

and provide decision makers and the community confidence in the financial information they receive.

Reserves. Budgeted reserves continue to increase to the point where 12 of 15 major Funds now exceed the minimums required by our financial policies.

Service Levels. The FY 2009 Budget does not anticipate any reduction in service levels and all staff positions are fully funded. This is in contrast to past years when we anticipated vacancies that would need to be left unfilled for months at a time to balance the budget.

Projects. We are beginning to move forward with several capital projects that will improve our long neglected infrastructure such as parks, roads and sewer system.

Financial Status – Areas of Concern

Streets. In summer 2007 the City conducted a study of our street system and determined that just to maintain the system in its current state would require an investment of \$1.2 million annually for capital maintenance projects. This past year, with the Budget Committee's support, the Council instituted a roadway maintenance fee to provide additional funding. However, this fee still leaves the City \$500,000 short of the \$1.2 million needed. The street maintenance levy currently pending on the May ballot will fully fund our needs for the next five years. But should it fail, the City will continue to lose ground in our effort to adequately maintain this critical infrastructure.

Library. Approximately 32% of library revenues are received from the Clackamas County General Fund. (This is down from 36% just two years ago.) Due to pending revenue reductions for that agency, the County Commissioners have decided to phase out library funding beginning in FY 2010. For West Linn, this means a reduction of approximately \$100,000 annually for five years. The County has proposed a solution to this problem – the formation of a County Library District that will provide a consistent and permanent revenue stream for libraries throughout the County. Passage of this measure has long-term financial benefits to the West Linn Public Li-

brary and will also make a significant positive financial difference to many other city programs. Failure of this measure on the November ballot could have the opposite impact.

Franchise Fees. Because of a major West Linn industry's decision to no longer purchase power through Portland General Electric, we have suddenly found our revenues from that franchise fee to have decreased by approximately \$350,000 annually. This marks a reduction of approximately 4% in our discretionary revenues and will bear watching in the future. This loss of revenue also precludes any discussion of funding construction of a new police facility without the seeking a new revenue source.

FY 2008 Budget Initiatives

Since most of the current City Council came into office in 2005, the City's focus, for well documented reasons, has been almost entirely on our internal operations. At its retreat earlier this year, the Council discussed its desire to look outward and initiate projects that would enhance the livability of the community. This Budget provides funding for some small steps in that direction:

Street Maintenance: The Budget includes a proposal for \$2 million in revenue bonds funded by the roadway maintenance fee for critical investments in our street system.

Park Maintenance: The Budget includes \$700,000 (\$500,000 from a loan) to pay for necessary improvements to two wading pools and bathrooms.

Public Safety: It is no secret that the City's need for a new police station is becoming more critical each year. The Budget includes land acquisition and initiating the design of a new station. The cost for this is estimated at \$1.5 million that will be funded with debt proceeds to be reimbursed in coming years through a general obligation bond or other means.

Communications: Funds are included to complete the City's website project which will improve one of our

critical means of citizen communication and improve our e-government opportunities.

Planning: Funds are included for consultants to assist on such projects as the urban growth management review currently being conducted by Metro and Clackamas County, and for improvements to the City's Comprehensive Plan.

Redevelopment: \$10,000 is provided to fund a preliminary discussion and analysis of potential redevelopment opportunities.

Signage: \$10,000 is included to initiate a program for developing consistent signage throughout the City that would direct citizens and visitors to major public facilities such as the Adult Community Center, Library, and parks.

Personnel: Improvements in Efficiency

The FY 2009 Budget does not add any new positions. Total full-time equivalent positions remains at 138. This year, unlike the past, the Budget fully funds each of these positions as we anticipate that all departments will be at full staffing levels (even the Police Department!) for the entire fiscal year. For the first time in years, the community will receive all the services that it should expect from this public agency. However, there are several areas where additional staff would be tremendously beneficial if resources were available. Examples include:

- Neighborhood Planner
- Long Range Planner
- Sustainability Coordinator
- Information Technician
- Purchasing Coordinator

In some cases, we attempt to provide assistance in some of these areas with short-term interns or consultants, but we will not be able to provide the long-term, cohesive assistance that is desired.

