	145,491	553,826	0	0	0	0	0	873,808
Total Current Revenues	0	16,337,459	186,734	978,476	2,812,955	0	4,194,691	5,081,028	135,048	29,726,391
Total Prog. Gen. Res.	0	16,337,459	186,734	1,570,660	3,539,480	10,563	5,475,308	6,234,873	239,490	33,594,567
General Support Resources										
Beginning Balance	11,797,423	(417,659)	1,521,370	815,527	0	0	0	0	0	13,716,661
Total Resources	11,797,423	15,919,800	1,708,104	2,386,187	3,539,480	10,563	5,475,308	6,234,873	239,490	47,311,228
General Support Resources										
Beginning Balance	9,101,115									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,061,254									
Fees in Lieu of Franchise	476,079									
Licenses & Permits	7,090									
Fines & Forfeitures	0									
Revenue From Other Agencies	975,273									
Use of Assets	83,252									
Fees & Charges	0									
Other Revenue	12,598									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,615,546	*								
Total General Support Resources	13,716,661									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2012 Actual										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	38,201	12,310,468	609,710	898,962	554,123	0	1,281,746	1,389,708	9,883	17,092,801
Materials and Supplies	17,472	297,055	131,409	19,064	48,320	0	383,630	315,157	323	1,212,430
Contractual Services	301,027	1,830,599	756,747	402,749	530,709	0	721,569	1,111,107	82,056	5,736,563
Direct Charges for Services	116,989	30,000	48,132	412,100	256,084	0	401,821	318,343	23,199	1,606,668
Capital Outlay	616	8,317	6,824	0	0	0	19,641	4,577	0	39,975
Indirect Charges	17,145	1,412,461	155,282	170,944	138,295	0	288,766	323,717	11,546	2,518,156
Operating Expenditures	491,450	15,888,900	1,708,104	1,903,819	1,527,531	0	3,097,173	3,462,609	127,007	28,206,593
Other Requirements										
Debt Service	0	0	0	0	785	0	396,253	491,356	0	888,394
Transfers Out	859,115	30,900	0	5,000	1,326,158	0	552,801	900,046	0	3,674,020
Total Other Expenditures	859,115	30,900	0	5,000	1,326,943	0	949,054	1,391,402	0	4,562,414
Contingencies	0	0	0	0	0	0	0	0	0	0
Ending Balance	10,446,858	0	0	477,368	685,006	10,563	1,429,081	1,380,862	112,483	14,542,221
Total Requirements	11,797,423	15,919,800	1,708,104	2,386,187	3,539,480	10,563	5,475,308	6,234,873	239,490	47,311,228

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2011 Actual										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	718,334	572,393	10,563	1,375,614	580,311	80,458	3,337,673
Current Revenues										
Property Taxes	0	14,299,222	0	0	0	0	0	0	0	14,299,222
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	261,106	5,383	0	0	0	2,660	269,149
Fines & Forfeitures	0	272,581	0	33,516	0	0	0	0	0	306,097
Revenue From Other Agencies	0	718,233	4,000	469	1,727,410	0	1,080	311,473	10,500	2,773,165
Use of Assets	0	0	0	3,092	3,807	0	11,577	8,048	956	27,480
Fees & Charges	0	224,431	0	169,662	758,790	0	3,972,271	4,441,798	81,789	9,648,741
Other Revenue	0	19,766	37,334	8,252	4,464	0	54,108	54,048	15,600	193,572
Direct Charges for Service	0	0	0	0	0	0	13,024	12,493	0	25,517
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	175,329	146,329	536,129	0	0	7,500	7,500	10,000	882,787
Total Current Revenues	0	15,709,562	187,663	1,012,226	2,499,854	0	4,059,560	4,835,360	121,505	28,425,730
Total Prog. Gen. Res.	0	15,709,562	187,663	1,730,560	3,072,247	10,563	5,435,174	5,415,671	201,963	31,763,403
General Support Resources	10,202,509	(634,863)	1,419,023	744,526	0	0	0	0	0	11,731,195
Total Resources	10,202,509	15,074,699	1,606,686	2,475,086	3,072,247	10,563	5,435,174	5,415,671	201,963	43,494,598
General Support Resources										
Beginning Balance	7,649,444									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	2,792,827									
Fees in Lieu of Franchise	453,559									
Licenses & Permits	7,465									
Fines & Forfeitures	0									
Revenue From Other Agencies	715,431									
Use of Assets	80,618									
Fees & Charges	0									
Other Revenue	31,851									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,081,751	*								
Total General Support Resource	11,731,195									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2011 Actual										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	11,601,293	551,601	913,151	582,867	0	1,234,131	1,428,188	10,056	16,321,287
Materials and Supplies	16,028	262,516	123,358	15,371	60,817	0	358,293	293,786	89	1,130,258
Contractual Services	99,346	1,795,250	713,962	399,763	468,481	0	774,545	1,016,018	57,541	5,324,906
Direct Charges for Services	93,202	30,733	47,201	373,705	274,194	0	391,876	329,034	20,917	1,560,862
Capital Outlay	2,541	37,762	24,085	888	225	0	51,987	11,653	49	129,190
Indirect Charges	14,210	1,347,145	146,479	175,024	139,789	0	290,541	319,368	8,869	2,441,425
Operating Expenditures	225,327	15,074,699	1,606,686	1,877,902	1,526,373	0	3,101,373	3,398,047	97,521	26,907,928
Other Requirements										
Debt Service	0	0	0	0	765	0	397,653	485,573	0	883,991
Transfers Out	876,067	0	0	5,000	818,584	0	655,531	378,206	0	2,733,388
Total Other Expenditures	876,067	0	0	5,000	819,349	0	1,053,184	863,779	0	3,617,379
Contingencies	0	0	0	0	0	0	0	0	0	0
Ending Balance	9,101,115	0	0	592,184	726,525	10,563	1,280,617	1,153,845	104,442	12,969,291
Total Requirements	10,202,509	15,074,699	1,606,686	2,475,086	3,072,247	10,563	5,435,174	5,415,671	201,963	43,494,598

Overview

As the following chart shows, the largest operating revenue sources for the City are property taxes and user fees and charges (user fees are mostly water and wastewater revenue). In the following pages the basis of estimates for major revenues sources is provided as well as revenue trends. Of special note is that many of the major revenue sources are directly tied to the performance of the housing market. In addition to property taxes, which are of course linked not only to new development but can be impacted by a down turn in the overall market value, many annual fee changes are linked to national CPI-U changes and the largest component of determining CPI is housing costs.

Having many major revenues so directly tied to growth or declines in the housing market poses a potential risk for the City if the expenditure side of the budget and changes to expenditures are disconnected or exceed CPI changes. In the key expenditure details that follow this section, you will find an analysis of changes to operating costs per capita in recent years as compared to CPI. A per capita change to operating budgets is an appropriate measure to review because the City's budget will naturally grow as the City's population grows.



