

BUDGET COMMITTEE WORKSHOP

December 15, 2014  
5:30 p.m.  
City Council Chamber  
313 Court Street, The Dalles, Oregon

AGENDA

1. CALL TO ORDER
2. APPROVAL OF MINUTES - November 17, 2014
3. DISCUSSION REGARDING STREET FUND
  - A. Revenues
  - B. Expenditures/Services Provided
4. ADJOURNMENT

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Prepared by/  
Julie Krueger, MMC  
City Clerk



## MINUTES

BUDGET COMMITTEE WORK SESSION  
OF  
NOVEMBER 17, 2014  
5:30 P.M.

THE DALLES CITY HALL  
313 COURT STREET  
THE DALLES, OREGON

**COMMITTEE PRESENT:** Chair Gary Grossman, Russ Brown, Bill Dick, Corliss Marsh, Barbara Pashek, Tim McGlothlin, Linda Miller, Dan Spatz, Carolyn Wood; also in attendance Mayor Steve Lawrence

**COMMITTEE ABSENT:** None

**STAFF PRESENT:** City Manager Nolan Young, City Attorney Gene Parker, City Clerk Julie Krueger, Police Chief Jay Waterbury, Finance Director Kate Mast, Planning Director Dick Gassman, Public Works Director Dave Anderson

### CALL TO ORDER

The meeting came to order at 5:35 p.m.

### APPROVAL OF MINUTES

It was moved by Miller and seconded by Spatz to approve the October 29 meeting minutes as presented. The motion carried unanimously.

### DISCUSSION REGARDING GENERAL FUND SERVICES

#### City Manager, City Council, IT, Other

City Manager Young reviewed the services funded through the City Council budget. There was a discussion regarding services provided by the Wasco County EOC. Young noted they provided a service and assisted the City to get grant funding for items such as police radios and that they assisted in updates to the emergency services plan for the City.

MINUTES (Continued)  
Budget Committee Workshop  
November 17, 2014  
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Mayor Lawrence asked why the City paid the cost for the Community Outreach Team project books. Young said they were included in this budget because it was considered to be a City Council program.

Councilor Spatz said the items included in the City Council budget were to support community needs that may be outside of city government, but were important to the community.

In the City Manager Department report, Pashek asked why the Dam shuttle program was a City function. Young said it could be moved, but at the time the program was developed, there was not another entity in a position to take responsibility for the program. He said in the past, the program had been a Chamber of Commerce function, and prior to that, Parks and Recreation District had operated the program.

Spatz asked what the status was with the business recruitment efforts. Young said it was going well and a proposal would be brought to the City Council to consider a six month extension to keep the position for a longer period of time.

Mayor Lawrence said one issue that had been identified with potential businesses was the condition of the school district. Grossman suggested that Mr. Rains meet with the Chamber's sub-committee for economic development because they were currently working with the school to resolve issues.

Young reviewed the Technology services, noting all city costs had been consolidated into this budget. Mayor Lawrence asked if some capital projects should be completed sooner due to the firewall issue earlier in the year. Young said that issue had not been related to the firewall.

Spatz asked the status of an overhaul of the website. Young said it would be part of the IT budget this year, but funds had not been included for that project so a budget amendment may be necessary.

McGlothlin said he wanted complete detail on each item. City Manager Young said the detailed information was included in the Capital Improvement Plan, which would be provided to him. McGlothlin said the City needed to modernize and use the cloud instead of a tape backup.

Other Financing Uses were reviewed. There was a discussion regarding support of Airport functions. City Manager Young said no specific date was set for the Airport to become self-sufficient and the current plan was for the City and Klickitat County to continue to support economic development projects at the Airport.

City Clerk, Personnel, City Hall

City Clerk Krueger reviewed the three areas of service. She noted that part of the reason the maintenance staff was able to keep up with their current workload was due to use of the Wasco County work crews, and borrowing equipment from Public Works. She said additional duties, such as adding a parking structure downtown, would most likely require additional staffing. Krueger said the proposal for the City to take over maintenance of downtown street trees and Riverfront Trail were under review because the Parks and Recreation District had submitted a proposal that would make it much more affordable than the original proposal.

There was a discussion regarding records management for the City. Krueger said it would be a long term goal to establish a good program, due to cost of a proper storage facility and the need for staffing to develop and manage the program.

