



City Administrator's Office

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April 18, 2017

Dear Mayor, Council and Citizens of Lowell:

I am pleased to present the Fiscal Year 2017-18 Budget for the City of Lowell, Oregon. This budget has been thoughtfully prepared to facilitate the implementation of City Council priorities and the ongoing provision of services to Lowell residents. The total budget appropriations for 2017-18 are \$1,977,979, which represents a 10% increase over the 2016-17 Budget. An additional \$238,694 has been reserved for future expenditure or to meet debt obligation requirements.

Key Policy Issues

Staff identified several key policy issues to be addressed in the 2017-18 Budget. These were developed to take a broader look at the implications of the funding for the proposed and subsequent budget years. The following points summarize these issues:

- **Maintaining the current property tax rate.** The City of Lowell has a property tax rate of \$2.16 per \$1,000 in taxable value. This is the lowest municipal property tax rate of any municipality in Lane County. Reducing the pressure on property taxes was a key consideration in developing the 2017-18 Budget.
- **Achieving financial stability.** Last April the City Council adopted Resolution 644, which established criteria to assess the financial health of the City. The policy sets a minimum reserve of 17% (3 months) of budgeted operating expenditures. For 2017-18, the General, Water, and Street funds are projected to exceed the reserve requirement. The Sewer Fund is also expected to repay the balance of its \$40,000 interfund loan to the Water Fund and continue to improve its financial position.
- **Emphasizing training and innovation.** A common theme that has emerged in recent years is that governments are going to have to find a way "to do more with less". To make this happen requires well-trained employees that are engaged in their profession. This proposed budget maintains our investment in employee training and professional memberships.
- **Planning for equipment and infrastructure investments.** The proposed budget starts the process of planning for future capital improvements by including a 5-Year Capital Improvement Plan. Grant applications are being submitted for specific efforts to update the Downtown Plan, Parks and Recreation Master Plan, and to develop the City's first Transportation System Plan. A five-year water meter replacement program has also been

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developed and budgeted to replace our aging meters. Once installed, the new meters will be read remotely using a drive by system and downloaded to the utility billing system.

Economic Outlook

Certain assumptions are made when developing the budget. Chief among them is the broader economic outlook, which impacts projected revenues and expenditures. Per the most recent report published in March by the Oregon Office of Economic Analysis, the Oregon economy “appears to be on solid and stable footing”. The manufacturing sector continues to improve, and other economic data indicators have been better than expected in the first three months of 2017. The report also notes that the federal government is expected to pursue pro-growth policies, however, more clarity is needed on the specific policies to spur additional job creation and growth. As of March 2017, the Oregon unemployment rate is at a record low of 4%.

Opportunities and Challenges

As we look toward the next budget year there are several notable opportunities and challenges the City may experience:

- **Lowell School District enrollment.** From 2013 to 2017 total enrollment increased from 236 to 609. The continued uptick in enrollment should result in additional residential, commercial, and industrial development.
- **Housing shortage.** The City of Lowell and, more broadly, the Eugene area is experiencing a housing shortage. Staff is working with the Economic Development Committee to identify resources and policies to increase the supply of both rental and owner-occupied housing.
- **Stable healthcare costs.** Our insurance carrier has provided the City with a not-to-exceed budgetary estimate of a 5% increase. This is lower than other carriers, which have seen increases of up to 10%.
- **Stagnant General Fund revenues.** Over the past four years General Fund revenues have not experienced significant growth. The largest revenue source, property tax (approximately 50%), is limited by state law which caps annual valuation growth of existing buildings to 3%. Development related revenue also declined during this period. Staff will continue to monitor revenues and seek additional opportunities to reduce costs.

Level of Service

Each year the goal during the budget process is to improve services within our budget constraints. For the 2017-18 year, we are planning to add or enhance the following services:

- **Parks and recreation.** An increase was budgeted for parks maintenance and recreation programming:
 - \$4,500 – Water service to irrigate Rolling Rock Park
 - \$2,000 – To support the Lowell School District Summer Recreation Program

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- **Code enforcement and beautification.** Funds have been budgeted for a communitywide clean-up day, including \$1,500 for roll-off containers for residents to drop off unwanted items. An additional \$1,000 is budgeted to operate a seasonal yard waste drop-off facility at the wastewater treatment plant.
- **Marketing and citizen engagement.** Resources have been budgeted to develop a new website. The purpose of the site will be to market the strengths of our community, including our many local, federal and state parks, quality neighborhoods, excellent school system, and developable lands. The website will also improve citizen engagement with a reader-friendly layout, notifications, and integration with social media. One-time design costs are estimated at \$6,500, with a recurring \$3,000 for website hosting and services.
- **Tourism Grant Program.** A community grant program has been developed to provide funds for marketing events that boost tourism and economic activity. The first recipient is the Dexter Lake Farmers' Market, which will host markets in Rolling Rock Park from June through September. They received a \$1,150 reimbursement grant to purchase marketing materials. An allotment of \$3,000 is included in the proposed budget to support this program.