OPERATING REVENUE TRENDS

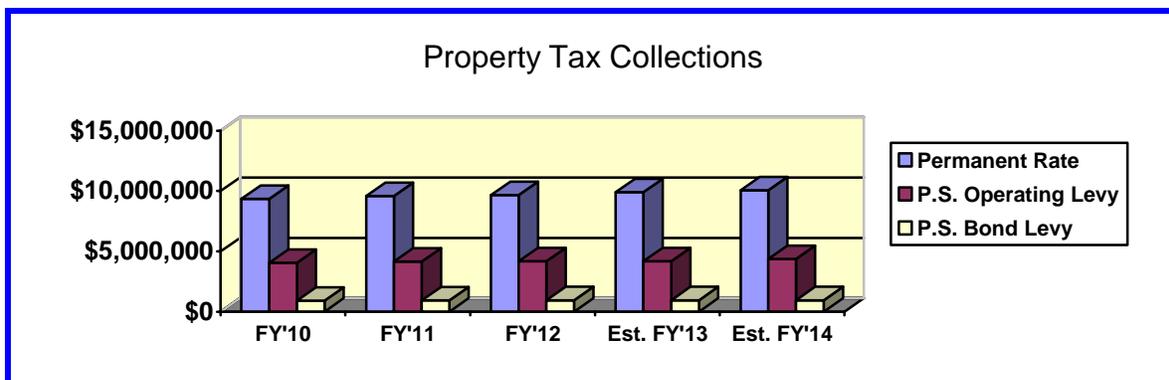
The compilation of this one-year operating budget and second year budget projection reflects the key revenue sources outlined below. At the end of this “Key Revenue Details” section is a recap of major revenues and the basis of estimate used.

Property Taxes – Permanent Rate and Public Safety Local Option Levy

All of the property taxes received from the City’s permanent rate as well as the local option levy recorded as revenue for the General Fund are dedicated to Public Safety each year. In the FY’14 budget more than 80% of the resources dedicated to Public Safety will have come from property taxes and Public Safety is the largest single operating department of the City. Due to the decline in the housing market and significantly lower property tax growth rates, Public Safety will have to use more General Fund support from non-dedicated resources in coming years as compared to recent years. Limited growth in revenues coupled with cost increases largely out of our control will cause significant pressure on the General Fund in coming years.

FY’13 was the second year of the three-year Public Safety Local Option Levy which will end June 30, 2014. The levy was renewed at the same rate of \$1.79 per \$1,000 of assessed valuation and is estimated to be a total levy of approximately \$4.66 million for FY’14. In time, slightly more than 97% of property tax levies are collected due to the 3% discounts available for paying the tax in a timely manner. That resource, along with the permanent property tax rate and other restricted or dedicated Public Safety resources, is anticipated to fund the majority of the City’s Public Safety program with an additional reliance on the General Fund budgeted at \$2.0 million this year.

This budget reflects the use of resources other than property taxes to support Public Safety for the short-term, a necessity in order to provide a similar level of service as directed by the City Council. The estimated combined tax rate for the permanent levy, the Public Safety Levy, and the Public Safety Bonded Debt will be slightly less than FY’13 at close to \$6.31/\$1,000 assessed valuation as compared to a rate of \$6.325 for the current fiscal year.



Grants Pass’ total taxable values continue to increase slightly, mostly a result of small amounts of new construction. Increases in assessed valuation on existing properties is

generally capped at 3% per year, but due to significant declines in real market values and in some cases assessed values, certain properties could see assessments increase more than 3% in a given year if the property market sees significant increases in the future. This 3% annual restriction in the past has resulted in assessed valuations being significantly lower than true market value, and on average they are still below total market values. At this time, market values locally appear to have stabilized and more than half of the properties still have an assessed value under the market value due to the State's restrictions on increases to assessed values.

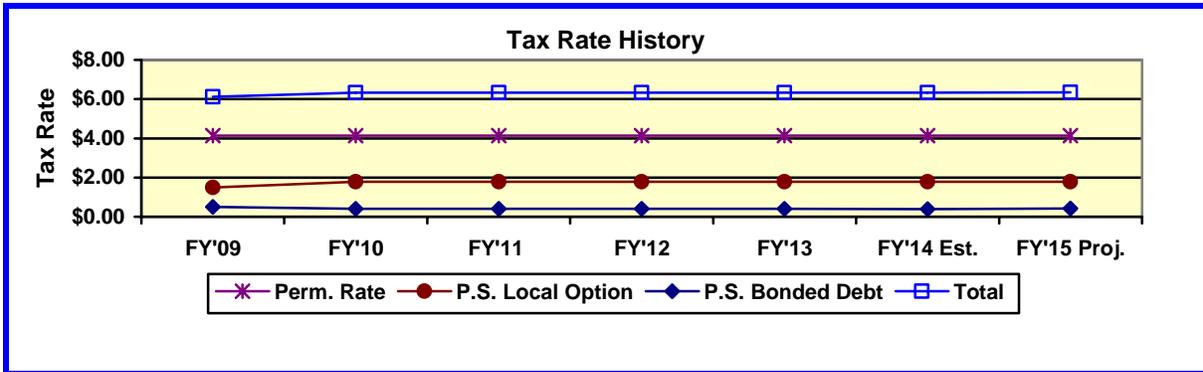
Total assessed values rose approximately 2.1% in FY'13 and are estimated to increase about 1.6% in FY'14 due largely to new construction. Historical trends together with updated data furnished by the Josephine County Assessor's office and construction valuation reports from the previous calendar year are used to project assessed values. The number of building permits and respective valuations along with local housing market conditions are also factored into the equation.

The absence of new annexations, which could have had a positive impact on the property tax base in recent years, will also impact FY'14. Bringing in the additional valuation from these properties that the City already serves would increase tax dollars thereby sharing the burden of funding public services. The impact of not annexing properties served by the City is expected to continue to affect resources in future years. The questions surrounding annexations will require staff to seek more firm input and direction from the City Council about whether the City should provide services outside the corporate limits within the Urban Growth Boundary. These questions become even more critical to address over the next year as the City is currently in the process of redefining and finalizing the new UGB borders and the Council's new Strategic Plan includes a leadership objective to review the annexation policy.

Property Taxes – Future Public Safety Local Option Levy

In November of 2010, the voters overwhelmingly supported the three-year renewal of the Public Safety Local Option Levy. The levy will provide funding for the Public Safety Department through FY'14. FY'15 projections are based on the assumption that Council intends to bring the levy renewal forward to voters at the current rate of \$1.79/\$1,000.