Finance

Finance Director Mast reviewed the Finance Department services and discussed the need for new financial software. She noted that if maintenance fees could be reduced, a new system would not cost much more than the current fees paid for maintenance on the current system.

In response to a question about the City's auditing firm, Mast said the company had a very good reputation, was bonded and licensed and very experienced in public audits. She said the City had received the prestigious Certificate of Excellence Award for 20 of the past 22 years.

Legal/Judicial

City Attorney Parker reviewed the report for the Legal Department. There was a discussion regarding the Municipal Court. City Manager Young said staff was working to provide information regarding collections and whether it would be advisable to change to a traffic court.

Pashek asked about the puncture vine eradication program. Parker said the program hadn't been effective, so they were focusing on using weevils to help control the puncture vine. He said the Codes Enforcement Officer had developed a door hanger style brochure which was left with people to help them identify puncture vine and how to remove it.

Mayor Lawrence asked if the City had ever considered contracting with the Council of Governments to provide code inspections, perhaps combine a position with their building codes position. City Attorney Parker said it was currently a full-time work load and was on the verge of needing additional help to keep up with the workload.

Planning

Planning Director Gassman reviewed his service report, noting additional staff would be helpful for the management of their records.

City Clerk Krueger noted a records management program would include all departments. She said nearly every department in the City struggled with issues of indexing, scanning and storing documents.

Police

Police Chief Waterbury reviewed his report.

There was a discussion regarding the Neighborhood Watch program. Waterbury noted it was a volunteer program, with some funding to assist with supplies.

There was a discussion regarding the watershed patrol program. Waterbury said the patrol had reduced vandalism, illegal hunting, trespass and littering in the watershed and during the six months when the officer wasn't on watershed patrol, the person was assigned to regular patrol.

Grossman noted the call load had increased significantly since 2010 and asked if that was due to the annexations. Waterbury said that was correct.

Mayor Lawrence asked who provided vehicle maintenance for the Department. Waterbury said they vehicles were maintained by local dealerships.

ADJOURNMENT

Being no further business, the meeting adjourned at 7:45 p.m.

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Submitted by/  
Julie Krueger, MMC  
City Clerk

SIGNED:

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Corliss Marsh, Secretary

ATTEST:

\_\_\_\_\_  
Julie Krueger, MMC, City Clerk



## CITY of THE DALLES

313 COURT STREET  
THE DALLES, OREGON 97058

(541) 296-5481  
FAX (541) 296-6906

# MEMORANDUM

**TO:** City of The Dalles Budget Committee, Mayor Steve Lawrence

**FROM:** Nolan K. Young, City Manager *nyj*

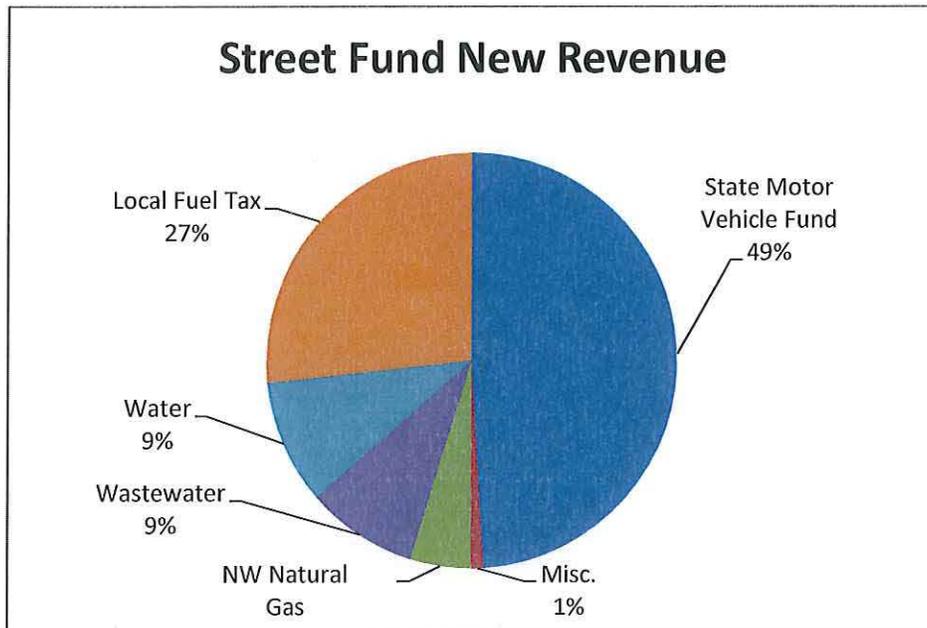
**DATE:** December 4, 2014

**ISSUE:** December 15 Street Fund work session: Street Fund Revenue

The Street Fund is a dedicated fund used for the operation of the City's street system. It is what is known as a special revenue fund in that its primary sources of revenue, Oregon State Motor Vehicle Fund and a local three cent fuel tax are restricted for use of expenses related to the operation and maintenance of the City's street system.

