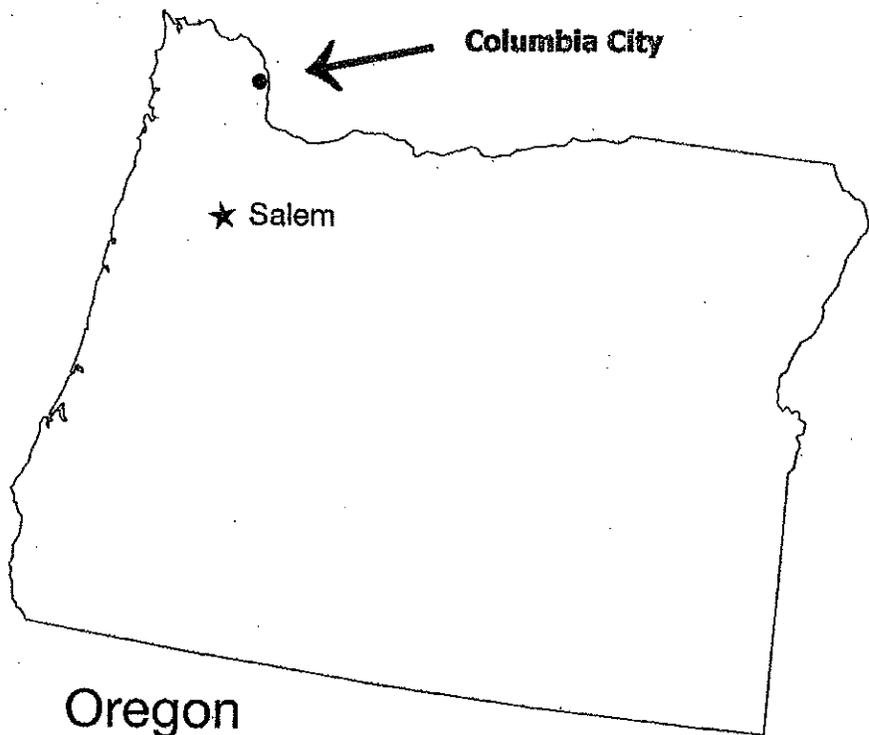




Budget Message

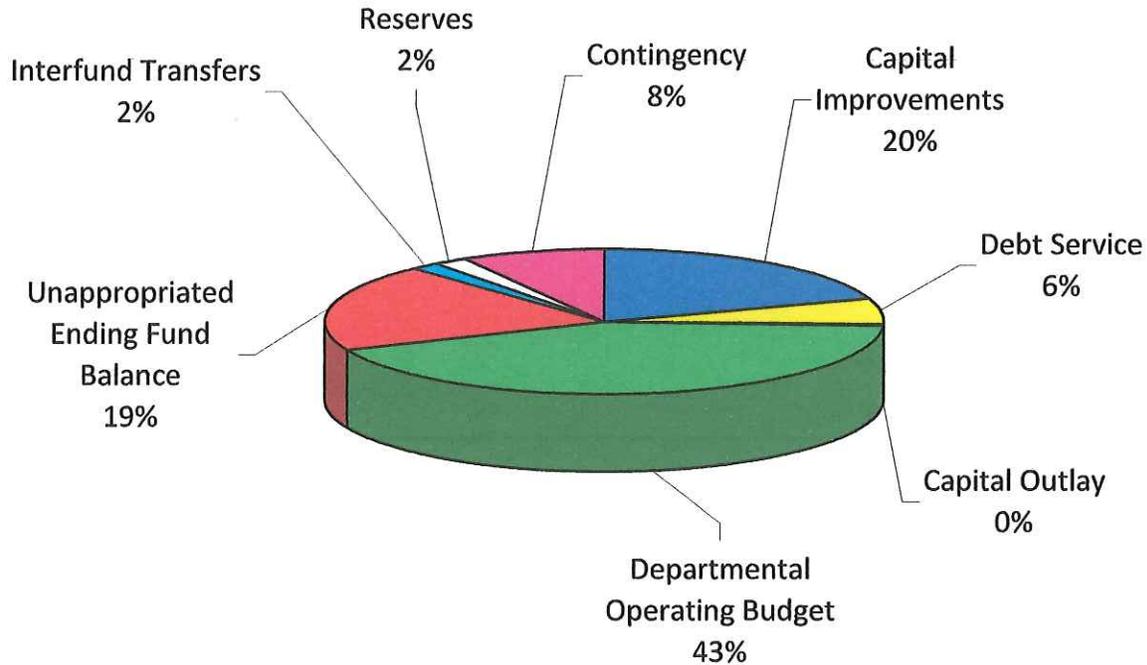


Columbia City

★ Salem

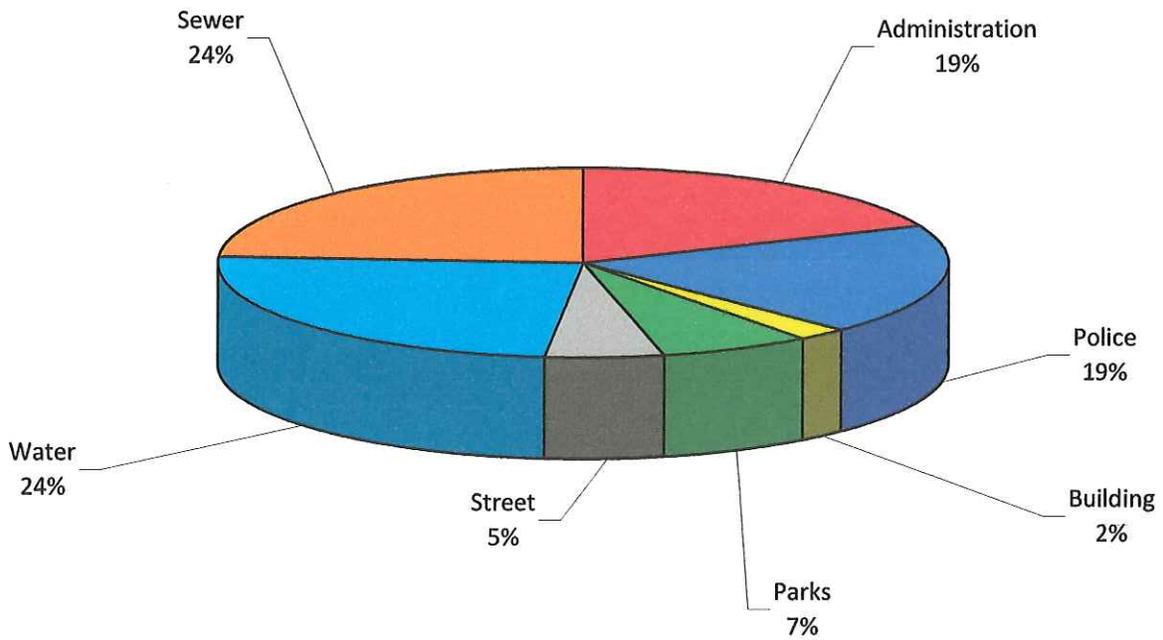
Oregon

**2016-17 TOTAL FINANCIAL PROGRAM
BY CATEGORY
\$3,700,441**



2016-17 TOTAL FINANCIAL PROGRAM	
CATEGORY	ADOPTED BUDGET
Departmental Operating Budget	\$1,588,234
Capital Outlay	9,466
Capital Construction	726,000
Debt Service	219,537
Interfund Transfers Out	60,700
Reserves	73,744
Contingency	308,925
Unappropriated Ending Fund Balance	713,835
TOTAL FINANCIAL PROGRAM	\$3,700,441

**2016-17 OPERATING BUDGET
BY DEPARTMENT
\$1,588,234**



2016-17 OPERATING BUDGET	
DEPARTMENT	ADOPTED BUDGET
Administration	\$295,571
Police	300,163
Building	34,039
Parks	105,606
Street	85,715
Water	387,768
Sewer	379,372
TOTAL	\$1,588,234

The City of Columbia City

In Columbia County on the Columbia River



May 6, 2016

The Honorable Cheryl A. Young, Mayor
Members of the City Council
Members of the Budget Committee
City of Columbia City

It is my privilege to present to you the proposed budget for fiscal year 2016-17 for your review and approval. As required by law, the proposed budget is balanced, and it provides for the basic needs and requirements of the City. It is our intent to submit and manage the budget in the most open and straightforward manner possible which will allow consistent and careful management of all resources.

BUDGET POLICY AND STRATEGY

The 2016-17 budget document has been prepared after analyzing and evaluating requests from the various departments, and represents the requested financial support for the operation of the City of Columbia City for the upcoming fiscal year. It is prepared on the modified accrual basis of accounting, and is summarized by major expenditure categories within each organizational unit.