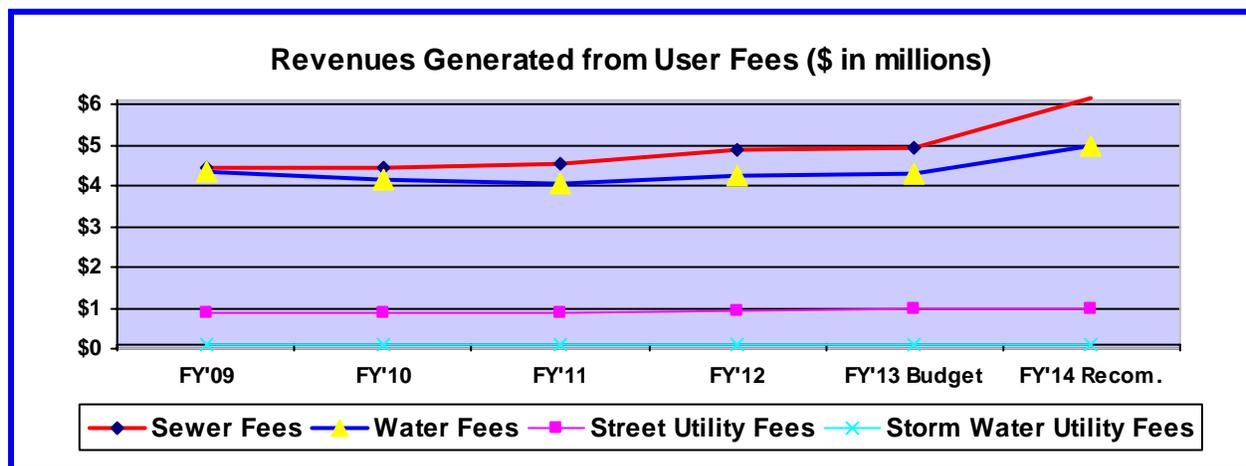
Through strategic restructuring efforts, with a focus on continued levels of service in the highest operational risk areas, Public Safety staff and management have strived to bring forward budget recommendations that will facilitate holding the levy at the \$1.79 rate. This rate will continue to delay implementation of important recommendations from the Public Safety Strategic Plan completed early in 2008 but will maintain critical levels of service.



Taxes Other than Property

Franchise fees (Right of Way Privilege Taxes) received from each of the private utilities providing service to municipal residents are estimated to total \$2.815 million in FY'14 and this is the second largest revenue source for the General Fund. This amount is relatively stable from year to year, but due to the recession and less use of traditional utilities such as land-based phone lines, the revenue projection is built around flat local economic growth to be conservative. If the City were to annex properties, there would be new revenues from telephone, electric, gas, garbage, and cable television services as well as increases from state gas tax revenues and other state revenue sharing amounts. Diminished growth in land based telephones compared to cell phones has resulted in an adverse impact on telecommunications franchise fees, but most other franchise revenue sources are relatively stable and in many cases increasing slightly. Historical trends, proposed rate increases or decreases by the utilities, and additional consumers, are taken into consideration when estimating franchise fee revenues. Fee changes such as the rate changes recently implemented by Pacific Power is the primary reason franchise revenues are projected to be up about 3% compared to the FY'13 budget estimate.

User Fees and Charges



Revenue estimates for Utility user fees:

	Wastewater	Water	Street	Storm Water
Actual FY'12	\$4,768,496	\$4,105,622	\$828,645	\$0
Budget FY'13	\$4,847,493	\$4,201,969	\$857,130	\$0
Adopted FY'14	\$6,057,900	\$4,856,430	\$877,000	\$0

The foregoing chart reflects revenue estimates for wastewater, water, street, and storm water funds. Sewer fees are showing an increase due largely to the anticipation that the Redwood Sanitary Sewer Service District will be consolidated with the City of Grants Pass Wastewater utility at the end of the current fiscal year. Water revenues reflect the proactive steps taken by Council in 2012 to increase rates and better prepare for major capital project funding needs coming up in the short-term and intermediate-term. Recognizing that the City was facing a bond offering in the short-term for a new reservoir and much higher dollar infrastructure needs in the next 5-10 years, Council increased water rates by phasing in increases to base rates on January 1, 2013 and January 1, 2014.

Otherwise, increases are largely a result of consumer price index changes applied to the utility rates each January 1st. Based on Council action in 2011 to index the Street Utility fee to the CPI index for future years like the other utility rates, these fees will begin to increase over time as well.

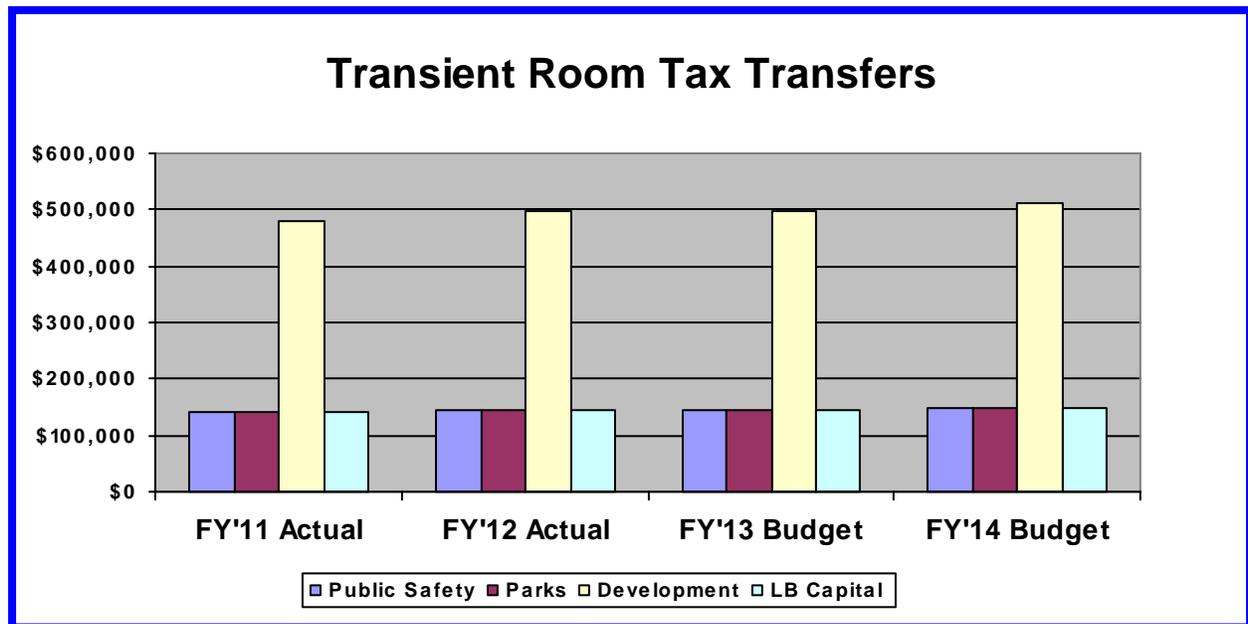
Revenues from Other Agencies

Revenues from other agencies are generally on track with estimates for FY'13 and a decrease of about \$471,000 is projected for operating revenues in FY'14. Factors include the end of several Public Safety operating grants as well as the elimination of the 911 excise tax that was previously passed through the City's budget to the 911 Agency but now can be paid directly to the agency. In addition, RSSSD will be consolidated with the City Wastewater utility starting in FY'14 and the City will no longer be separately collecting revenue from RSSSD for treatment and maintenance services.

Revenues from the State of Oregon for Liquor Tax, Cigarette Tax, and Revenue Sharing, which make up the largest share of revenue from other agencies in the General Fund, are projected to increase about 5% from FY'13 to FY'14. State Gas Tax is projected to provide intergovernmental revenue of \$1.989 million in FY'14, a 2% increase over FY'13 estimates. Per capita estimates for Revenue Sharing and Gas Tax are provided by the state through the League of Oregon Cities and are used as a base for revenue projections.

