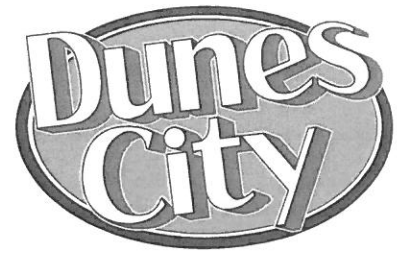


Budget Message ~ Fiscal Year 2017 – 2018

Dunes City, Oregon ~ May 4, 2017



Setting Priorities.

TO: Dunes City Budget Committee

Dear Members:

Pursuant to ORS 294.391, this constitutes the fiscal year 2017-2018 Budget Message and transmittal of the Proposed Budget. The budget is balanced between total resources and requirements as mandated by State law.

The attached Budget represents the Five (5) budgetary funds that are used to meet legal and operating requirements for the City. This budget was compiled using beginning fund balances from last year's review by the City's auditor, actual expenses and resources from July 1, 2016 through April 30, 2017, and using projections for expenses that will be incurred during the two months of this fiscal year. The final budget will be adjusted to account for any substantial changes in expenses during the last quarter of 2016-2017, although none are anticipated.

Even though it is not required by State budget law, this year the Budget Committee has conducted reviews of our financial performance. These reviews continue to have substantial value by providing "continuity" in the budgeting process from one year to the next.

In an effort to meet its goal of a truly balanced budget, the City held the line on spending during the last fiscal year 2016-2017. This budget reflects a continuation of that policy and specifically addresses the lack of funding available for street maintenance and repairs, thus including possible grant awards and carefully considering the amount of work anticipated to be conducted during 2017-2018.

Also, during this year's full audit, the City's auditors made recommendations for the implementation of additional policies. These new policies put into place include locking up checks and cash in a fire safe on a nightly basis, following strict back up procedures required by law, and enforcing protection of sensitive information such as tax identification numbers.

Staffing

Staffing is expected to continue as it has in the past, with the exception of the elimination of the Secretary of Roads and Director of Roads positions. This budget also takes into consideration the State mandates regarding sick leave, and offers nine paid holidays to staff members as adopted by the City Council earlier this year. Employer paid portion of PERS is anticipated to take a huge jump this year – rising from 14.56% to 17.14%.

This budget also provides a Three Percent (3%) increase in all staff wages and includes a holiday bonus for each employee toward the end of the year, as well as two weeks of paid vacation for the City Administrator.

Workload continues to climb with enforcement of the septic and drinking water ordinances and with increased permit activity and new home construction in Dunes City, and our new staff member is learning very quickly. Changes in staff duties have been made to take advantage of each staff member's strengths in an effort to continue to improve efficiency. Recommended staffing levels are adequate to support the current workload, but will likely result in a shifting of duties.

Audit

This year the City underwent a full audit by Hough, Macadam, Wartnik, Fisher & Gorman, LLC. We anticipate using the same firm again next year to avoid very costly new orientation expense, but expect to undergo a review, rather than a full audit.

General Fund

The General Fund accounts for the majority of routine income and expense for the City. Historically, it has been the source of nearly all of the administrative salaries for the City as well as most of the legal expense.

Salaries will be allocated to the fund where staff time is being spent. Some changes are recommended for allocation of staff time.

Our general fund legal expense to date of this message is \$10,641. This year will likely be higher as a result of the current litigation filed against the City in Reavis vs. City, and the ongoing negotiation of resolution of an alleged copyright infringement case. Additionally, our legal counselors continue with negotiations of the Franchise Agreement with Charter Communications. Also, land use ordinance activity requiring legal review continues as the Planning Commission moves forward with its efforts to review and amend Title XV, and as longstanding issues that were never resolved come to the forefront requiring legal consultation and representation.

Action was taken this year to preserve City Hall. Also, the long awaited resolution of the encroachment of City Hall on the neighboring properties is nearly resolved. City Hall, however, is "bursting at the seams" for lack of storage. This budget anticipates the completion of the addition previously approved by the City Council to add an additional storage room to the front of the building. Also, office telephones are wearing out and need to be replaced as well.

We anticipate moving forward with review and changes to our Land Use Code (Title XV). This action will require numerous meetings that will require published notice. Each notice has been running about \$150 per meeting. This Budget anticipates \$3,000 in publication fees. This will also result in an increase for legal, consulting, and contracted services.