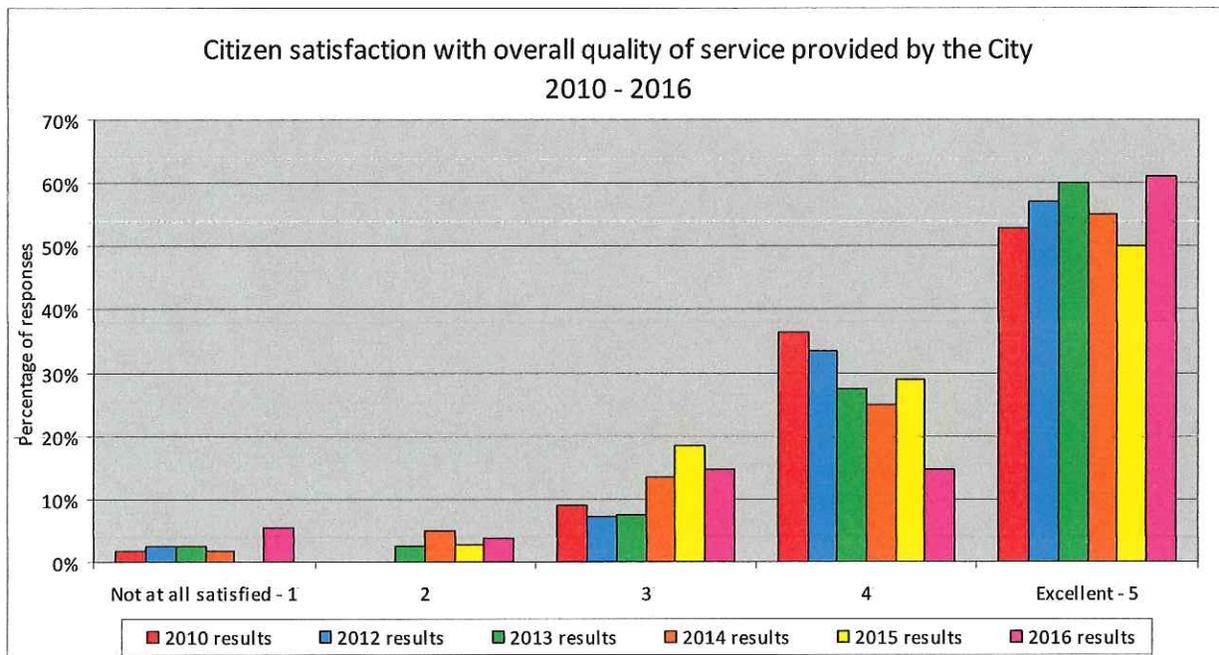
The budget will be adopted this year by major categories so that legal appropriation control will be at the personal services, materials and services, and capital outlay levels in each department. Thus each department has some flexibility in the use of various line items within a major category while the important appropriation control is still maintained.

Revenue estimates are conservative. The importance of a sound revenue picture cannot be overstated. Revenues must be estimated realistically. Revenue estimates are based on historical trends, expected population increases, inflation, economic conditions, conservation measures, and more. Revenue estimates have been carefully analyzed, and in those areas

where varying estimates were received, the conservative approach has been used. This budget is conditioned upon the following fee increases:

Water and sewer rate increases: As discussed in the Water & Wastewater Rate Analysis Summary Report dated April 2013, the fourth of five annual 3% water and sewer rate increases is proposed, effective July 1, 2016. The rate increases are needed to generate the amount of revenue required to pay for operation and maintenance costs associated with each of the utility systems, make the annual debt payments, meet the loan debt coverage requirements, and complete the necessary capital improvements as outlined in the system master plans.

City service levels. The City of Columbia City provides a range of services to the community, including police protection, street and storm system maintenance, water distribution and sewer collection utility services, as well as administrative, planning, building, municipal court services, and park maintenance services. Volunteers also help the City provide many valuable services to the community. The City continues to expand its volunteer program, enabling the City to provide a higher level of service than the available resources would otherwise allow. The level of service provided by the proposed budget is similar to current service levels.

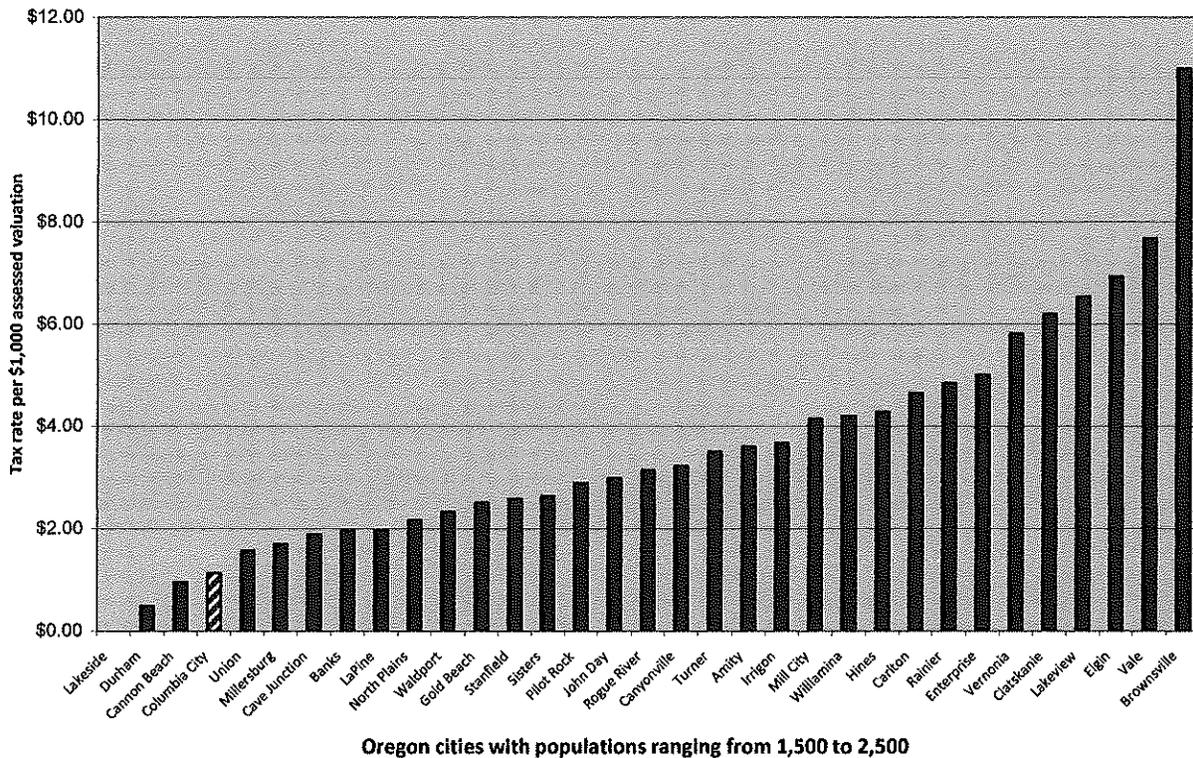


Major budget issues. The City funds police protection services with property tax revenue. Columbia City's permanent tax rate of \$1.1346 per \$1,000 assessed value is among the very lowest of all of the cities in the State of Oregon as shown in the graph on the top of the next page.

In 2011, after police protection service costs had exceeded the permanent tax rate revenues for six consecutive years, the City Council identified police protection as a critical service that was seriously underfunded. The City Council submitted a five-year local option levy for \$0.67 per \$1,000 assessed value to the voters in November 2011 to support police services. The voters

approved the five-year local option levy. In July 2016, the City will be entering the fifth and final year of the local option levy.

Comparison of Permanent Tax Rates



Even with the five-year local option levy, the City's combined permanent tax/local option levy tax rate of just \$1.8067 remains lower than the permanent tax rate of most of the cities within the state.

In addition to the very low tax rate, the City is primarily a bedroom community with only a couple of commercial and industrial activities. To further the problem, the City's largest employer, West Oregon Wood Products, closed its doors in March 2016. In addition to the lack of commercial and industrial taxpayers, the market and assessed values within Columbia City are recovering ever so slowly since the crash during the recent recession.

In order to sustain the current level of police protection services for any length of time, a renewal of the five-year local option levy is needed. The City Council plans to re-submit the \$0.67 five-year local option levy to Columbia City voters in the coming year.

Strong reserve policies will protect the future of the City. In accordance with City Budget and Financial Policy Number 2, adequate contingency appropriations provide the City with protection to address unforeseen circumstances. This year contingency appropriations within the General, Street, Water and Sewer Funds meet or exceed 10% of the operating expenditures of each fund. Total contingency appropriations of \$308,925 are equal to 8% of the total budget. Transfers may be made to appropriate contingency funds by resolution of the City Council, but Oregon Budget Law limits them to 15% of the total appropriations budgeted within

the fund. Contingency transfers exceeding the 15% limitation may only be made with the adoption of a supplemental budget.

