



City of Florence

A City in Motion

City Manager's Budget Message Presentation

Honorable Mayor Henry, members of the Florence City Council, Citizen members of the Budget Committee and citizens of the City of Florence,

It is my pleasure, on behalf of our City leadership team and staff to present the 2015-16 budget for the City of Florence. The budget totals \$33.88 million and is balanced. The General Fund budget is \$7.36 million. City wide net spending for the proposed budget (net of transfers and fund balance) totals \$17.83 million.

During the past several months, while the organization has continued to sustain current operations, the newly elected City Council and staff have worked diligently to review and discuss the various City operations and future plans. Through this process the City Council adopted seven broad goals and a five-year work plan. The goals and work plan have served as the foundation for the budget before you, which reflects our commitment to ensure Florence remains Oregon's Premier Coastal Community. The goals briefly stated are to Sustain and Improve

- 1) City Service Delivery;
- 2) Livability and Quality of Life;
- 3) Financial Sustainability;
- 4) Organizational and Capital Plant;
- 5) Communication and Trust; and
- 6) Public Safety
- 7) And lastly a renewed focus on Economic Development with a goal to create a strategy aimed toward sustaining and expanding the Florence Economy.

The purpose of this budget message presentation tonight is to highlight key aspects of the proposed budget document in relation to the City work plan while referring you to further explanations throughout the document as it relates to each fund and program. So how did we incorporate the goals in the budget?

Goal #1: Sustain and Improve - City Service Delivery

We have endeavored to ensure that the 2015-16 budget sustains and improves service delivery throughout all City operations for Public Safety, the utilities, Streets, Parks, Community Development, Florence Events Center, Airport, Governance and

Administration. Each program section contains a narrative summary, program highlights and performance measure information that all together tells the story of a City in Motion. Important features of the proposed budget document include the following:

1. The expectation that we will be fully staffed for the first time in many years, which is important because staffing levels are directly related to the quality and quantity of service the City can deliver.
2. We have identified funding for \$7 million dollars in capital projects for equipment, maintenance capital, and infrastructure expansion.
3. Revenue and expenditure projections used to build the budget are conservative. Included in the proposed budget is a 1.7% Utility rate increases for the Water/WasteWater/Stormwater utilities which is consistent with the annual change in CPI.

Goal #2: Economic Development – establish a strategy to sustain & expand the Florence economy

In March of this year the Mayor hosted an Economic Development summit that was attended by thirty-four community leaders and professionals. The summit was a great kickoff event for our economic development efforts. During the next several months and years we will see the evolution of the issues discussed at the summit leading toward the realization that Florence is the best place to live, work and play!

We continue to work with the Florence Chamber of Commerce to retain and expand existing businesses. As a result of strong increase in tourism during the past two years, transient room taxes (TRT) increased by more than twenty-two percent (22%) since fiscal year 2012-13. Therefore, funding for marketing services for Florence is budgeted at \$126,000, up from \$50,000 just two years ago. The increase in TRT also helps fund the Florence Events Center (FEC) and reduces the subsidy required by the City's General Fund. The General Fund transfer to the FEC is proposed at \$90,000, a reduction of \$55,000 from the current year.

The reduced transfer to the FEC helps the General Fund to redirect funding elsewhere. Funding of \$70,000 in General Fund Non-departmental is proposed to help support development of a strategic vision and approach to grow and diversify Florence's economy.

The FEC will celebrate its twentieth year anniversary in 2016. Staff and volunteers are well underway with preparations for the celebration. Additionally, the 20th anniversary will be used to market Florence and enhance our economic development marketing efforts.

Staff has worked with the Regional Solutions Team out of the Governor's office to identify next steps for fiber expansion in Florence. Based on these discussions, \$50,000 has been budgeted for a feasibility study, with an application submitted to the State of Oregon for a grant of \$45,000.

The Florence Airport, although a small general aviation facility, provides an economic benefit to the community in addition to being a valuable resource for public safety and emergency response purposes. To help facilitate an understanding of the role of the airport, its economic potential and its limitations, we have scheduled the professionals that drafted the airport's master plan in 2011 to a work session with the Council in August.

Initial economic development actions will be commenced in the coming year with \$2.1 million dollars in capital investment in the urban renewal agency boundaries. This will be made possible due to increased property values and the concurrence of the Florence Urban Renewal Agency and City Council to consider use of the City's Full Faith and Credit to underwrite debt for urban renewal projects. Often thought of as separate from the City budget, projects proposed to be done in partnership with FURA lend themselves to improving the quality of life for the City as a whole.

Goal #3: Sustain and Improve - Livability & Quality of Life

In addition to the economic development efforts noted above, the budget includes increased funding for public art and \$244 thousand dollars in park maintenance, improvements and acquisition as well as a mower to better maintain the right-of-way.

