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July 15, 2016

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



Budget Message for Fiscal Year 2016-17

BUDGET OVERVIEW

I am pleased to present to you the balanced budget for the Fiscal Year 2016-17 (FY'17). Our budget and strategic planning process allows Citizens, Elected Officials, Committee and Commission members, and Staff an opportunity to contribute to the goal setting and strategic planning process. The Budget process starts with Council listening to the community, gathering their goals and desires and placing prioritized items in the Strategic Plan. A Work Plan is then developed that helps define the necessary resources to accomplish Council's Strategic Plan. These documents form the foundation allocating of resources to accomplish Council's goals. Resources have been assigned to maintain the level of City services that our residents and visitors expect. Capital project resources have been assigned to address the highest priority Strategic Plan and Work Plan items. 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. For an understanding of how the budget is assembled each year, the budget format, financial policies, and how to read the budget, please see the section "Budget Process & Financial Policies" that starts on page 83. Throughout the program budget narratives you will see a uniform format for the reporting of performance measures in each of the operating departments as the budget is more than just a financial summary of operations.

Setting Direction

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. Council establishes the goals used to formulate the Strategic Plan. This year "Keep Citizens Safe" remained as the first goal on the Strategic Plan list as it has been and continues to be the City's top priority.

The Strategic Plan serves as the foundation upon which the budget is developed. Through the Strategic Planning process, Council prioritized the potential work plan items that will help the City make those goals and objectives a reality. This operating and capital budget places an emphasis on the higher priority work plan items in the 2016-2017 Strategic Plan as prioritized by the City Council. Financial resources, if needed, are provided to projects and objectives identified as high priorities by the City Council.

Budget guidelines

Thanks in part to Citizens' 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. The Executive Team and Staff were given some specific guidelines for preparing the FY'17 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.

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 31 years. This award program is considered the gold standard for budget reporting and the City of Grants Pass has a longer history of participating in this budget award program than just about any other public agency in Oregon.

Revenue overview

Our City budget is made up of three main pieces: General Fund, Enterprise Funds and Capital Improvement Funds. There are 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 29% of the City's FY'17 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. 65.6% of the General Fund revenue comes from property tax revenue, made up of both a permanent rate and a local option levy, and all of which is dedicated exclusively to Public Safety divisions. The General Fund 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 \$5.0 million that are shared by all General Fund programs.

Close to 28% 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, a slightly lower percentage amount than last fiscal year's 20% due to major projects that were already underway in FY'16.

Special revenue funds such as Transportation, Transient Room Taxes, and others account for approximately 7% of the budget, and the remainder of the total budget comes from Debt Service Funds, Internal Service Funds, and the Trust Fund. The charts and graphs between pages 17 and 25 of this section show some more detail on the breakdown between revenues and expenditures of the general fund, enterprise funds, and other types of funds in this budget.

Our history of sound fiscal policy and management is attributed to the leadership of City Council, community engagement and professional Staff. 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) responsible wage and salary changes in recent years for managers, supervisors, and the City's four unions in line with the City's peers through the use of compensation studies; 6) Staff working hard to turn back budgetary savings from operating budgets each year; 7) a successful annexation to recognize areas in the City's Urban Growth Boundary already being served by City services; 8) a continual and ongoing effort to assess and ensure operations are effective and efficient. 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 Four-Year Public Safety Levy in November of 2013. The approved levy provides an estimated \$5.0 million in FY'17 for City Public Safety operations. The current four year levy is set to expire June 30, 2018. The overwhelming support for the Public Safety Levy in this last election demonstrates the community's desire for quality services.

With General Fund support, the budget for FY'17 continues the high level of Public Safety services. The four-year levy starting in FY'15 was set at the same rate as the previous three-year levy. At the end of this next levy period, the City will have operated at the same Public Safety levy rate for a period of nine years. The resources provided by the levy should be sufficient to maintain current services through Fiscal 2018 in combination with a slight drawdown of General Fund reserves. If General Fund operations, including Public Safety divisions, continue working hard to return savings back to the General Fund each year, the balance drawdown won't be severe and the General Fund will continue to be within the City's financial policy guidelines at the end of the current four year levy.

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 Public Safety Funding and past annual surveys demonstrated the community's desire to have City services maintained at the current service level. Phone surveys have been completed in recent years and show similar satisfaction results, and public forums on specific topics such as law enforcement in the downtown area point to satisfaction with current level of City services.

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. Inflationary pressures on operations will not always match up evenly each year with revenue growth. The continuation of long-term financial planning is key to maintaining the services our Citizens expect today and in keeping the City's funds within established financial policy guidelines. Budget projections for the second year in FY'18 are incorporated into the budget book for informational purposes and to help plan for operations beyond FY'17.

Budget changes overview

The budget book presents the last two years of actual budget results, the current fiscal year budget, the budget for the next fiscal year, and the fiscal year projection two years from now. For review of this budget it's important to understand the major budget or operational changes that occurred or that have been recommended between the fiscal years of FY'14 and FY'18.

The total budget, which includes all internal service funds, carry-over balances, contingency balances, and capital project resources, is \$128,678,568, an increase to last fiscal year's \$119,848,804 total budget. Of the \$8.8 million total budget increase, the majority of the change or about \$5.7 million, is due to higher Capital Construction activity going on in the Water and Wastewater Enterprise funds in the next year as extra resources are being carried over to begin the Wastewater Plant expansion and later to begin the procurement and design process for new Water Treatment Plant. 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'17 Adopted Operating Budget, excluding contingencies, debt service, and transfers out to capital projects, totals \$36,470,159. This is up approximately \$0.9 million from last year's \$35,529,711 Adopted Operating Budget total. This increase is primarily due to the Police officer additions in Public Safety, bargaining unit salary schedule adjustments as a result of competitive wage studies, and modest increases to utility costs in the Parks, Water, and Wastewater systems. It's also important to note that FY'16 was the first fiscal year that was reflective of the relatively large annexation that was approved by voters in November of 2014. The annexation effectively has added almost 5% to the population and size of the

City, which causes both revenues and expenditures to go up as Public Safety and other departments serve a larger City.

The timing of staffing additions in Public Safety last year and this year is coincidental to the annexation and more due to results of the 2014 Public Safety performance audit. Over time both revenues and expenditures will increase if the City's size and population increases so in a growing City such as Grants Pass, increases are due to both growth in the size of the City and inflation. In the last two years, growth in the budget is more reflective of growth in the size and population of the City.

In terms of budget changes that relate to previous years, the Department of Public Safety had one minor budget reorganization two years ago. Starting in FY'15, the Street Lighting division was moved from Public Safety to the Transportation/Street Utility Fund and a new division, Sobering Center, was added to Public Safety to accomplish one of the City Council's highest ranked Strategic Plan objectives for that year. The General Fund's revenues still support the Street Lighting division like it has in the past by transferring resources to the Street Utility Fund. The City's Public Safety divisions, as presented in the budget, are now the Police Division, Fire Rescue Division, Support Division, the Crisis Support Services Division, and the newest division Sobering Center. Also in FY'17, budgeted contractual services expenditures in the Crisis Support Services Division have increased by approximately \$50,000 to accommodate a potential service partnership with the nonprofit Hearts With A Mission that is about to open a youth shelter facility this summer in Grants Pass.

Josephine County's criminal justice system in recent years has been unable to provide services to the City's Public Safety Department at a level that our Police Division requires in order to operate effectively. In response the County's service level, the City entered into a one-year contract with the County in each of the last three fiscal years for the exclusive rental of up 28-30 jail beds in the County's adult jail. With the operational efficiencies and success of this contract in the first three years, the City extended a similar contract into FY'17. The contracted is funded through a temporary Jail Services Utility Fee. This temporary funding mechanism has been in place since FY'15. Operating cost increases for the General Fund, General Program Operations will show an increase of nearly \$1 million per year starting in FY'14 due to this contract.

Finally, the Jo-Gro Wastewater division was closed down in the middle of FY'14. Therefore, beginning in FY'15 there will be no Jo-Gro division financial activity and instead higher contractual expenditures in the Wastewater Treatment division to account for shipping the solids from the treatment process to the landfill.

Staffing Levels

With a growing City, the same level of service often requires additional staffing in certain years to keep up with the workload. This year, there are staffing additions in Public Safety and Engineering due to the increasing work demands in these areas. Thanks in part to

growth in the City and the annexation approved by voters in November of 2014; the City's General Fund will maintain a well balanced budget while providing the resources for certain staffing additions in Public Safety. Staffing increases in Public Safety can be managed through the FY'17 budget and through the term of the current Public Safety levy without changing the City's tax rates. The two additional police officer positions will also complete the first amount of staffing recommendations made as a result of the comprehensive 2014 Public Safety Performance Audit and Operational Plan.

Increases to staffing levels were only considered if necessary to maintain service levels to the City. This year, staffing additions have been funded to maintain service levels in Public Safety, Engineering, and some very small increases to hours worked for some part-time staffing in other operating divisions. Similar to previous years, this year's budget continues to show a number of approved but unfunded staff positions that mostly date back to staffing reductions that took place between 2008 and 2011. Unfunded positions allow the City to more quickly react to demand for additional services throughout the year if additional funding and staffing levels are approved by the City Council in the middle of a fiscal year. The single addition to FTE in the Engineering division in this budget is an example of a position that was formerly approved but unfunded, and is now funded again due to the level of work required in that division in coming years.

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. In three years from now this bond will be paid in full, the bond levy will go away, and all else equal the non-utility governmental operations of the City will be debt free at that time. These facilities will provide more effective and efficient Public Safety services to our community for decades to come. These facilities help provide the critical tools necessary to achieve emergency response times that meet national standards throughout the City. This project, along with the historic approval of Public Safety Local Option Levies to provide for annual operations, 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'15 property tax rate for City residents was unchanged for this budget period. The permanent property tax rate of \$4.1335 cannot be increased under current State law and for the next two years the local option levy of \$1.79 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 almost 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. As with previous years, General Fund resources, in addition to property taxes, must be directed to Public Safety programs to continue the current level of services. Without redirecting approximately \$0.9 million of General Fund resources to Public Safety functions, there would have been cuts roughly equivalent to at least three police officer or firefighter equivalent positions from the Adopted FY'17 Public Safety staffing levels.

With the desire to ensure effectiveness and efficiencies in Public Safety operations, the City Council in FY'14 approved a PAVE (Performance Audit, Visioning and Enhancement Committee) project for all of Public Safety. Managed by the Council's PAVE Committee, the project provided a comprehensive analysis of the City's Public Safety operations today. This study and resulting prioritized recommendations, operations plan, became the basis for some high priority City Work Plan items. FY'16 two Police Officers, one Sergeant and two Dispatch positions were added and for FY'17 the two additional Police Officer positions budgeted in Public Safety for the FY'17 budget.

The primary near-term budgetary and operational consideration for the Grants Pass Department of Public Safety will be to consider alternatives to the temporary local option Public Safety levy and to evaluate the City's interaction with the County's criminal justice system. While the levy is in place and able to provide funding for the City's Public Safety divisions through Fiscal 2018, there is a renewed desire to consider alternatives to this funding mechanism. Any major changes to funding sources for City Public Safety will take some time for proper evaluation.

The City's Police division relies heavily on the Josephine County criminal justice system as do the rest of the Public Safety agencies in Josephine County. Any change in County Criminal justice funding and service levels will have a direct effect on the City's ongoing Public Safety planning efforts. As of the date of this letter, Federal Funding used to support Josephine County's criminal justice programs has expired and the County's justice programs are facing significant additional cuts to services starting in the summer of 2017. This may have a detrimental impact on City operations, communities' quality of life, and economic development.

Parks & Community Development Department Remains Busy

Development divisions such as Building Services and Planning Services continue to budget for increasing levels of activity, but still not approaching the levels seen prior to the national and regional building recession seen between 2009 and 2012. The City has realized a significant increase in development activity in the last few years. Both residential and commercial development activity has picked up significantly. Based on the numbers of new applications and pre-application meetings, this higher level of activity is expected to continue into FY'17.

Engineering, a division of the Parks & Community Development Department, has an adopted budget that includes funding for an additional engineering technician position in the FY'17

budget. The new position will help maintain GIS records specific to various Public Works systems and will also provide some engineering services specific to the higher amounts of internal Public Works capital projects ongoing this year and in coming years. There are slightly more capital project resources available to the City's Transportation, Water, and Wastewater systems to tackle the long list of City infrastructure replacement plans and other new infrastructure projects. Like most other medium sized and larger Cities, maintaining and replacing aging infrastructure will be a big focus in this budget and for many years to come and there is a much higher need for internal engineering related services.

The Building and Safety Division wisely maintained restricted reserves from prior years and is thus able to manage the lower revenues from permit activity without requesting any support from the General Fund. Prompt actions such as changes to staffing levels when the building recession hit 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 even more. In the current year, Building revenues are on track to be more than 200% above budget and therefore Building will increase its restricted fund balance by a significant amount in the current year. Currently, this division of the Community Development department remains with only two full-time funded employees and uses contractors to help meet both fluctuating and increasing service demands. If there came a time where one of the unfunded positions in Building or another division needed to be filled to maintain service levels, the City Council could easily vote to fill and fund the position as needed if the timing of the need fell outside the normal annual budget process.

Financial policies incorporated into the Budget

The FY'17 budget has a General Fund contingency of \$2,000,000 excluding Building's restricted resources / requirements, which is about 8% of the annual General Fund operating budget and slightly in excess of the typical 5% General Fund operating expenditure budget to allow the Council the flexibility to respond to unplanned service or other emergencies during the year. For example, the County's Criminal Justice services that the City relies on have been cut back significantly in the last four years due to funding challenges at the County level. This larger contingency should provide Council with the resources to deal with emergencies in combination with contingencies available in other funds.

In the case of the Water, Wastewater and most internal service funds their entire ending fund balances are placed into the contingency category to give the City the highest amount of flexibility to use the funds as needed to respond to emergencies or other unplanned needs. A slightly higher amount allocated to the contingency category provides the City with additional financial flexibility throughout the year and doesn't imply higher planned spending throughout the year.

General and other City Fund contingencies are used to measure the adequacy of a fund's beginning and ending fund balance as shown in the budget to ensure each of the funds are meeting the City's internal financial policy requirements. Contingency is a designation of

ending fund balance or planned carryover balances into the following fiscal year, but can be used in the case of an emergency or unplanned need. 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. In fact, during the budget process the City never plans to spend any of the balances allocated and appropriated in the contingency category.

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 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.

Financial policy updates that went into effect four years ago also included the policy revision that governmental operations should 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. Previous to recent years, the utilities were 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 utility fee/rate changes in the future. For this reason, all resources in excess of the utility's financial policies recommended minimum 25% contingency balance are being transferred to the utility's capital projects fund each year.

CHALLENGES AHEAD

Public Safety challenges and General Fund fiscal health

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. 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.

One of the higher priority work plan items for the next year is to study the feasibility of a new Fire District to serve the Fire Rescue emergency service needs of Grants Pass. Fire and emergency services in Oregon are more commonly provided by special service districts rather than consolidated within the general fund of a municipality. And the need for both Police and Fire Rescue services is constant so there are some advantages to having a

permanent district provide those services rather than fund the services through temporary local option levies. If the planned 2016 feasibility study finds that a Fire District would work well for the City of Grants Pass, ultimately the voters of the City would have to approve a ballot measure for the formation of the district. In that scenario, City Fire Rescue Staff would likely transfer over to the new district and there would likely be minimal changes to services or total tax rates for these services as compared to amounts and service levels in place today.