Transfers In

Transient Room Tax revenues are distributed among Development (which includes Tourism), Public Safety, and Parks as well as the Lands and Building Capital program for use in parks projects. Percentage distributions from the Transient Room Tax Fund are projected at approximately \$961,800, of which approximately \$812,200 will be directed to operations and approximately \$149,600 will be directed to Capital. The combined total is up 2.8% from FY'13 estimates. Current trends show that the effects of the economic downturn have settled out. While there are many factors, including weather, the cost of travel, forest fires, etc. that affect tourism in our region, we believe that Grants Pass tourism will continue to hold its own compared to peers in spite of current economic conditions and projections of limited growth in tourism nationwide. Our tourism is supported by growing out-of-town participation in community events like "Boatnik," "Back to the 50's," "Art along the Rogue," and perhaps by our proximity to California tourists, many of which elect to visit our region instead of more distant destinations.



FY'14 MAJOR REVENUE SOURCES

The following chart provides a recap of the City's major revenue sources and provides the basis of how the revenue estimates were generated.

Fund	Program	Description	Dollar Amount	% of Program Revenues	Basis of Revenue Estimates
General	Public Safety	Property Taxes	\$14,835,100	91.0%	5 year historical trends, new construction estimate from Building division together with information from Josephine County Assessor's office
General	Development	Permits & Licenses	\$276,900	28.5%	Estimated # of residential, industrial and commercial building permits issued
General	Policy & Legislation	Taxes other than Property (franchise & business)	\$3,097,000	68.0%	Historical trends together with growth projections and rate increases/decreases approval by state. Also refer to Appendix K.
Transportation	Transportation	State Gas Tax	\$1,988,865	67.1%	Historical growth trends together with per capita revenue projections received from state
Transportation	Transportation	Street Utility Fees	\$877,000	29.6%	Current accounts plus CPI
Water	Water	User Fees & Charges	\$4,856,430	95.6%	Historical growth in # of accounts and utilization, together with projected housing starts
Wastewater	Wastewater	User Fees & Charges	\$6,047,400	96.4%	Historical growth in # of accounts together with projected housing starts

Property Tax Analysis

		<i>Actual FY'11</i>	<i>Actual FY'12</i>	<i>Budget FY'13</i>	<i>Estimated FY'14</i>	<i>Projected FY'15</i>
Assessed Value	(a)	\$2,478,646,959	\$2,508,735,657	\$2,560,620,162	\$2,602,588,000	\$2,634,095,000
Taxable Base	(b)	2,478,646,959	2,508,735,657	2,560,620,153	2,602,588,000	2,634,095,000
Permanent Tax Rate *	(c)	4.1335	4.1335	4.1335	4.1335	4.1335
Anticipated Levy from Permanent Tax Rate (b) x (c) + Tax Roll Corrections	(d)	10,253,966	10,383,574	10,584,326	10,757,797	10,888,032
Public Safety Local Option Tax*	(e)	1.79	1.79	1.79	1.79	1.79
Anticipated Levy on Taxable Base from Local Option Tax (b) x (e)	(f)	4,436,778	4,490,637	4,583,510	4,658,633	4,715,030
Public Safety Estimated Debt Rate*	(g)	0.4066	0.4053	0.4015	0.3891	0.4217
Anticipated Levy for Bonded Debt	(h)	1,007,818	1,016,791	1,028,089	1,012,588	1,110,770
Total Anticipated Taxes Lines (d) + (f) + (h)		\$15,698,562	\$15,891,002	\$16,195,925	\$16,429,018	\$16,713,832

* Tax rates are \$1,000 per assessed value

	<i>Tax Certification</i>	<i>Collections</i>	<i>Rate</i>
<u>FY'11 Actual</u>			
Permanent Rate Revenues	\$10,253,966	\$9,577,073	4.1335
Public Safety Operating Levy	4,436,778	4,147,323	1.7900
Public Safety Bonded Debt	1,007,818	942,071	0.4066
Total Actual	\$15,698,562	\$14,666,467	6.3301

<u>FY'12 Actual</u>			
Permanent Rate Revenues	\$10,383,574	\$9,659,832	4.1335
Public Safety Operating Levy	4,490,637	4,183,162	1.7900
Public Safety Bonded Debt	1,016,791	947,169	0.4066
Total Actual	\$15,891,002	\$14,790,163	6.3301

<u>FY'13 Budget</u>			
Permanent Rate Revenues	\$10,584,326	\$9,896,345	4.1335
Public Safety Operating Levy	4,583,510	4,285,582	1.7900
Public Safety Bonded Debt	1,028,089	961,263	0.4015
Total Estimated	\$16,195,925	\$15,143,190	6.3250

<u>FY'14 Estimated</u>			
Permanent Rate Revenues	\$10,757,797	\$10,058,579	4.1335
Public Safety Operating Levy	4,658,633	4,355,821	1.7900
Public Safety Bonded Debt	1,012,588	946,770	0.3891
Total Estimated	\$16,429,018	\$15,361,170	6.3126

<u>FY'15 Projected</u>			
Permanent Rate Revenues	\$10,888,032	10,180,347	4.1335
Public Safety Operating Levy	4,715,030	4,408,553	1.7900
Public Safety Bonded Debt	1,110,770	1,038,570	0.4217
Total Estimated	\$16,713,832	\$15,627,470	6.3452

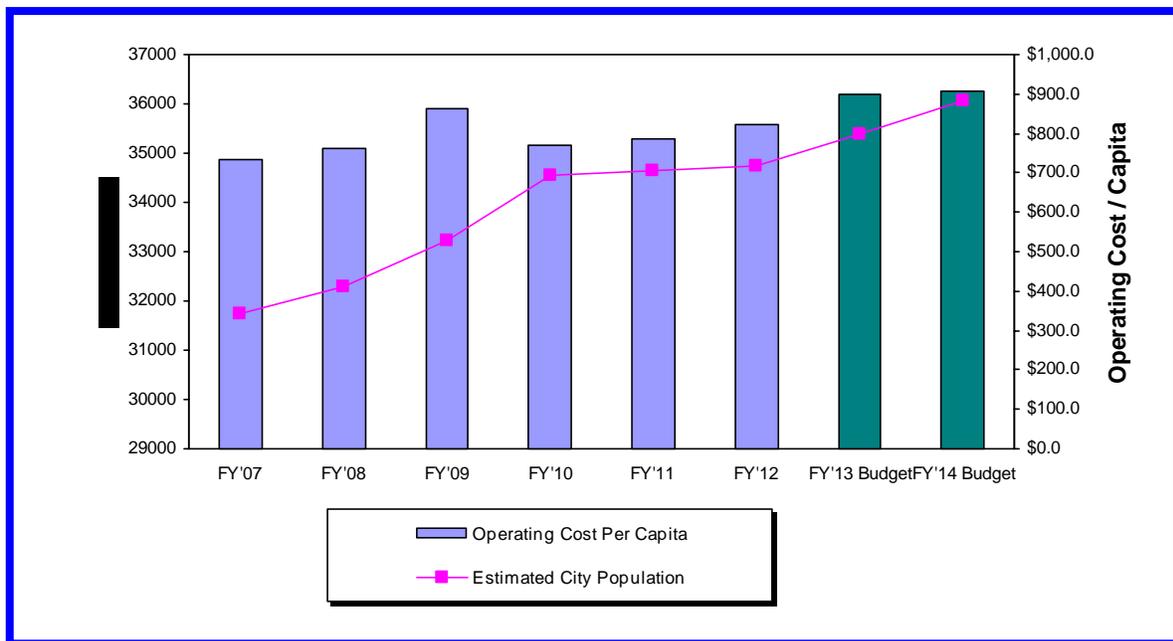
OPERATING COST TRENDS

This year’s operating budget is increasing by \$1.3 million. As discussed in the budget message, the primary factors in changes include COLAs given to most employees, changes to employee PERS and health insurance rates, and the consolidation of the Redwood Sanitary Sewer Service District with the City of Grants Pass Wastewater Utility.