The proposed budget includes \$440,000 for Fall 2015 construction of the first phase of street improvements to Rhododendron Drive. We will endeavor during to determine a strategy to secure funding to complete Rhododendron Drive and other desired street improvements in time for next year's budget discussion. The Street Fund budget also contains grant funding for the Rhododendron Multi-Use Path project (\$850,000). Construction is expected to begin Spring of 2016.

An important livability factor is both reliable and a variety of transportation. Included in the budget is a \$31,500 Non-departmental expenditure which represents our cost share to operate the Rhody Express bus and the River Cities Taxi dial-a-ride program in Florence.

Even though the local economy is recovering we recognize that some of our neighbors have not benefitted from the recovery or may be one accident or unforeseen event away from having financial challenges. To provide additional assistance to those in such situations, we have increased funding to Siuslaw Outreach Services (SOS) in total to \$40,000.

Goal #4: Sustain and Improve - Financial Stability

The state of our city is excellent because of the many difficult decisions and investments all of us have made in our community over the years. Maintaining such an excellent position will require that we remain diligent with the care of our city and continued investment in ourselves. Financially, with healthy reserves overall in our beginning fund

balances, the organization is well positioned to move forward with the initiatives set forth in the City work plan. Preliminary five-year forecasts reflect the sustainability of current operations, with inflationary and growth related adjustments, with the exception of the Street Fund. As noted previously, there are decisions yet to be made on what the City's next steps will be to address over \$7 million in deferred street maintenance projects.

The City's debt balances are very reasonable, with a July 1, 2015 estimated total, including FURA debt, of \$16.8 million, or approximately \$1,900 per resident. Debt planned in fiscal year 2015-16 includes \$7.8 million of new debt. After refinancing and principal payments, the estimated ending outstanding debt at June 30th, 2016 will be \$20.2 million, or \$2,300 per capita. Further debt service information can be found in the long-term debt section of the budget document.

The budget includes incremental inflationary annual adjustments as mentioned earlier, with the exception of the Street Maintenance Fee. Our budget includes \$72,000 in resources from Lane County related to a pending vehicle registration fee that is to be voted on May 19. If that measure were to fail, replacement funding will be needed to sustain the present plan, which amounts to an estimated additional \$2.50 per month per equivalent dwelling unit.

We have budgeted funds to complete a comprehensive review of the City's financial policies, which will include an evaluation of fees, rates, and system development charges (SDC's) and the related methodologies during the coming year. We anticipate launching that effort in July, leveraging the work performed putting the budget together and engaging interested citizens and the Council so that we may have decisions made timely for next year's budget.

One of the key issues that provides financial stability to our City is the underlying valuation of real estate in Florence. We have been very fortunate that our real estate values have begun to recover and are showing increased signs of trending upward. The budget estimates that assessed values and the related property tax revenue will increase 4% over last year. This will be the second year in a row that assessed values will increase after five straight years of decline. The budget expects that the City will levy our full permanent amount \$2.861 per thousand of assessed value and levy an amount sufficient to pay approximately \$165,000 in general obligation bonded debt. Our collective efforts to sustain and improve our quality of life on all fronts will help to maintain and enhance the value of all real estate in Florence.

Goal #5: Sustain and Improve - Organizational and Capital Plant: (Infrastructure)

Infrastructure: An investment of \$7 million in Capital Projects are included in the budget. These projects are aimed at keeping our City in motion by providing a continued reinvestment in our infrastructure systems. Most of the investments budgeted for the next fiscal year are visible projects such as parks, streets, walking paths and sidewalks, the significant repairs to the Justice Center and Florence Events Center, and the first phase of new Public Works Operation facilities.

The City's twenty-year capital improvement program includes approximately \$100 million, or \$5.0 million per year investment. Further information about the budgeted capital projects can be found in the applicable fund narratives and the capital projects section of the budget document.

Goal #5: Sustain and Improve – Organization (Personnel)

Personnel: The expectations included in the 2015-16 budget are high, as are those of the Council and myself. To achieve the work that lies ahead we must have employees that are dedicated to the organization and community. Our employee turnover the past two years has been fourteen percent (14%) and twenty-two percent (22%). Some of the turnover is related to issues that can be anticipated, such as retirement, however, an increasing percentage of the turnover is related to employees pursuing other opportunities elsewhere. The impacts of high employee turnover, particularly to an organization that has an ambitiously planned workload like that is included in the budget, can lead to underperformance, missed opportunities and failure to achieve our goals.

The personnel budget includes sixty-three full time equivalent positions (63 FTE's) with a budgeted citywide personnel cost of \$5.3 million compared to the previous year's budget of \$5.05 million, a \$247 thousand increase or a 5% increase over the prior year. In response to the ambitious goals laid out for ourselves in the City's work plan, we have reorganized staffing in a few departments to meet the service level demands. We believe we can meet these increased demands by adding one FTE to the parks program augmented by seasonal labor.