The City's current practice for funding of the Street Division is that its primary sources of revenue will come from these restricted revenue sources plus three percent right of way fees charged to the City's water and wastewater utilities. In addition, this year we added 3.2 percent of the Northwest Natural Fuel franchise fee the City receives (approximately \$81,000). The reason being that those utilities (water, sewer, natural fuel) have primarily underground facilities that have a big impact on the street system and therefore, right of way and franchise fees received from these utilities should go toward street maintenance. This revenue practice can be amended by the City Council. After reviewing the current revenue we will briefly discuss some alternatives that can be considered.

For fiscal year 2014-15 restricted revenue provides over 76 percent of the total street fund revenue. The following pie chart illustrates the percent of revenue received by source.



Following is Table 1 that shows the five year history and the current budget for Street Fund Revenues. State Highway Fund Shared Revenues are funds received from the State which are allocated, in part, to cities based upon population. The State collects these funds through state fuel taxes and license and permit fees. These revenues increase for the City by about \$230,000 per year with the implementation of the State's 2009 Jobs and Transportation Act which phased over a three year period, increased the state fuel taxes by six cents per gallon and also increased various license and permit fees. In that same time, City population has also increased due to growth (averaging one percent per year from 2009-2012) and annexations.

Revenues from the local three cent fuel tax have increased by about 11 percent since 2009 due to three factors – the annexation of existing fuel stations, the development of new fuel stations within the City, and increased fuel sales (population growth, tourism, and construction).

The water and sewer right of way fees have increased as rates have increased to cover operational and capital improvement needs.

**TABLE 1: Street Fund Revenues  
Five Year History & Current Budget**

	FY 09/10 Actual	FY 10/11 Actual	FY 11/12 Actual	FY 12/13 Actual	FY 13/14 Actual	FY14/15 Budget
State Motor Vehicle Fund	554,319	658,647	783,286	789,715	825,100	826,401
Local 3% Fuel Tax	405,097	396,102	434,026	442,468	449,660	450,000
Water ROW Fees	107,812	115,250	115,362	129,118	143,469	161,095
Wastewater ROW Fees	128,941	139,730	141,300	135,841	140,919	147,875
NW Natural Franchise Fee	-	-	-	-	-	81,402
Miscellaneous	31,793	19,656	22,304	21,007	11,977	17,000

Table 2 shows a five year projection for revenues.

**TABLE 2: Street Fund Revenue Projection**

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1 State Motor Vehicle Fund	833,351	841,685	850,101	858,602	867,188
2 Local 3% Fuel Tax	459,553	469,663	479,996	490,556	501,348
3 Water ROW Fees	161,095	169,150	177,608	186,488	195,812
4 Wastewater ROW Fees	152,962	158,224	163,667	169,297	175,121
5 NW Natural Franchise Fee	82,000	82,000	82,000	82,000	82,000
6 Miscellaneous	21,347	21,347	21,347	21,347	21,347
<b>TOTAL</b>	<b>1,710,308</b>	<b>1,742,069</b>	<b>1,774,719</b>	<b>1,808,290</b>	<b>1,842,816</b>
Method of Projection					
1 1% increase based on conservative projections					
2 5 year annual average increase of 2.2%					
3 Adopted annual rate increase of 5%					
4 Adopted annual rate increase of 3.44%					
5 A wild guess					
6 5 year average					

The total anticipated annual increase is less than two percent per year. This will most likely not keep up with inflation of operating costs. It should be noted that the State is considering a four to five cent fuel tax increase. The last increase that included other fees that over all would have been a larger increase to the State Motor Vehicle Fund resulted in about a \$230,000 increase in revenue to the City.