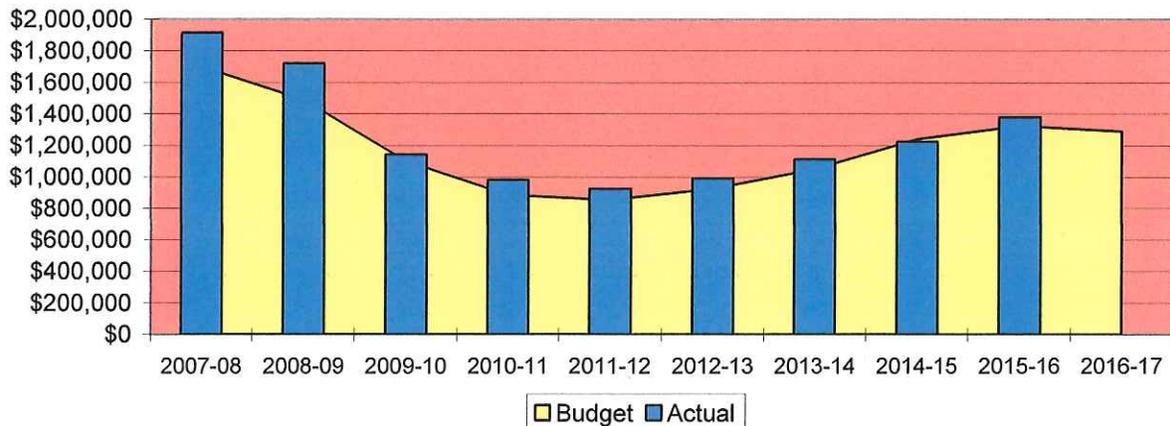
In accordance with City Budget and Financial Policy Number 1 and Number 3, the City reserves funds for future capital projects in an effort to avoid incurring indebtedness whenever possible. The Equipment Reserve Fund is used to account for funds that are earmarked for future equipment acquisitions. Reserves represent 2% of the proposed budget, equal to \$73,744. In addition, unappropriated ending fund balances in the amount of \$713,835 represent 20% of the 2016-17 budget.

Fund balances. The 2016-17 beginning fund balances are estimated at \$1,288,815, equal to 35% of the total proposed budget.

A General Fund beginning fund balance of \$218,752 is projected for the year 2016-17, an amount that exceeds three months of General Fund operating expenses. This fund balance provides the City with the resources needed to operate until property tax revenues begin to come in, enables the City to avoid short-term financing, and is in compliance with City Budget and Financial Policy Number 9.

The beginning fund balances in the Street, Water and Sewer Funds, estimated at \$152,539, \$301,953 and \$253,914 respectively, are also in compliance with the fund balance policy.

BEGINNING FUND BALANCES - ALL FUNDS
Budget vs. Actual



Capital construction projects: The 2016-17 budget provides appropriations for the following capital construction projects:

Community Hall Kitchen and Restroom Upgrades - \$80,000. This project consists of a full refurbishment of the kitchen facilities, the addition of men and women restrooms and a unisex shower area, wheeled cart storage areas for tables and chairs, and retractable basketball hoops. This project is partially funded by a Port of St. Helens Intergovernmental Partnership Program award, a grant from the Samuel S. Johnson

Foundation, proceeds from a variety of fund raising activities, and donations of cash, materials and skilled labor. Portions of this project are contingent upon grant awards from the Oregon Community Foundation, the Ford Family Foundation, and the Meyer Memorial Trust.

Columbia City Veterans Park Improvements - \$10,000. Phase III of the Veterans Park Improvements adds two new monuments and a variety of other site amenities. One monument will provide a tribute to the family members of all American veterans and the other will honor United States military personnel taken as prisoners of war or listed as missing in action. This project is partially funded by an Oregon Veterans and War Memorials Grant, a Columbia County Cultural Coalition Grant, and donations of cash, materials and skilled labor.

McBride Creek Trail System Improvements - \$30,000. This project consists of the acquisition of additional creek frontage property and/or easements, trail engineering, and the development of a picnic area and a series of hiking trails along the banks of the beautiful McBride Creek riparian area. Part of this project is contingent upon a grant award from the Oregon Recreational Trail Grant program.

Sixth Street Pavement Widening/Restoration Project (H to K Street) - \$110,000. This project involves some storm system improvements, pavement widening, and the restoration of pavement on Sixth Street between H and K Streets. This project is dependent upon a Special City Allotment Program grant award.

Sixth Street Pavement Restoration Project (Pacific to Lincoln Streets) - \$35,000. In this project, the pavement on Sixth Street between Pacific and Lincoln Streets will be restored.

Streetlight Improvements - \$10,000. Failing wooden streetlight posts and sodium vapor light fixtures will be replaced with new aluminum posts and LED light fixtures.

Fire Hydrant Replacement Project - \$21,000. Four fire hydrants that were found to be leaking during a City-wide leak diction survey will be replaced. The hydrants are old and the parts needed to repair them may no longer be available.

Upper Reservoir Restoration and Improvements - \$260,000. This project involves recoating both the interior and exterior of the upper level reservoir to prevent additional corrosion, completing structural repairs as needed, adding seismic upgrades, installing a telemetry system for remote monitoring, and adding an overflow drain. This project will be funded by a FEMA Hazard Mitigation Grant and a Safe Drinking Water Loan.

Source Water Protection Project - \$50,000. This project consists of the abandonment of two dry wells that are located within the City's drinking water protection area by redirecting the storm water into existing drainage swales. This project is dependent upon a Source Water Protection Grant award.

Steel Tank Replacement and Abandonment - \$105,000. In this project, 29 steel septic tanks will either be abandoned or replaced. These steel tanks are more than 20 years old and are suspected to be failing. When the tanks are abandoned, the services will be converted to direct gravity flow connections. In instances, however, where direct flow connections are not feasible, new concrete holding tanks will be installed. This project will be funded by a Clean Water Loan.

Inflow and Infiltration (I&I) Reduction - \$35,000. This project consists of spot repair work to reduce I&I at 19 locations that were identified during video inspection work. The project also involves additional investigative work in an effort to identify other sources of I&I.

Detailed information about these projects, and other planned capital projects, may be found in the Capital Improvement Program section of this document.

Debt management. The City makes every effort to fund planned capital improvement projects through user fees, system development fees, intergovernmental revenues, grant monies and miscellaneous revenues. However, in the interest of utility rate stability, the City sometimes relies upon debt issuances to pay for projects when immediate system needs outpace the available resources.

Current water related debt issuances are described as follows, and payments are made from water sales revenues:

2002 Safe Drinking Water Revolving Fund Loan in the amount of \$2,184,623, equal to \$1,117 per capita. Loan proceeds were used to complete the water storage reservoir project and related transmission piping, and to complete the development of a groundwater well and associated transmission piping and chlorination facility. The loan will be amortized over a period of 30 years with a 1% interest rate. Annual loan payments are made in December with revenue from water sales. Because of the low interest rate, the City anticipates a savings of nearly \$2 million under this financing program during the term of the loan.

2008 Safe Drinking Water Revolving Fund Loan amendment in the amount of \$272,399, equal to \$139 per capita. Loan proceeds were used to complete the development of a groundwater well and associated transmission piping. The loan will be amortized over a period of 20 years with a 3.55% interest rate.

2011 Technical Assistance Loan under the Water/Wastewater Financing Program in the amount of \$11,390, equal to \$6 per capita. Loan proceeds were used to develop a Water System Master Plan. The loan will be amortized over a period of seven years with a 2.94% interest rate.

2013 Safe Drinking Water Revolving Fund Loan through the Oregon Infrastructure Finance Authority (IFA) in the amount of \$419,144, equal to \$214 per capita. The loan will be amortized over a period of 20 years with an interest rate of 2.69%. The loan

funds were used to pay for the Water Conservation Project - Meters/PRV/Line Improvements. In addition to the loan funds, the City obtained a \$379,180 forgivable loan under the same program.

Current sewer related debt issuances are described as follows, and payments are made from sewer collection fee revenues:

2014 Clean Water State Revolving Fund Loan through the Oregon Department of Environmental Quality (DEQ) in the amount of \$400,000, equal to \$205 per capita. The loan will be amortized over a period of 20 years with an interest rate of 2.54% and an annual fee equal to \$0.50% of the unpaid balance. The loan funds were used to pay for the Sewer Improvements Project involving pump and electrical power upgrades to the River Club Estates (RCE) lift station, the replacement of one steel tank, the abandonment of 16 steel tanks, lining 25 manholes, and adding a telemetry, monitoring and alarm system to the sewer system.

2015 Clean Water State Revolving Fund Loan through the Oregon DEQ in the amount of \$351,000, equal to \$180 per capita. The loan will be amortized over a period of 20 years with an interest rate of 1.93% and an annual fee equal to \$0.50% of the unpaid balance. The loan funds were used to pay for the Sewer Improvements Project involving pump and electrical power upgrades to the River Club Estates (RCE) lift station, the replacement of one steel tank, the abandonment of 16 steel tanks, lining 25 manholes, and adding a telemetry, monitoring and alarm system to the sewer system.

State law provides a debt limit of 3% of the true cash value of all taxable property within the City's boundaries. The 3% does not apply to bonds issued for water or sanitary sewer system improvements. The City has not issued any debt subject to the 3% limit. The amount legally available for future indebtedness is \$5,711,269.

Summary. In summary, the most important budgetary objective is to provide the highest possible level of service to our citizens in the most efficient and cost effective manner.

FINANCIAL FRAMEWORK

The following shows a comparison of the proposed 2016-17 budget with the 2015-16 budget.