Fund Summaries

As part of our efforts to continuously improve our work products, we have made a few changes to our fund struc-

ture. Those changes and a brief highlight of the City's major funds follow below.

The General Fund

Over the past two years, we've been moving in the direction of re-defining the General Fund as an internal services unit that utilizes internal transfers and reimbursements as its sole funding source. Along with city administration, facility maintenance and municipal court operations, the FY 2009 Budget takes another step in this direction by consolidating support of Public Works and vehicle maintenance in the General Fund. The Public Works Support Services Fund and the Vehicle Equipment and Maintenance Fund were also internal service funds in the FY 2008 Budget, but in this budget they are eliminated. The Budget provides clear detail as to the amount and purpose for each transfer.

The General Fund is balanced at approximately \$6.4 million. Administration is reduced by .4 FTE to reflect the completed implementation of the new financial software, anticipated by January 2009. This fund also includes \$10,000 to initiate the scanning of city resolutions and ordinances so that these critical City documents may be easily posted to the City's website, and \$10,000 for sustainability initiatives at our city facilities.

Planning Fund

Growth management continues to be a topic of great interest to the community, as evidenced by the January 2008 community survey. In FY 2006, the City's Planning Department consisted of 4 staff. Just two years later, the Planning Department has 5.5 FTE, plus access to our staff attorney. In real terms, our planning function now has approximately 50% more resources than it did just two years ago. Knowing the community's interest in this issue, we believe this is a sound investment. There is still much to accomplish in this area and more staff resources would be of tremendous assistance. Given our limited resources, however, we have decided to budget \$100,000 for consultants to assist in growth management issues including review of the Comprehensive Plan and assisting with developing and advocating for a community-wide position on the Stafford area.

Communications Fund

The FY 2009 Budget renames the Cable Access Fund to the Communications Fund. The revenue source for this fund comes from the cable franchise agreement the City has with Comcast. Thirty-two percent of the proceeds from the cable television franchise fee is dedicated to the operations and maintenance of Willamette Falls Television. The remaining cable franchise fee is general revenue to the city. The FY 2009 Budget proposes to utilize these funds to improve all forms of the City's communications as outlined in the City's Communications Plan. This includes the City's newsletter, broadcast of Council and Planning Commission meetings, the City's website and other initiatives.

Parks and Recreation Fund

The Budget Committee and City Council's approval last year of creating the Parks maintenance fee has allowed the City to continue to maintain our park system at a level that the community expects. However, there are significant deferred maintenance projects that need to be funded and constructed soon. The highest priority projects at this time are improvements to the wading pools at Sunset, Hammerle and Willamette Parks. Without new filter systems, these wading pools will need to be closed. The Budget includes debt to complete the wading pools and bathrooms at Hammerle and Willamette Parks. (Because the School District has discussed making changes to Sunset School that could impact Sunset Park, we are not recommending improvements to that facility at this time.)

We are estimating that these two projects will cost a total of \$700,000 -- \$500,000 from a loan and \$200,000 from grants. If grant funds are not available, we will need to identify another source of funds, or incur additional debt to complete these two projects. The park maintenance fee will be the resource used to pay the debt. The Parks and Recreation Fund also includes funding for recreation programs and community events. Included in the FY 2009 Budget is \$20,000 for a Centennial celebration, \$35,000 for the Old Time Fair, and \$15,000 for other community events.

Library Fund

For FY 2009, the Library budget fully funds current operations. This year's budget for personal services is slightly higher than last year because it includes a full year of funding for the Library Director position. With Clackamas County proposing the creation of a Library District, which will appear on the November ballot, funding for library services will be changing in the future.

If the measure passes, our library should be in a position to improve service levels while spending less of the City's general revenues. Failure of the Library District would likely result in some reductions in library services and a review of alternative revenue sources. It is likely that failure could result in some of these changes occurring during FY 2009.