As previously stated, Public Safety services are directly affected by the County's level of Criminal Justice Services. The County's federal funding continues to decline and the smaller amounts the County is expected to receive from federal sources in the next year is again not sufficient to provide adequate jail services, District Attorney, rural patrol nor is it sufficient to reopen the County's Juvenile Justice shelter and detention facility. The County has cut back criminal justice program services significantly during 2012 as a result of lower federal funding levels and the County residents turned down a property tax levy in each of the last four years 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 continue to affect the City's Public Safety department in a significant way.

The good news is that the planned and projected drawdown of General Fund's balance in FY'16 and FY'17 is lower than the drawdown amount planned when the City set the amount for the current Public Safety levy in 2013. Excluding some discretionary funding from the General Fund budgeted to be transferred to the highest priority transportation and general governmental capital projects this year, General Fund operations are not drawing on General Fund reserves in FY'17 as long as the typical amount of budgetary savings are turned back to the general fund (average 3% to 6% of budgeted operating expenditures for the General Fund each year). This is due to reliable revenues, increases in total property tax assessed values slightly higher than original projections, and mostly due to cost controls and Staff successfully controlling budgeted expenditures in Public Safety and other departments. Using historical savings amount, the General Fund's ending balance at the end of FY'17 should be about 38% to 40% of annual operating expenditures, well within the City's internal Financial Policy range of 30% to 40%.

Staffing and financial resources for an expanding Park System

One of the highest needs in the parks system of the City is additional soccer fields as discussed when the City completed its Parks Master Plan a few years ago. Design is nearing completion on a soccer complex that would be located next to Allendale Elementary on property both owned by the school district and the City on both sides of Allen Creek near the school. In order to make this complex a reality, significant private fundraising efforts or public-private partnerships will have to be further developed for both purposes of building the complex and maintaining the complex in the future. We are at a point in Park maintenance where additional infrastructure may require an additional FTE or increase contract services.

Utility Infrastructure

Significant upgrades to utility infrastructure are ahead for all the City's utility systems. In the last two years, the City officially began planning for the replacement of the aging Water Treatment Plant facility. The facility is the sole source of water for most of the City and for long-term cost effectiveness and other reasons; the new water plant will be built at a new location within approximately a half of a mile from the current water plant (final site still to be determined). Part of the challenge was that upgrades that are needed at the old Water Plant today can't proceed without significant investments in the seismic protection built into the facility (under current commercial building codes). And the old plant would have a limited lifetime even if these significant and costly improvements were made.

There is an expansion necessary to the Wastewater Restoration Plant on the short-term horizon and routine maintenance and upgrades to an aging Water, Wastewater, Street, and Water infrastructure systems are necessary regardless of the level of growth in the community. The next phase of the Wastewater Plant expansion will likely move forward beginning in FY'17. 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. Due to many years in the past of not collecting enough resources to replace aging infrastructure, utility rates will need to be reviewed and adjusted on a regular basis to keep up with the City's infrastructure needs without relying too heavily on costly long-term borrowing. The City is a highly rated bond issuer, but even low bond interest rates in today's low interest environment add significant costs to utility capital projects over time.

The City's PAVE Committee facilitates rotating performance audits and operational planning reports for various City departments and divisions. In 2014, a comprehensive review of all Public Safety divisions was performed. In 2015 the City's Water and Wastewater Utility operating divisions underwent a comprehensive review. The current plan is that in FY'17 most of the Community Development divisions will participate in the next performance audit and strategic planning project.

Personnel Services

The City is largely a service organization and therefore personnel expenditures make up the largest single share of operating expenditure categories. Personnel service's expenditures, which are comprised primarily of wages and fringe benefits, account for 55% of operating expenditures in the total City budget and 64% in the General Fund operating budget. The charts and graphs between pages 17 and 25 of this section show some more detail on the breakdown between types of revenues and expenditures of the general fund, enterprise funds, and other types of funds in this adopted budget.

Addressing PERS funding

As anticipated, employee benefit costs continue to be a large 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 originally set to occur July 1, 2013. During the 2013 session the legislature made some changes to the cost side of the system and made some changes to the rate increase cycle that essentially deferred the next potential rate increase for two more years to July 1, 2015. The City of Grants Pass assesses PERS rates to departments at a slightly different rate than the rate actually paid into the system to manage the large rate changes that can occur every two years. The change made by the legislature in 2013 will allow the City's internally billed PERS rates to stay the same through at least Fiscal 2018 in combination with the use of some of the internal PERS reserves.

December 31, 2015, was the valuation date for the next PERS rate setting cycle. Because the PERS investment portfolio earned less than assumed returns in calendar 2015, the actuarial unfunded liability will be even higher for this rate setting cycle. This translates into a near certainty that there will be a significant PERS rate increase on July 1, 2017 or beginning in Fiscal Year 2018. As PERS is a hot topic for almost all public agencies in Oregon, City Staff developed a PERS section for the budget book two years ago for the Public, the Budget Committee, and the Council to see more closely how PERS rates affect the City's operating budgets and the basics on how the PERS system works. More details on how the City is using the PERS reserve to manage coming rate increases can be found in this section located right before the appendix section.

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 seven years, with most 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.

In FY'14 and FY'15 the City was originally facing significant annual increase to health insurance premiums for calendar year 2014 and 2015. The City's health insurance agent, in combination with annually working with the City's Health Insurance Committee (staffed by management and union representatives), was able to negotiate the rate changes down, and within budget parameters, to slightly less 7% increases. For the 2016 calendar year, the City was able to negotiate a rate hold for the main plan due to better medical cost experience for all participants on average in the last year. There was also small increase of close to 3% for

the Teamsters health insurance plan, so for the FY'16 budget health insurance costs are well under budget.

The typical experience in the City and most other major public and private businesses is an average annual rate increase of a little less than 10% each year in the last decade. In recent years, plan changes have been made and Staff has worked hard with the City's agent to target changes to rates that are more affordable and sustainable. In the future budget periods, presented in this budget, rate increases of 10% per calendar year have been factored in for periods after calendar 2016 in order to prepare for potential continued increases in the cost of medical services and the resulting health insurance premium increases. Like in past years, City Staff and the City's insurance agent will work hard to make sure the plans are affordable and sustainable by shopping out the plan to other providers and considering plan changes if needed.

Negotiating with labor organizations

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 in the last three years.

Some salary schedule changes have been made to keep the City's compensation levels competitive with market salaries for these specific positions. The City's wage and salary schedules must be competitive with the market in order to recruit and retain high quality professional employees.

In the next year, the City will be negotiating with at least three of the four unions/bargaining groups for the full contract. The unions/bargaining groups include GPEA (Grants Pass Employees Association), GPPA (Grants Pass Police Association), IAFF (International Association of Firefighters), and the Teamsters Local Union. Full contract discussions are now underway with GPPA and will be underway soon with Teamsters and GPEA.

While changes to salary schedules have been within nationally reported inflation figures in recent years, costs impacting all union negotiations are the rising costs of PERS rates and health insurance rates. During periods where PERS rates are rising, costs for each employee group are rising an estimated 2% to 3% on average each year even before a cost of living adjustment or market adjustment is considered for salary schedules. As these increases to PERS rates and health insurance rates are expected to continue many years into the future, wage negotiations that affect future costs will need to factor in PERS and health insurance rate considerations. The personnel budgets for FY'17 and the projected FY'18 year presented in this budget book factor in the potential for market adjustments (to keep up with inflation and the market for similar positions). In summary, salary schedule adjustments, 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.

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. We must also ensure total operational costs per capita don't increase faster than acceptable inflation rates and must keep a well balanced budget that doesn't sacrifice service levels our citizens' demand.

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. Staff is embracing changes to systems and the PAVE process in order to provide services to our citizens in the most effective and efficient manner. As an example, Public Works is embarking on a construction procurement process that hasn't been done before in Grants Pass for any large capital project. The wastewater plant expansion is expected to move forward under a design-build model where the same firm both designs and builds the expansion. This typically saves time and money compared to the traditional capital project process and we'll use this in preparation for the building of the new Water Treatment Plant in coming years.

The knowledge and years of experience of our employees will continue to help Grants Pass succeed. Through this budget, we are recognizing the needs of today and 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 budgeted financial resources to make measurable progress toward achieving those goals.

Throughout the narrative pages of the operating divisions presented in this budget, you will see a uniform format of presenting some of these 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. You will see examples of the City's Strategic Plan and resulting Work Plan items in the narrative text of operating divisions for specific goals and objectives that will be the responsibility of that department or division.

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 today's economic and County environments. There continues to be a need for 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 replacement and upgrade needs. In the intermediate-term, major upgrades are necessary to both the Water Treatment Plant and the Wastewater Restoration Plant. We will 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. Where appropriate, we must study alternative service delivery methods to make sure the City's services are competitive, effective, and efficient.

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 budget document. I am particularly grateful to Jay Meredith, Finance Director and 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.

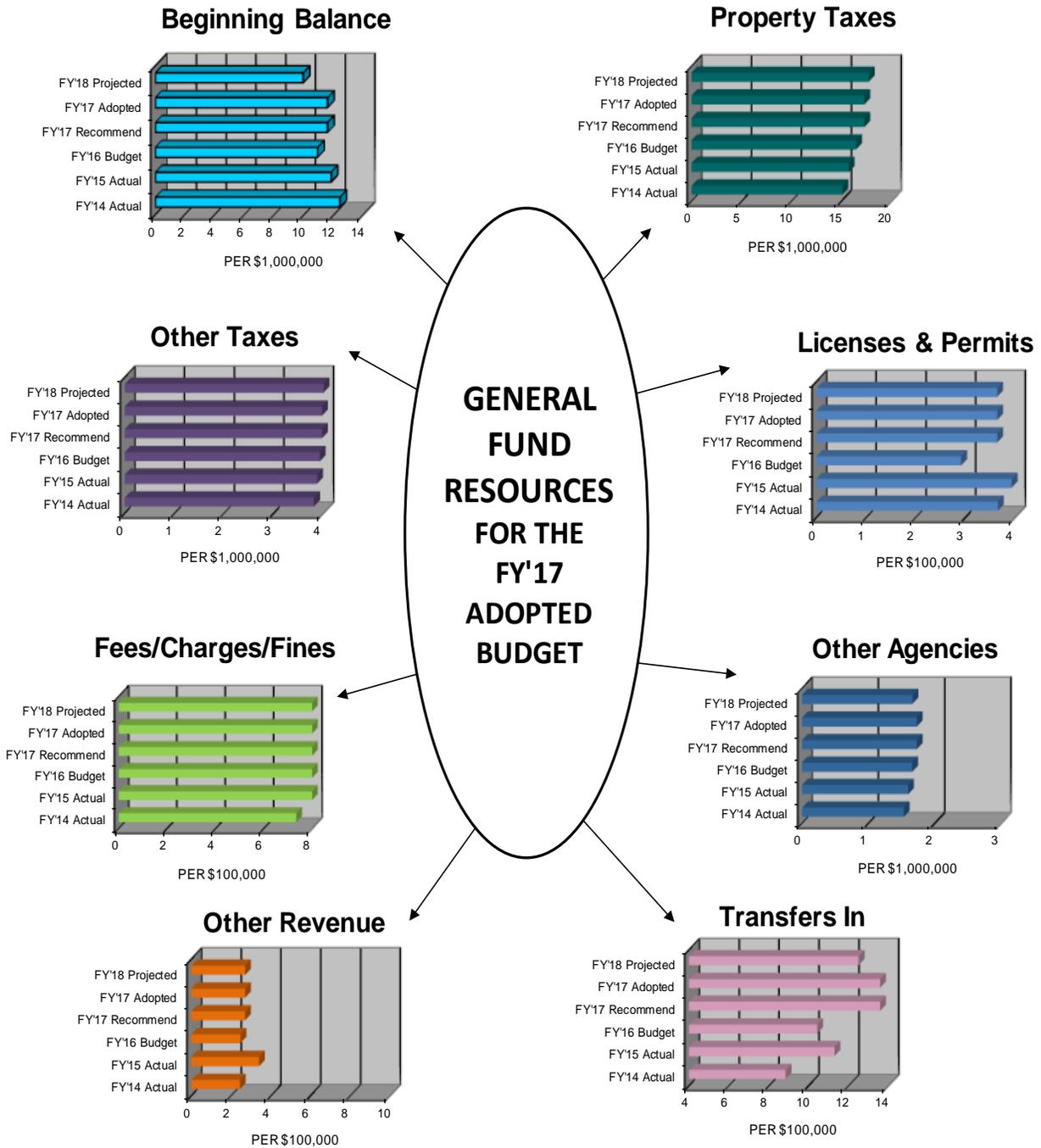
Respectfully submitted,



Aaron K. Cubic, City Manager

Quick Facts

<u>Adopted FY'17</u>	<u>Operating & Other</u>
<u>Where The Money Comes From:</u>	
Property taxes	\$ 18,441,315
Business taxes	276,700
Transient room taxes	1,464,200
Franchise fees	3,091,830
Other governments	6,652,193
Licenses and permits	376,000
User fees and charges	25,374,165
Fee in lieu of franchise	600,000
System development charges	617,000
All other revenues	7,796,403
Carryover/beginning balance	<u>49,225,162</u>
Total Resources	\$ <u>113,914,968</u>
Transfers in	14,763,600
<u>Where The Money Goes:</u>	
Personnel services	\$ 25,149,191
Materials and supplies	2,199,292
Contractual services	13,728,235
Direct charges for services	2,816,301
Capital outlay	39,858,036
Indirect charges	3,454,400
Debt service	3,740,583
Contingencies/reserves	9,499,040
Un-appropriated ending balance	<u>13,469,890</u>
Total Requirements	\$ <u>113,914,968</u>
Transfers out	14,763,600
<u>Other Facts:</u>	
Permanent staffing (funded full time equivalencies)	229.375
Temporary staffing (funded full time equivalencies)	13.016
Bonded Debt outstanding (June 30, 2016 est.)	\$ 9,275,000
Property tax rate (per \$1,000 assessed value)	
Permanent rate levy	\$ 4.1335
Public safety operating levy	\$ 1.7900
Bonded debt (2016-17 estimate)	\$ 0.3866



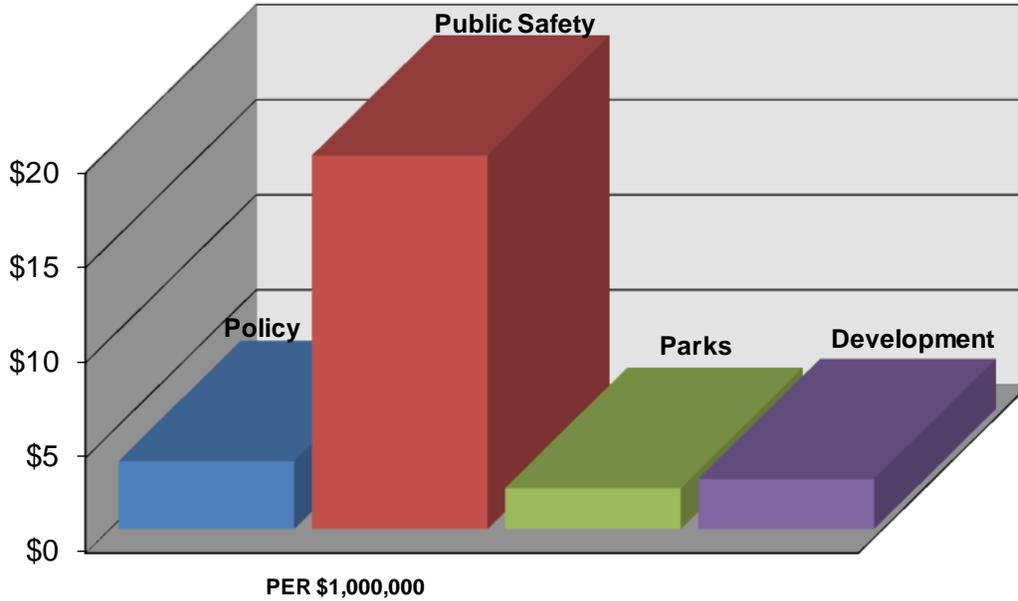
This chart shows the distribution of resources for the general fund for the FY'14 and FY'15 Actual Budgets, FY'16 Budget, FY'17 Recommended, FY'17 Adopted Budget and the FY'18 Projected Budget.