Fund Type	2015/16	2016/17	% Change
Governmental Funds:			
General Fund	\$940,966	\$986,020	5%
Special Revenue Funds	546,752	536,660	-2%
Proprietary Funds:			
Enterprise Funds	2,543,033	2,177,761	-14%
TOTAL	\$4,030,751	\$3,700,441	-8%

The proposed budget represents an 8% decrease from the current budget, due mostly to a

smaller investment in capital outlay and capital construction projects in the coming year. Departmental operating costs, consisting of personal services and materials and services, are equal to \$1,588,234, up 6% from last year's \$1,496,300. Personal service costs are up just 1%, while materials and services costs are up 13%, due mostly to contract service costs for special projects that are dependent upon grant awards.

The City intends to employ 7 regular full-time, 5 regular part-time, and 1 seasonal part-time staff during the 2016-17 budget year. The following chart shows the hours allocated for each employee within the various City departments, based upon full-time employee equivalents (FTE). Actual hours worked with department are tracked and then department allocations are adjusted in the following year.

FUND	DEPARTMENT	STAFFING LEVEL			
		2013-14	2014-15	2015-16	2016-17
General	Administration	1.87	1.90	1.69	1.66
	Police	2.87	2.60	2.33	2.29
	Building	0.19	0.19	0.19	0.19
	Parks Maintenance	0.39	0.49	0.80	1.05
Street	Maintenance and Repair	0.44	0.34	0.27	0.30
Water	Production and Distribution	2.39	2.46	2.36	2.36
Sewer	Collection Maintenance	1.50	1.50	1.45	1.20
TOTAL		9.65	9.48	9.09	9.05

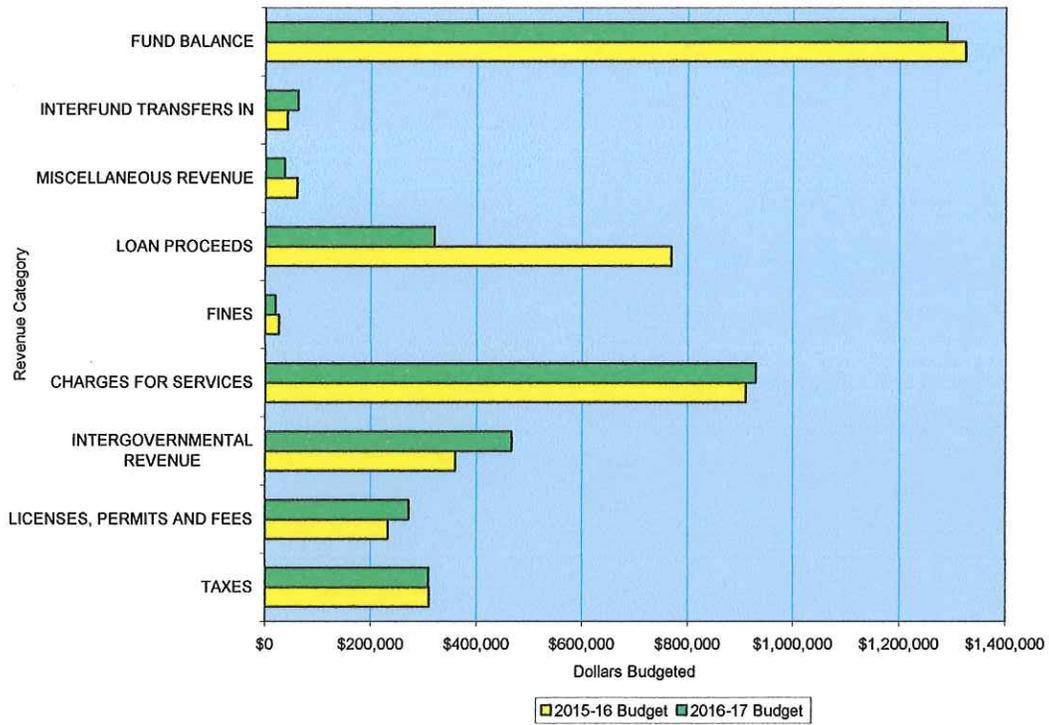
The charts on the following page compare the 2015-16 budget with the 2016-17 proposed budget.

The first chart compares 2015-16 and 2016-17 revenues and other sources. Total revenues and other sources of \$3,700,441 are down 8% from last year's budget of \$4,030,751. A slight decrease is seen in revenues from taxes, down by \$675, or less than 1%. Revenue from fines is down by \$6,000, or 23%, miscellaneous revenues are down by \$23,226, or 39%, and loan proceeds are down by \$447,627, or 58%. Intergovernmental revenues are up by \$106,372, or 30%, licenses, permits and fees are up by \$40,265, or 17%, , and utility charge revenues are up by \$18,308, or 2%.

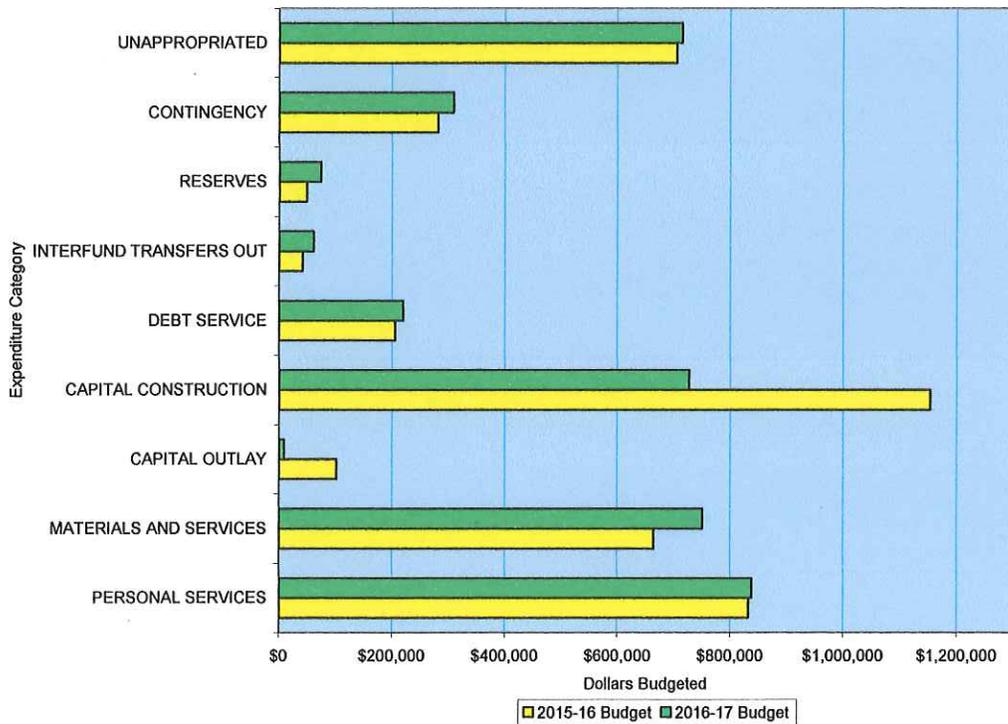
The next chart compares proposed 2015-16 expenditures with 2016-17 expenditures. Data is presented by major categories. Overall total expenditures of \$3,700,441 estimated in this budget are down 8% from last year's budget, or \$330,310 most of which results from a decrease in capital purchases and capital construction projects in the coming year. Personal services are up \$5,512, or 1%, while materials and services costs are down by \$3,024, less than 1%. Capital outlay purchases are down \$91,950, a drop of 91%, and capital construction costs are down \$426,574, down by 37%. Debt payments are up \$14,306, or 7%.

This budget message encompasses many of the highlights and policy issues in the 2016-17 budget. Details on departmental appropriations, revenues, property taxes, staffing, and capital projects can be found in the attached schedules.

WHERE THE MONEY COMES FROM
2015-16 vs. 2016-17 Revenue



WHERE THE MONEY GOES
2015-16 vs. 2016-17 Expenditures



YEAR-END CONDITION

Columbia City's current population is 1,955. Its quaint small town rural atmosphere, spectacular views of the Columbia River, and easy access to Highway 30, the Portland metropolitan area and Oregon coastal beaches make it a very unique and desirable place to live. Columbia City is primarily a bedroom community, and its economy is influenced by its proximity to the Portland-metropolitan area. Columbia City has a high number of residents who commute to the Portland metropolitan area or elsewhere for employment. 75% of Columbia County workers commute to work outside of Columbia County. St. Helens, the county seat, is located just two miles south of Columbia City.

Columbia County's seasonally adjusted unemployment rate was 6.0% in March 2016, which was down from 6.9% in the previous year. The rate was higher than the statewide rate of 4.5% and the national rate of 5.0%, but much improved from March 2009 when unemployment rates in the county peaked at 14.3%.

