

# City Administrator

# Budget Message & Overview

## Fiscal Year 2025-26



April 15, 2025

Elected and Appointed Members of the Budget Committee,

I am pleased and excited to share with you and the community the City of Coburg's Proposed Fiscal Year 2025-26 (FY26) Budget. The budget was prepared as a collective among the City's leadership team, incorporating the operational and regulatory needs of each of the critical services and programs that the City is responsible for while recognizing the financial limitations in the current environment.

While the City's financial status and current budget (FY25) ensures the City's ability to meet all required regulatory compliance, it falls short of maintaining current staffing levels in several key service areas, most notably in the Police Department, with a planned reduction of 0.5 in Police Administration and an opportunistic, vacancy related reduction of one Police Officer position. As noted in numerous places throughout the Budget Message, continued focus on new revenue opportunities along with operational efficiencies must continue in order to remain financially stable in the upcoming budget year and beyond.

As noted in the prior year's Budget Message, declining fund balances over a number of years in each of the City's four funds (General, Street, Water, Wastewater) cannot continue. For context, the following was noted in the FY25 Budget Message:

***Without question, additional revenue is required to maintain the current levels of service being provided by the City. The short and long-term needs of each of the Funds are different, as are the severity of the need for revenue enhancements.***

A majority of cities in Oregon are facing similar financial challenges with expenses rising much higher than revenues. Residents and businesses of Coburg should be assured that the Coburg City Council has and continues to meet this situation head on and that can be seen in the fund balance projections for three of the City's four funds in the proposed FY26 Budget. The General Fund is the lone exception with a continued fund balance reduction even with the inclusion of a proposed, but not yet Council approved new Parks and Open Space Fee.

## Revenue Enhancements

Shortly after the adoption of the FY25 Budget, Mayor Bell created and appointed Council members to a Revenue Options Sub-committee who have met five times and have completed two of the three phases of their assigned duties. Phase one focused on the three utility funds and resulted in adjustments to water and wastewater rates as well as to the Transportation Utility Fee (TUF), a step to reverse the trend of annual declines in fund balances moving towards financial sustainability in Coburg's utility operations.

Phase two focused on revenue options for the general fund and resulted in a recommendation to Council for the creation of a Parks and Open Space Fee of five dollars per month, as well as an increase in the existing Tree Fee from two dollars to four dollars per month. Both fees provide much needed revenue support to services and assets highly valued and utilized by the community.

Phase three will continue beyond this budget process in the summer and fall with the sub-committee reviewing longer-term revenue options including the viability of a local option levy (a voter approved five year property tax) to provide funding for the Police Department operations, expansion of the existing local gas tax to include diesel fuel, exploration of a restructuring of the existing Urban Renewal Agency (URA) that is currently contributing to annual wastewater system debt service and other foundational revenue options that ensure Coburg remains financially viable and ultimately sustainable well into the future.

## Expenditure Adjustments

Concurrent with the revenue exploration and implementation, City Council and staff continue to seek out operational efficiencies, partnerships and regionalization opportunities to provide the existing high level of service at the lowest costs possible.

- Leveraging of technology has decreased processing times for both accounts receivable and payables in the Finance Department.
- Municipal Court will be implementing new online customer tools that improve payment processing and options to improve overall collections.
- Administrative staffing in the Police Department was reduced by half a position (to 20 hours per week) subsequent to a vacancy, reducing personnel costs while maintaining operational service levels.
- Maintaining an existing vacancy of a Police Officer position until such time a sustainable funding source can be identified and implemented.
- Public Works operations staffing was analyzed and re-structured following two concurrent vacancies which resulted in a reduction of one position while bringing additional technical expertise to that staff as part of the restructuring. The use of contract services and a seasonal hire for peak season needs offsets a portion of the overall savings to ensure existing service levels are maintained.