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

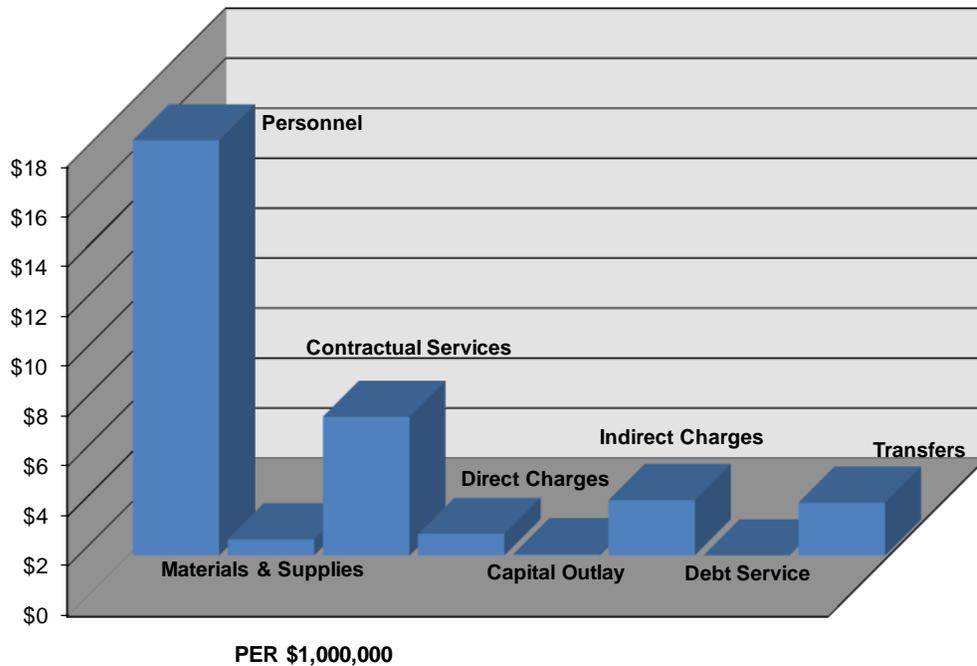
General Program Expenditures

For the Adopted FY'17 Budget

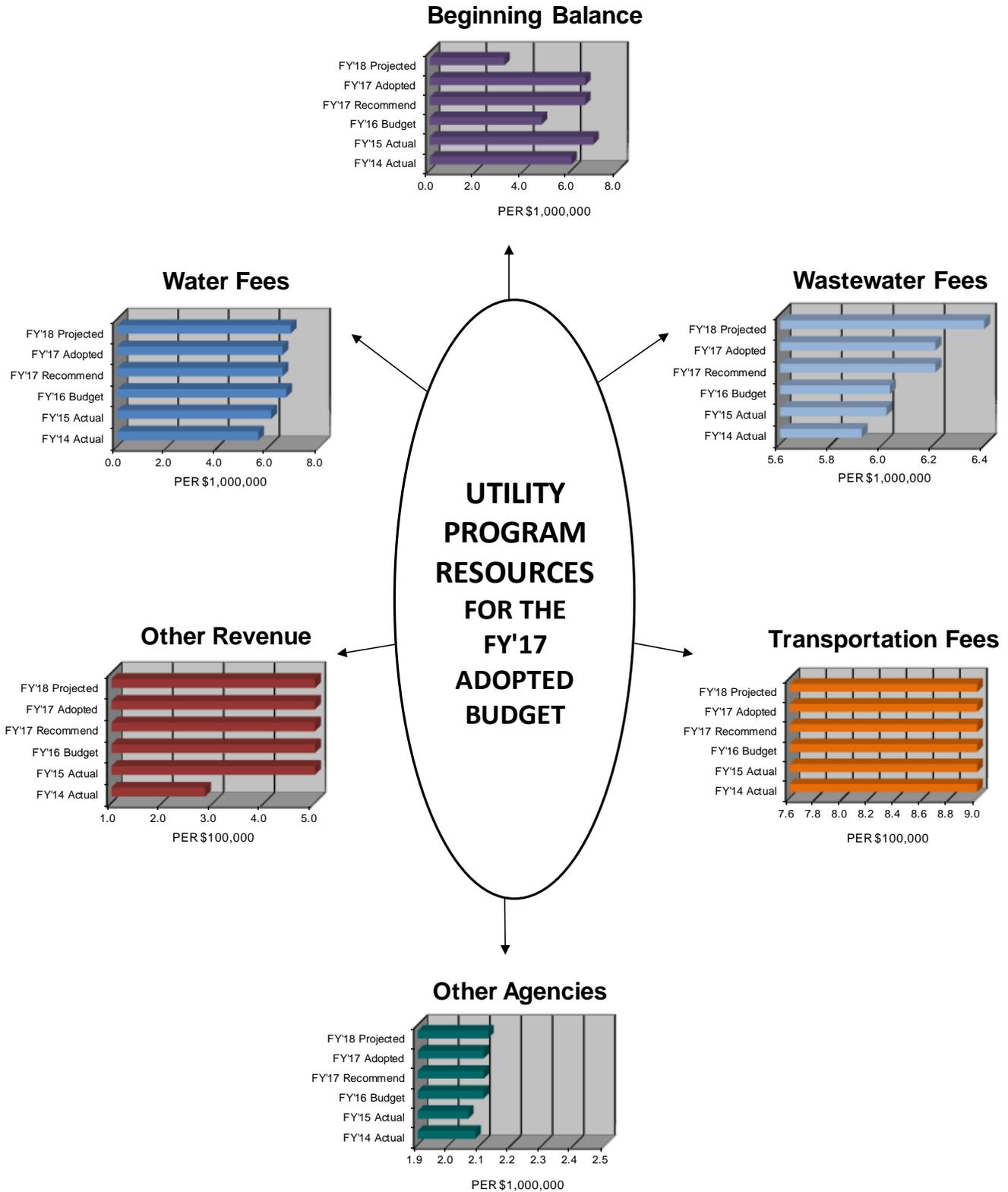
Program Expenditures



Expenditure Categories



These charts show the distribution of expenditures for each program and category of expenditures in the general operating budget for the FY'17 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.



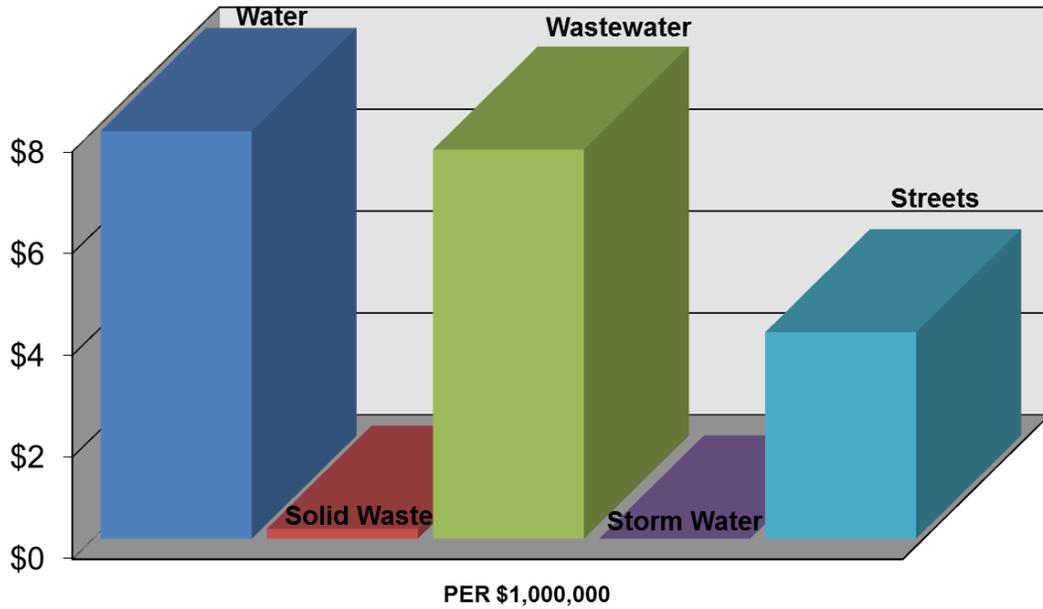
This chart shows the distribution of resources for the utility operating programs for the FY'14 and FY'15 Actual Budgets, FY'16 Budget, FY'17 Recommended, FY'17 Adopted Budget and the FY'18 Projected Budget.

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

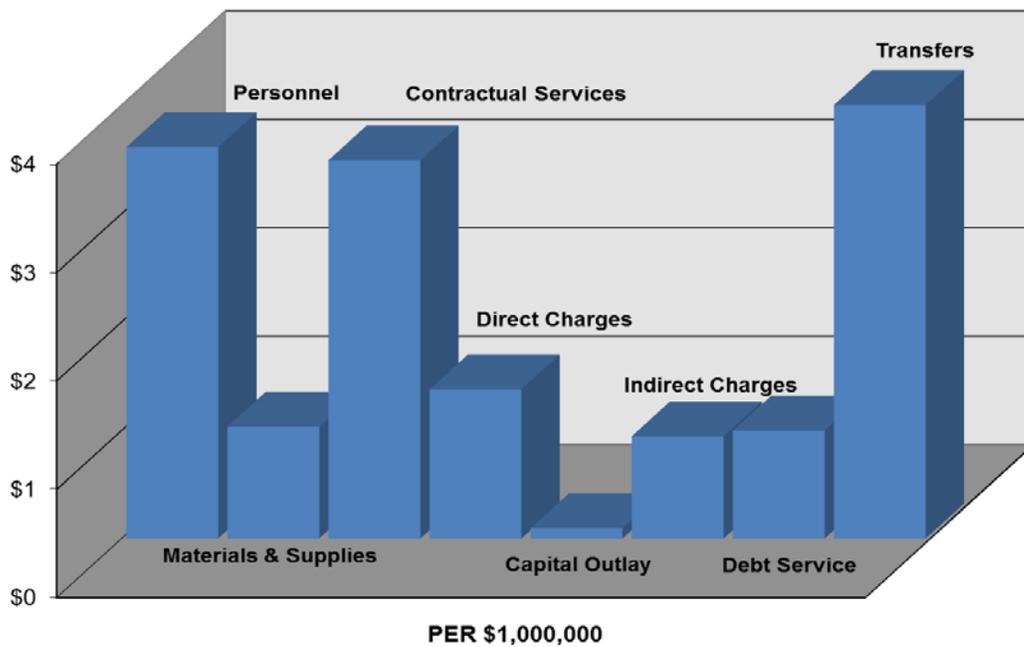
Utility Program Expenditures

For the Adopted FY'17 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'17 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 '14 \$	ACTUAL FY '15 \$	BUDGET FY'16 \$	ADOPTED BUDGET FY'17 \$	PROJECTED FY'18 \$
Designated Resources					
<i>Beginning Balance</i>	11,807,366	11,121,548	10,309,254	10,477,000	8,966,538
General Operations					
Business Taxes	276,906	275,898	275,000	276,700	276,700
Franchise Taxes	2,973,883	3,003,888	3,076,544	3,091,830	3,134,900
Fees in Lieu of Franchise	558,902	590,627	573,444	600,000	630,000
Licenses	8,915	10,875	6,940	8,200	8,200
State Rev. Sharing	333,087	345,212	358,573	350,500	357,500
State Cigarette Tax	46,823	46,662	42,524	44,400	43,200
State Liquor Tax	487,519	510,257	524,822	520,500	530,700
Other Misc.	5,339	968,752	777,000	977,000	977,000
Investment Interest	79,438	84,278	70,500	83,000	83,000
Total General Operations	4,770,812	5,836,449	5,705,347	5,952,130	6,041,200
Public Safety					
Property Taxes	15,100,860	15,745,504	16,494,350	17,312,215	17,755,988
Grants & Intergovernmental	663,897	693,436	730,784	811,300	731,300
Fees & Chg.'s for Services	214,572	152,893	131,000	131,000	131,000
Other Misc.	569,718	680,135	399,100	469,100	449,500
Total Public Safety	16,549,047	17,271,968	17,755,234	18,723,615	19,067,788
Development					
<i>Build. & Safety Beg. Bal. *</i>	564,860	605,788	505,787	995,270	914,971
Building and Safety *	509,635	605,111	391,590	505,000	505,000
Planning	88,613	115,762	77,840	82,600	82,600
<i>Economic Beg. Balance *</i>	0	41,848	0	80,300	43,450
Economic Development	121,632	156,445	144,200	183,400	168,600
<i>Tourism Beg. Balance *</i>	29,124	30,627	84,185	16,100	0
Tourism Promotion*	302,161	389,037	358,100	471,500	433,700
Downtown Development	140,371	187,252	164,610	204,450	189,650
Total Development	1,756,396	2,131,870	1,726,312	2,538,620	2,337,971
Parks					
Parks Maintenance	190,613	238,109	211,425	269,825	250,225
Aquatics	13	4,333	0	0	0
Recreation	658	659	600	600	600
Total Parks	191,284	243,101	212,025	270,425	250,825
Total General Fund	35,074,905	36,604,936	35,708,172	37,961,790	36,664,322

*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 '14 \$	ACTUAL FY '15 \$	BUDGET FY' 16 \$	ADOPTED BUDGET FY'17 \$	PROJECTED FY' 18 \$
Requirements					
Mayor and Council	216,429	213,018	291,328	286,528	274,428
General Operations					
Personnel Services	0	0	0	0	0
Contractual/Prof Svcs.	1,040,045	1,154,926	1,250,200	1,194,000	1,196,000
Direct Charges	130,995	138,928	143,040	143,040	143,040
Contingencies	0	0	2,000,000	2,000,000	2,000,000
Transfers Out	1,181,339	1,936,634	2,155,500	1,955,500	1,105,500
<i>Ending Fund Balance</i>	11,121,547	11,722,740	5,859,338	6,966,538	5,855,651
Total General Operations	13,473,926	14,953,228	11,408,078	12,259,078	10,300,191
Public Safety					
Police Division	8,489,981	8,474,105	9,789,031	10,194,721	10,647,816
Support Division	2,867,146	2,676,926	3,340,430	3,376,638	3,579,480
Fire Rescue Division	5,333,136	5,447,791	5,835,992	5,857,131	6,053,702
Crisis Support Services	42,180	42,813	44,500	95,400	96,300
Street Lighting	296,483	0	0	0	0
Sobering Center	0	130,000	130,000	130,000	130,000
Total Public Safety	17,028,926	16,771,635	19,139,953	19,653,890	20,507,298
Development					
Building and Safety *	468,707	463,630	897,377	1,500,270	1,419,971
<i>Build. & Safety End. Bal. *</i>	605,788	747,270	0	0	0
Planning	684,830	671,500	834,211	830,566	844,925
Economic Development	79,785	123,414	176,769	220,250	224,108
<i>Economic End. Balance*</i>	41,848	74,878	0	43,450	0
Tourism Promotion*	302,161	389,038	358,100	519,298	395,335
<i>Tourism End. Balance*</i>	29,124	30,626	84,185	25,050	348
Downtown Development	367,406	379,662	416,514	460,629	470,992
Total Development	2,579,649	2,880,018	2,767,156	3,599,513	3,355,679
Parks					
Parks Maintenance	1,537,225	1,553,997	1,820,939	1,882,117	1,942,651
Aquatics	101,984	89,521	125,418	122,359	124,415
Recreation	136,766	143,519	155,300	158,305	159,660
Total Parks	1,775,975	1,787,037	2,101,657	2,162,781	2,226,726
Total General Fund	35,074,905	36,604,936	35,708,172	37,961,790	36,664,322