Police Fund

In FY 2009, the Public Safety Fund fully funds all approved police officer positions for the entire year! It has been years since the West Linn Police Department could claim to be at full staffing levels, but we are expecting our police department to maintain that level for the entire fiscal year, which will provide stability and consistency to law enforcement for the community. In addition, we have proposed one additional police officer position that will be paid for entirely by Tri- Met and will be assigned to that agency. Negotiations toward an appropriate agreement are continuing; if these are not successful, then we will not add the extra officer. In almost every respect, our police department is better positioned to serve the community than it has been in years, with one glaring exception – the police station.

Our Police Department continues to be housed in the antiquated City Hall building that is expensive to maintain and does not provide a work environment that is a positive reflection on our department or community. As mentioned in the Initiatives section, the Proposed Budget includes the first step in the process of land acquisition and the design and development of a new police station by appropriating \$1.5 million for these purposes.

Utilities

The City's utilities (water, sanitary sewer and storm water) have been woefully neglected during this decade. Much of the reason for this was the lack of rate increases for several years early in the decade that resulted in a lack of funding to invest in our critical infrastructure. Fortunately, we are now in the financial position to begin to re-invest in these systems. The City's Water, Sanitary Sewer and Storm Water Master Plans recommend, in total, that the City fund approximately \$1.5 million for capital maintenance projects each year. However, over the six-year period from FY 2003 – 2008, the City invested only \$3.6 million in capital maintenance projects in total in these utilities, deferring approximately \$4 million in maintenance over this short period of time.

The FY 2009 Budget includes \$500,000 for capital projects in the Water Fund, and \$980,000 for capital in Environmental Services. Funding for these projects is, in part, dependent on a rate increase of 5% for each of these utilities effective January 2009. We have also included in the Water Fund a renewable energy pilot project to convert hydro power into electricity. The hydro electric project will require \$11,000 from the City, but the power that is harnessed will be transferred to the grid and sold with payback to the City by 2016. City staff has been collaborating with the Energy Trust on this project, which will also assist in funding.

Street Fund

As mentioned earlier, street maintenance is both a program for optimism and for concern. In January the Council approved the roadway maintenance fee that provides resources dedicated to maintaining our street infrastructure. The Council has also placed a levy on the May ballot, which, if approved, would have provided the necessary \$1.2 million per year for this purpose. However, this measure failed, requiring the continuation of the roadway maintenance fee.

Because resources from the roadway maintenance fee are not adequate for maintaining the streets to the level the Council and the community would like, we are proposing using the revenues from this fee to sell revenue bonds. The proceeds from the sale of the bonds will

then be used to fund roadway maintenance for the next one to two years. This will mark the largest influx of money dedicated to this function in years, and will prevent future more costly maintenance. Additional funding will be necessary to adequately maintain the City's \$92 million investment to the level desired.

System Development Charges

The proposed budget separates the System Development Charge Fund into five individual funds for each type of SDC collected: Transportation, Surface Water, Sanitary Sewer, Water and Parks. This step will enhance transparency and decision-making. Due to two factors – the economic slow down and that a significant amount of SDC credits have been issued over the past decade for contributed capital – we are expecting less SDC revenues in FY 2009 than we have seen in the past.

However, in past years, we were not collecting any street SDC's, but in FY 2008 we have actually begun collecting some revenues in this area and now have over \$300,000 available for projects. As soon as adequate funds are available, the extension of 8th Court is a likely project to pursue. Park SDC revenues will be significantly reduced this year as credits have been provided to assist in the acquisition of park land in the Tanner Basin Neighborhood.

Status of Financial Policies

As has been in the case since I arrived in October 2005, City staff continues to focus extraordinary attention on this agency's financial operations. A status report on our finances follows:

Capital Improvement Plan

Master Plans for Parks and Recreation facilities and for Storm Water have been completed. The Transportation System Plan and Water Master Plan are well into development and will be reviewed by the Council later this year. With the completion of those plans, a city-wide capital improvement program for all of our functions/programs will be developed.