## Constraints on Future Needs

The above summarized revenue and expenditure efforts are impactful and set the course towards greater financial stability, but do not on their own solve or eliminate the need for continued focus and effort to ensure adequate funding is available for critical long-term needs of the City and the community. Many known future needs are currently unfunded. Examples include:

- Police Department staffing to restore operations to a four sworn officer program.
- Updated Rate Modeling consulting for both Water and Wastewater charges for service to ensure rates are structured to equitably address operations/maintenance, repair, improvement and growth-related components of the costs associated with each utility.
- Urban Renewal Agency consulting to address the upcoming completion of the URA's financial commitment to the wastewater fund debt obligations.
- Fleet replacement plan and funding for the Police Department
- Significant capital projects in both the water and wastewater funds for existing and growth-related infrastructure needs, as well as capital projects necessary for City Hall (ADA, HVAC, Interior)

## Summary

On behalf of the City's management team and the entire dedicated staff, I am pleased to present the following proposed FY26 Budget that provides the financial resources necessary to continue to support the identified goals and objectives formally adopted by Council in March of 2025 titled "City of Coburg Framework for Continued Progress", as well as to meet the myriad of regulatory requirements that are a part of providing the range of services within the organization's purview.

While many financial challenges remain, leadership and decision-making by Council, high level implementation and management by City staff and the support and participation of the community through advisory committees, ad-hoc committees and general engagement and volunteerism collectively place Coburg in a position to continue to succeed and meet the needs and desires of this community.

# BUDGET OVERVIEW

This budget message is intended to provide a clear overview of each of the four Funds, as well as to convey the value the community is receiving for the funds that are invested in the City through property taxes, utility bills, and a number of other fees and charges that the City collects, manages and utilizes to fund its operations.

It is important to also communicate the underlying assumptions that were made to develop the budget, as well as clarifying what a budget is, how it is utilized both legally and operationally and why it is such an important tool for Council, staff and the community.

## WHAT IS A BUDGET?

At their core, budgets are financial forecasts at a moment in time, based on both facts and estimations taken from prior experience (previous budgets, operational history) along with knowledge of current and future financial commitments (debt payments, regulatory requirements, etc) and an understanding of the financial implications of current and future policies, infrastructure and programs/activities adopted and directed by Council.

## HOW IS THE BUDGET USED?

The budget process concludes with the approval of appropriations, which is the maximum spending authority given by the Council to staff. Staff utilizes the appropriation levels to manage and schedule their resources to maximize what can be accomplished within the budget cycle. Monthly financial reports are generated and distributed to both Council and staff and are tools to evaluate financial performance against the approved appropriations (spending authority).

Because the budget is a forecasting document and many internal and external variables exist, it is not uncommon for Staff to identify necessary adjustments to the budget during the year and will then bring a proposed supplemental budget to Council for their review and decision. This can be caused by much higher project costs than originally anticipated, a new funding opportunity arose that allows the City to accomplish a project or operate a program at a higher level than originally expected (grants) or a number of other situations that can arise throughout the budget cycle.

The multi-year forecasting component of this budget enables the Budget Committee, Council and Staff to identify early warning signs or other trends that wouldn't be possible with the minimum annual only process. This multi-year forecast is the source of a number of significant concerns that will be raised in the Fund overviews and throughout the Budget Committee and Council meeting process and will carry forward with Council throughout the upcoming year.

## WHAT ASSUMPTIONS WERE USED TO DEVELOP THE BUDGET?

Many elements of the operation of a municipal government are consistent over time and increases in expenses can be estimated with a fairly high degree of accuracy. The following are some of the major assumptions that were incorporated into the proposed budget and will be discussed in more detail within the presentations

- ❖ Wage Adjustment of 2.77% (CPI-U)
- ❖ Healthcare - Increase of 8%
- ❖ General liability, property and vehicle insurance - Increase of 10%
- ❖ Infrastructure Projects - increases of 10% per year from last engineers estimate
- ❖ Electric Utility charges - Increase of 10%
- ❖ Property Tax Revenue – Increase of 3.8%

## HOW IS THE BUDGET ORGANIZED?

All budget presentations contain six columns:

- ❖ **FY 24** - Actual revenues and expenditures for Fiscal Year 2023-24
- ❖ **FY 25** - End of Year Estimates for Fiscal Year 2024-25
- ❖ **FY 26** - Proposed Budget for Fiscal Year 2025-26
- ❖ **FY27, FY28, FY29** - Projected Budgets for Fiscal Years 2026-27, 2027-28 and 2028-29

The proposed budget contains the following:

Citywide Summaries - One displays total revenue and fund balances for each of the four funds, with expenses for each of the eight Departments along with transfers and contingencies. The other displays all resources (revenues) and their uses (expenses) by major type/category.