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

**Additional information on changes in ending fund balance can be found in Appendix G & H.

Summary of Requirements by Fund and Activity

	ACTUAL FY'14	ACTUAL FY'15	BUDGET FY'16	RECOMMEND BUDGET FY'17	COMMITTEE APPROVED FY'17	COUNCIL ADOPTED FY'17	PROJECTED FY'18
General Fund							
Mayor and Council	216,429	213,018	291,328	286,528	286,528	286,528	274,428
Development							
Planning	684,830	671,500	834,211	830,566	830,566	830,566	844,925
Building and Safety	1,074,495	1,210,900	897,377	1,500,270	1,500,270	1,500,270	1,419,971
Economic Development	121,633	198,292	176,769	263,700	263,700	263,700	224,108
Tourism Promotion	367,406	379,662	416,514	460,629	460,629	460,629	470,992
Downtown Development	331,285	419,664	442,285	544,348	544,348	544,348	395,683
Total Development	2,579,649	2,880,018	2,767,156	3,599,513	3,599,513	3,599,513	3,355,679
Parks							
Parks Maintenance	1,537,225	1,553,997	1,820,939	1,882,117	1,882,117	1,882,117	1,942,651
Aquatics	101,984	89,521	125,418	122,359	122,359	122,359	124,415
Recreation	136,766	143,519	155,300	158,305	158,305	158,305	159,660
Total Parks	1,775,975	1,787,037	2,101,657	2,162,781	2,162,781	2,162,781	2,226,726
Public Safety							
Police Division	8,489,981	8,474,105	9,789,031	10,194,721	10,194,721	10,194,721	10,647,816
Support Division	2,867,146	2,676,926	3,340,430	3,376,638	3,376,638	3,376,638	3,579,480
Fire Rescue Division	5,333,136	5,447,791	5,835,992	5,857,131	5,857,131	5,857,131	6,053,702
Crisis Support Services	42,180	42,813	44,500	95,400	95,400	95,400	96,300
Street Lighting	296,483	0	0	0	0	0	0
Sobering Center	0	130,000	130,000	130,000	130,000	130,000	130,000
Total Public Safety	17,028,926	16,771,635	19,139,953	19,653,890	19,653,890	19,653,890	20,507,298
General Program Operations	13,473,925	14,953,228	11,408,078	12,259,078	12,259,078	12,259,078	10,300,191
Total General Fund	35,074,903	36,604,935	35,708,172	37,961,790	37,961,790	37,961,790	36,664,322
Management Services	635,483	629,096	706,313	701,222	701,222	701,222	706,214
Administrative Services	1,467,088	1,541,383	1,738,814	1,717,435	1,717,435	1,717,435	1,736,404
Legal Services	232,924	243,288	310,271	313,576	313,576	313,576	314,204
Human Resources	455,578	462,769	505,104	501,279	501,279	501,279	516,672
General Program Operations	1,489,314	1,636,307	1,045,423	1,336,371	1,336,371	1,336,371	1,272,210
Total Administrative Fund	4,280,387	4,512,843	4,305,925	4,569,883	4,569,883	4,569,883	4,545,704
Transient Room Tax	1,111,789	1,306,074	1,254,500	1,632,700	1,632,700	1,632,700	1,506,500
Community Dev Block Grant	812,512	511,138	520,448	400,000	400,000	400,000	300,000
Housing & Economic Dev.	933,851	942,153	990,284	949,100	949,100	949,100	481,950
Total Special Revenue Funds	2,858,152	2,759,365	2,765,232	2,981,800	2,981,800	2,981,800	2,288,450
Debt Service - General Obligation	1,100,695	1,128,094	1,151,600	1,185,100	1,185,100	1,185,100	1,219,600
Debt Service - Bancroft	194,380	279,771	759,480	2,183,350	2,183,350	2,183,350	675,350
Total Debt Service Funds	1,295,075	1,407,865	1,911,080	3,368,450	3,368,450	3,368,450	1,894,950
Lands & Buildings Projects	5,481,643	7,636,475	11,041,432	13,383,701	13,383,701	13,383,701	3,489,219
Total Construction Funds	5,481,643	7,636,475	11,041,432	13,383,701	13,383,701	13,383,701	3,489,219
Environmental Waste Fees Fund	281,683	306,829	281,000	341,050	341,050	341,050	348,497
Agency Fund	199,320	196,790	204,318	225,790	225,790	225,790	210,290
Total Agency Funds	481,003	503,619	485,318	566,840	566,840	566,840	558,787

Summary of Requirements by Fund and Activity

	ACTUAL	ACTUAL	BUDGET	RECOMMEND	COMMITTEE	COUNCIL	
	FY'14	FY'15	FY'16	BUDGET	APPROVED	ADOPTED	PROJECTED
	FY'14	FY'15	FY'16	FY'17	FY'17	FY'17	FY'18
Water Treatment	1,559,211	1,610,237	1,698,880	1,744,726	1,744,726	1,744,726	1,756,359
Water Distribution	1,057,044	1,048,482	1,357,191	1,428,495	1,428,495	1,428,495	1,383,296
Customer Service	369,228	357,147	367,361	395,277	395,277	395,277	404,387
Debt Service	506,624	504,165	507,170	504,420	504,420	504,420	506,520
General Program Operations	4,983,143	5,963,299	4,940,438	5,056,363	5,056,363	5,056,363	3,967,228
Water Debt Reserve Fund	0	0	0	0	0	0	0
Water Construction Projects	6,301,838	5,481,384	7,053,468	9,255,007	9,255,007	9,255,007	2,886,947
Total Water Fund	14,777,088	14,964,714	15,924,508	18,384,288	18,384,288	18,384,288	10,904,737
Wastewater Collection	642,128	657,933	797,981	840,052	840,052	840,052	786,786
Wastewater Treatment	1,765,760	1,972,334	2,308,712	2,306,465	2,306,465	2,306,465	2,331,716
Jo-Gro	461,440	0	0	0	0	0	0
Customer Service	389,727	384,360	418,989	457,928	457,928	457,928	468,174
Debt Service	939,362	940,090	933,713	491,063	491,063	491,063	486,063
General Program Operations	3,961,586	4,749,251	3,372,036	4,662,839	4,662,839	4,662,839	3,468,550
Wastewater Debt Reserve Fund	0	0	0	0	0	0	0
Wastewater Construction	4,898,568	6,858,827	6,098,896	8,422,689	8,422,689	8,422,689	3,049,962
Total Wastewater Fund	13,058,571	15,562,795	13,930,327	17,181,036	17,181,036	17,181,036	10,591,251
Solid Waste Field Operations	12,974	22,707	37,370	34,821	34,821	34,821	35,431
Post Closure Operations	22,494	56,070	155,890	156,340	156,340	156,340	156,340
General Program Operations	198,102	220,485	221,803	236,432	236,432	236,432	250,601
Solid Waste Construction	1,392,860	1,456,877	1,467,848	1,506,754	1,506,754	1,506,754	1,482,754
Total Solid Waste Fund	1,626,430	1,756,139	1,882,911	1,934,347	1,934,347	1,934,347	1,925,126
Street & Drainage Maintenance	1,118,521	1,227,748	1,351,069	1,367,340	1,367,340	1,367,340	1,459,629
Customer Service	168,834	168,924	179,866	200,851	200,851	200,851	208,446
General Program Operations	2,596,264	2,500,025	2,179,991	2,804,602	2,804,602	2,804,602	2,129,971
Street Lighting	0	304,034	385,500	385,500	385,500	385,500	385,500
Transportation Projects	11,322,577	11,005,418	12,475,201	7,499,327	7,499,327	7,499,327	3,575,218
Total Streets Utility Fund	15,206,196	15,206,149	16,571,627	12,257,620	12,257,620	12,257,620	7,758,764
Storm Water Maintenance	0	0	0	0	0	0	0
Customer Service	0	0	0	0	0	0	0
General Program Operations	10,563	146,205	0	0	0	0	0
Stormwater & Open Space Projects	631,303	556,847	407,310	305,558	305,558	305,558	161,290
Total Storm Water Utility Fund	641,866	703,052	407,310	305,558	305,558	305,558	161,290
Community Develop. Mgmt.	1,292,766	1,224,613	1,165,449	1,175,137	1,175,137	1,175,137	1,136,864
Engineering Services	994,021	1,231,368	1,125,308	1,424,621	1,424,621	1,424,621	1,209,019
Property Management Svc's	871,597	968,168	952,244	999,123	999,123	999,123	952,244
Information Technology	851,432	874,438	850,592	1,080,728	1,080,728	1,080,728	1,160,826
Garage Services	1,168,663	1,239,801	1,700,713	1,553,932	1,553,932	1,553,932	1,019,951
Equipment Replacement Svc's	4,424,355	4,639,239	3,840,283	4,141,422	4,141,422	4,141,422	3,341,644
Insurance	4,632,456	4,839,019	5,280,373	5,408,292	5,408,292	5,408,292	5,351,097
Total Support Services Funds	14,235,290	15,016,646	14,914,962	15,783,255	15,783,255	15,783,255	14,171,645
Total All Funds	109,016,604	116,634,597	119,848,804	128,678,568	128,678,568	128,678,568	94,954,245

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2018 Projected										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	958,421	707,069	0	1,104,363	1,121,639	232,832	4,124,324
Current Revenues										
Property Taxes	0	17,755,988	0	0	0	0	0	0	0	17,755,988
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	355,300	10,000	0	0	0	2,500	367,800
Fines & Forfeitures	0	131,000	0	10,000	0	0	0	0	0	141,000
Revenue From Other Agencies	0	731,300	3,600	0	2,109,865	0	0	0	15,000	2,859,765
Use of Assets	0	0	0	3,000	3,500	0	10,000	10,500	700	27,700
Fees & Charges	0	41,650	0	237,700	963,612	0	6,850,240	6,395,150	156,340	14,644,692
Other Revenue	0	153,950	22,325	2,650	4,000	0	41,187	6,000	30,000	260,112
Direct Charges for Service	0	0	0	0	0	0	12,000	8,000	0	20,000
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	253,900	224,900	770,900	385,500	0	0	0	5,000	1,640,200
Total Current Revenues	0	19,067,788	250,825	1,379,550	3,476,477	0	6,913,427	6,419,650	209,540	37,717,257
Total Prog. Gen. Res.	0	19,067,788	250,825	2,337,971	4,183,546	0	8,017,790	7,541,289	442,372	41,841,581
General Support Resources										
Beginning Balance	10,574,619	1,439,510	1,975,901	1,017,708	0	0	0	0	0	15,007,738
Total Resources	10,574,619	20,507,298	2,226,726	3,355,679	4,183,546	0	8,017,790	7,541,289	442,372	56,849,319
General Support Resources										
Beginning Balance	8,966,538									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,411,600									
Fees in Lieu of Franchise	630,000									
Licenses & Permits	8,200									
Fines & Forfeitures	0									
Revenue From Other Agencies	931,400									
Use of Assets	83,000									
Fees & Charges	972,000									
Other Revenue	5,000									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	6,041,200									
Total General Support Resources	15,007,738									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2018 Projected										
	Policy & Legis.	Public Safety	Parks	Development	Transportation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	15,836,874	680,510	959,293	787,996	0	1,521,396	1,376,587	18,854	21,181,510
Materials and Supplies	24,000	395,675	145,000	37,350	79,720	0	528,627	408,670	6,400	1,625,442
Contractual Services	1,375,500	2,365,885	1,015,466	836,280	1,025,117	0	1,015,107	1,298,785	102,255	9,034,395
Direct Charges for Services	188,968	46,864	174,050	459,755	411,425	0	431,762	505,634	49,962	2,268,420
Capital Outlay	0	18,000	9,000	0	0	0	70,000	22,000	0	119,000
Indirect Charges	25,000	1,844,000	202,700	229,800	192,000	0	367,000	371,000	17,900	3,249,400
Operating Expenditures	1,613,468	20,507,298	2,226,726	2,522,478	2,496,258	0	3,933,892	3,982,676	195,371	37,478,167
Other Requirements										
Debt Service	0	0	0	0	0	0	506,520	486,063	0	992,583
Transfers Out	1,105,500	0	0	5,000	965,000	0	2,500,000	2,400,000	0	6,975,500
Total Other Expenditures	1,105,500	0	0	5,000	965,000	0	3,006,520	2,886,063	0	7,968,083
Contingencies	2,000,000	0	0	828,201	722,288	0	1,077,378	672,550	247,001	5,547,418
Ending Balance	5,855,651	0	0	0	0	0	0	0	0	5,855,651
Total Requirements	10,574,619	20,507,298	2,226,726	3,355,679	4,183,546	0	8,017,790	7,541,289	442,372	56,849,319