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Projected Revenues

CITY OF LOWELL					
SUMMARY OF REVENUES, BY FUND					
JULY 1, 2017 - JUNE 30, 2018					
FUND	2014-15	2015-16	2016-17	2016-17	2017-18
	ACTUAL	ACTUAL	BUDGET	ESTIMATED	PROPOSED
GENERAL FUND	242,332	274,593	248,859	247,186	311,860
STREET FUND	60,962	63,222	61,688	69,525	66,651
WATER FUND	239,616	250,728	316,418	323,961	295,945
SEWER FUND	264,998	274,732	318,579	325,499	336,662
SDC FUND	27,189	10,165	50,787	53,808	61,345
EQUIPMENT FUND	-	-	15,300	14,800	300
BBJ FESTIVAL FUND	8,404	20,978	12,650	14,697	14,844
DEBT RESERVE FUND	1,263	-	300	300	300
WATER RESERVE FUND	-	-	-	-	-
SEWER RESERVE FUND	-	-	-	-	-
UTILITY DEPOSIT FUND (1)	3,780	-	-	-	-
PERSONNEL LIABILITIES FUND (1)	-	-	-	-	-
TOTAL REVENUES	848,544	894,417	1,024,581	1,049,775	1,087,906

(1) The balance of these funds was transferred to the originating funds in FY 2016-17. No additional activity will be recorded in these funds, however, per state requirements the historical activity must be shown for at least two years.

As shown in the table above, the 2018 Budget anticipates collecting \$1,087,906 in revenues, which excludes estimated beginning cash balances and transfers. This represents a \$63,175, or 5%, increase over the 2017 Budget. Major changes in revenue include the following:

- \$50,000 – Loan proceeds for City Hall repairs and improvements
- \$17,443 – Increased water sales from a proposed 5% rate adjustment
- \$18,223 – Increased sewer sales from a proposed 5% rate adjustment
- \$12,895 – Early interfund loan repayment from the General Fund to the SDC Fund

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Projected Expenditures

CITY OF LOWELL					
SUMMARY OF EXPENDITURES, BY FUND					
JULY 1, 2017 - JUNE 30, 2018					
FUND	2014-15	2015-16	2016-17	2016-17	2017-18
	ACTUAL	ACTUAL	BUDGET	ESTIMATED	PROPOSED
GENERAL FUND	232,237	234,212	281,785	232,608	376,307
STREET FUND	31,917	42,499	166,842	69,946	165,472
WATER FUND	253,101	280,886	331,332	303,716	361,570
SEWER FUND	317,618	282,555	370,721	355,323	343,152
SDC FUND	-	-	332,682	-	214,186
EQUIPMENT FUND	-	3,700	51,488	18,993	40,995
BBJ FESTIVAL FUND	10,204	21,309	15,322	16,088	26,277
DEBT RESERVE FUND	-	-	-	-	-
WATER RESERVE FUND	-	-	-	-	-
SEWER RESERVE FUND	-	-	-	-	-
UTILITY DEPOSIT FUND (1)	3,372	3,484	-	-	-
PERSONNEL LIABILITIES FUND (1)	-	-	-	-	-
TOTAL REVENUES	848,449	868,645	1,550,172	996,673	1,527,959

(1) The balance of these funds was transferred to the originating funds in FY 2016-17. No additional activity will be recorded in these funds, however, per state requirements the historical activity must be shown for at least two years.

As shown in the table above, total expenditures for the 2017-18 Budget are slightly lower than the 2016-17 Budget. Planned expenditures are budgeted at \$1,527,959, for a decrease of \$6,330, or less than 1%. This does not include transfers, reserves, or contingency. Major changes in expenditures include the following:

- \$50,000 – Increase in General Fund capital expenditures for City Hall repairs and improvements
- \$40,000 – Increase in General Fund capital expenditures for the installation and repair of irrigation systems at Paul Fisher Park and Rolling Rock Park
- \$118,496 – Reduction in capital expenditures appropriated in the SDC Fund
- \$28,000 – Increase in Water Fund Capital expenditures to replace aging water meters with “smart” radio read meters
- \$25,514 – Increase in General Fund, Street Fund, Water Fund and Sewer Fund capital expenditures to complete the implementation of the new municipal finance software
- \$10,493 – Reduction in capital expenditures appropriated in the Equipment Fund

It also important to note that, while funds may be appropriated and available for capital expenditure, the City does not plan to use the entire appropriations. These items are budgeted to provide capital project and equipment funding, including grant matching funds, and may only be expended on capital purchases with the prior approval of the City Council.

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Capital Improvement Plan (CIP)

This year the budget document includes a Capital Improvement Plan. The CIP is a five-year plan designed to improve the City's buildings, infrastructure and equipment. Projects and equipment included in the plan have an acquisition cost more than \$5,000. Smaller equipment purchases are included in the budget as non-capitalized assets.

Debt Management

All external debt issues have been compiled into an annual debt service schedule (see Appendix). For 2017-18, the City will have a debt service of \$116,644, of which \$64,080 will be paid from the Water Fund and \$52,564 from the Sewer Fund. These payments are partially offset in each fund by transfers from the Debt Reserve Fund; \$39,381 will be transferred to the Water Fund and \$15,745 to the Sewer Fund. This leaves a net debt service of \$24,699 in the Water Fund and \$36,819 in the Sewer Fund.

Conclusion

Over the last year and a half, we have made notable improvements in our financial operations, parks maintenance, sewer treatment, and water treatment. This trend will follow into the 2017-18 Budget year. Staff will invest more time in training and remain engaged in field-specific professional associations to learn new skills and techniques. Our budget document will continue to evolve as well, becoming more of a tool to evaluate the performance of departments and programs. Through this culture of innovation and hard work, we will provide the highest level of service at the lowest possible cost to the citizens of Lowell.

Acknowledgements

The services we provide are only as good as the people we have working with us. We have a very dedicated and experienced workforce. On behalf of all our employees, we would like to express our appreciation and gratitude to the City Council for their service to the Lowell community. A special thank is also extended to our advisory boards and many volunteers for their dedication and support. We look forward to implementing the Fiscal Year 2017-18 Budget within the parameters herein established.

Respectfully submitted,

Jared Cobb
City Administrator