Fund Summaries – Provides a breakdown of all revenues by type category along with all expenditures sub-categorized with Personnel Services, Materials & Services and Capital Outlay for each of the Department expenses that reside within the particular Fund.

Department Summaries – Summarizes both the Administration and Public Works Departments expenses that are allocated across all four budgetary funds to provide a clear understanding of the total expenditures for each Department.

Also included in the proposed budget are a number of documents that drive the development of the budget, including the Council adopted Framework and Objectives for FY26 (and beyond) and Capital Improvements Plan, as well as the City's operational and governance organizational charts, department narratives and the proposed updated salary schedule that incorporates the noted CPI wage adjustment.

## WHAT ARE THE MAJOR COST DRIVERS OF THIS BUDGET?

The City of Coburg, like nearly every municipal government, has two primary and critically important cost drivers; its staff and capital projects.

### Staff

Total staff costs in the proposed budget are \$2,250,660, an overall five percent increase over FY25. This includes the following

- Proposed cost of living wage adjustment of 2.77% based on the Consumer Price Index (CPI-U)
- Half-year (Jan 1) of step increases consistent with the salary schedule.
- 18% increase in PERS rate (blended between Tier I, II and OPSRP)
- 8% Healthcare premium increase
- 2.5 Full-time equivalent (FTE) overall staff level decrease (17.6 in FY25 to 15.1 for FY26)
- 0.5 FTE increase in Public Works Seasonal/temp staffing

Staff are the heartbeat of the organization and are responsible for the day-to-day operation of many different and increasingly technical operations that residents and businesses rely on for their safety, comfort and quality of life. In addition to day-to-day operations, staff support the Council and its advisory committees in their policy setting and overall governing decision making. The synergy and collaboration between staff and Council is evidenced at a high level with the Framework for Continued Progress document approved by Council in March of 2024 and updated and adopted in March of 2025, which organizes and guides the work of staff to support and actualize the collective direction from Council.

In addition to the proposed CPI wage adjustment, this budget continues the alteration from the prior year for the method and display of how staff costs are allocated to the four operating Funds. In FY24 and previous years, all staff costs were contained within the General Fund and then components were transferred once a year to operating funds. The methodology used to calculate the allocation remains similar but is directly allocated rather than being charged to the General Fund then transferred to the operation funds. This increases operational efficiency, provides improved “real-time” reporting and reduces the overall budget due to how transfers of funds are accounted for.

### Capital Projects

Infrastructure maintenance, improvement and replacement, along with public safety, is a foundational responsibility of a municipal government and has been an active area for the City over the past four to five years. The proposed budget includes reductions in capital project spending in all but the Water Fund due to lower than desired ending fund balances. Projects continue in the Water Fund due primarily to the continued use of a significant water system improvement loan obtained in 2019 from the Oregon Health Authority (loan is managed by Business Oregon).

The original \$5.6 million loan has a remaining balance of just over \$1.3 million and will be fully utilized within the FY26 timeframe where the loan will convert to annual debt service and future capital projects will need to at least temporarily taper off while additional infrastructure needs are assessed and further funding identified.

This reduction in capital project spending results in the overall budget for the City lowering in the forecasted future years. Important infrastructure projects will need to be planned, and funding identified to ensure that the infrastructure the community relies on is maintained and improved to meet regulatory, environmental and operational standards.

## FUND OVERVIEWS

Each of the Fund Overviews are organized in the following format:

- ❖ Operational Responsibilities
- ❖ Major Revenue Streams
- ❖ Major Expenditures
- ❖ Assessment of Financial Stability and Sustainability

### **GENERAL FUND**

This Fund, as its name conveys, contains the functions that are general governmental services provided to the community. Most municipal governments have very similar, but not identical, services within their General Fund.

Operational Responsibilities: Overall administration of the organization, which includes all financial, legal and document recording/archiving, land use planning and economic development. A significant and critically important function of general government is public safety, with the Coburg Police Department and the Coburg Municipal Court both being operated within the organizational structure rather than being contracted/out sourced.