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2017 Adopted										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	1,091,670	1,310,749	0	2,535,517	2,528,197	218,053	7,684,186
Current Revenues										
Property Taxes	0	17,312,215	0	0	0	0	0	0	0	17,312,215
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	355,300	10,000	0	0	0	2,500	367,800
Fines & Forfeitures	0	131,000	0	10,000	0	0	0	0	0	141,000
Revenue From Other Agencies	0	811,300	3,600	0	2,095,643	0	0	0	15,000	2,925,543
Use of Assets	0	0	0	3,000	3,000	0	10,000	11,500	700	28,200
Fees & Charges	0	41,650	0	237,700	949,401	0	6,531,714	6,204,650	156,340	14,121,455
Other Revenue	0	153,950	22,325	2,650	4,000	0	41,050	6,000	30,000	259,975
Direct Charges for Service	0	0	0	0	0	0	11,000	8,000	0	19,000
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	273,500	244,500	838,300	385,500	0	0	0	5,000	1,746,800
Total Current Revenues	0	18,723,615	270,425	1,446,950	3,447,544	0	6,593,764	6,230,150	209,540	36,921,988
Total Prog. Gen. Res.	0	18,723,615	270,425	2,538,620	4,758,293	0	9,129,281	8,758,347	427,593	44,606,174
General Support Resources	12,545,606	930,275	1,892,356	1,060,893	0	0	0	0	0	16,429,130
Total Resources	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304
General Support Resources										
Beginning Balance	10,477,000									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,368,530									
Fees in Lieu of Franchise	600,000									
Licenses & Permits	8,200									
Fines & Forfeitures	0									
Revenue From Other Agencies	915,400									
Use of Assets	83,000									
Fees & Charges	972,000									
Other Revenue	5,000									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	5,952,130									
Total General Support Resources	16,429,130									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2017 Adopted										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	15,044,025	636,166	931,715	701,983	0	1,502,011	1,387,287	18,208	20,221,395
Materials and Supplies	25,000	438,103	144,875	37,350	78,412	0	550,177	397,930	6,450	1,678,297
Contractual Services	1,383,500	2,321,498	1,003,866	834,769	1,017,763	0	1,032,588	1,335,937	102,241	9,032,162
Direct Charges for Services	188,968	45,864	171,974	455,558	406,066	0	423,922	496,291	49,962	2,238,605
Capital Outlay	0	38,000	9,000	0	0	0	82,500	12,000	0	141,500
Indirect Charges	26,100	1,766,400	196,900	226,700	182,000	0	369,300	372,900	17,900	3,158,200
Operating Expenditures	1,623,568	19,653,890	2,162,781	2,486,092	2,386,224	0	3,960,498	4,002,345	194,761	36,470,159
Other Requirements										
Debt Service	0	0	0	0	0	0	504,420	491,063	0	995,483
Transfers Out	1,955,500	0	0	155,000	1,665,000	0	3,560,000	3,143,300	0	10,478,800
Total Other Expenditures	1,955,500	0	0	155,000	1,665,000	0	4,064,420	3,634,363	0	11,474,283
Contingencies	2,000,000	0	0	914,971	707,069	0	1,104,363	1,121,639	232,832	6,080,874
Ending Balance	6,966,538	0	0	43,450	0	0	0	0	0	7,009,988
Total Requirements	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2017 Approved										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	1,091,670	1,310,749	0	2,535,517	2,528,197	218,053	7,684,186
Current Revenues										
Property Taxes	0	17,312,215	0	0	0	0	0	0	0	17,312,215
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	355,300	10,000	0	0	0	2,500	367,800
Fines & Forfeitures	0	131,000	0	10,000	0	0	0	0	0	141,000
Revenue From Other Agencies	0	811,300	3,600	0	2,095,643	0	0	0	15,000	2,925,543
Use of Assets	0	0	0	3,000	3,000	0	10,000	11,500	700	28,200
Fees & Charges	0	41,650	0	237,700	949,401	0	6,531,714	6,204,650	156,340	14,121,455
Other Revenue	0	153,950	22,325	2,650	4,000	0	41,050	6,000	30,000	259,975
Direct Charges for Service	0	0	0	0	0	0	11,000	8,000	0	19,000
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	273,500	244,500	838,300	385,500	0	0	0	5,000	1,746,800
Total Current Revenues	0	18,723,615	270,425	1,446,950	3,447,544	0	6,593,764	6,230,150	209,540	36,921,988
Total Prog. Gen. Res.	0	18,723,615	270,425	2,538,620	4,758,293	0	9,129,281	8,758,347	427,593	44,606,174
General Support Resources	12,545,606	930,275	1,892,356	1,060,893	0	0	0	0	0	16,429,130
Total Resources	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304
General Support Resources										
Beginning Balance	10,477,000									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,368,530									
Fees in Lieu of Franchise	600,000									
Licenses & Permits	8,200									
Fines & Forfeitures	0									
Revenue From Other Agencies	915,400									
Use of Assets	83,000									
Fees & Charges	972,000									
Other Revenue	5,000									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	5,952,130 *									
Total General Support Resource	16,429,130									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2017 Approved										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	15,044,025	636,166	931,715	701,983	0	1,502,011	1,387,287	18,208	20,221,395
Materials and Supplies	25,000	438,103	144,875	37,350	78,412	0	550,177	397,930	6,450	1,678,297
Contractual Services	1,383,500	2,321,498	1,003,866	834,769	1,017,763	0	1,032,588	1,335,937	102,241	9,032,162
Direct Charges for Services	188,968	45,864	171,974	455,558	406,066	0	423,922	496,291	49,962	2,238,605
Capital Outlay	0	38,000	9,000	0	0	0	82,500	12,000	0	141,500
Indirect Charges	26,100	1,766,400	196,900	226,700	182,000	0	369,300	372,900	17,900	3,158,200
Operating Expenditures	1,623,568	19,653,890	2,162,781	2,486,092	2,386,224	0	3,960,498	4,002,345	194,761	36,470,159
Other Requirements										
Debt Service	0	0	0	0	0	0	504,420	491,063	0	995,483
Transfers Out	1,955,500	0	0	155,000	1,665,000	0	3,560,000	3,143,300	0	10,478,800
Total Other Expenditures	1,955,500	0	0	155,000	1,665,000	0	4,064,420	3,634,363	0	11,474,283
Contingencies	2,000,000	0	0	914,971	707,069	0	1,104,363	1,121,639	232,832	6,080,874
Ending Balance	6,966,538	0	0	43,450	0	0	0	0	0	7,009,988
Total Requirements	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2017 Recommended										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	1,091,670	1,310,749	0	2,535,517	2,528,197	218,053	7,684,186
Current Revenues										
Property Taxes	0	17,312,215	0	0	0	0	0	0	0	17,312,215
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	355,300	10,000	0	0	0	2,500	367,800
Fines & Forfeitures	0	131,000	0	10,000	0	0	0	0	0	141,000
Revenue From Other Agencies	0	811,300	3,600	0	2,095,643	0	0	0	15,000	2,925,543
Use of Assets	0	0	0	3,000	3,000	0	10,000	11,500	700	28,200
Fees & Charges	0	41,650	0	237,700	949,401	0	6,531,714	6,204,650	156,340	14,121,455
Other Revenue	0	153,950	22,325	2,650	4,000	0	41,050	6,000	30,000	259,975
Direct Charges for Service	0	0	0	0	0	0	11,000	8,000	0	19,000
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	273,500	244,500	838,300	385,500	0	0	0	5,000	1,746,800
Total Current Revenues	0	18,723,615	270,425	1,446,950	3,447,544	0	6,593,764	6,230,150	209,540	36,921,988
Total Prog. Gen. Res.	0	18,723,615	270,425	2,538,620	4,758,293	0	9,129,281	8,758,347	427,593	44,606,174
General Support Resources	12,545,606	930,275	1,892,356	1,060,893	0	0	0	0	0	16,429,130
Total Resources	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304
General Support Resources										
Beginning Balance	10,477,000									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,368,530									
Fees in Lieu of Franchise	600,000									
Licenses & Permits	8,200									
Fines & Forfeitures	0									
Revenue From Other Agencies	915,400									
Use of Assets	83,000									
Fees & Charges	972,000									
Other Revenue	5,000									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	5,952,130 *									
Total General Support Resources	16,429,130									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2017 Recommended										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	15,044,025	636,166	931,715	701,983	0	1,502,011	1,387,287	18,208	20,221,395
Materials and Supplies	25,000	438,103	144,875	37,350	78,412	0	550,177	397,930	6,450	1,678,297
Contractual Services	1,383,500	2,321,498	1,003,866	834,769	1,017,763	0	1,032,588	1,335,937	102,241	9,032,162
Direct Charges for Services	188,968	45,864	171,974	455,558	406,066	0	423,922	496,291	49,962	2,238,605
Capital Outlay	0	38,000	9,000	0	0	0	82,500	12,000	0	141,500
Indirect Charges	26,100	1,766,400	196,900	226,700	182,000	0	369,300	372,900	17,900	3,158,200
Operating Expenditures	1,623,568	19,653,890	2,162,781	2,486,092	2,386,224	0	3,960,498	4,002,345	194,761	36,470,159
Other Requirements										
Debt Service	0	0	0	0	0	0	504,420	491,063	0	995,483
Transfers Out	1,955,500	0	0	155,000	1,665,000	0	3,560,000	3,143,300	0	10,478,800
Total Other Expenditures	1,955,500	0	0	155,000	1,665,000	0	4,064,420	3,634,363	0	11,474,283
Contingencies	2,000,000	0	0	914,971	707,069	0	1,104,363	1,121,639	232,832	6,080,874
Ending Balance	6,966,538	0	0	43,450	0	0	0	0	0	7,009,988
Total Requirements	12,545,606	19,653,890	2,162,781	3,599,513	4,758,293	0	9,129,281	8,758,347	427,593	61,035,304

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2016 Budget										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	589,972	662,426	0	2,136,390	1,738,431	208,823	5,336,042
Current Revenues										
Property Taxes	0	16,494,350	0	0	0	0	0	0	0	16,494,350
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	284,020	10,000	0	0	0	2,500	296,520
Fines & Forfeitures	0	131,000	0	10,000	0	0	0	0	0	141,000
Revenue From Other Agencies	0	730,784	3,600	0	2,095,600	0	0	0	15,000	2,844,984
Use of Assets	0	0	0	2,250	3,500	0	12,000	11,500	650	29,900
Fees & Charges	0	40,450	0	196,020	935,400	0	6,674,750	6,027,600	155,890	14,030,110
Other Revenue	0	143,950	22,725	2,550	4,000	0	36,900	42,000	27,200	279,325
Direct Charges for Service	0	0	0	0	0	0	11,000	11,900	0	22,900
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	214,700	185,700	641,500	385,500	0	0	0	5,000	1,432,400
Total Current Revenues	0	17,755,234	212,025	1,136,340	3,434,000	0	6,734,650	6,093,000	206,240	35,571,489
Total Prog. Gen. Res.	0	17,755,234	212,025	1,726,312	4,096,426	0	8,871,040	7,831,431	415,063	40,907,531
General Support Resources										
Beginning Balance	11,699,406	1,384,719	1,889,632	1,040,844	0	0	0	0	0	16,014,601
Total Resources	11,699,406	19,139,953	2,101,657	2,767,156	4,096,426	0	8,871,040	7,831,431	415,063	56,922,132
General Support Resources										
Beginning Balance	10,309,254									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,351,544									
Fees in Lieu of Franchise	573,444									
Licenses & Permits	6,940									
Fines & Forfeitures	0									
Revenue From Other Agencies	925,919									
Use of Assets	70,500									
Fees & Charges	772,000									
Other Revenue	5,000									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	5,705,347	*								
Total General Support Resources	16,014,601									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2016 Budget										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	14,713,670	632,096	932,105	723,501	0	1,537,584	1,343,561	18,962	19,901,479
Materials and Supplies	25,400	476,011	137,250	36,450	74,462	0	483,127	387,180	6,420	1,626,300
Contractual Services	1,443,200	2,146,730	963,325	754,744	979,338	0	966,524	1,347,536	103,366	8,704,763
Direct Charges for Services	188,968	41,589	168,981	434,786	383,192	0	396,922	458,055	50,312	2,122,805
Capital Outlay	0	38,000	9,000	0	0	0	61,500	13,400	0	121,900
Indirect Charges	27,000	1,723,953	191,005	211,906	177,300	0	354,710	373,640	17,950	3,077,464
Operating Expenditures	1,684,568	19,139,953	2,101,657	2,369,991	2,337,793	0	3,800,367	3,923,372	197,010	35,554,711
Other Requirements										
Debt Service	0	0	0	0	0	0	507,170	933,713	0	1,440,883
Transfers Out	2,155,500	0	0	30,000	1,310,000	0	3,413,000	1,719,000	0	8,627,500
Total Other Expenditures	2,155,500	0	0	30,000	1,310,000	0	3,920,170	2,652,713	0	10,068,383
Contingencies	2,000,000	0	0	342,115	448,633	0	1,150,503	1,255,346	218,053	5,414,650
Ending Balance	5,859,338	0	0	25,050	0	0	0	0	0	5,884,388
Total Requirements	11,699,406	19,139,953	2,101,657	2,767,156	4,096,426	0	8,871,040	7,831,431	415,063	56,922,132

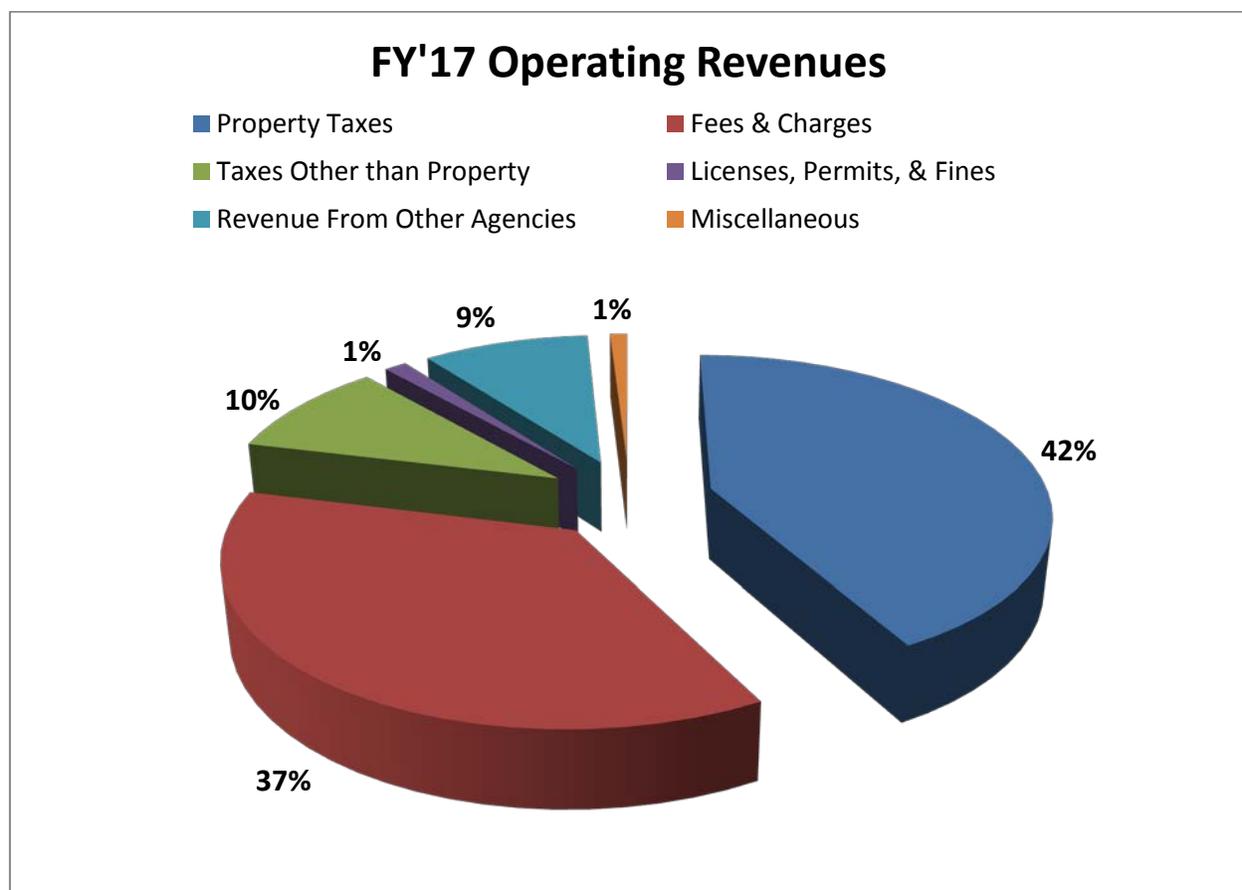
Operating Budget Summary of Resources by Program & Source for Fiscal Year 2015 Actual										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Program Generated Resources										
Beginning Balance	0	0	0	678,263	890,671	10,563	3,332,586	2,567,749	136,979	7,616,811
Current Revenues										
Property Taxes	0	15,745,504	0	0	0	0	0	0	0	15,745,504
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	381,823	9,354	0	0	0	880	392,057
Fines & Forfeitures	0	152,893	0	9,916	0	0	0	0	0	162,809
Revenue From Other Agencies	0	693,436	3,600	0	2,045,959	0	0	0	15,000	2,757,995
Use of Assets	0	0	0	2,966	3,823	0	15,965	20,441	1,117	44,312
Fees & Charges	0	263,065	0	350,837	921,151	0	6,078,399	6,014,517	115,896	13,743,865
Other Revenue	0	186,598	38,029	12,304	25,739	0	49,792	92,119	24,390	428,971
Direct Charges for Service	0	0	0	0	0	0	6,588	9,142	0	15,730
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	230,472	201,472	695,760	304,034	135,642	0	0	5,000	1,572,380
Total Current Revenues	0	17,271,968	243,101	1,453,606	3,310,060	135,642	6,150,744	6,136,219	162,283	34,863,623
Total Prog. Gen. Res.	0	17,271,968	243,101	2,131,869	4,200,731	146,205	9,483,330	8,703,968	299,262	42,480,434
General Support Resources										
Beginning Balance	15,166,246	(500,333)	1,543,936	748,148	0	0	0	0	0	16,957,997
Total Resources	15,166,246	16,771,635	1,787,037	2,880,017	4,200,731	146,205	9,483,330	8,703,968	299,262	59,438,431
General Support Resources										
Beginning Balance	11,121,548									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,279,786									
Fees in Lieu of Franchise	590,627									
Licenses & Permits	10,875									
Fines & Forfeitures	0									
Revenue From Other Agencies	902,131									
Use of Assets	84,278									
Fees & Charges	952,721									
Other Revenue	16,031									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	5,836,449	*								
Total General Support Resources	16,957,997									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2015 Actual										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	13,066,514	551,969	793,332	612,444	0	1,227,865	1,108,408	17,248	17,377,780
Materials and Supplies	14,819	329,514	118,332	26,948	87,373	0	468,716	314,156	4,468	1,364,326
Contractual Services	1,286,924	1,881,235	813,883	617,078	867,306	0	868,429	1,168,437	70,994	7,574,286
Direct Charges for Services	185,764	16,204	139,893	361,678	376,466	0	386,398	422,133	10,154	1,898,690
Capital Outlay	0	0	1,849	969	0	0	69,538	11,395	11,837	95,588
Indirect Charges	19,365	1,478,168	161,111	177,079	163,362	0	307,665	317,958	11,397	2,636,105
Operating Expenditures	1,506,872	16,771,635	1,787,037	1,977,084	2,106,951	0	3,328,611	3,342,487	126,098	30,946,775
Other Requirements										
Debt Service	0	0	0	0	0	146,205	504,165	940,090	0	1,590,460
Transfers Out	1,936,634	0	0	5,000	733,066	0	2,224,177	1,782,392	0	6,681,269
Total Other Expenditures	1,936,634	0	0	5,000	733,066	146,205	2,728,342	2,722,482	0	8,271,729
Contingencies	0	0	0	0	0	0	0	0	0	0
Ending Balance	11,722,740	0	0	897,933	1,360,714	0	3,426,377	2,638,999	173,164	20,219,927
Total Requirements	15,166,246	16,771,635	1,787,037	2,880,017	4,200,731	146,205	9,483,330	8,703,968	299,262	59,438,431