**OTHER REVENUE SOURCES:** We have been talking for some time with the City Council and the County about a variety of additional revenue sources to help with street maintenance needs which Public Works Director Dave Anderson discusses expenditures and services in his memo. The City had previously looked at the potential of a three cent increase in the local fuel tax which should result in an additional \$450,000 to the City. This increase could be taken to the voter in May 2015. This source of revenue isn't large enough to help the County with their road issues. There are ongoing discussions about doubling the vehicle registration fee by \$43 per vehicle. This fee increase could be taken to the voters in May 2015, and could provide the City over \$400,000 per year in additional Street Fund revenue. Because this process involves the State collecting the fee it would take longer to implement, and it could be six to nine months after voter approval before we would first realize this revenue.

There has been some discussion about trying to provide additional funds for street maintenance and operation within the City's current resources. In Dave's memo he talks about some the things we have already done to reduce the expenditures in the Street Fund. One potential additional option is to remove the street light costs, currently about \$92,000 to the General Fund, by moving the cost to the General Fund or transferring General Fund revenues to the Street Fund.

The Budget Committee could also recommend to the City Council approval of utilizing all or a portion of a specific revenue source, which currently goes to the General Fund to go to the Street Fund. We would need to analyze the impact to services provided by the General Fund. Another option that the City of Hermiston and Pendleton have used in the past is to identify opportunities to do lump sum transfers in specific fiscal years to help meet some of the outstanding road issues. This can be done by either lowering the General Fund Contingency, or making adjustments on General Fund services.

When we discussed General Fund Revenues we did see that revenues would be going up approximately 2.9 percent in the next five years. The increases in the General Fund have varied from two to four percent over the last five years.

During the work shop the Budget Committee could identify potential amendments to our current revenue policies for street funds for Council to investigate through goal setting in February and we could look at pursuing or at least providing alternatives through the preparation of the budget for fiscal year 2015-16.

# Oregon Department of Transportation Fact Sheet

## Oregon's Fuel Tax Increase from 24 cents/gallon to 30 cents/gallon

Effective January 1, 2011, Oregon's fuel tax is increasing by 6 cents, bringing it to 30 cents per gallon for passenger and light vehicles. The tax for commercial trucks and other heavy vehicles was raised proportionately effective Oct. 1, 2010. These increases, created by the 2009 Jobs and Transportation Act, are aimed at helping the state improve safety on Oregon's roads, support family-wage jobs all over the state, and keep Oregon's economy moving.



Here are some vital facts about the fuel tax:

- The 2009 Legislature passed the *Jobs and Transportation Act* which included a provision to raise Oregon's state gasoline and diesel tax by 6¢ from 24¢/gallon to 30¢/gallon.
- State fuel taxes have not been increased since 1993. In that time, inflation has increased consumer prices by 51 percent, twice the current percentage increase in the fuel tax.
- Oregon still has the lowest rate of all the Western states for combined auto-related taxes and fees ([see comparisons](#)).
- The tax and fee increases in the Jobs and Transportation Act will raise about \$300 million per year which will be shared as follows:
  - \$3 million per year to the Travel Information Council for rest area management.
  - \$24 million per year to a program for highway projects and related planning activities.
  - 20 percent of the balance (about \$54.6 million/year) to city street programs based on population.
  - 30 percent of the balance (about \$81.9 million/year) to county road programs based on vehicle registration.
  - The remainder (about \$136.5 million/year) to ODOT for the state highway system.
- ODOT will use funds for the state highway system as follows:
  - About 33 percent (approximately \$45 million/year) will go to maintain roadways, preserve investments and improve safety on Oregon's roads and bridges.
  - About 16 percent (approximately \$21.5 million/year) will go to highway modernization (congestion reduction, traffic systems, etc.)
  - About 51 percent (approximately \$70 million/year) to bond repayment and the 2009 Transportation Projects Account for the 2009 Transportation Projects program. This includes 51 projects around the state to be built earlier than they could have otherwise been constructed (see [www.oregon.gov/ODOT/JTA.shtml](http://www.oregon.gov/ODOT/JTA.shtml) for project lists and information).

To keep up-to-date on the latest with ODOT and the JTA, visit [www.oregon.gov/ODOT](http://www.oregon.gov/ODOT).