Major Revenue Streams: Property taxes are the primary revenue source for general government operations representing nearly 50% of total revenue and are highly cyclical in nature, with the majority of the revenue coming to the City in November and December. This requires that careful attention is paid to cash management throughout the year. Other revenue streams include franchise fees, local share of state revenues and development/construction related permit revenue.

Included in the revenue streams for FY26 is a Parks and Open Space Fee, estimated to generate \$40,000 in new revenue that has been proposed and discussed by Council and scheduled to be reviewed and a decision rendered at the May 13, 2025 Council meeting. Should that new fee not be approved, adjustments (reductions) to expenditures in the general fund will need to be made.

The proposed budget did not forecast significant increases in any of the existing revenue types but did forecast lower development/construction related permit revenue compared to both the FY24 and FY25 budgets and will likely follow a similar trendline this upcoming fiscal year.

The graphics below provide a breakdown of General Fund revenues over the most recent three-year period along with a chart displaying the relative percentages of each of the revenue categories.

General Fund Revenue Types	FY24	FY25	FY26	% of GF Rev	Diff	%
Taxes/Assessments	\$ 978,521	\$ 1,030,000	\$ 1,072,603	58.80%	\$ 42,603	4%
Franchise	\$ 255,240	\$ 269,500	\$ 287,500	15.76%	\$ 18,000	7%
Charges for Services	\$ 89,083	\$ 92,500	\$ 136,000	7.46%	\$ 43,500	47%
Fines/Forfeitures	\$ 81,836	\$ 85,500	\$ 101,000	5.54%	\$ 15,500	18%
Licenses/Permits	\$ 144,496	\$ 93,500	\$ 92,000	5.04%	\$ (1,500)	-2%
Parks -SDC	\$ 138,439	\$ 83,000	\$ 65,000	3.56%	\$ (18,000)	-22%
Intergovernmental	\$ 85,249	\$ 51,000	\$ 51,000	2.80%	\$ -	0%
Other	\$ 12,872	\$ 11,000	\$ 13,000	0.71%	\$ 2,000	18%
Interest	\$ 13,714	\$ 2,000	\$ 5,000	0.27%	\$ 3,000	150%
Grants	\$ 261,067	\$ 203,880	\$ 1,000	0.05%	\$ (202,880)	-100%
	<b>\$ 2,060,517</b>	<b>\$ 1,921,880</b>	<b>\$ 1,824,103</b>		<b>\$ (97,777)</b>	<b>-5%</b>
Total Revenue - Grant Adjusted		\$ 1,718,000			<b>\$(106,103)</b>	<b>-6%</b>

Major Expenditures: Staff costs are the overwhelming cost driver in the General Fund with 7.7 of the 15.1 total full-time equivalent staff positions within the City being allocated to the General Fund. See below for both Personnel Services and overall Department/Program expenditures in total and as a percentage of the General Fund as a whole.

General Fund Department/Program	Total Expenditures	Dept/Program Revenues	Net Expense to GF	% of GF Exp
Police	\$ 792,250	\$ 54,000	\$ 738,250	38%
Administration	\$ 469,190		\$ 469,190	24%
Parks	\$ 118,780	\$ 47,500	\$ 71,280	4%
Planning	\$ 195,640	\$ 92,000	\$ 103,640	5%
Municipal Court	\$ 183,550	\$ 101,000	\$ 82,550	4%
Facilities	\$ 104,500		\$ 104,500	5%
Economic Development	\$ 43,500	\$ 73,000	\$ (29,500)	-2%
Debt (City Hall)	\$ 28,800		\$ 28,800	1%
<b>TOTAL</b>	<b>\$ 1,936,210</b>	<b>\$ 367,500</b>	<b>\$ 1,568,710</b>	
Dept/Program Revenues	\$ 367,500	20%		
Non-Programmatic Revenue	\$ 1,456,603	80%		
<b>TOTAL GF REVENUES</b>	<b>\$ 1,824,103</b>			

Personnel Expense by Department		
Police	\$ 635,250	53%
Administration	\$ 238,190	20%
Parks	\$ 82,580	7%
Planning	\$ 92,890	8%
Municipal Court	\$ 144,650	12%
<b>TOTAL</b>	<b>\$ 1,193,560</b>	

Assessment of Financial Stability and Sustainability: The General Fund continues to operate with greater expenses than anticipated revenues and will require additional revenue streams to maintain current service levels and must also increase its Fund Balance in upcoming years. If no additional revenues are identified and put in place, additional expenditure reduction strategies will need to be developed and implemented soon after the FY26 Budget adoption.