Operating Budget Summary of Resources by Program & Source for Fiscal Year 2014 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	593,984	891,013	10,563	2,819,749	2,169,629	113,579	6,598,517
Current Revenues										
Property Taxes	0	15,100,860	0	0	0	0	0	0	0	15,100,860
Taxes Other than Property	0	0	0	0	0	0	0	0	0	0
Licenses & Permits	0	0	0	355,882	8,715	0	0	0	2,720	367,317
Fines & Forfeitures	0	214,572	0	9,351	0	0	0	0	0	223,923
Revenue From Other Agencies	0	663,896	3,600	0	2,073,419	0	0	0	11,000	2,751,915
Use of Assets	0	0	0	3,283	4,483	0	15,269	26,002	918	49,955
Fees & Charges	0	263,592	0	247,154	901,729	0	5,570,929	5,917,306	79,753	12,980,463
Other Revenue	0	115,627	32,175	8,567	4,260	0	58,074	34,989	20,600	274,292
Direct Charges for Service	0	0	0	0	0	0	11,025	12,077	0	23,102
Unspent Contingency	0	0	0	0	0	0	0	0	0	0
Transfers In	0	190,499	155,509	538,174	0	0	204	0	5,000	889,386
Total Current Revenues	0	16,549,046	191,284	1,162,411	2,992,606	0	5,655,501	5,990,374	119,991	32,661,213
Total Prog. Gen. Res.	0	16,549,046	191,284	1,756,395	3,883,619	10,563	8,475,250	8,160,003	233,570	39,259,730
General Support Resources	13,690,354	479,880	1,584,691	823,253	0	0	0	0	0	16,578,178
Total Resources	13,690,354	17,028,926	1,775,975	2,579,648	3,883,619	10,563	8,475,250	8,160,003	233,570	55,837,908
General Support Resources										
Beginning Balance	11,807,366									
Current Revenues										
Property Taxes	0									
Taxes Other than Property	3,250,789									
Fees in Lieu of Franchise	558,902									
Licenses & Permits	8,915									
Fines & Forfeitures	0									
Revenue From Other Agencies	867,429									
Use of Assets	79,438									
Fees & Charges	0									
Other Revenue	5,339									
Loan Repayment	0									
Unspent Contingency	0									
Transfers In	0									
Total Current Revenues	4,770,812	*								
Total General Support Resources	16,578,178									
* Detail for these resources can be found in Appendix K										
Operating Budget Summary of Requirements by Program & Major Object for Fiscal Year 2014 Actual										
	Policy & Legis.	Public Safety	Parks	Develop-ment	Trans- portation	Storm Water	Water	Wastewater	Solid Waste	Total
Personnel Services	0	13,190,079	573,640	892,664	561,162	0	1,227,188	1,216,643	10,560	17,671,936
Materials and Supplies	13,047	309,144	120,994	39,685	65,631	0	432,162	372,632	1,869	1,355,164
Contractual Services	1,179,396	1,991,741	770,690	449,777	519,418	0	888,960	1,256,361	51,529	7,107,872
Direct Charges for Services	159,958	21,570	137,161	340,789	375,328	0	392,390	427,172	23,108	1,877,476
Capital Outlay	0	0	12,292	1,197	10,000	0	53,225	558	744	78,016
Indirect Charges	35,067	1,516,392	161,198	172,273	153,170	0	309,115	345,526	8,781	2,701,522
Operating Expenditures	1,387,468	17,028,926	1,775,975	1,896,385	1,684,709	0	3,303,040	3,618,892	96,591	30,791,986
Other Requirements										
Debt Service	0	0	0	0	801	0	506,624	939,362	0	1,446,787
Transfers Out	1,181,339	0	0	5,000	1,307,438	0	1,333,000	1,034,000	0	4,860,777
Total Other Expenditures	1,181,339	0	0	5,000	1,308,239	0	1,839,624	1,973,362	0	6,307,564
Contingencies	0	0	0	0	0	0	0	0	0	0
Ending Balance	11,121,547	0	0	678,263	890,671	10,563	3,332,586	2,567,749	136,979	18,738,358
Total Requirements	13,690,354	17,028,926	1,775,975	2,579,648	3,883,619	10,563	8,475,250	8,160,003	233,570	55,837,908

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

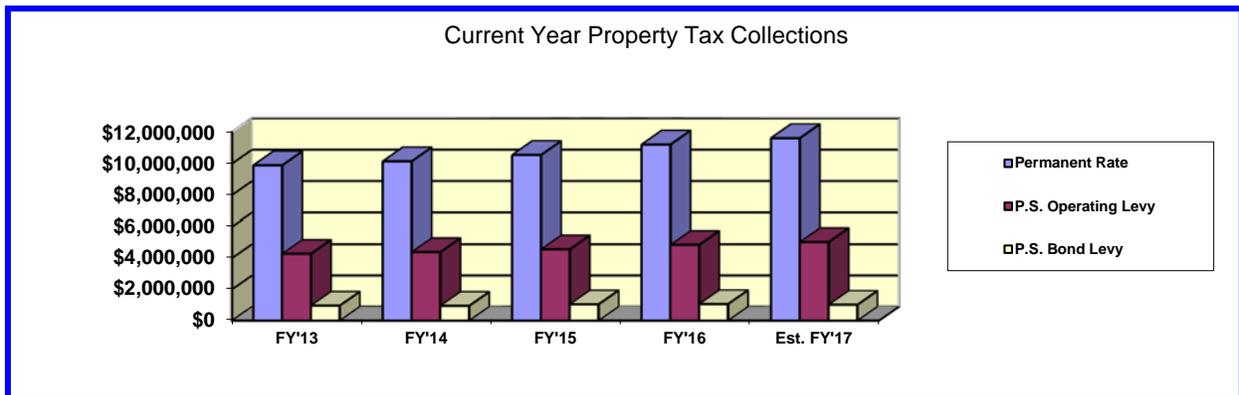
The compilation of this one-year operating budget and second year budget projection reflects the key revenue sources outlined below. At the end of this “Key Revenue Details” section is a recap of major revenues and the basis of estimate used.

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’17 budget close to 88% 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.

In November of 2013 the levy was renewed at the same rate of \$1.79 per \$1,000 of assessed valuation for a period of four years starting in FY’15 and this levy will contribute close to \$5.0 million to the Public Safety resources required for operations next year. 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 a reliance on the General Fund budgeted at \$0.93 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 similar to the rate in recent years at an estimated \$6.2850/\$1,000 assessed valuation. The permanent rate and levy rate that support Public Safety operations doesn’t change from year to year, but the bond rate for the Public Safety facilities can change slightly from year to year.



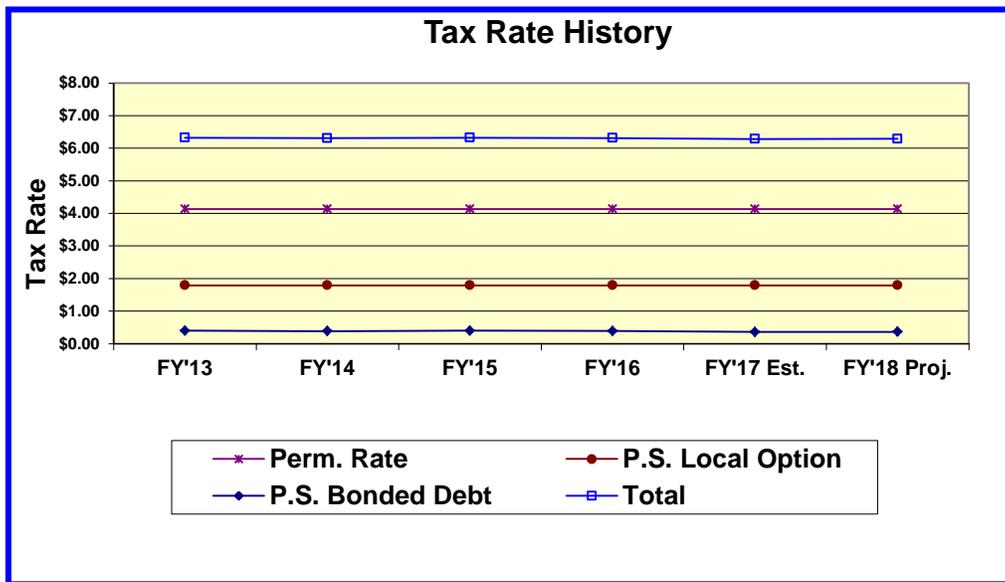
Grants Pass’ total taxable values continue to increase slightly, partially the result of moderate amounts of new construction and partially a small increase in assessed values on existing properties. Increases in assessed valuation on existing properties is generally capped at 3% per year, but due to 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 and continued 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.

Total assessed values rose approximately 6.6% in FY'16, due in part to a large annexation approved in November of 2014. FY'17 assessed values are estimated to increase about 3.7% as a result of new construction, and a modest amount of projected assessed value increases on existing properties. 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.

Property Taxes – Public Safety Local Option Levy

As noted, this budget document includes the resources that the voters authorized through passage of the Four-Year Public Safety Levy in November of 2013. The City has relied on the Public Safety Local Option Levy since 1998. The November 2013 levy renewal received overwhelming support from voters demonstrating the community's desire for quality services. Therefore, the current fiscal year budget, the FY'17 budget, and the FY'18 projection are based on the approved levy at the same rate of \$1.79 per \$1,000 of assessed value.

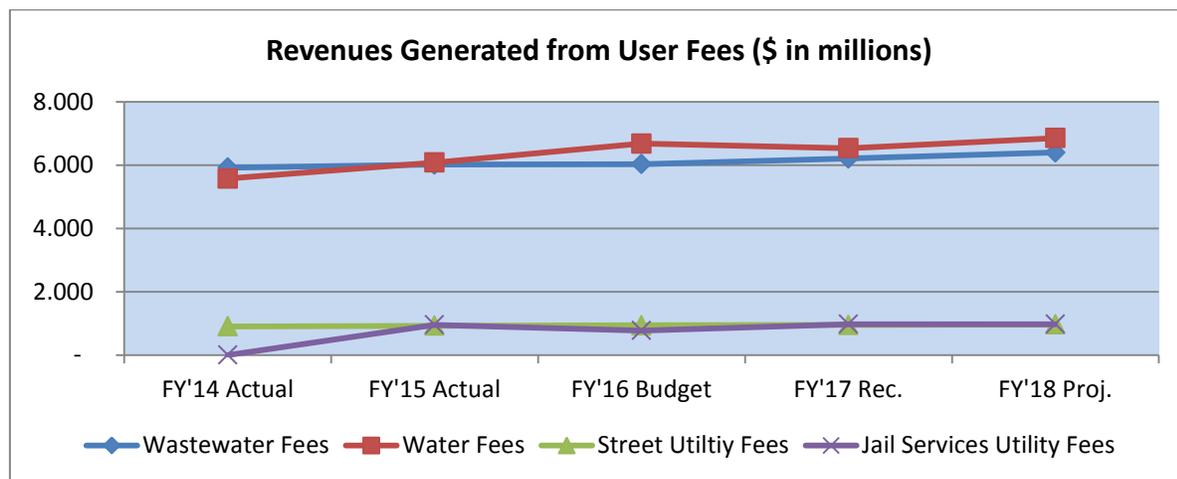


Taxes Other than Property

Franchise fees (Right of Way Privilege Taxes) received from each of the private utilities providing service to municipal residents are estimated to total \$3.09 million in FY'17 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 mostly stable or flat local economic growth

to be conservative. 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 as user rates and charges for those services increase. 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 implemented by Avista in March of this year, is the largest contributing factor to the slight increase in franchise fees for FY'17 over FY'16. Costs and revenues such as the franchise/ROW taxes both increase as the City serves a larger area and a higher population.

User Fees and Charges



Revenue estimates for Utility user fees:

	Wastewater	Water	Street	Jail Services
Actual FY'14	5,917,306	5,570,929	901,729	-
Actual FY'15	6,014,517	6,078,399	921,151	952,721
Budget FY'16	6,027,600	6,674,750	935,400	772,000
Budget FY'17	6,204,650	6,531,714	949,401	972,000
Projected FY'18	6,395,150	6,850,240	963,612	972,000

The foregoing chart reflects revenue estimates for wastewater, water, street, and the new Jail Services Utility fee that began during FY'15. Increases are largely a result of consumer price index changes applied to all of the utility rates each January 1st. Budgeted revenues for Water in FY'17 are down slightly as a result of revised usage estimates.

