



# City of Philomath

## Finance and Budget



# What is the purpose of City Government?

To provide services that are not provided by the private sector

# What are the major services provided by the City?

- Planning and Building Permits
- Police
- Parks
- Municipal Court
- Streets
- Utilities – Water and Sewer

# How are these services paid for?

- Property taxes
- Fees
  - Building Permit Fees
  - Court Fees
  - Water Fees
  - Franchise Fees



# Our Mission

*To promote ethical and responsive municipal government which provides its citizenry with high quality municipal services in an efficient and cost effective manner.*

# That means to me:

- We strive to provide the best quality services and spend your money as wisely as we can.
- That does not mean hiring the cheapest employees we can or cutting corners when doing a project.
- By hiring good people and training them well, we have high expectations that those employees
  - 1) Work hard and provide excellent customer service
  - 2) Be conscious about purchases they make for the City.



If our Mission is to provide services

How do we decide:

What services to provide  
*and*



If our Mission is to provide services

How do we decide:

What services to provide

*and*

What level of service

# Its all about the Budget

- If it is in the budget we can pay for it.
- If it is not in the budget we can not.

# Who determines what goes in the budget?

The budget officer prepares the budget

- Start with last year's budget:
  - Remove line items for projects that have been completed
  - Update estimated revenues and expenses
- Add in:
  - New projects from the Capital Improvement Plan
  - City Council goals requiring funding

# Formal Budget Process

- 7 City Councilors and 7 citizen members
- Citizen members apply to be on the committee and the Council appoints them
- All meetings open to the public
- Budget meetings published, citizens invited to comment
- Committee reviews budget, makes changes and forwards to City Council for final approval

# Fund Accounting

## Each Fund is a Separate Business



- Each Fund has its own dedicated revenue
- Funds are kept separate so that the dedicated revenue from one fund can not be used to pay the expenses of another fund.

# General Fund

- Every governmental agency has a General Fund
- Major source of revenue is **property tax**
- Everything goes in the General Fund that does not belong somewhere else

# General Fund

## Revenue

Property taxes	\$1,700,000
General Fund Fee	250,000
Building Permits	400,000
Municipal Court Revenue	200,000
Franchise Fees	350,000
Admin Overhead/Other	<u>600,000</u>
Total Revenue	\$3,500,000

## Departments

Administration	\$320,000
Building Permits	330,000
Finance	350,000
Municipal Court	200,000
Police	1,650,000
Buildings & Grounds	140,000
Parks	100,000
City Council	260,000
Transfers	<u>100,000</u>
Total Expense	\$3,450,000

# Other Funds – Street, Water, Sewer

Revenue	\$800,000
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## Expenses

Personnel Services	\$200,000
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Materials and Services	\$330,000
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Debt Service	\$100,000
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Transfers	<u>\$150,000</u>
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Total Expense	\$780,000
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# Street Fund

## Revenue Source

State Gas Tax

Street Utility Fee

## Purpose of Fund

Repair and Maintenance of City Streets

# Water Fund

## Revenue Source

Water utility fees

## Purpose of Fund

Provide water to residential, commercial and industrial customers

- Operation of water treatment plant
- Pipes and distribution system

# Sewer Fund

## Revenue Source

Sewer user fees

## Purpose of Fund

Treat sewage

Maintain sewer lagoons

Discharge to river/land apply

Maintain sewer pipes



# Storm Drain Fund

## Revenue Source

Storm Drain Fees

## Purpose of Fund

Maintain Storm Drain lines and ditches

Monitor runoff going to the river

## 2 Capital Project Funds

### Purpose of Capital Project Funds

Hold money until we have enough to do a large capital project or purchase large piece of equipment

## Land, Building & Equipment Fund

(think “savings account”)

- Transfers from other funds

## Systems Development Fund

- Fees collected from developers on new construction
  - Reimburse for infrastructure already in place
  - Payment towards increasing capacity



# Questions?

# Pop Quiz!

- I. The new members of the Budget Committee would like to get to know each other.

Can they have an informal gathering at the coffee shop to talk about things they would like included in this year's budget?

- 
2. The current bus service is Monday through Friday. Citizens come to the City Council and say that they would like to add Saturday bus service.

Can the City Council add a new service on Saturday?