Operating costs per capita less than inflation

Despite modest growth in the total adopted operational budget this year, the increase over the years is less than inflation on average when measured on a per capita basis. As the City population grows, naturally the City’s budget will similarly increase as services are provided to a larger population. Measuring the increases per capita is a better measure of whether the expenditure side of the equation is keeping up with standard inflation measures or exceeding the standard CPI. City stakeholders should be aware that the City continues to grow, and the total dollar amount to serve a larger community will also grow over time as long as the City strives to keep the current level of services.

Over a longer time period, it is important to manage expenses to ensure the cost per capita of operations, for a full service City such as Grants Pass, do not increase more than the rate of inflation. This ensures growth is being managed appropriately and within reasonable resources. The graph and table below show representation of operating costs per capita, including budget numbers for FY’13 and FY’14. Actual numbers for FY’13 and FY’14 will be below budget as long as no contingency transfers occur because programs cannot legally spend more than adopted budget appropriations.



Using Fiscal 2006 as the base year, the total cost per citizen of providing all the basic City services (Police, Fire, Water, Wastewater, Transportation, Legislation, Parks, Development, and Other Services) has not exceeded inflation as measured by the national CPI index 10-year average through the FY'14 adopted budget. Using the average inflation rate of 2.47% in the last decade and using FY'06 as the base year, the adopted FY'14 budget estimated operating costs per capita are under the compounded effect of inflation since 2006. While budgets will never be fully spent unless there are unanticipated events, even the budgeted expenditures are still projected to be under standard inflation measures during this time period.

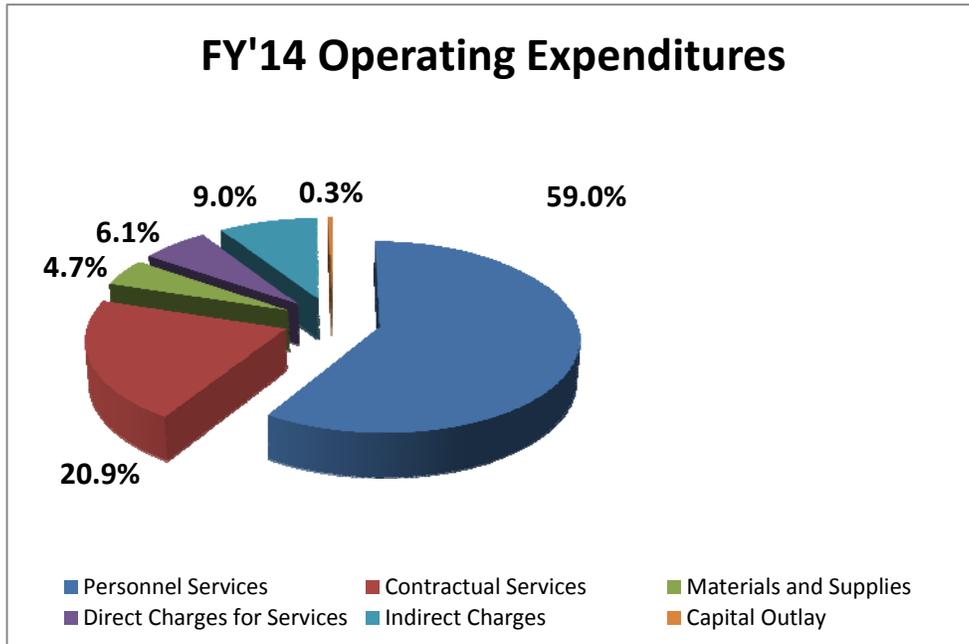
	FY'08 *	FY'09 *	FY'10 *	FY'11 *	FY'12 *	FY'13 Budget *	FY'14 Budget
Estimated City Population	32,290	33,225	34,533	34,660	34,740	35,400	36,073
Operating Cost	\$24,671,902	\$28,661,981	\$26,601,138	\$27,246,692	\$28,510,070	\$31,897,255	\$32,780,666
Actual Op. Cost / Capita	\$764	\$863	\$770	\$786	\$821	\$901	\$909
Cost / Capita If Matched Avg. Inflation	\$794	\$813	\$833	\$854	\$875	\$897	\$919
* Costs include RSSSD costs before consolidated in FY'14							

However, there is a growing strain on the City's operational budgets as actual inflation for operations is starting to outpace growth in revenues in the short-term. Growth in revenues and expenditures per capita will never exactly match the national or regional consumer price index; however there is a growing gap between actual operating inflation and the total operational revenue growth.

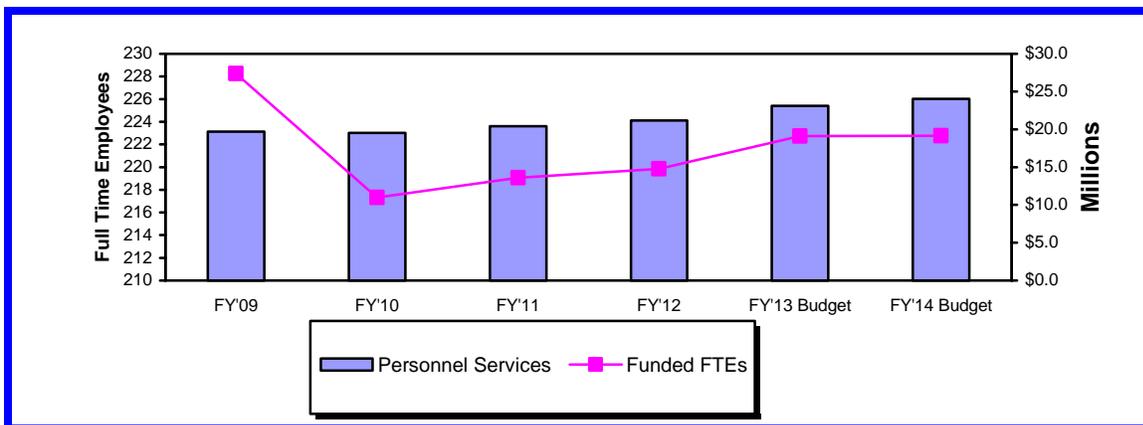
In some cases, such as in the City operated Water and Wastewater utilities, certain major expenses such as electricity are rising significantly faster than nationally reported inflation figures. Increased mandated and contractual obligations for personnel costs and items such as energy costs continue to have an effect on budgets throughout City governmental and utility operations. While nationally reported CPI changes remain in the 1.5% to 3% range, the cost of electricity has increased more than 50% in the last eight years. Other types of energy costs such as fuel have risen significantly in recent years and the state mandated costs of the PERS system are increasing rapidly. Without revenue increases to match the increased costs of providing services, these budget pressures are going to grow more acute and while the City of Grants Pass is not unique in this regard, the further out we look at our budget forecast in coming years the more limited our financial flexibility becomes.