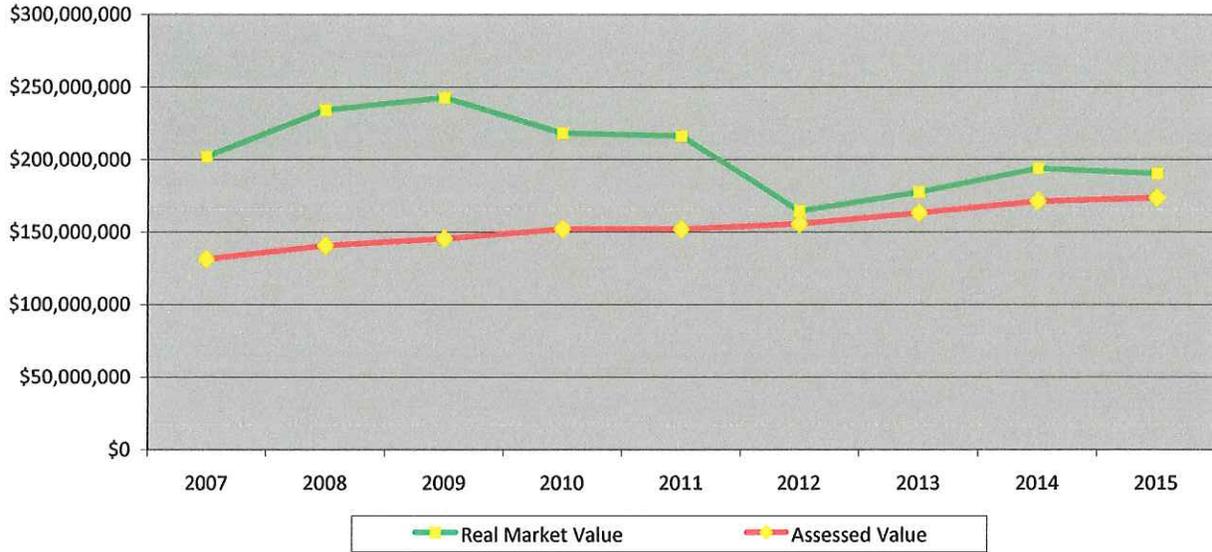
Columbia County experienced a net gain of 120 new non-farm jobs between March 2015 and March 2016. Private sector gained 90 new jobs, and government employment saw an increase of 30 jobs. Of the government jobs, federal and state government jobs held steady and local government increased by 30 jobs. In the private sector, manufacturing added 30 new jobs, trade, transportation and utilities saw an increase of 10 jobs, professional and business services gained 20 new jobs, educational and health service jobs added 20 new jobs, leisure and hospitality added 30 new jobs, and other service jobs increased by 40. At the same time, construction saw a drop of 50 jobs and financial activities lost 10 jobs.

Measure 5, approved by Oregon voters in 1990, limits the consolidated taxes for schools to \$5.00 per \$1,000.00 assessed value, and limits the consolidated taxes for all other governments to \$10.00 per \$1,000.00 assessed value. The consolidated tax rate for all other governments in Columbia City's tax area subject to the \$10.00 limits was \$7.9291 during the current tax year.

The passage of Measure 50 in 1997 instituted a permanent operating rate limit for all local governments in existence at the time. The permanent rates were largely determined by combining all of the tax levies that existed for that government at the time. The permanent rates can only be exceeded with the passage of a local option levy, and local option levies may only be levied for up to five years. Measure 50 also created what is known as assessed value. The assessed value of a property was established by reducing a property's real market value in 1995-1996 by 10 percent. Measure 50 then capped the annual growth of assessed value to 3 percent, with some exceptions.

Last year the real market value of property in the City decreased to \$190,375,620, down 2% from the prior year. In Columbia City, the declining trend in market values during the recession hit bottom in 2012. Since then, market values have started to edge up slowly. The assessed value of property in the City increased to \$173,617,384, up 1% from the prior year.

City of Columbia City
Real Market Value vs. Assessed Value



CONCLUSION

The City can take extreme pride in the level of service that's been delivered to the community over the years, especially considering the limited amount of resources that have been available. This proposed budget provides a similar service level plan as the current budget year.

The real test of leadership comes from long-range results. The goals set by the Mayor and Council demonstrate their dedication and leadership and their desires to secure the future of our City as a pleasant and safe place to live and work. I have thoroughly enjoyed working together with the Mayor and City Council, City Committees, and all of the City's employees in a team effort to deliver the highest possible level of service at the lowest possible cost to the citizens of Columbia City. I especially want to thank the City staff for their assistance in preparing this document.

Respectfully submitted,

Leahnette Rivers
City Administrator/Budget Officer

**City of Columbia City
2016-17 Annual Budget**

HOW TO USE THE BUDGET

The budget document serves four distinct purposes. One purpose is to present the City Council and public with a clear picture of the services that the City provides, and of the policy alternatives that are available. It also provides City management with a financial plan that conforms to the City's accounting system, and with an operations guide to follow throughout the year. Finally, it serves as a communications device, providing the policy makers, the public, and City management with a wealth of information about the organization.

The **Budget Message** section provides an overview of the key policy issues and programs in the budget, and presents major areas of emphasis for the City in 2016-17.

The **Schedules and Summaries** section provides the heart of the document as an operating and financial plan.

The **Major Revenues** section contains descriptive information about the City's major revenue sources, explains the underlying assumptions for the revenue estimates, and includes historical trend information.

The **General Fund** section contains General Fund revenue and expenditure summaries. It also provides detailed revenue and expenditure information, department descriptions, staffing levels, service level objectives and prior year accomplishments for all departments within the General Fund.

The **Special Revenue Funds** section provides revenue and expenditure summaries for all Special Revenue Funds. It also provides detailed revenue and expenditure information, department descriptions, staffing levels, service level objectives and prior year accomplishments for all departments within each Special Revenue Fund.

The **Enterprise Funds** section contains revenue and expenditure summaries for the Enterprise Funds. It also provides detailed revenue and expenditure information, department descriptions, staffing levels, service level objectives and prior year accomplishments for all departments within the Enterprise Funds.

The **Capital Improvements** section contains the City's Five-Year Capital Improvement Program, and lists the 2016-17 portion of the plan.

The **Community Profile** section provides a brief overview of the history, location, demographics and economic condition of the City in order to provide some insight to help individuals put Columbia City's budget into perspective.

The **Long-Term Financial Forecasting** section provides ten-year financial forecasting information for the City's General Fund, Water Fund and Sewer Fund.

The **Appendix** section includes a glossary of terms to define various budgeting terms and each of the acronyms that may be found in this budget document.

**City of Columbia City
2016-17 Annual Budget**

FUND STRUCTURE

The City has established a variety of funds are used to collect revenues and hold funds in reserve for specified purposes. The City has three categories of funds: operating, special revenue, and enterprise funds.

Fund Category	Major Fund	Fund	Percent of City's Total Budget
Operating	✓	General Fund	25.20%
Special Revenue		Equipment Reserve Fund	2.04%
Special Revenue	✓	Street Fund	9.54%
Special Revenue		Street Development Fund	1.98%
Special Revenue		Park Development Fund	1.20%
Special Revenue		Storm DrainDevelopment Fund	0.06%
Enterprise	✓	Water Fund	30.34%
Enterprise		Water Development Fund	6.09%
Enterprise	✓	Sewer Fund	23.18%
Enterprise		Sewer Development Fund	0.37%

Governmental Funds:

General Fund: The General Fund is the City's general operating fund, and it accounts for the administrative, planning and building, park maintenance, police protection, and municipal court functions of the City. Principal sources of cash consist of license and permit fees, franchise fees, fines and forfeitures, intergovernmental revenue, investment income and property tax revenues.

- The Administration Department is funded from licenses, permits and fees, intergovernmental revenues, fines and miscellaneous revenues. Major expenses are salary related.
- The Police Department costs are funded from property tax revenues, intergovernmental and miscellaneous revenues. Major expenses are salary related.
- The Building Department receives funding from licenses, permits and fees, and miscellaneous revenues. Major expenses are for contract services and salary related expenses.
- The Park Maintenance Department receives funding from in lieu of tax fees, state revenue sharing, intergovernmental and miscellaneous revenues. It accounts for the expenditures related to the maintenance and development of City parks.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