Revenues from Other Agencies

Revenues from other agencies are estimated to be up about \$70,000 in FY'17 and then down slightly in FY'18. The FY'17 estimated additional revenue includes an increase in School District #7 school resource officer time and an increase in the Solid Waste Agency support to Code

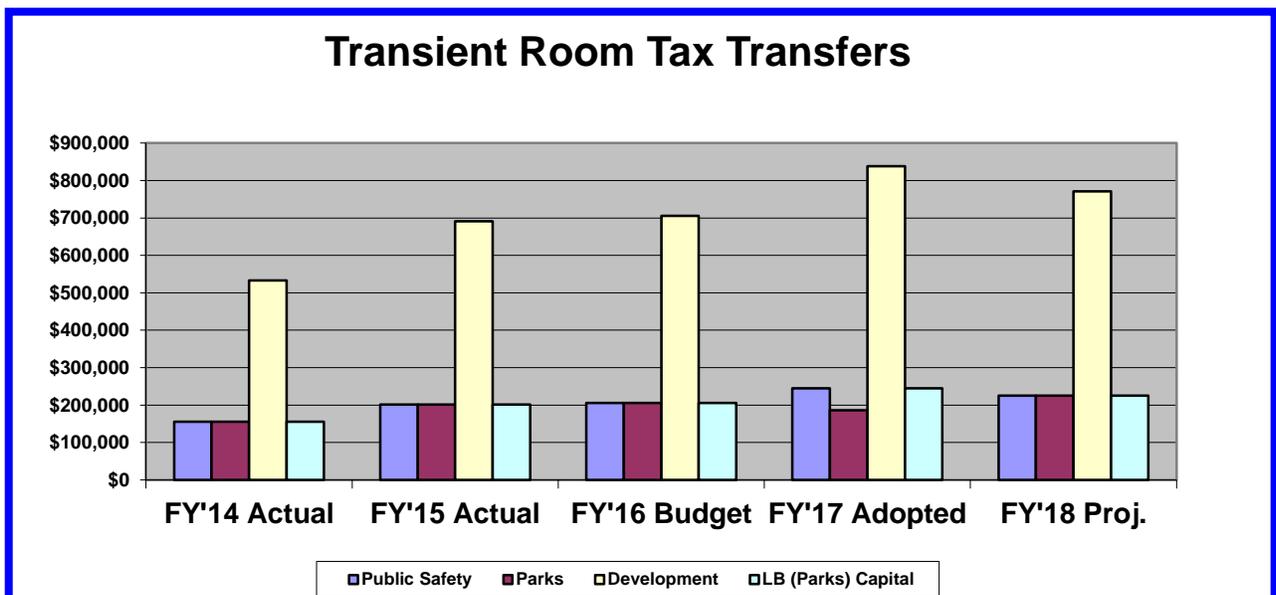
Enforcement . There are not many grants that support ongoing operations and in this budget most of the grants are related to capital projects and not operating revenues.

The largest portion of other agency revenues comes from the State of Oregon. 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 decrease slightly in FY'17 due to changes in State distribution estimates and historical trends of the City's share. State Gas Tax is projected to provide the same level of intergovernmental revenue, \$2.095 million in FY'17, for the Transportation/Streets maintenance and projects. Per capita estimates for Revenue Sharing and Gas Tax are provided by the state through the League of Oregon Cities and are considered in establishing revenue projections in addition to recent revenue trends with the State revenue sharing disbursements.

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 \$1.6 million, of which approximately \$1.3 million will be directed to operations and almost \$245,000 will be directed to Parks Capital projects. The combined total is up slightly from the FY'16 transfer budget because FY'16 revenues are estimated to exceed the current year transfer appropriations and will be carried over for one-time distributions in FY'17.

Current year transient room tax revenues have increased slightly each year for a number of years now. 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'17 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 , Collected by Josephine County and turned over to the City at least monthly	\$17,312,215	92.5%	5 year historical trends, new construction estimate from Building division together with information from Josephine County Assessor's office
General	Development	Permits & Licenses	\$284,020	24.6%	Estimated # of residential, industrial and commercial building permits issued
General	Policy & Legislation	Taxes other than Property (Right of Way, Franchise, & Business Taxes)	\$3,368,530	56.6%	Historical trends together with growth projections and rate increases/decreases approval by state. Also refer to Appendix K.
Transportation	Transportation	State Gas Tax , Collected by the State and the City receives monthly distributions	\$2,095,643	60.8%	Historical growth trends together with per capita revenue projections received from state
Transportation	Transportation	Street Utility Fees (monthly City utility bill)	\$947,401	27.5%	Current accounts plus CPI
Water	Water	User Fees & Charges (monthly City utility bill)	\$6,531,714	99.1%	Historical growth in # of accounts and utilization, together with projected housing starts
Wastewater	Wastewater	User Fees & Charges (monthly City utility bill)	\$5,997,000	98.9%	Historical growth in # of accounts together with projected housing starts

Property Tax Analysis

		<i>Actual FY'14</i>	<i>Actual FY'15</i>	<i>Budget FY'16</i>	<i>Budget FY'17</i>	<i>Projected FY'18</i>
Assessed Value-Taxable Base	(a)	\$2,624,936,968	\$2,720,898,957	\$2,901,485,719	\$3,008,359,000	\$3,088,485,000
Permanent Tax Rate *	(b)	4.1335	4.1335	4.1335	4.1335	4.1335
Anticipated Levy from Permanent Tax Rate (a) x (b) + Tax Roll Corrections	(c)	10,852,957	11,255,503	11,995,936	12,435,052	12,766,253
Public Safety Local Option Tax*	(d)	1.79	1.79	1.79	1.79	1.79
Anticipated Levy on Taxable Base from Local Option Tax (a) x (d)	(e)	4,698,638	4,870,411	5,193,661	5,384,963	5,528,388
Public Safety Estimated Debt Rate*	(f)	0.3857	0.3997	0.3900	0.3866	0.3898
Anticipated Levy for Bonded Debt	(g)	1,012,439	1,087,544	1,131,580	1,163,102	1,203,743
Total Anticipated Taxes Lines (c) + (e) + (g)	(h)	\$16,564,034	\$17,213,458	\$18,321,177	\$18,983,117	\$19,498,384

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

	<i>Tax Certification</i>	<i>Collections</i>	<i>Rate</i>
<u>FY'14 Actual</u>			
Permanent Rate Revenues	\$10,852,957	\$10,147,515	4.1335
Public Safety Operating Levy	4,698,638	4,393,227	1.7900
Public Safety Bonded Debt	1,012,439	946,630	0.3857
Total Estimated	\$16,564,034	\$15,487,372	6.3092

<u>FY'15 Actual</u>			
Permanent Rate Revenues	\$11,255,503	\$10,551,686	4.1335
Public Safety Operating Levy	4,870,411	4,569,377	1.7900
Public Safety Bonded Debt	1,087,544	1,043,381	0.3997
Total Estimated	\$17,213,458	\$16,164,444	6.3232

<u>FY'16 Budget</u>			
Permanent Rate Revenues	11,995,936	\$11,216,200	4.1335
Public Safety Operating Levy	5,193,661	4,856,073	1.7900
Public Safety Bonded Debt	1,131,580	1,058,027	0.3900
Total Estimated	\$18,321,177	\$17,130,300	6.3135

<u>FY'17 Budget</u>			
Permanent Rate Revenues	12,435,053	\$11,626,775	4.1335
Public Safety Operating Levy	5,384,963	5,034,940	1.7900
Public Safety Bonded Debt	1,163,102	1,087,500	0.3866
Total Estimated	\$18,983,118	\$17,749,215	6.3101

<u>FY'18 Projected</u>			
Permanent Rate Revenues	12,766,251	\$11,936,445	4.1335
Public Safety Operating Levy	5,528,388	5,169,043	1.7900
Public Safety Bonded Debt	1,203,743	1,125,500	0.3898
Total Estimated	\$19,498,382	\$18,230,988	6.3133

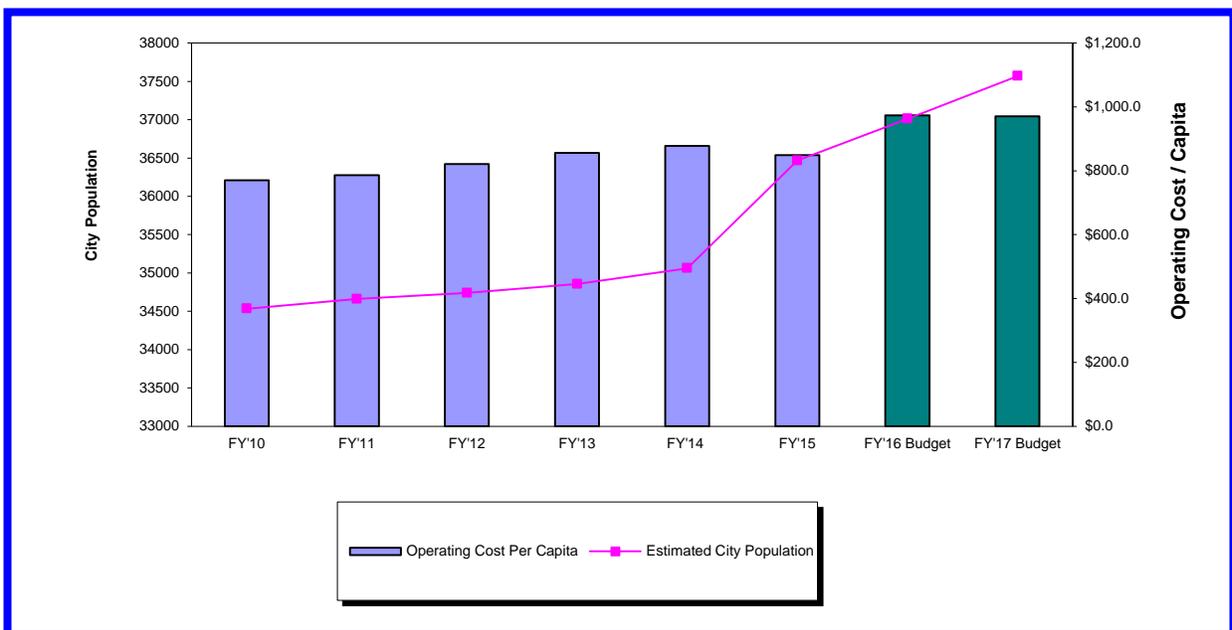
OPERATING COST TRENDS

This year’s operating expenditures are increasing by approximately \$2.6 million or 2.6% of the total revised operating budget for FY’16. The primary factors in changes include added staffing in the Public Safety Police Division, the refunding of an Engineering Technician, market study wage and salary adjustments, changes to health insurance rates, and increased utility costs in Parks and other operating divisions.

Operating costs per capita less than inflation

Due to growth in the total adopted operational budget this year in line with population increases, the increase over the years is expected to stay 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 that citizens expect.

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’16 and FY’17. Actual numbers for FY’16 and FY’17 will be below budget (as long as no contingency transfers occur) because programs cannot legally spend more than adopted budget appropriations and always come in under budget.

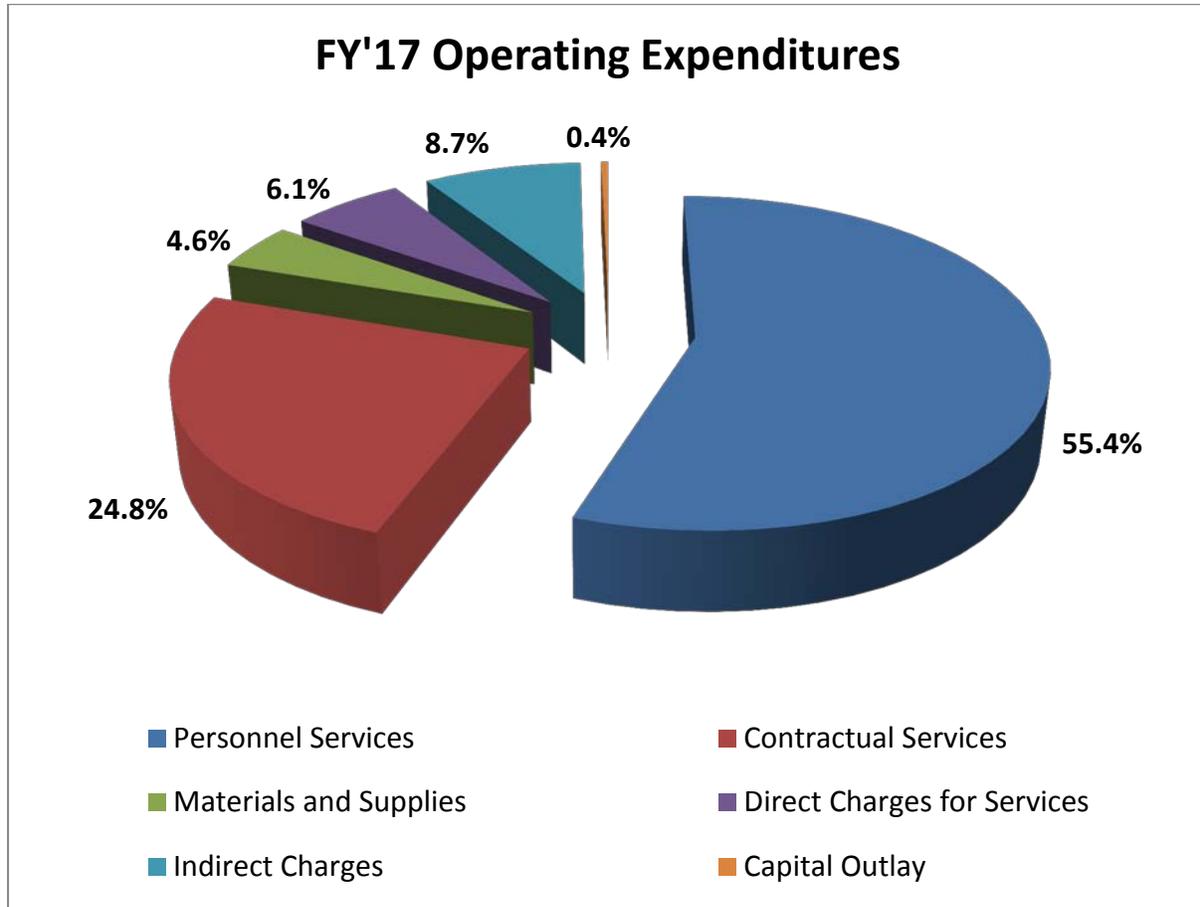


Using Fiscal 2006 as the base year, the total cost per citizen of providing all the basic City services (Police, Fire, Water, Wastewater, Transportation, Legislation, Parks, Development, and Other Services) has not exceeded inflation for actual results as measured by the national CPI index 10-year average through FY'15. Using the average inflation rate of 1.95% in the last decade and using FY'06 as the base year, the FY'17 budget estimated operating costs per capita are close to the compounded effect of inflation since 2006 and actual results after the next budget year is finished should continue to be below inflation (since budgets are never fully spent). The jump from actual to budget is always not an even comparison since budgets are not fully spent, and a new jail services contract for close to \$1 million per year paid out of the general fund starting in FY'14 is partially why there is an even larger jump between the most recent two actual years and the FY'16 and FY'17 budget periods.