Operating Costs by Classification Category

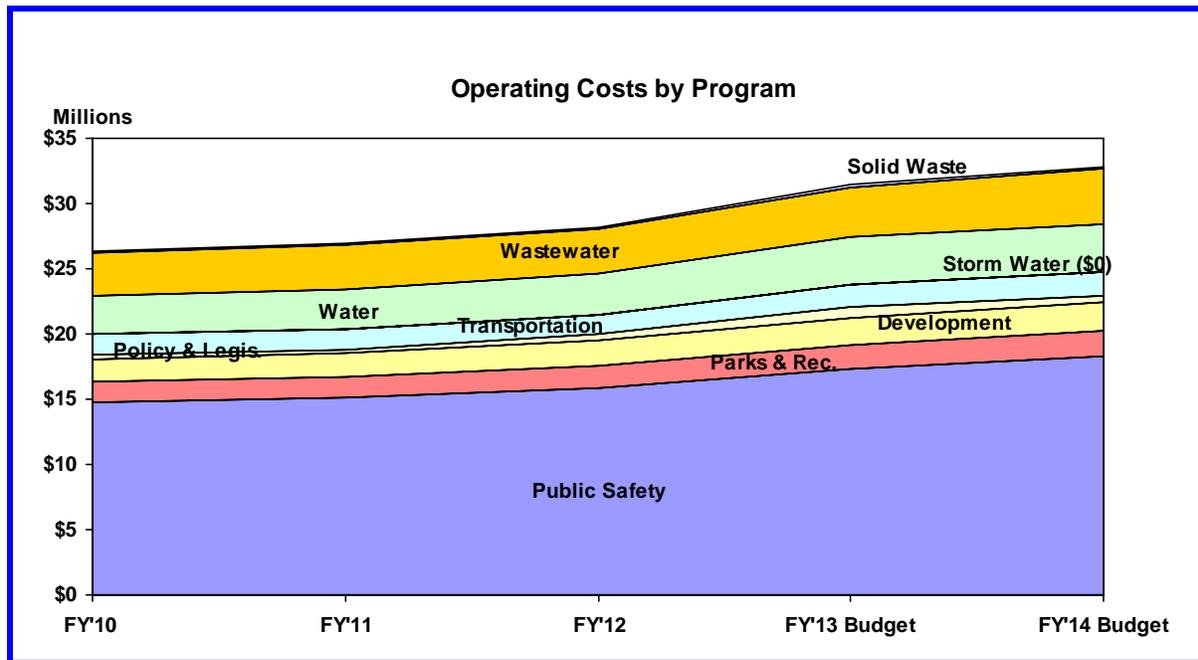
As you can see from the following chart, public service is about people serving people. Fifty-nine percent of the City's operating expenditures are personnel costs. This is followed by contractual services at 20.9%.



The following chart illustrates the total cost of "Personnel Services," a state classification designated for employee costs including salary, benefits, and employment tax related costs. It also shows the total number of approved and funded full time equivalent positions in the City by year. This chart shows all employee costs, including Internal Service Fund personnel expenditures.



Operating Costs by Program



The City utilizes internal service funds for: Property Management, Vehicle Maintenance, Vehicle Replacement, Engineering, Community Development Management, Administrative Services (including Management, Legal, General Accounting, Accounts Payable and Receivables, Utilities Billing, Payroll, Human Resources, and General Programs), Insurance, Benefits, and Information Technology. Use of these funds helps in identifying the true cost of program operations and can centralize specific operations to help reduce expenses and increase efficiencies. Costs of internal service funds are built into the operating expenditure budget for all operating programs such as the General Fund departments and the Utility Funds.

Personnel services is showing an increase of approximately \$944,000, largely due to a projected increase in health insurance rates, employer PERS rates charged out for FY'14, and steps due to certain employees that have not yet reached the maximum step in various employee group salary schedules. After a number of years of minimal or no COLAs (cost of living adjustments), most employee groups received a COLA in the last year.

The impact of every 3% increase to PERS rates equates to nearly \$400,000 per year in benefit costs for the City, and absent additional legislation to change the benefit structure of the system, PERS rates are expected to increase at least 3% every two years until the PERS system is fully funded again. PERS rates billed out to departments are increased each year to approximately match the expected actual PERS rate change every two years. A City PERS reserve has been created over many past budget years by a slight difference between department charges and actual payments into the PERS system. This reserve will be drawn down starting a few years from now when actual PERS rates are expected to be even higher than they will be in FY'14.

Staffing Changes

The FY'14 budget has minimal staffing changes. The net difference in funded positions for FY'14 is negligible (up 0.025.) As a result of restructuring that occurred during FY'13, the FY'14 budget has a net decrease in total positions of 1.57. The key elements of this decrease was the elimination of the Parks and Community Services Director position and an Office Assistant in Management while adding to some part-time clerical staff. In FY'13, one of the authorized but unfunded planning positions was approved to be filled by the City Council and this FY'14 budget does not have any staffing changes as compared to the approved and funded staffing level at the end of FY'13.

As a result of reductions in revenue, reduction in service needs, or efficiencies found through regular operational reviews, positions that do not have funding included in the Adopted Budget are shown below. Should activity significantly increase during the fiscal year in any of the City's departments, a supplemental budget could be brought before the Council that would recognize the staffing needs for the unanticipated increase in service demand and/or revenues.

Summary of FY'14 Unfunded Personnel Positions			
Activity	Program	Title	# of Positions
Management	Management, IT, & Property Management	Office Assistant	0.10
Finance	Administrative Services Fleet	Accounting Tech (1.5) Assistant Finance Director Admin. Support Spec. (0.1)	2.60
Wastewater	Wastewater Treatment / JO-GRO	Utility Worker	1.00
Community Development	Support	Office Assistant	1.00
Planning	Development	Planner III Department Support Tech Associate Planner (2) Assistant Planner (3)	7.00
Building	Development	Residential Building Insp. Plans Examiner II (2) Office Assistant I Building Inspector I	5.00
Engineering	Support	Utility Engineer Project Specialist (2)	3.00
Parks	Parks	Urban Forester (0.5)	0.50
Streets	Transportation	Urban Forester	0.50
		Total	20.70