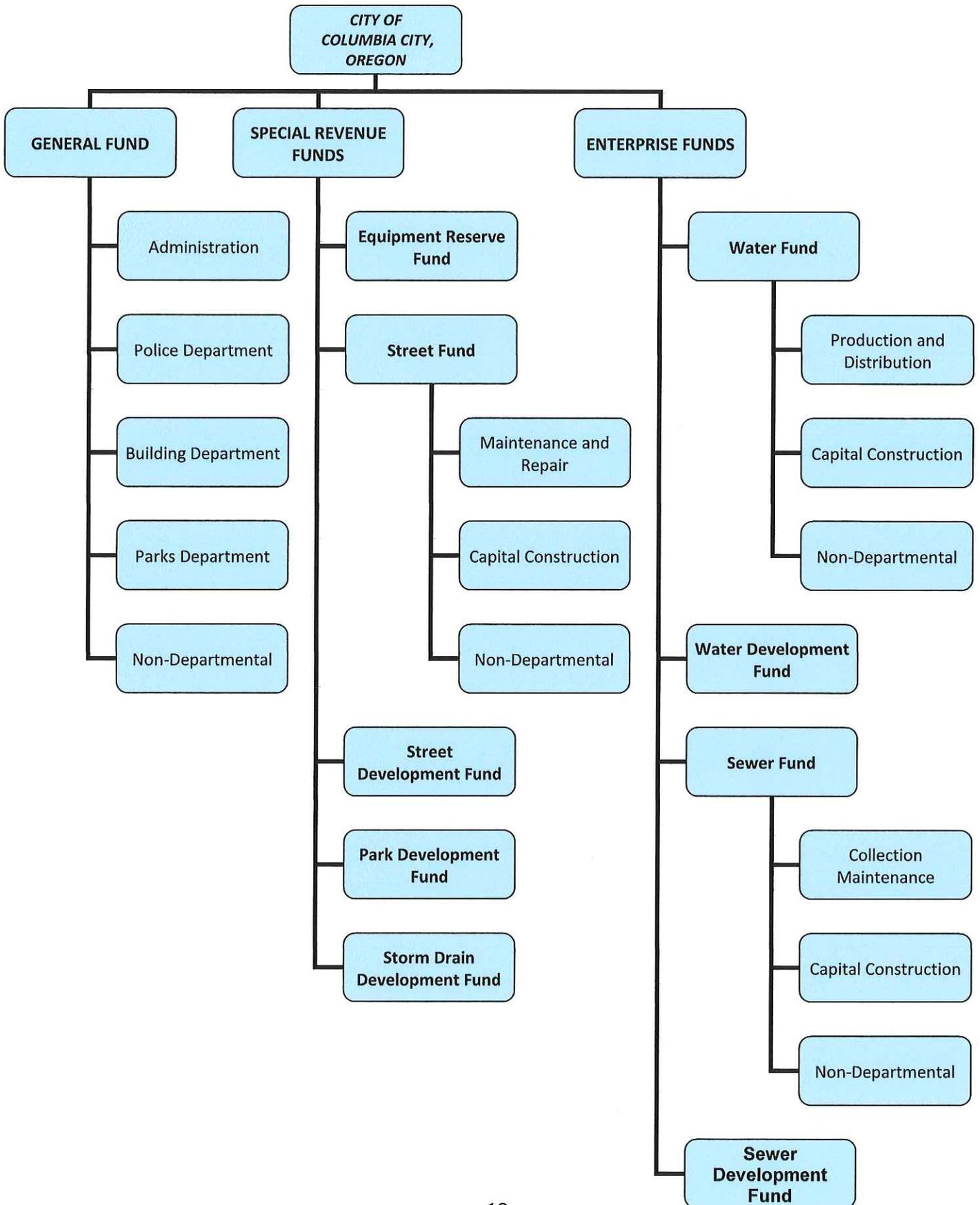
- The Equipment Reserve Fund was established to reserve funds that have been earmarked for major equipment purchases of the City.
- The Street Fund accounts for the City's share of the State of Oregon's special gas tax revenues. This revenue is restricted to street related maintenance and repair, including sidewalks and storm drains, and street improvements. Funding from permit fees, intergovernmental revenues and miscellaneous revenues also support street related activities.
- The Street Development Fund was established in accordance with state law to account for Street System Development Charges, which are designed to finance the construction, extension or enlargement of transportation facilities.
- The Park Development Fund was established in accordance with state law to account for Park System Development Charges, which are designed to finance the construction, extension or enlargement of parks and recreation facilities.
- The Storm Drain Development Fund was established in accordance with state law to account for Storm Drain System Development Charges, which are designed to finance the construction, extension or enlargement of storm drain facilities.

Proprietary Funds:

Enterprise Funds: These funds account for the operations of the City that are financed and operated with the intent that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- The Water Fund accounts for all activities related to operating the water distribution system of the City. Revenue is derived from connection fees, charges for services to water users, intergovernmental revenue, loan proceeds and investment earnings.
- The Water Development Fund was established in accordance with state law to account for Water System Development Charges, which are designed to finance the construction, extension or enlargement of the water system.
- The Sewer Fund accounts for all activities related to operating the sewer collection system of the City. Revenue is derived from sewer usage charges, loan proceeds and investment earnings.
- The Sewer Development Fund was established in accordance with state law to account for Sewer System Development Charges, which are designed to finance the construction, extension or enlargement of sewer collection facilities.

**City of Columbia City
Fiscal Year 2016-17
Fund Structure**



City of Columbia City
2016-17 Annual Budget

VISION STATEMENT

Columbia City is the lower Columbia River's ideal small town - a city of beauty and livability.

- *Residents connect in safe, attractive, and quiet neighborhoods.*
- *The city welcomes diverse community-sustaining businesses.*
- *Engaged citizens and responsive local governments collaborate to preserve the city's distinctive identity and independence.*

MISSION STATEMENT

The City of Columbia City encourages community involvement and is committed to:

- Developing and ensuring the highest possible quality of life for our residents, businesses and visitors.
- Providing a safe, secure and healthy community environment.
- Providing an efficient and effective government which is open and responsive to the needs of the community and works for the benefit of all.

POLICY GOALS AND OBJECTIVES 2016-17

1. Protect our community's quality of life and promote economic development

A. To seek voter approval of a five-year local option levy for police protection services to provide stable funding for current service levels.

Rationale: Police protection service costs exceed the amount of tax revenue collected from the permanent tax rate. A five-year local option levy was approved by voters to fund the gap, but we are entering the last year of the levy. An extension of the five-year local option levy is needed to continue funding current service levels.

Target completion date: May 31, 2017.

B. To provide the maximum amount of service within available resources at the absolute minimum cost.

Rationale: Recovery from the great recession has been slow. Columbia City's property values have shown the slowest recovery within rate within the County. The impacts of the very recent loss of the City's largest employer, West Oregon Wood Products, are yet to be felt. With one of the lowest permanent tax rates within the State of Oregon, the City must continually seek and find ways to do more with less.

Target completion date: Ongoing.

C. To continue efforts to reduce or eliminate the long-term risk to human life, property and the environment from natural or human-caused hazardous events and disasters.

Rationale: Emergency preparedness and hazard mitigation will help to reduce injury and damages that would otherwise result during hazardous events and disasters.

Target completion date: Ongoing.

D. To promote the addition of new and unobtrusive development in the commercial and industrial zones within Columbia City as well as other economic efforts within Columbia County in the interest of countywide job growth.

Rationale: Promoting job growth is an essential part of creating a sustainable community.

Target completion date: Ongoing.

E. To pursue funding for the completion of a master plan for the Columbia City Industrial Park.

Rationale: This planning work would assess the highest and best uses for the site and investigate capabilities and constraints for rail, road and maritime transportation. It would establish development strategies to support development opportunities, forecast transportation needs and guide transportation and associated upgrades to better integrate the site into the City and regional transportation network.

Target completion date: June 30, 2017.

F. To promote and maintain a safe and desirable living and working environment while at the same time maintaining and improving the quality of our community.

Rationale: The City Council has adopted City codes specifically designed to address blight, nuisances, and to maintain a clean environment for all citizens in our community. An emphasis will continue to be placed on code enforcement by administering a fair and unbiased enforcement program to correct violations through:

1. The facilitation of voluntary compliance with City laws and codes;
2. Public outreach programs;
3. Established priorities for enforcement.

Target completion date: Ongoing.

G. To complete improvements to the Community Hall including the complete refurbishment of the kitchen, the addition of men and women restrooms and a unisex shower facility, new storage space, and retractable basketball hoops.

Rationale: The Community Hall not only serves as the City's designated emergency shelter, it is a popular multi-purpose venue for community events, sports activities, social gatherings, etc. With a capacity limit of 334 persons, the single unisex restroom facility is sorely inadequate, and the existing kitchen facilities are in dire need of refurbishment.

Target completion date: December 2016.

H. To continue to pursue the acquisition of easements and/or land donations along the length of McBride Creek for the development of a hiking trail system within a linear park.

Rationale: Acquisition of the riparian buffer area will further protect the integrity of the natural stream system, and provide current and future generations with an opportunity to enjoy the beautiful natural setting it provides.

Target completion date: Ongoing.

I. To complete Phase III improvements to the Columbia City Veterans Park involving the addition a monument honoring POW/MIAs, a monument providing a tribute to the family members of veterans, a fourth veteran wall panel, tiled aprons at the base of each existing monument, and other park amenities.

Rationale: Local support for Phase I and II improvements was overwhelming, indicating a strong desire to honor the sacrifices made by all of the veterans that have served our country and played a role in preserving the quality of life that we enjoy in Columbia City and throughout the nation.

Target completion date: October 31, 2016.

J. To support the Port of St. Helens in their efforts to designate Trestle Beach as a public park and in the development of park amenities in the Trestle Beach area.

Rationale: Trestle Beach has served as a popular beach destination within Columbia County for years. The Port recently opened a temporary parking area off the Highway to provide safe access to the Trestle Beach site, officially designated the site as a public park, and provided basic amenities including trash cans, hiking trails, picnic tables, and portable restrooms. Following a one-year trial period, they plan to consider the development of a long-range plan for the park. The City will continue to support the Port's efforts in this area, which benefits the residents of Columbia City and the region as a whole.