- 
3. Police cars are purchased out of the Land, Building and Equipment (LBE) Fund. The average cost of a new car is \$50,000. We have \$20,000 saved in the LBE Fund, but did not budget to purchase a car this year as we did not have enough money saved up.

The Police Chief learns that the Sheriff department is getting rid of one of their older cars that is in good condition and has low mileage. The Sheriff said we could purchase it for \$10,000.

It's a great deal. Can we purchase the car?

- 
4. It is a very dry year. Everyone is watering their lawns and planting gardens early. The Water Fund collects more revenue than was anticipated because of all the extra water usage.

The Public Works Director wants a new bathroom in City Park. Can the Water Fund transfer money to the General Fund for the new bathroom?



**Break!**



# Philomath Urban Renewal Agency

# Philomath Urban Renewal Agency

- Has its own Board of Directors
- Collects its own separate tax
- Separate budget process
- Has a separate annual audit

# What does an Urban Renewal Agency Do?

Provides infrastructure necessary to improve overall appearance, condition and function of blighted area.

Maximum plan allowed to spend \$14.3 million

Spent to date 8.2 million

Available for Downtown project \$ 6.1 million

# Downtown Safety & Streetscape Project

- Revitalize downtown to improve appearance and attract people to the downtown
  - Objective - Increase property values
- Summer of 2021 and 2022
  - \$10.3 million project
    - \$6.1 million - Urban Renewal
    - \$3.7 million - ODOT
    - \$.5 million - Regional Transportation



# Property Tax

# Typical Philomath Residence

• School	\$1,453
• City	912
• Benton County	549
• Urban Renewal	312
• Fire Department	310
• Linn Benton CC	168
• Library	68
• Soil & Water Dist.	<u>8</u>
• Total	\$3,780

# Tax – City Differences

	<b>Philomath</b>	<b>Corvallis</b>	<b>Monroe</b>	<b>Junction City</b>
Permanent Rate	5.3005	5.1067	3.5566	6.0445
Local Option Levy		0.8181		
Bond Levy		0.2367	3.4567	
Total City tax	5.3005	6.1615	7.0133	6.0445

# Tax limits- Compression

	Home A	Home B
Real Market Value	\$200,000	\$200,000
Assessed Market Value	\$155,000	\$190,000
<u>Measure 5 Limits</u>		
Education \$5	$\$5 \times 200 = \$1,000$	$\$5 \times 200 = \$1,000$
General \$10	$\$10 \times 200 = \$2,000$	$\$10 \times 200 = \$2,000$
<u>Measure 50 Tax Rates</u>		
Education	$\$10.14 \times 155 = \$1,572$	$\$10.14 \times 190 = \$1,927$
Compression Loss =	572	927
General	$\$10.63 \times 155 = \$1,648$	$\$10.63 \times 190 = \$2,020$
Compression Loss =	none	20
<u>Tax</u>		
Education	\$1,000	\$1,000
General	\$1,648	\$2,000
Total Tax due to Compression	<u>\$2,648</u>	<u>\$3,000</u>



# Cash

**Beginning Cash**            **\$ 600,000**

**Revenue**                        **3,500,000**

**Expenses**                      **3,450,000**

**Ending Cash**                **\$ 650,000**

# Ending Cash Balance

- **General Fund**

We need enough to hold us over until property tax revenue is received in November

Currently about \$600,000

- **All other Funds**

Generally 2 months worth of expenses

# General Fund Ending Cash Balance

- June 30, 2012                      \$313,297
- June 30, 2013                      \$193,610
- June 30, 2014                      \$151,499
- June 30, 2015                      \$130,500
- June 30, 2016                      \$ 87,904

# June 30, 2016

- Facing the possibility that we would run out of cash to pay bills before the end of the year.
- In Spring of 2017 discussed with Budget Committee what action we should take.
  - Cut expenses *or*
  - Raise revenue

# What was the problem?

We are not bringing in enough revenue to pay for current services.