Contractors for video programming, custodial services and website/ISP service have all alluded to an increase in their charges this year, so additional sums have been budgeted to cover any increases that may occur.

This budget contemplates continuing activity to host the Oregon Dunes Triathlon and Duathlon, and anticipates a new event involving kayaks and canoes to be held in August.

Building Codes Fund

Building permit activity is definitely up, resulting in an increase in direct costs. A review and evaluation of all permit and administrative fees must be done and changes made, as the City has been informed that the current permit fees are not in compliance with State laws, rule and regulations. I will be working with Northwest Code Provisionals to identify the changes that need to be made and will bring those items forward as soon as possible. This may result in changes to the permits collected however, for now, I am leaving the proposed numbers "as is". We will continue to use a percentage of permit fees for the building official and have included sufficient contingencies to cover an increase in new home construction.

We will continue using a contract planner this year for all of the City's planning needs. This has worked very well from an income and expense point of view. Staff training can help to ease

some of these expenses. Also included in the Budget is a nominal amount for fines. Although no fines are anticipated at this time, it is best to be prepared.

State Street Fund

Our citizens have made it abundantly clear, after this very wet year, that the most important items to the citizens of the City are well maintained roadways and good and operational drainage systems. This message has been received loud and clear.

The resources for this fund are restricted to administrative and maintenance expenses associated with maintaining the City's street system. This year, as a result of record-breaking rainfall amounts, the shortfalls in the City's drainage system was brought painfully to light. Clearly, concerted effort must be directed at restoring, correcting and maintaining the drainage systems before slurry sealing or other road-surface related activity is considered. Regular maintenance should be made first priority. The Budget reflects maintaining about \$75,000 for road surfacing projects and about \$25,000 for repairs and maintenance, including brushing and sweeping. I recommend continuance of the policy of addressing the entirety of a road, that is, paving, drainage, signage, etc., all at one time. The idea is to make sure the whole project is brought up to code standards so it will be good to go for some time to come. In addition, I will be concentrating on developing and retaining data in each of the road files regarding the location of water lines, power lines, utilities and other underground facilities for future reference.

We will continue to utilize the City's engineers to protect Dunes City's position in subdivision review. Additional expenditures are likely to be required to correct some of the problems that were allowed to occur as a result of the City's choice to not pay the experts to review prior activities closely enough. This may also result in legal action being taken against the City. Additional funds have been budgeted to address these possibilities.

Lastly, the City may have an opportunity to pursue its goal to plan, acquire and install a bike/hiking trail that connects Clear Lake Road with the Westlake area. The budget reflects some expenditures in conjunction with that project.

Motel Tax / Tourism Fund

The City has filed application for grant funding to repair and improve our signage at the Lane County Boat Ramp and the facilities at the Siltcoos River Overlook, including clearing and improving the river access trail. Those dollars are reflected in this budget. Again, we will be pursuing small actions toward the acquisition and installation of a bike and hiking trail that connects Clear Lake Road with the Westlake area. I would also like to pursue some sort of branding for the Westlake area to honor the heritage and history of the area and to increase tourism for our local businesses. I have included funding for this activity, but do not anticipate using the funding unless a proposal is submitted and approved by the City Council first.

Water Rights Compliance Fund

The City will be making application for grant funding to finalize its acquisition of access to the outlet control structure and installation of measurement devices as required under the terms of the City's surface water right permit. This fiscal year dollars have been budgeted to hire the necessary experts to ensure the City's permit accurately depicts all points of diversion currently receiving water under its oldest State permit. The proposed budget reflects a continuance of the \$100 annual administrative fee. It should be noted, however, that it may be necessary for the City to install a boom and/or dock adjacent to the outlet control structure in order to facilitate removal of debris from the structure. Staff will be seeking grant funding to alleviate the expenses anticipated for this mitigation action, but since any blockages will constitute an emergency situation, funding has been included to cover maintenance.

Noteworthy Changes

A major requirement for the Budget Message is to set forth any noteworthy changes between the current and coming year. Other than the elimination of the Secretary of Roads and Director of Roads positions, there are no other noteworthy changes between the current and the coming year.

Summary

With constant focus on managing operating costs, we continue to be able to sustain the City's business without deficit spending. We must not let go of any current revenue sources and we need to continue our focus on new funding opportunities. We must also learn creative ways to take advantage of assets that we already own.

Thank you again, for participating in the Dunes City budgeting process. We sincerely appreciate your help!

Respectfully submitted,

Jamie Mills
City Administrator/City
Recorder/Budget Officer