Target completion date: Ongoing.

2. Place an emphasis on street and storm drain maintenance and improvements

A. To place a concentrated emphasis on pavement preservation efforts.

Rationale: Preserving our existing infrastructure is essential. Proper maintenance, including consistent vegetation removal, crack sealing, patching, and fabric and pavement overlays can extend the life expectancy of existing improvements.

Target Date:

- L Street Pavement Widening/Restoration (Second to Fourth Streets) - July 31, 2016;
- Sixth Street Pavement Widening/Restoration - (H to K Streets) - June 30, 2017;
- Sixth Street Pavement Restoration (Pacific to Lincoln Streets) - June 2017;
- C, H, and Calvin Streets Pavement Restoration - June 2018.

B. To complete underground injection control (UIC) system and drainage swale maintenance services.

Rationale: Due to limited resources, some of the routine maintenance services outlined in the City's Storm Water Management Plan for the City's UIC system and drainage swale systems have been postponed for several years. Periodic routine maintenance is essential to insure optimum performance of the system.

Target Date: June 30, 2017.

C. To develop a detailed Right-of-Way and Street System Inventory.

Rationale: A detailed inventory will help us to better evaluate and manage the existing conditions and prioritize maintenance and improvement needs.

Target Date: June 30, 2017.

E. To develop an Alignment Plan for the Sixth Street Improvement Project.

Rationale: Sixth Street serves as a main collector street for the City, running north and south the full length of the City. Overlaying Sixth Street and constructing half-street improvements to collector standards is estimated to cost nearly \$1 million. Existing improvements coupled with varying terrain make the alignment of the fully developed street a challenge. Funding for street improvement projects is extremely limited, and preserving the investment we have in our street system is critical. An alignment plan is needed in order to define and prioritize portions of this project.

Target Date: June 30, 2017.

F. To continue to investigate and pursue alternative funding opportunities for street and storm drain maintenance and improvements.

Rationale: Current resources available for street maintenance and improvements received from State gasoline tax and street system development charges fall short of meeting the City's basic street maintenance needs and providing for necessary street improvements. The City has no current funding

source for storm maintenance. The City will continue to pursue grant funding and investigate the establishment of a street and/or storm water utility fee.

Target completion date: Ongoing.

3. Water and sewer system maintenance, improvements, and standards are a high priority

A. To eliminate 29 steel septic tanks remaining within the sewer system.

Rationale: The steel septic tanks that were incorporated into the City's Septic Tank Effluent Gravity (STEG) system have reached the end of their life expectancy. These tanks have been targeted for removal and/or replacement. Tank replacement has been prioritized based upon physical inspection of tank conditions.

Target completion date:

- 24 tanks (locations to be determined): June 2017.
- 12 tanks (locations to be determined): June 2018.

B. To negotiate a new and updated wholesale water agreement that includes compensation to Columbia City for right-of-way use and an equitable and reasonable method of establishing wholesale water rates.

Rationale: The current Wholesale Water Agreement with the City of St. Helens was entered into in 1982. Conditions have changed in that the City of Columbia City uses the wholesale water as a supplementary supply rather than a primary supply. The existing agreement provides Columbia City with no compensation for St. Helens' use of Columbia City right-of-ways and Columbia City has had concerns about the methodology used by the St. Helens water rate consultant in establishing the wholesale water rate.

Target completion date: As soon as possible.

C. To complete the restoration of the upper level water storage reservoir, to include the addition of level monitoring equipment, an overflow drain and seismic upgrades.

Rationale: Inspection of the reservoir revealed corrosion, and recoating the interior and exterior is needed to preserve the integrity of the structure. It will be cost effective to add seismic upgrades and telemetry to the structure while the restoration work is underway, which will provide us with the ability to remotely monitor the level of the reservoir and reduce maintenance costs associated with physical inspections of the facility.

Target completion date: June 30, 2017.

D. To complete the replacement of obsolete and leaking fire hydrants.

Rationale: A recent leak detection survey revealed several leaking fire hydrants. Due to the make and model of these particular hydrants, replacement parts are not readily available. Replacing the obsolete hydrants will reduce unaccounted for water loss.

Target completion date: June 30, 2017.

E. Reduce inflow and infiltration (I&I) in the sewer collection system.

Rationale: I&I costs money - it increases sewer treatment costs and wastes valuable system capacity. Increases in sewer flows during periods of heavy rain are an indication of I&I. Completing investigations to identify problems that are contributing to I&I and taking corrective action to repair those problems could prove to be very cost effective.

Target completion date: June 30, 2018.

F. Complete implementation of the source water protection strategies as outlined in the City of Columbia City Source Water Protection Plan dated February 2014.

Rationale: Every effort should be made to prevent the release of hazardous substances and reduce the risk of contamination of the City's drinking water.

Target completion date: June 30, 2017.

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BUDGET AND FINANCIAL POLICIES

Financial management policies shall be oriented to maintain a balanced relationship between debt service requirements and current operation costs, encourage revenue growth, actively seek alternative funding sources, minimize interest costs and maximize investment returns.

1. To the extent feasible, one-time revenues will be applied toward one-time expenditures; they will not be used to finance ongoing operations. Ongoing revenues should be equal to or exceed ongoing expenditures.

Rationale: Utilizing one-time revenues to fund on-going expenditures results in incurring annual expenditure obligations, which may be unfunded in future years. Using one-time revenues to fund capital assets better enables future administrations to cope with the financial problems when these revenue sources are discontinued, since these types of expenditures can more easily be eliminated without reducing service levels.

2. To provide contingency appropriations in the General Fund, Street Fund, Water Fund and Sewer Fund. Funding shall be targeted at 10% of the City's operating expenditures.

Rationale: Adequate contingency appropriations provide the City with the ability to accommodate unexpected operational changes, legislative impacts, economic events, and other unforeseen circumstances affecting the City's operations.

3. To build reserves to provide for future capital improvements, and to fund capital improvements through grants and with reserve funds and avoid increasing indebtedness whenever possible.

Rationale: Every effort must be made to plan and provide for necessary capital improvement projects. With careful thought and planning, many projects can be funded with development fees, grant funds, intergovernmental revenues, user fees and excess revenues to avoid the incurrence of debt.

4. The City may charge the direct beneficiaries of City services the full cost of providing those services, and may adjust fees accordingly to ensure that revenues adequately support the full cost of providing the service.

Rationale: In some instances, the City may determine that fees should keep pace with the cost of providing the service, and may base fees upon comparative studies, cost of service information, public health and safety, the ability to pay, the feasibility of collection, and other considerations.

5. To track revenues and expenditures relating to the City's Building Department Program. Program reserves will be held in the name of the Building Program and used for future program requirements; program deficits will be tracked in the name of the Building Program and future revenues will be applied toward the deficit.

Rationale: In accordance with state law, the revenues related to the issuance of building, mechanical and plumbing permits shall only be used for direct and indirect costs associated with maintaining the program. Program revenues and expenditures shall be carefully analyzed in an effort to ensure that the program is self-supporting.

6. To actively pursue state and federal grants to provide additional resources and to actively pursue partnerships with other agencies and jurisdictions to improve funding opportunities and relationships and promote cost effectiveness.

Rationale: Utilizing outside revenue sources and resources whenever possible relieves the local citizens of some of the financial burden and improves the local economy.

7. To invest and manage available funds in a manner that will assure the greatest return without compromising security or cash flow requirements.

Rationale: To ensure maximum investment income is derived by utilizing available investment options.

8. To ensure revenue estimates are conservative.

Rationale: The importance of a sound revenue picture cannot be overstated. Revenues must be estimated realistically and be based on four-year historical trends, increases in population, inflation and economic conditions.

9. To maintain a beginning fund balance equivalent to at least three months of operating expenditures in the General Fund, Street Fund, Water Fund, and Sewer Fund.

Rationale: A healthy fund balance provides working capital and enables the City to avoid short-term financing.

10. The City will treat the water and sewer funds in the same manner as if they were privately owned and operated. In addition to setting rates at levels necessary to fully cover the cost of providing water and sewer service, this means assessing reasonable franchise in-lieu fees.

Rationale: Utilities statewide pay franchise fees to cities for the use of their streets. The franchise fee for water and sewer services is based on the statewide standard for public utilities like electricity and gas: 5% of the gross revenues from operations.

11. The City will annually adjust system development charges to reflect the cost of inflation.

Rationale: ORS 233.304(7) specifies that the periodic application of an adopted inflation adjustment factor to a system development charge is a permitted change. Capital project costs contained in the City's capital plan increase as a result of inflation, and it is essential that the fees be adjusted to reflect the increased costs to ensure adequate revenue is generated to support the growth-related portion of the project. An inflation adjustment factor shall be based on the change in the average market value of undeveloped land in the City, according to the records of the County Tax Assessor, and the change in construction costs according to the Engineering News Record (ENR) Northwest (Seattle, Washington) Construction cost Index; and shall be determined as follows:

$$\begin{aligned} &\text{Change in Average Market Value of Land x 50\%} \\ &\quad + \\ &\quad \text{Change in Construction Cost Index x 50\%} \\ &\quad = \\ &\text{System Development Charge Adjustment Factor} \end{aligned}$$

12. To annually contribute a minimum of \$7,500.00 towards a reserve account for police vehicle purchases.

Rationale: The systematic replacement of police vehicles increases officer safety and efficiency and reduces vehicle maintenance costs, and careful financial planning will ensure the availability of funds and avoid the need for short-term borrowing.