The proposed budget includes the assumption that there will be a half percent (.5%) COLA. This adjustment is consistent with the pay adjustment proposed to our Police Association Employees whose current contract expires June 30, 2015. The pay and benefits proposal we have made to the Police Association is reflected in the proposed budget while the contract is currently being negotiated. Additional factors impacting the personnel budget assumptions and the pending decisions involving the adoption of a comprehensive compensation plan are discussed in more detail in the budget document. We believe this budget provides the City with the flexibility to adopt a comprehensive and sustainable compensation plan that works for Florence.

Goal #6: Sustain and Improve Communications and Trust

It is critical to our success that we communicate what we are doing and our reasons for doing it. Communication is a continual process, whereby trust is earned by receiving input and feedback to issues before decisions are made. Consistent with the goal to increase communication and trust, we engaged the City Council in the budget process beginning with the goal setting session in December. Furthermore, we involved the Council and Budget Committee with preliminary information to inform discussions and receive input for the budget in advance of its preparation. We have fully attempted to

prepare the budget consistent with the information we have presented previously and inclusive of the feedback we have received. Moving forward we will endeavor to engage the Florence citizens as we implement economic development initiatives and construct capital projects.

To improve public access to our activities, the budget includes funding so that we can continue to invest staff time to update our website and make information easier for citizens and visitors to the site to retrieve. We have also budgeted to continue the newsletter and offer it electronically. We invite you to “Like” us on Facebook, “Follow” us on Twitter, “Be Informed” through our Newsletter and “Explore” more on our Website.

Goal #7: Sustain and Improve Public Safety

We have been well served by our former Police Chief, who graciously came out of retirement to help us, for the past year. We are very excited to welcome Chief Turner to our City. Chief Turner brings a wealth of experience and knowledge of public safety activities and practices. We have proposed a police budget that will keep levels of service at their current levels and repairs to the Justice Center facility. We anticipate that Chief Turner, after evaluation of the budget and more familiarity with the Police Operations, may request minor budget adjustments to address issues that we were not prepared to include in the budget without his support, such as the evaluation of the Jail as a correctional institution, Canine program and school resource officers.

The City has made considerable progress with Emergency Management coordination with our public agency partners through our involvement as a member of Western Lane Emergency Operation Group (WLEOG). We recognize that emergency management is more than a police function; it is an issue that involves all City operations. It is our goal as a City to be prepared and trained to provide the governance structure necessary during a disaster.

Acknowledgements

We appreciate the dedication each of you provides to the community in your volunteer leadership roles
and in turn the appreciation you have shown us for our efforts.

I would like to extend a personal thank you to each member of the management team and their staff for the information and insights they have provided in the preparation of this budget. Mike Miller, Ann Steward, Kevin Rhodes, Kelli Weese, Chief Turner by way of Lt. John Pitcher, Megan Messmer, Andy Parks, and Wendy Farley-Campbell, are all here. Each of them is prepared to address any questions you or the public may have related to their respective budgets and their operations next week May 11th through the 13th.

The purpose of this Budget Committee meeting tonight May 4th, was to receive the budget message and distribute the proposed budget document. Further meetings will be

held where there will be departmental budget presentations, opportunity for public comment, committee discussion and deliberation and for approval consideration. These meetings will be held Monday May 11th we will meet here at City Hall. The following Tuesday and Wednesday nights we will meet at the Florence Events Center, all meetings begin at 6:00 pm.

After having the responsibility to work with all the numbers, the changes, and make sure everything is balanced and makes sense, I have to say that having someone else with considerable previous experience to do this and free me up to engage in the business of relationships with the City Council, our governmental partners and business owners, and citizens has been invaluable to me as I've stepped into the City Manager position. I want to say a special big thank you to our Finance Director Andy Parks for his assistance and leadership in the development of the budget.

As you review the proposed budget document over the next week, you will notice that there are changes to the layout of the document and our presentation over what you've seen in previous years. These changes are a result of sustaining and improving our communications of what we plan to do and how it is to be paid for. With these improvements, we intend to submit the budget to the Government Finance Officers Association (GFOA) for consideration of their Distinguished Budget Award.

Additionally, I'd like to thank Larry Patterson, interim City Manager for nine months over 2014 and into 2015, for his mentorship and guidance and Megan Messmer, Assistant to the City Manager, who has helped me each day, ensuring I don't let any item drop through the cracks.

As the Florence City Manager and Budget Officer I am excited to present this budget to you. It has been my privilege to put together a comprehensive financial plan for the coming year that will enable us to fund priority projects while sustaining and improving city services. I have covered a lot, but as you would expect of a City in Motion, there is much more, so please read the complete budget message and the proposed budget document which can be accessed on our website or here at City Hall.

Thank you.

Respectfully presented May 4, 2015 by Erin R. Reynolds, Florence City Manager/
Budget Officer