## **STREET FUND**

This Fund is a special governmental fund and is separated from the General Fund because its historically primary funding source is state revenue sharing for transportation specific uses, most commonly known as the “gas tax”.

### Operational Responsibilities:

The Street Fund is responsible for the operations and maintenance of the City’s transportation system, which includes streets, sidewalks, storm drainage and unimproved right of way maintenance. Additionally, the fund must generate sufficient revenues to implement capital projects that improve the quality and usability of the transportation system, most notably the vehicle travel lanes within the local street system.

Major Revenue Streams: This Fund receives similar levels of revenue from three sources; State Gas Tax (20%), local Gas Tax (31%) and a local Transportation Utility Fee or TUF (28%). These revenues are utilized for both operations and maintenance as well as supporting capital projects as available. Other revenues have derived from successful grant funding opportunities and make up the bulk of overall capital project funding.

Phase three of the work of the Council’s Revenue Options Sub-Committee include analysis of the potential inclusion of diesel fuel to the City’s existing local gas tax. If proposed and approved by Council, the tax proposal would be put forward as a ballot measure in an upcoming election cycle.

Major Expenditures: Capital Projects make up the majority of the total expenditures proposed for the upcoming fiscal year, with 1.90 FTE in staffing costs and operational materials and services making up the remainder of the primary expenditures. As grant funds get utilized with current and committed, near term projects, capital project expenditures are reduced into the future projected years. While the adopted CIP identifies a long list of projects to be completed in each of the next ten plus years, operations and maintenance expenses utilize the majority of the operational revenues leaving capital projects to be limited to grant funded opportunities.

### Assessment of Financial Stability and Sustainability:

Similarly with the General Fund, the Street Fund is able to maintain its operational service levels for the upcoming year but faces declining fund balances for both operations and capital project funding in the coming years. Additional revenues will be needed to enable the completion of important capital improvement projects.

## **WATER FUND**

This fund is an enterprise fund, meaning that it operates as its own dedicated “business” within the umbrella of the City organization and budget. The fund must rely on charges for services (rates and fees) that are directly connected to the operations, maintenance and capital projects of the water system.

### Operational Responsibilities:

The City’s water system consists of two existing wells and one under construction well to provide the water supply to its residents and businesses. The groundwater must be treated, stored and distributed throughout the eight to nine miles of pipe the City has installed and maintains. Operation of this system requires State of Oregon certifications that are held by the Public Works Director. Regular water sampling and testing is conducted throughout the year and a compliance report is issued to all water customers each spring. A total of 2.45 FTE are allocated and funded in the Water Fund.

A component of operations is data collection for monthly billings. Meter readings are done with a combination of automated/signal reads and manual reads. Water Department staff also assist with late bill “door hanger” and service connection/disconnection requests as well as water meter installation for new development.

Major Revenue Streams: As noted above, the predominant source of revenue is through monthly bills to water customers based on a Council approved rate methodology. Revenues were augmented mid-year (February 2025) with a four percent rate increase which has provided encouraging results to the slowly declining fund balance. Customer growth plays a role in revenue as does weather which influences the volume of water sold for irrigation purposes, primarily in mid to late summer.

The Water Fund has been regularly drawing down on a \$5.6 million loan through the Oregon Health Authority for a number of significant capital projects and expect to continue the drawdowns through this coming fiscal year with the final funds being expended in this proposed FY26 Budget. At that point, annual debt service payments will begin and change the capital planning and project pace of the water fund.

Major Expenditures:

Capital projects have dominated the Water Fund for the past three to four years and continue to do so in the upcoming year with an expectation of utilizing nearly all of the remaining \$1.3 million of the water loan noted above along with existing fund balances for an over \$2 million projected total capital project expenditure. Project scheduling pushed the start and completion dates of the well #3 project, resulting in lower than expected capital expenditure in FY25 with those appropriations carrying forward as beginning fund balance in FY26 and again appropriated to capital to ensure the project completion. Consistent with other funds, capital project spending is curtailed significantly in the projected budget years of FY27 and FY28 as funding sources will again need to be pursued and balanced against the Fund’s ability to support additional debt service.