13. To establish an Equipment Reserve Fund for equipment purchases.

Rationale: Every effort must be made to plan and provide for necessary capital equipment purchase to avoid the need for short-term borrowing.

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FUND BALANCE POLICIES

GASB 54 requires fund balances to be reported in classifications that “comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.”

The City wants to maintain a minimum General Fund ending fund balance equal to three (3) months of General Fund operating expenditures.

The ending balance for all funds must be designated per the following categories set forth by GASB 54:

- **Non-spendable** – Funds which cannot be spent.
- **Restricted** – Amounts subject to externally enforceable legal restrictions (imposed by grantors, contributors, governmental regulations, etc.)
- **Committed** – Amounts whose use is constrained by limitations that a government imposes upon itself.
- **Assigned** – Intended use of resources established by the governing body itself, or by an official or officers to which authority is delegated by the governing body.
- **Unassigned** – Available for any purpose. (Reported only in the General Fund.)

Assignments

Authority to classify portions of ending fund balance as Assigned is granted to the City Administrator/Recorder.

Spending as it Relates to Ending Fund Balance Policy

The City considers the spending of restricted fund balances on purposes for which such funds can be used to occur first when funds are spent for restricted and unrestricted purposes. When unrestricted classifications of fund balance are spent, the City will consider that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

The following are designations of ending fund balances and revenues for specific uses:

Restricted Fund Balances –

- The SDC Fees in the following funds are restricted: Street Development, Park Development, Storm Drain Development. The Sewer Capital Improvement Fund is restricted for the uses required by the grants and loans that provide resources for the fund.
- The gas tax revenues in the Street Fund are restricted, the remaining funds are considered committed.

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BUDGET PROCESS

PURPOSE

The City of Columbia City's Budget is developed to serve as a policy document, an operations guide, a financial plan, and a communications device. The budget process is part of an overall policy framework, which guides and coordinates the various services and departments of the City. The budget serves a central role by allocating the available financial resources to the departments, which have been charged with the responsibility of implementing the City's overall policies and goals. The budget also establishes financial policies, which will influence the availability of future resources to carry out the City's policies.

BUDGET PREPARATION

The preparation of a budget is a complex process. The process affords both an interesting and challenging opportunity to reassess our plans and overall goals and means for accomplishing them. It is through this effort that the budget is the single most important policy document produced each year.

The process begins with the appointment of the City Administrator/Recorder as the Budget Officer in early January. Mid-year financial information and financial projections are reviewed in January in preparation of the upcoming budget process. The City Council appoints a Budget Officer and develops goals and objectives for the new budget year. The City's Parks Master Plan, Water System Master Plan, Wastewater Collection System Facility Plan, and Transportation Systems Plan are re-visited prior to the development of the Five-Year Capital Improvement Program. Input is received from the Parks Committee, Street Committee, and Water and Sewer Committee members during the development of the Five-Year Capital Improvement Program. Projections of City reserves and revenues are made, and consideration is given to what projects the City wants to, and can afford to, move forward with during the upcoming budget process, and what projects will be scheduled during the remaining four-year planning process. The City Council adopts the annual Policy Goals and Objectives and the Five-Year Capital Improvement Program, which guide the development of the budget.

Department Heads are asked to estimate their expenditures for the remainder of the current year, and submit their requests for the coming year to the City Administrator/Recorder. The City Administrator/Recorder meets with the Mayor and the Department Heads to review, revise and balance the budget. The proposed budget is reviewed by staff to ensure that it conforms with the City's Five-Year Capital Improvement Program, the City Council's Policy Goals and Objectives, the City's Budget and Financial Policies and the City's Comprehensive Plan.

BUDGET ADOPTION

The Budget Committee, composed of an equal number of qualified electors and the City Council, meets publicly to review the budget document as proposed by the budget officer. Public hearings are conducted to obtain taxpayer comment, and publications in newspapers are required. The Budget Committee reviews the proposed budget and either revises the proposed figures or approves them as presented.

The budget or a detailed summary describing the budget, as approved by the Budget Committee, is then published in a newspaper of general circulation in summary form, and the full document is made available during regular business hours at City Hall for public inspection. Prior to June 30, an advertised public hearing is held before the City Council to consider the proposed budget as approved by the Budget Committee. Then the City Council legally enacts the budget by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles, and appropriations lapse at the end of each fiscal year.

BUDGET AMENDMENTS

It occasionally becomes necessary to make changes to the adopted budget. There are two methods by which Oregon State Budget Law allows the City's budget to be updated in the case of unforeseen circumstances.

The first method is to transfer budgeted amounts within a fund. These transfers usually involve transfers between major categories within a department, or transfers between departments within a fund. Transfers do not result in overall budget appropriation increases. Transfers are usually initiated by the City Administrator/Recorder upon a recommendation from a Department Head, and must be adopted by resolution of the City Council.

The second method results in a change in the total budget appropriations. The City Council may authorize supplemental appropriations during the year by adopting a supplemental budget. Examples of changes that would require the supplemental budget process are as follows:

- The re-appropriation of monies from one fund to another;
- The appropriation of unanticipated grant funds;
- The appropriation of proceeds from the sale of property which necessitates the immediate purchase, construction or acquisition of different facilities.

The supplemental budget process requires public hearings, newspaper publications and approval by the City Council.

DESCRIPTION OF BASIS OF ACCOUNTING AND BUDGETING

Basis of accounting and budgeting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates

to the timing of the recognition of transactions and events. The City's budgetary basis of accounting is the same basis of accounting used to prepare its financial statements, with the exception of depreciation expense.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. In order for a revenue to be measurable and available, it must be collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. Revenues accrued under this basis include charges for services, investment income, intergovernmental grants, and intergovernmental revenues. Property tax revenues, licenses and permits, and fines are considered measurable when they reach the hands of the City or its collection agency. Liens and delinquent property taxes which, although measurable, are not available to finance current operations, are recorded as deferred revenue.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that principal and interest on general long-term debt is recognized when due.

The Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

DEFINITION OF A BALANCED BUDGET

The City shall annually adopt a balanced budget in which planned funds available equal planned expenditures, net operating revenues are equal to, or exceed, operating expenditures. To the extent feasible, one-time revenues will not be used to finance ongoing operations. Contingency appropriations in the General Fund, Street Fund, Water Fund and Sewer Fund shall be equal to at least 10% of the operating expenditures for each fund. Reserves shall be built to provide for future capital improvements.

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BUDGET CALENDAR

January

- 7th City Council appoints City Administrator/Recorder as Budget Officer.
21st City Council reviews six-month progress report on 2015-16 Policy Goals and Objectives.

February

- 8th Street Committee provides input on Five-Year Capital Improvement Program for 2016-17.
16th Water and Sewer Committee provides input on Five-Year Capital Improvement Program for 2016-17.
23rd Parks Committee provides input on Five-Year Capital Improvement Program for 2016-17.

March

- 3rd City Council holds Goal Setting Workshop.
17th Department Heads receive budget forms and February financial reports (eight-month actual).
17th City Council reviews draft Policy Goals and Objectives for 2016-17.
17th City Council reviews draft Five-Year Capital Improvement Program for 2016-17.

April

- 7th City Council adopts Policy Goals and Objectives for 2016-17.
7th City Council adopts Five-Year Capital Improvement Program for 2016-17.
7th Department Heads estimate their expenditures for the remainder of the current year and turn in fiscal year 2016-17 budget requests and narratives to City Administrator/Recorder.
20th Notice of first Budget Committee Meeting is published in newspaper and posted to City website.
27th Notice of Public Hearing on the use of Revenue Sharing Funds is published in newspaper and posted to City website.

May

- 6th Proposed 2016-17 Budget is available for public inspection and distributed to the Mayor, Council, Budget Committee and staff.
10th Budget Committee Meeting and Public Hearings.
11th-26th Budget Committee meets to review and approve 2016-17 Budget.

June

- 1st Budget Summary and Notice of Budget Hearing is published.
16th Budget Hearing; Council adopts 2016-17 Budget and levies taxes.

July

- 15th Adopted budget is submitted to the County Assessor's Office.
29th Copy of the adopted 2016-17 Budget is submitted to the County Clerk's Office.

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BUDGET CYCLE

Activity	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016
Appoint Budget Officer							
6-Month Progress Report on Current Year Goals							
Review Master Plan 20-Year Capital Improvement Plans							
Committee Input on 5-Year Capital Improvement Plan							
City Council Goal Setting							
Develop and Adopt 5-Year Capital Improvement Plan							
Department Heads Submit Budget Requests							
Budget Preparation							
Budget Meetings							
Budget Adoption							
Levy Taxes							