Property taxes –

- Revenues not growing as fast as expenses
  - Property taxes growing at 3% per year
  - Expenses growing at 4%

# Cut Expenses

- Eliminate Services and cut personnel costs
  - Union Contracts
  - Fixed costs such as PERS
- Cut expenses across the board (5%)
  - Many of our costs we have no control over
    - 911 Center
    - Building Permit Inspections
    - Jail fees
    - Insurance on our buildings
- Reduce or eliminate transfers
  - To LBE Fund (savings account) for construction/improvement of City buildings

# Increase revenue

## Property Tax –

- Our rate is fixed, it cannot be increased
- Local Option tax – 5 years maximum
- Add new assessed value
  - Increase the value of existing buildings
  - Build new buildings

# Other ways to increase Revenue?

- Fees

# Other ways to increase Revenue?

- Fees
- General Fund Fee
  - Effective July 1, 2017
  - \$10 per customer
  - Multi-residential customers pay per unit
  - Annual revenue \$250,000
  - 100% waiver for low income households

# Corvallis vs. Philomath Fee Comparison

Fees	Philomath	Corvallis
General Fund	10.00	
Street Fee	4.00	2.01
Storm Drain Fee	2.00	9.02
Bus		3.16
Sidewalk Maintenance		.80
Urban Forestry		.50
Police		12.10
Fire		5.21
Total	16.00	32.80

# By the end of fiscal year 2017-18

- General Fund fee added \$237,000
- Building permit revenue increased by \$270,000
- Sale of surplus City-owned lots \$150,000
- New Marijuana tax \$25,000

- 
- Our ending cash balance was:



Our ending cash balance was:

**\$812,000**

but.....

A long standing problem had gotten out of control. Any guesses?

# PERS

**Unfunded Liability = \$3 million**

## Tier 1 and 2 Rates from PERS

2017-19

2019-21

2021-23

2023-25

2025-27

19.95%

24.49%

29.91%

30.79%

30.48%

# Oregon Legislature Steps In

- In 2018 the legislature recognized the PERS unfunded liability was a huge problem.
  - Made it easier to set up side accounts.
  - Side accounts allow cities/counties to set aside funds that will pay future costs.
  - State would provide a 25% match for all funds put in a side account.

# New Plan

- Discussed the benefit of setting up a PERS side account with the City Council and the Budget Committee.
- Earmarked \$500,000 from 2017-18  
(General Fund and Utility Funds)
- Squeeked out \$500,000 from 2018-19  
(General Fund and Utility Funds)

As of June 2019: **\$1 million saved**

# Future Benefit to the City

\$1.25 million contribution will save the city:

- \$2.163 Million over 20 years
- Equivalent of \$108,200 savings per year as a result of two year's worth of savings.

# Looking to the future

Estimated cash balance June 2020 is \$470,000

- Continue adding to cash balance to ensure that it is adequate and sustainable and
- Reinstate annual contributions to Land Building and Equipment Fund (savings account) for future needs

# Frequently asked questions

- I. How much does it cost per day for room and board at the gray bar hotel?

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\$150



2. In 2010 our population was is 4,610  
What is it today?



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What is it today?

4,734

That equals about 14 new  
people per year; 0.3% growth rate



**3.** Is every street in the City owned by the City?



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No – These are County roads:

North 9<sup>th</sup> Street

South 13<sup>th</sup> Street

19<sup>th</sup> Street

ODOT Owns Main St. & Applegate St.



4. Is the Fire Department part of the City?



4. Is the Fire Department part of the City?

No – It is a separate taxing district



**5.** What is the average cost of a speeding ticket issued in Philomath?



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\$165



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How much of the \$165 does the City keep?



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\$165

How much of the \$165 does the City keep?

- \$99 City
- \$50 State
- \$16 Benton County



## 6. Who owns the Philomath Frolic Grounds?



6. Who owns the Philomath Frolic Grounds?

~~Skirvin Family~~

It was donated to the City in May 2018



**7.** How much does the mayor get paid?

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\$0



8. How much would a running toilet cost you if you let it run for a month?

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200 gallons per day  $\times$  30 days = 6,000 gal.

6,000 gallons / 748 = 8 units

8 units of water & sewer = **\$83**



9. How many full time employees does the City have?



9. How many full time employees does the City have?

10 Police

9 Public Works

6 City Hall

25



**10.** How many utility customers do we have?



**10.** How many utility customers do we have?

1,675



10. How many utility customers do we have?

1,675

How many pay on-line?



10. How many utility customers do we have?

1,675

How many pay on-line?

50%



If you have answered all 10 questions correctly you will be promoted to Finance Director.

If you answered 3 to 9 questions correctly, you will be qualified to be a City Councilor

If you got 2 or fewer correct answers, Could we interest you with a position on the tree committee?



**Thank you for  
participating in  
Citizens' Academy!**