Assessment of Financial Stability and Sustainability:

The Water Fund is currently the most stable of the four Funds. However, with the completion of the utilization of the water loan funds for needed capital projects, the fund will experience a reduction in fund balance and a need to generate additional operating revenues along with evaluating and pursuing a follow up round of external funding for future capital project needs, including future additional water supply and storage which are both high-cost endeavors.

## **WASTEWATER FUND**

Also known as the Sewer Fund, this enterprise fund also operates as its own “business” within the City umbrella and is the most infrastructure intensive system that Staff manages and is responsible for. Significant and highly technical infrastructure results in higher cost of operations, management, maintenance, improvement and replacement than with other systems.

Operational Responsibilities: The City owns, and staff manages, what is called a STEP system + biodigester wastewater collections and treatment system, which is a far less common type of system among municipal wastewater systems. The STEP (Septic Tank Effluent Pumping) system includes over 600 individual septic tanks located on the property of each customer, but owned and managed by the City. Septic tanks collect solids that are pumped and transported to the regional processing facility while the liquids pump from the tanks to the collection system that delivers the liquids to the treatment plant where a highly technical and regulated treatment process cleans the water to the legally allowed discharge level.

Operation of this system requires State of Oregon certifications that are held by the Public Works Director and the Public Works Wastewater Plant Operator. Critical daily sampling and both in-house and third-party testing is conducted to ensure proper process operation and regulatory compliance. Both the treatment plant and STEP

collection system require a high level of monitoring and maintenance to ensure proper system operation and maximum life cycle utilization of the infrastructure.

Major Revenue Streams: Customer charges for service is the predominant revenue source for this fund. The Coburg Urban Renewal Agency (URA) provides additional source of revenue. The URA was created and implemented to support the original debt service from the 2008 completion of the STEP system and Treatment Plant and contributed \$400,000 in FY25 to the annual debt service of approximately \$900,000 per year.

The remaining \$500,000 of debt service is paid from customer monthly billings based on a Council adopted rate methodology, which received a mid-year (February 2025) rate increase of six percent. With an anticipated charges for service revenue of \$851,000, approximately \$351,000 of revenue must fund the operations and maintenance of the system as well as fund current and future capital project expenses.

Major Expenditures: Debt service (\$900,000) is a major cost driver, along with over \$500,000 in staffing of 2.75 FTE and operational maintenance costs, including nearly \$50,000 in energy costs alone.

Assessment of Financial Stability and Sustainability: Carryforward fund balances have been declining annually over a number of years which will need to be abated and reversed in the coming years to be able to even consider the potential for the needed capital project funding on the three-to-five-year horizon. The recent six percent rate increase will assist in stemming the fund balance declines but will not alone address long-term fund balance needs.

## SUMMARY

The finances of the City of Coburg remain stable for the upcoming fiscal year. Staffing levels are adequate to maintain the regulatory service levels of our various operations. Review and direction on discretionary services provided by the City will need to continue to occur to ensure the ability to operate into the future years with the existing staffing levels until future development activity drives the need to reassess staffing needs.

The City's current financial position will not endure and become truly sustainable without additional revenues to fund general operations in each of the City's Departments and programs. Steps taken by Council in FY25 are not to be diminished as that revenue, along with strategic reductions in staffing (2.5 FTE overall) and operational efficiencies, have provided much needed changes in the trajectory of the balances of each of the four funds. The identification of financial uncertainty in future years is not a new topic for Staff, the Budget Committee or Council and should not be taken as an insurmountable situation to continue to address and improve over time.

The development of a capital project funding strategy for necessary infrastructure improvement will be necessary to focus efforts on external funding opportunities that have the highest probability for success. It will be critical for staff and Council to prioritize the twenty objectives in the Framework for Continued Progress document adopted in March of 2025 and focus on those objectives that address financial planning and strategies that support the areas of needed improvement within this proposed budget.

The following was the final note in the prior year Budget Message and remains true and valid so I will end with it again this year.

*The City's management team is keenly aware of the current financial condition and is committed to supporting Council and the community in making the decisions necessary to move forward from the current status of existing financial stability to that of financial sustainability with a longer-term target of financial resiliency.*

Adam Hanks,  
City Administrator