



City of Sisters

2006-2007 BUDGET MESSAGE

Dear Sisters Budget Committee Members:

I am pleased to present my proposed budget for the City of Sisters for FY 2006-07 and report that the City's financial health continues to be good. The FY 06-07 budget is much larger than in FY 05-06, \$13,335,497 versus \$16,852,107, primarily due to influxes of cash for existing and proposed capital projects. *Building for the Future* is the theme of this year's budget. You will see new cash, and assumptions of new cash, related to the financing of the new City Hall, Recycling Facility, East Cascade Avenue re-alignment, USFS East Portal Triangle property acquisition, and a new well. In addition, planning and design associated with a future water reservoir and sewage treatment upgrade will be initiated in FY 06-07.

In past year's, several factors that could hinder the City's financial condition were discussed, such as the potential loss of state shared revenues, litigation related to the Public Employees Retirement System (PERS) and the police services contract. During the 2005 Legislature, state shared revenues were not lost due to effective lobbying by the League of Oregon Cities, PERS increases are settling down, and the police services contract did not change significantly. New federal and state legislative threats are posed which could impact state shared revenues and local telecommunications franchise authority and rights of way management.

Budget Assumptions

The budget is constructed using a series of assumptions for resources and expenditures as noted below. Resources, or the revenue side of the budget, are comprised of unused resources carried forward from the previous fiscal year plus new revenue. Expenditures, or the cost side of the budget, include discretionary and non-discretionary items. Assumptions and cost drivers noteworthy for the FY 06-07 budget year include:

- Total assessed valuation increased by 6.4%
- Population grew to 1,660 as of July 1, 2005
- Peak in building permit activity, estimate of 80 units in 2006
- Three new positions are proposed, the new Merit Pay Plan is accounted for
- Health insurance costs will *decrease* by 2.6% on average.
- PERS employer rates will be 12.82% for IAP and 9.39% for OPSPR

Assessed valuation determines property tax collections. Population determines the amount of revenues received from the state and utility collections. Population and building permit activity drives building permit collections, utilities, and system development charge revenue. Personnel costs impact the budget since the city is primarily a service organization.

Budget Highlights

This proposed budget will implement Council goals and objectives identified at the Council's February 2006 visioning and goal setting session (see attached) as well as major capital improvements as follows:

- Revenue highlights: As noted above, revenue figures reflect an infusion of cash from loans and grants for capital projects, as well as new planning permit fees and a water rate increase. Interest earnings are expected to be higher due to anticipated interest rate increases and higher cash balances.
- Personal services highlights include:
 - Three new positions requested in administration, planning and public works. In FY 05-06, the City Council approved the creation of two additional positions: Planner and Public Works Project Coordinator.
 - A 5% wage adjustment to implement the City's Merit Pay Plan approved by the Council last year.
 - A new public works "on call" compensation program.
 - Health insurance costs *decreased* (Medical 3%, Vision 5%) Dental – no change
 - The PERS contribution rate will be 12.82% for IAP and 9.39% for OPSPR
- Planning costs reflect the Council's top priority goals which are largely planning related.
- The Street Fund budget also reflects Council's goal to stabilize this fund, as well as the beginning of a future storm water protection and management program.
- Completion of the Water and Sewer Master Plans in FY 05-06 will drive capital outlay for water and sewer improvements from operating and SDC funds.
- A Transportation System Plan update will be conducted in FY 06-07.
- Construction of a new city recycling facility and lease of a brand new garbage truck.
- Acquisition of the USFS East Portal Triangle property.
- Completion of on-street parking improvements.
- Completion of the new Sisters City Hall.

Following this message is a comparison summary of all funds. In conclusion, we continue to be in comfortable shape with healthy reserves, adequate contingencies and capital outlay to meet the needs of our growing city. Completion of City Hall will allow us the room to grow to continue to meet these needs in an orderly and proactive manner.

Respectfully submitted,

Eileen Stein
City Manager