Bond Rating

The city's bond rating was removed due to its failure to timely complete audits dating to fiscal year 2004. The City restored its bond rating in July 2008 to AA-.

Audit Status

The city retained the services of Talbot, Karvola and Warwick LLP, to complete the fiscal year 2004, 2005, 2006 and 2007 audits. In the past year, we have completed three of these audits, and the fourth is underway. To summarize, in twelve months we have advanced from being 30 months behind on audits, to being just four months behind. By the end of 2008, the City will be back on the statutorily-mandated schedule.

Reserves

In 2006, we established new policy standards for fund reserves. Each year since then we have attempted to close the gap between our policy goals and our fiscal reality. A year ago, six of the 12 major funds failed to meet the policy requirements in the FY 2008 Budget; however, overall the Budget exceeded policy minimums by about \$1.2 million.

As the chart below shows, we have made significant strides in the past year. The FY 2009 Budget exceeds the policy minimum in 12 of the 15 major Funds. But, perhaps more importantly, the overall reserves have increased by over 70% to \$6.9 million!

Policy Analysis - Reserves by Fund (FY 2009 Adopted)

Fund	Adopted Budget Reserves Amount	Policy Reserves Amount¹	Proposed Budget Over/ (Under) Policy	Meets Policy?
General	616,935	590,994	25,941	Yes
Planning	98,578	89,160	9,418	Yes
Communications	145,500	26,100	119,400	Yes
Parks & Recreation	231,823	711,380	(479,557)	No
Park SDC	118,497	7,500	110,997	Yes
Library	189,195	329,780	(140,585)	No
Police	978,542	1,096,720	(118,178)	No
Building Inspections	71,424	70,890	534	Yes
Water	773,652	360,007	413,645	Yes
Water SDC	750,204	46,500	703,704	Yes
Streets	274,636	166,910	107,726	Yes
Street SDC	297,598	1,950	295,648	Yes
Environmental Services	1,539,269	284,470	1,254,799	Yes
Stormwater SDC	506,350	15,000	491,350	Yes
Sewer SDC	347,620	74,500	273,120	Yes
Total	6,939,823	3,871,861	3,067,962	
<i>FY 2008 Budget</i>	<i>5,748,404</i>	<i>3,866,814</i>	<i>1,881,590</i>	

¹ Policy reserve amount is total expenditures minus debt-funded capital outlay multiplied by reserve requirement percentage.

Conclusion

“And the Little Blue Engine smiled and seemed to say as she puffed steadily down the mountain, ‘I thought I could. I thought I could. I thought I could. I thought I could. I thought I could.’ “

-- The Little Engine That Could by Watty Piper

For over three years, the focus of the City has been on its internal operations. The staff continues to be committed to improving our operations and is diligent in ensuring that the ugly history of mismanagement is behind us permanently. We have chugged up that mountain; lessons have been learned, changes have been made. The FY 2009 Budget draws that chapter of this agency’s history to a close.

Our objective now is to look outward and place our attention on not just maintaining the quality of life in West Linn, but improving it. Key projects such as roadway maintenance, park improvements and the design of a new police station are all planned to improve the community, and provide better service to our citizens.

The FY 2008 Budget received the highest honor bestowed in Municipal budgeting – the Government Finance Officers Association Award for Distinguished Budget Presentation. The FY 2009 Budget continues our effort to ensure that this critical policy document provides comprehensive information for our policy officials as well as for our citizens, in an understandable, user-friendly style.

In closing, I’d like to offer a special thank you to the Budget Team of Andy Parks, Finance Director, and Kirsten Wyatt, Assistant to the City Manager, who developed the Budget with the input of numerous, dedicated members of our City staff who all continue to bring credibility and recognition to this organization.

Respectfully submitted on this 23rd day of June 2008,

Chris Jordan

City Manager



CITY OF
**West
Linn**