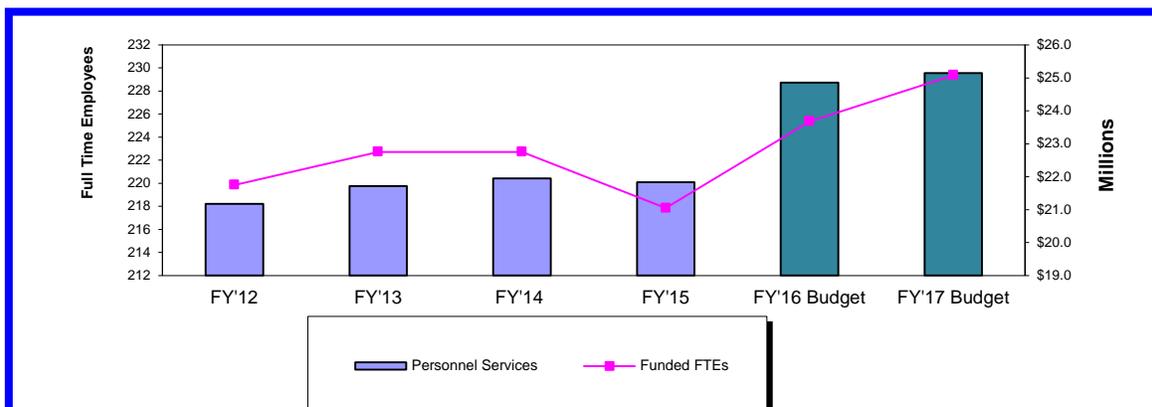
	<u>FY'13 *</u>	<u>FY'14</u>	<u>FY'15</u>	<u>FY'16 Budget</u>	<u>FY'17 Budget</u>
Estimated City Population	34,855	35,060	36,465	37,012	37,567
Operating Cost	\$29,850,463	\$30,791,989	\$30,946,775	\$35,529,711	\$36,470,159
Actual Op. Cost / Capita	\$856	\$878	\$849	\$960	\$971
Cost / Capita If Matched Avg. Inflation (CPI)	\$865	\$882	\$899	\$916	\$934
* Costs include RSSSD costs before consolidated in FY'14					

Operating Costs by Classification Category

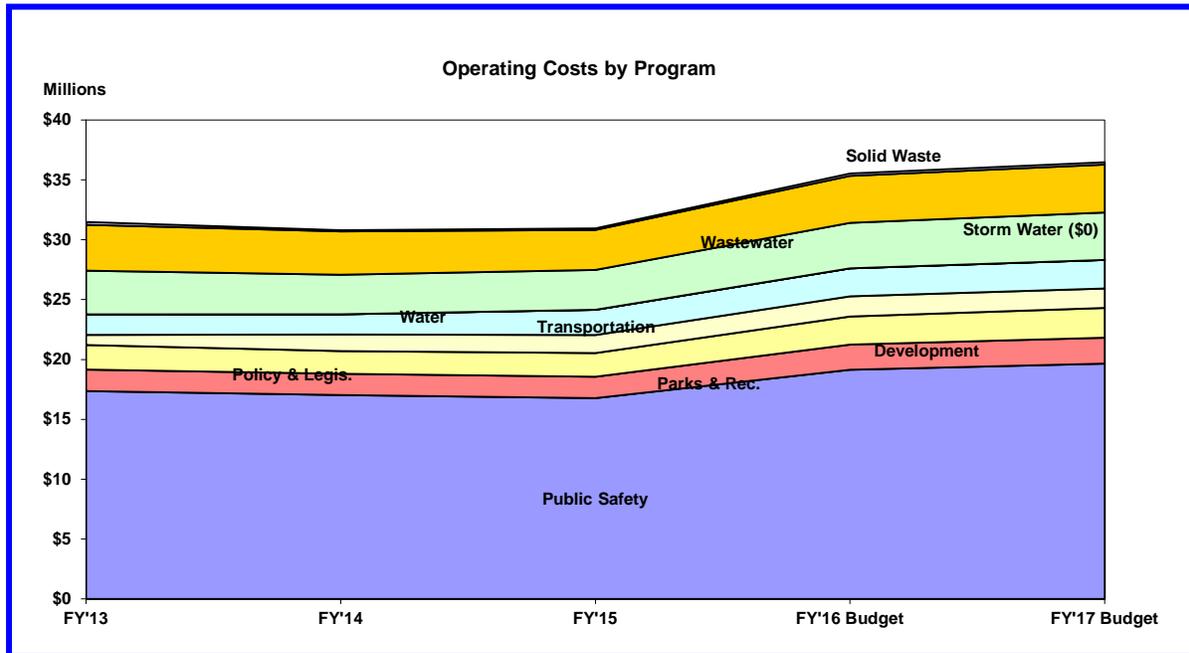
As you can see from the following chart, public service is about people serving people. Fifty-five percent of the City’s operating expenditures are personnel costs. This is followed by contractual services at 24.8%.



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, Finance/Accounting, and Human Resources), 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 close to \$320,000 largely due to the staffing additions in Public Safety and other smaller changes such as market salary adjustments and higher health insurance costs. Internally billed PERS rates will be relatively stable during the next few years and more information on the City’s participation in the Oregon Public Employee Retirement System (PERS) can be found in the separate budget book section right before the appendix.

Staffing Changes

The FY’17 staffing changes resulted from recommendations during Council goal setting. The additional Public Safety positions are part of the on-going efforts to improve staffing deficiencies discovered during the PAVE audit. Public Safety is adding two officers and increasing Community Service Officer FTEs by 0.50 and Records Clerk FTEs by 0.50. As a result of increased building activity and major infrastructure activities on the horizon, this budget also includes the refunding of an Engineering Technician. Reallocation of staffing dedicated to risk management programs is the reason for the remaining differences in the

Staff Allocation chart. The net difference in funded positions for FY'17 with all of these changes is an increase of 4.0 funded FTE (Full Time Equivalent positions).

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 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'17 Unfunded Personnel Positions			
Activity	Program	Title	# of Positions
Finance	Administrative Services	Accounting Tech (1.5)	2.50
	Fleet	Assistant Finance Director	
Wastewater	Wastewater Treatment	Utility Worker	2.00
Parks & 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 Engineering Technician	1.00
Parks	Parks	Urban Forester (0.5)	0.50
Streets	Transportation	Urban Forester	0.50
		Total	19.50

Staff Allocation

<i>Department/Activity</i>	Budget FY'14	Budget FY'15	Budget FY'16	Recommend FY'17	Adopted FY'17	Projected FY'18
Administration						
<i>Management</i>	4.575	5.075	5.075	5.225	5.225	5.225
<i>Legal</i>	2.500	2.500	2.500	2.500	2.500	2.500
<i>Information Services</i>	6.050	5.700	5.700	5.700	5.700	5.700
<i>General Insurance</i>	0.350	0.350	0.350	0.500	0.500	0.500
<i>Economic</i>	1.000	1.000	1.000	1.000	1.000	1.000
<i>Tourism Promotion</i>	1.825	0.075	0.075	0.075	0.075	0.075
<i>Downtown</i>	1.525	1.675	2.075	2.075	2.075	2.075
<i>Property Management</i>	2.050	2.400	2.000	2.000	2.000	2.000
	19.875	18.775	18.775	19.075	19.075	19.075
Parks & Community Develop.						
<i>Management</i>	10.650	10.650	9.725	9.725	9.725	9.725
<i>Engineering</i>	7.500	7.500	8.500	8.500	8.500	8.500
<i>Planning</i>	10.900	10.900	11.000	11.000	11.000	11.000
<i>Building & Safety</i>	7.100	7.100	7.000	7.000	7.000	7.000
<i>Park Maintenance</i>	7.050	7.050	7.050	7.050	7.050	7.050
<i>Aquatics</i>	0.350	0.350	0.350	0.350	0.350	0.350
<i>Recreation</i>	0.150	0.150	0.150	0.150	0.150	0.150
	43.700	43.700	43.775	43.775	43.775	43.775
Finance						
<i>Finance</i>	17.250	17.300	17.050	16.950	16.950	16.950
<i>Garage Operations</i>	3.000	2.950	3.950	4.050	4.050	4.050
<i>Equipment</i>	0.750	0.750	-	-	-	-
	21.000	21.000	21.000	21.000	21.000	21.000
Human Resources						
<i>Human Resources</i>	3.080	3.030	3.280	2.990	2.990	2.990
<i>Workers Compensation</i>	0.445	0.595	0.695	0.685	0.685	0.685
	3.525	3.625	3.975	3.675	3.675	3.675
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>	9.210	10.460	10.460	10.460	10.460	10.460
<i>JO-GRO™</i>	4.310	-	-	-	-	-
<i>Capital Projects</i>	1.000	1.000	1.000	1.000	1.000	1.000
<i>Solid Waste</i>	0.100	0.160	0.160	0.160	0.160	0.160
<i>Storm Water</i>	-	-	-	-	-	-
<i>Street Maintenance</i>	8.060	8.060	8.060	8.060	8.060	8.060
	43.600	40.600	40.600	40.600	40.600	40.600
Public Safety						
<i>Police Division</i>	55.250	55.250	57.650	60.150	60.150	60.150
<i>Support Division</i>	24.700	24.700	28.000	28.500	28.500	28.500
<i>Fire Rescue Division</i>	31.800	31.800	32.100	32.100	32.100	32.100
	111.750	111.750	117.750	120.750	120.750	120.750
Total	243.450	239.450	245.875	248.875	248.875	248.875
Unfunded	(20.700)	(21.600)	(20.500)	(19.500)	(19.500)	(19.500)
Net Funded Positions	222.750	217.850	225.375	229.375	229.375	229.375

Other Key Expenditure Details

Materials & supplies are budgeted to be up about \$52,000 next year while contractual services are budgeted for an increase of about \$352,000, a 4.1% increase to FY'16. In Public Safety contractual services increases were about \$175,000 and include an additional \$50,000 in Crisis Support Services, increased CAD support maintenance as well as increase to General Liability Insurance. Contractual Services in Development increased about \$105,000 and include additional resources for Economic Development pending completion of the Economic Development Strategic Plan and increased services in Building in response to continued building activity. The capital outlay classification within operating budgets is minimal as compared to capital project fund appropriations and any purchase in operations for equipment or otherwise that is a tangible asset with a useful life of more than two years and a price of more than \$5,000 is considered a capital asset and capital purchase. 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. There are minimal changes in direct and indirect charges. Internal Service Funds include Fleet, Engineering, Property Management, Information Technology, Administrative Services, and others.

Operating transfers out are up \$1.8 million in FY'17. Of this, \$1.4 million is attributed to Wastewater Fund increasing the contribution to upcoming capital needs. Transfers out of the General Fund to capital decreased by \$200,000 while Transportation transfers to capital increased \$355,000. Transfers to capital are prioritized by Council's Strategic Plan goals as well as financial policies to use match one time resources with one time capital expenditures. Following this section is the Capital Budget Summary.

Capital allocations

The General Fund FY'17 capital transfer allocation follows the same methodology used in the previous year budget allocations. This methodology is based on maintaining a budgetary fund balance of 30% to 40% of annual expenditures. This range was set to avoid having to borrow funds between July and November/December 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% minimum 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 this budget relate to the actual savings in FY'15.

The bulk of the savings experienced each year will likely be recommended to be transferred to priority capital projects because eliminating regularly scheduled capital transfers from the General Fund would have negative long-term implications as the City defers capital investments and necessary infrastructure replacements. In addition, there are also projects such as 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'17 with a budgetary fund balance of 38% to 40% of annual General Fund operating expenditures, a balance in line and within the City's Financial Policy range for the General Fund of 38%-40%. 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 two years during the term of the voter approved Public Safety Levy. This was by design in the financial planning for the levy terms. However, if recent savings trends do not continue, or unanticipated financial needs surface, transfers to capital projects may need to be reduced significantly in future years 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 and Work Plan for 2016-17. This year, \$0.6 million is budgeted 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 continued in the FY'17 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 business software system and e-permitting, the CAD/MDT project, a Microsoft upgrade, Police In Car Cameras, and a Police E-Ticketing project, among other technology intensive capital projects. Projects such as the Business Software and E-Permitting replacement project have a quick payback to the City through efficiencies that impact total staffing needs in the future.

Operating Transfers to Capital Projects

	FY'14	FY'15	FY'16 Budget	FY'17 Budget
Transportation	1,307,438	733,066	1,310,000	1,665,000
Water	1,333,000	2,224,177	3,413,000	3,560,000
Wastewater	1,034,000	1,782,392	1,719,000	3,413,300

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.

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 in Water and Wastewater 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 the summer of 2016 as large plant infrastructure projects are beginning in the next year that will require adjustments to user rates. 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 and to pay debt service on bond issues for large capital projects.

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. The City weighs the total cost (the capital cost and the on-going operational cost) against the anticipated benefits when evaluating capital projects.

Each of the following 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
Business Software and E-Permitting	The City's Financial Software (ERP) System is nearly 20 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"> • The total project budget is \$1.31 million including data conversion, training, and implementation costs. • Annual software maintenance costs are expected to increase by about \$45,000 per year with the significantly higher and advanced system capabilities and additional modules that will be used with the new system that are not in place today. • The Capital Project is largely funded by the general fund while the Administrative Services, PCD Management, and Information Technology Funds will pay the annual maintenance costs. 	<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 (there is a significant return on investment in the long-term). • Less training time required from a more modern web based financial software system.
Downtown Lighting and Parking Lot Improvements	The City is upgrading the parking lot and lighting at the newly purchased parking lot centrally located in the downtown at 5 th and H Streets in order to better serve downtown business and event needs.	<ul style="list-style-type: none"> • The one time capital cost is approximately \$269,000 and the ongoing annual maintenance and utility costs will be minimal. • Maintenance costs will impact the General Fund Downtown Development operating budget. 	Will impact the economic health of the downtown and provide a better public space for special events.

Project	Description	Future Costs Estimate	Future Savings
Water Treatment Plant Upgrade	After the recent Facility Plan Update, it has been determined that it will be most cost effective in the long-term to build a new Water Plant at a new site to be determined. The planning and review of procurement options has recently started in earnest.	<ul style="list-style-type: none"> • Projected maintenance cost differentials will be reviewed over the next two years. • Equipment depreciation costs over 60-100 years. 	<ul style="list-style-type: none"> • Avoids costly repairs to the current facility that won't last as many years into the future due to the age of the current facility. • A new plant will potentially impact staffing requirements and other operating requirements such as chemicals and utility usage in the Water Fund.
Enhance Riverside Park	The City received a grant from the Oregon Lottery to build a new facility at Riverside Park. The City is combining grant dollars with local dollars to upgrade and provide additional public facilities at this flagship park.	<ul style="list-style-type: none"> • One-time cost of approximately \$785,000. • Ongoing annual maintenance costs will be similar; however there may be a slight increase in utility costs based on the final type of developments done. 	<ul style="list-style-type: none"> • Better utilization of the park, better facilities for special events in the park, and the potential removal of certain old and deteriorating park equipment.
Various Road Improvements	There are a number of road improvements in the Transportation 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 paid out of the Transportation operating budget will be reduced.
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 operating costs. 	<ul style="list-style-type: none"> • Safety is increased. • Potential environmental problem decreased. • Long-term maintenance cost incurred in the Wastewater operating budget will be reduced. • Structural defects fixed.
Wastewater Phase 2 Expansion	Expands capacity and meets regulatory requirements.	<ul style="list-style-type: none"> • Additional utility/energy consumption expected for the Wastewater Fund. 	<ul style="list-style-type: none"> • Prepares to meet future regulatory costs and future demand and avoids regulatory risks related to not being able to meet that demand.

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.