<i>Department/Activity</i>	Staff Allocation					
	Actual FY'11	Actual FY'12	Budget FY'13	Recommend FY'14	Adopted FY'14	Projected FY'15
Administration						
<i>Management</i>	6.700	6.856	6.975	4.575	4.575	4.575
<i>Legal</i>	2.380	2.474	2.550	2.500	2.500	2.500
<i>Information Services</i>	4.950	4.900	5.900	6.050	6.050	6.050
<i>General Insurance</i>	0.540	0.489	0.400	0.350	0.350	0.350
<i>Economic Development</i>	1.000	1.000	1.000	1.000	1.000	1.000
<i>Tourism Promotion</i>	1.850	1.850	1.850	1.825	1.825	1.825
<i>Downtown</i>	1.450	1.550	1.550	1.525	1.525	1.525
<i>Property Management</i>	2.150	2.100	2.100	2.050	2.050	2.050
<i>Capital Projects</i>	0.150	-	-	-	-	-
	21.170	21.219	22.325	19.875	19.875	19.875
Parks & Community Development						
<i>Management</i>	8.000	10.000	10.000	10.350	10.350	10.350
<i>Engineering</i>	9.500	7.500	7.500	7.500	7.500	7.500
<i>Planning</i>	11.000	11.000	11.000	10.900	10.900	10.900
<i>Building & Safety</i>	7.000	7.000	7.000	7.100	7.100	7.100
<i>Park Maintenance</i>	8.100	8.200	8.200	7.350	7.350	7.350
<i>Aquatics</i>	0.350	0.400	0.400	0.350	0.350	0.350
<i>Recreation</i>	0.150	0.150	0.150	0.150	0.150	0.150
	44.100	44.250	44.250	43.700	43.700	43.700
Finance						
<i>Finance</i>	16.000	16.000	16.000	17.250	17.250	17.250
<i>Garage Operations</i>	2.950	3.150	3.050	3.000	3.000	3.000
<i>Equipment Replacement</i>	0.800	0.600	0.700	0.750	0.750	0.750
	19.750	19.750	19.750	21.000	21.000	21.000
Human Resources						
<i>Human Resources</i>	3.000	2.875	2.855	3.080	3.080	3.080
<i>Workers Compensation</i>	0.330	0.326	0.370	0.445	0.445	0.445
	3.330	3.201	3.225	3.525	3.525	3.525
Public Works						
<i>Water Treatment</i>	6.460	6.460	6.460	6.460	6.460	6.460
<i>Water Distribution</i>	8.800	8.800	8.800	8.800	8.800	8.800
<i>Wastewater Collection</i>	5.660	5.660	5.660	5.660	5.660	5.660
<i>Wastewater Treatment</i>	9.410	9.410	9.210	9.210	9.210	9.210
<i>JO-GRO™</i>	4.110	4.110	4.310	4.310	4.310	4.310
<i>Capital Projects</i>	1.000	1.000	1.000	1.000	1.000	1.000
<i>Solid Waste</i>	0.100	0.100	0.100	0.100	0.100	0.100
<i>Storm Water</i>	-	-	-	-	-	-
<i>Street Maintenance</i>	8.060	8.060	8.060	8.060	8.060	8.060
	43.600	43.600	43.600	43.600	43.600	43.600
Public Safety						
<i>Field Division</i>	76.500	80.000	80.000	55.250	55.250	55.250
<i>Support Division</i>	30.350	30.875	31.875	24.700	24.700	24.700
<i>Fire Rescue Division</i>	-	-	-	31.800	31.800	31.800
	106.850	110.875	111.875	111.750	111.750	111.750
Total	238.800	242.895	245.025	243.450	243.450	243.450
Unfunded	(19.750)	(23.050)	(22.300)	(20.700)	(20.700)	(20.700)
Net Funded Positions	219.050	219.845	222.725	222.750	222.750	222.750

Other Key Expenditure Details

Materials & supplies are budgeted to increase by \$12,000 due mostly to increases in chemical budgets. Contractual services are budgeted to increase \$167,000 due mostly to increased rates for water/sewer, electricity, natural gas, and other utility rates along with additional meeting broadcasting expenses and a new contract with Josephine Community Libraries. The capital outlay classification within operating budgets is minimal as compared to capital project fund appropriations and, at \$99,800 for the adopted FY'14 budget, is down by \$138,000. Direct charges for services and indirect charges for services come mainly from Internal Service Funds that provide services and pay for certain costs that apply to all operational programs. They are increasing by \$511,000 in the FY'14 budget. A main factor of this is the consolidation of the Redwood Sanitary Sewer Service District with the City's Wastewater Fund. Internal Service Funds include Fleet, Engineering, Property Management, Information Technology, Administrative Services, and others.

Operating transfers out are up \$1.3 million in FY'14. One of the largest contribution factors is the Water Fund's increasing contribution to upcoming capital needs. Transfers out of the General Fund to Capital funds are increasing by \$418,000 in this budget. This is in response to projects in the Strategic Plan that require capital resources and matching up available one time resources with one time capital expenditures. Following this section is the Capital Budget Summary.

Capital allocations

Standard annual transfers from the General Fund to capital projects of nearly \$1 million per year to transportation and other high priority projects were eliminated four years ago. This elimination helped to ensure the City could continue to provide operating services at levels similar to prior years. While this certainly didn't reduce the City's need to maintain or upgrade equipment and infrastructure, the General Fund FY'14 capital transfer allocation follows the same methodology used in the previous year budget recommendations. What follows is a brief description of this capital project funding allocation method.

In Fiscal 2010, the General Fund achieved the targeted budgetary fund balance policy of 30% to 40% of annual expenditures by ending the year near the middle of that target range. This range was set to avoid having to borrow funds between July and November each fiscal year before the bulk of property taxes are received by the General Fund. This also gives the General Fund the proper contingency and reserves to respond to potential emergencies or other unanticipated financial needs throughout City governmental and utility operations. By continuing to target the middle end of that range at 35%, any one time savings whether through revenue or expenditure differences to budget could then be allocated to the highest priority capital projects. This leaves the General Fund with a 5% contingency and the necessary 30% minimum carryover balance from year to year. This also follows policy suggestions to match up one time resources with one time expenditures.

Once those savings are identified and in the bank from previously closed fiscal periods, they can then be appropriated for the highest priority capital purposes or partially saved for future periods to help reduce the potential need to increase property tax or other fees. The Council, Budget Committee, and Citizens can continue to help prioritize these capital expenditures after the fiscal year is closed and the actual savings amounts (if any) are known. Therefore, the bulk of the amount budgeted to be transferred to high priority capital projects in the FY'13 budget related to the actual savings in FY11 and the bulk of the General Fund capital transfers in this adopted budget relate to actual General Fund savings in FY'12 plus projects that were cancelled and funding reallocated.

The bulk of the savings experienced each year will likely be recommended to be transferred to priority capital projects because the decision to eliminate regularly scheduled capital transfers from the General Fund may have negative long-term implications as the City defers capital investments. In addition, there continue to be some potential information technology and other investments that can directly lower operating costs through efficiencies or defer expensive maintenance costs in the future.

As long as General Fund operating divisions continue to spend 4-6% less than adopted operating budgets each year on average, the General Fund should end FY'14 with a budgetary fund balance between 35% and 40% of annual General Fund operating expenditures, a balance in line with the City's Financial Policies. Assuming the City's real estate market values don't decline significantly from where they are today, this should be a General Fund balance sufficient to keep the same property

tax rates and similar operating service levels for at least the next 2-3 years after FY'14. However, transfers to capital projects will need to be reduced significantly in future years after FY'14 in order to keep the General Fund balance within financial policy guidelines.

Under proper financial and budgeting policies of matching one-time resources with one-time expenditures to maintain a sustainable budget, the adopted budget allocates capital to certain City-wide information technology, Public Works and other high-priority Parks and other projects found in the Council's adopted Strategic Plan for 2013-2014. This year, more than \$0.5 million was recommended to be transferred to Transportation Capital, Water Capital, Wastewater Capital, and other Public Works related project needs to match Public Works capital contributions more closely with annual fee in lieu of franchise tax revenues from City owned utilities. While most of the Parks related capital facility needs will be accommodated by restricted funding sources such as grants and the Transient Room Tax-LB capital allocation, smaller parks projects such as working with School District 7 to construct school/parks projects has been included in General Fund capital transfers.

Real efficiencies and effectiveness measures will be impacted by information technology projects ongoing today and proposed in the FY'14 budget. One-time savings in recent years have been recommended to be used for overdue projects such as the phone system, connectivity among City operating locations, the financial software system, the CAD/MDT project, a Microsoft upgrade, Police In Car Cameras, and a Police E-Ticketing project, among other technology intensive capital projects. This year, an additional \$450,000 is budgeted to be allocated to the Financial Software System project now that the City has received quotes to replace its 18-year old financial software system. In addition to having more efficient operating systems, projects such as connectivity and replacing the phone system will save money on telecom expenses each and every year in the future once they are completed. Projects such as the Financial Software replacement project have a quick payback to the City through efficiencies that impact total staffing needs in the future. The use of technology across various operations to increase efficiencies was a big theme in the budgets in the last three years and continues to be a prominent consideration in the adopted FY'14 budget.

Operating Transfers to Capital Projects

	FY'11	FY'12	FY'13 Budget	FY'14 Budget
Transportation	818,584	1,326,158	1,180,946	1,293,000
Water	522,531	502,801	394,327	1,168,000
Wastewater	376,206	855,046	951,750	959,000

The City's financial policies also state that the minimum transfer from the utility operating fund to the capital projects fund should be the annual depreciation cost (a measure of the cost of equipment wearing out over time that needs to be replaced). Each of the three utility systems noted above has annual depreciation costs of nearly \$1 million or more per year and in the near term only the Transportation Fund and Water Fund are able to transfer enough money to capital projects annually.

Wastewater is close to where it needs to be but is not quite keeping up with the minimum policy. It should be noted that the minimum policy won't provide enough dollars to capital projects that are necessary to be completed in coming years because there have been many years in the past where capital was underfunded, growth related fees such as system development charges have not kept up with the actual cost of growth related projects, and depreciation is a measure of past cost not future cost. Transfers should be in excess of this minimum policy but these three utilities do not have the financial flexibility to transfer any more than has been budgeted to be transferred. Utility and SDC rate studies are on the horizon for the Water and Wastewater utilities in coming years as infrastructure master plan updates are also in process today. The user rates and SDC rates must be designed to provide cash flow sufficient to replace and build the infrastructure necessary to provide water and wastewater services to the entire City.

Impact of Capital Projects on Operations

Expenditures for capital improvements can have an impact on future operations. Some capital projects will require additional resources to maintain and operate. Others may reduce repairs and maintenance or reduce costs through improved efficiencies. Many capital expenditures will not have significant impacts or the impacts may be offset by increasing resources.

For example, the two relatively new Public Safety stations built through a general obligation bond a couple years ago have operational impacts that are addressed through the budget process. Beginning in FY'07 additional personnel were planned and budgeted to staff the two new public safety stations. In FY'08 there were additional hires, and though not directly related, there were other Public Safety positions approved in the FY'09 budget. Salary and benefits together with the associated costs of equipment, uniforms, and operating supplies have been incorporated into the operating budget for Public Safety each year. The City weighs the total cost (the capital cost and the on-going operational cost) against the anticipated benefits when evaluating capital projects.

Operating and maintaining all of the City's Public Safety facilities throughout this next fiscal year were among the key purposes of the 2010 local option levy election. The resources historically provided by voter approved levy funds are so significant that the face of Public Safety and of the City as a whole would be dramatically different if those resources are not renewed in full in the future. But as a result of the new facilities and the levy, Police and Fire can respond to emergencies and many other non-emergency calls within recommended time frames and can continue to respond to all calls for service.

Each of the foregoing capital expenditures will have an impact on future budgets and service requirements. This budget has been developed following thorough analysis and discussion among staff and management in an effort to ensure that the City can adapt to changing economic conditions, that the services and policies of the City are sustainable, and that careful planning and execution permit the City to operate more effectively than ever before.

The following table identifies the major capital improvements planned for this year and in summary form identifies anticipated future savings and costs.

Project	Description	Future Costs Estimate	Future Savings
HTE (Financial Software) replacement	The City's Financial Software (ERP) System is nearly 18 years old and is becoming obsolete. Newer web based systems integrated across the City's operating departments will better serve both customers and staff.	<ul style="list-style-type: none"> • Total project costs are estimated to be at least \$600,000 including data conversion, training, and implementation costs • Annual software maintenance costs are expected to be similar to current annual software maintenance costs of approximately \$50,000 per year 	<ul style="list-style-type: none"> • Newer system will create significant staffing efficiencies through avoiding duplicated administrative work and make it easier for customers to do business with the City online • Less training time required from a more modern web based financial software system
Spray Park	The City is pursuing a grant to help provide the resources for a new Spray Park to be series of water spray features built on a pad in Riverside Park	<ul style="list-style-type: none"> • Limited additional future costs beyond maintenance of the spray park and a minimal amount of power costs in the summer 	<ul style="list-style-type: none"> • The City's Park will be better used and provide more activity for kids, however dollar savings or extra City revenue potential as a result will be minimal from this project
E-Permitting and Digital Archiving	Scan in all the City property files, make them available online, and offer the ability to obtain certain development permits online	<ul style="list-style-type: none"> • Minimal annual fees on digital systems and storage drives • Upfront scanning and systems purchase costs 	<ul style="list-style-type: none"> • Increased productivity and better customer service • Less administrative time for finding critical property documents
Redwood Avenue Phase 3	Widen Redwood Avenue from near the Allen Creek intersection	<ul style="list-style-type: none"> • This road serves most of the Redwood area residents • No significant anticipated change from current maintenance costs. • Any added sweeping, patrol, or other related costs will be minimal. 	<ul style="list-style-type: none"> • Issues of a narrow and old road will be eliminated. • Long-term maintenance costs will be reduced and safety will be increased
Other Road Improvements	There are a number of other road improvements in the Capital Budget	<ul style="list-style-type: none"> • No significant anticipated change from current maintenance costs. • Any sweeping, utility, patrol, or other related costs will be minimal. 	<ul style="list-style-type: none"> • Most are on the Transportation Master Plan and are designed to provide for current and future demands. • Long-term maintenance costs will be reduced.

Water Reservoir #3 upgrades	After structural assessment, it was determined reservoir #3 would require in-place replacement. Design will be complete soon and the construction of a new reservoir could begin in earnest in the spring of 2013.	<ul style="list-style-type: none"> • Limited additional maintenance costs beyond today's requirements. • Equipment depreciation costs over 60-70 years. 	<ul style="list-style-type: none"> • Avoids potential costly repairs and maintenance to existing infrastructure and avoids having a failure for critical water capacity and infrastructure needs.
Various Sewer Main Structural Repairs	Replaces very old structurally deficient sewer pipe in various streets and alleys.	<ul style="list-style-type: none"> • No known increases in cost. 	<ul style="list-style-type: none"> • Safety is increased • Potential environmental problem decreased • Long-term maintenance cost will be reduced for this area • Structural defects fixed
Wastewater Phase 2 Expansion	Expands capacity and meets regulatory requirements	<ul style="list-style-type: none"> • Additional utility/energy consumption expected. 	<ul style="list-style-type: none"> • Prepares to meet future regulatory costs.

Planning for the future is one of the most important responsibilities the City has. It is important to analyze all of the expected costs along with the benefits related to capital expenditures. We believe in preparing for the future.