December 2010



**CITY OF THE DALLES**  
Department of Public Works  
1215 West First Street  
The Dalles, Oregon 97058

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## **AGENDA STAFF REPORT**

### **CITY OF THE DALLES**

<b>MEETING DATE</b>	<b>AGENDA LOCATION</b>	<b>AGENDA REPORT #</b>
<b>December 15, 2014</b>		

**TO:** City of The Dalles Budget Committee, Mayor Steve Lawrence

**FROM:** Dave Anderson, Public Works Director

**THRU:** Nolan K. Young, City Manager *nyj*

**DATE:** December 2, 2014

**ISSUE:** Services provided by the Street Funds (Fund 5, Fund 13 and Fund 9)

#### **Fund 5 - Services Provided**

The Street Fund, Fund 5, is a dedicated fund used for the operation and maintenance of the City street systems and management of the Public Works Department's equipment and vehicle fleet. The activities are undertaken by the Transportation Division of the Public Works Department. Specific street maintenance activities include pothole patching, crack sealing, surface restoration projects with asphalt thin-mix overlays, chip seals, and profiling/paving projects (grinding out the old pavement and replacing with new hot mix asphalt), and full-depth street reconstruction projects. The type of maintenance performed is dependent upon the condition of the street surface to be treated, the amount and type (cars, trucks, turning movements) of traffic that the street experiences, the amount of exposed curb present, traffic and neighborhood disruption anticipated during a project, and available funding.

The Street Fund performs the annual renewal of street, crosswalk, bike lane, and railroad crossing striping and pavement markings, maintenance of all traffic signs and signals on City streets, winter-weather street operations including sanding, snow plowing, and snow removal as needed, and provides traffic control and street closures for community events. It pays for spraying of designated rights-of-way (such as unimproved alleys, not parking strips along all streets), primarily to try to control puncturevine. All costs associated with street lights throughout the City, currently budgeted at over \$95,000, are paid by the Street Fund. The Fund also pays 1/3 of all maintenance costs for the Public Works offices as well as 1/3 of the Public Works Department's obligations for the bond that was issued to relocate the Department in 2008.

The current street inventory for the City includes about 67 miles of paved streets, slightly over 2 miles of oil mat streets (chip seal streets that usually don't have a rock base under them) and 16½ miles of gravel streets, for a total of 85½ miles of streets under City jurisdiction. (You may note that these mileages vary slightly from those listed in previous staff reports; these changes are due to updated information and increased accuracy of our GIS mapping systems.)

### Staffing

The Transportation Division is staffed with four employees assigned full time to the Division, a division manager, and 1/3 of two shared mechanics and a shared maintenance worker. Fund 5 also contributes to the funding for shared Department staff including the Director, Regulatory Compliance Manager, engineers, and office staff. The total personnel allocation to Fund 5 is 7.50 FTE.

### Funding Challenges

Funding for street maintenance has been a challenge for many years with the 2009-10 and 2010-11 fiscal years marking financial low points as revenues fell short of meeting the effects of inflation. For example, as revenues remained relatively flat, the cost of fuel was rising dramatically, and the cost of asphalt was rising even faster. In 2006-07 the budgeted cost of asphalt was \$29/ton, in 2007-08 the price had escalated to \$40/ton and in 2008-09 it had risen to \$57/ton... a doubling of price in two years. Since then the prices have risen to nearly \$70/ton before coming back down to about \$56-\$63/ton last season.

In response to the financial squeeze, street maintenance projects were put on hold and cost-reduction measures were implemented, going back over 10 years. Following is a list of cost-reduction measures that were implemented over the years:

- The responsibility to operate and maintain the stormwater collection system was transferred from the Street Fund to the Wastewater Collection Division; this included the reassignment of two full time employees.
- The Street Fund participation for shared Public Works employees, except the Mechanic and Maintenance Worker, was reduced from 22% to 15%.
- One Equipment Operator position in the Street Fund was eliminated and the position for a second shared Mechanic was created, thereby reducing the personnel cost to the Street Fund by 2/3 FTE.
- The function and costs associated with the street-sweeping operations were transferred to the Wastewater Collection Division as a stormwater maintenance function; this reduced Street Fund personnel costs by ½ FTE, transferred over \$20,000 per year in annual landfill fees related to disposal of street sweeping debris, and transferred all costs associated with purchasing, operating and maintaining the street-sweeper vehicle.
- The costs of maintaining the Union Street Undercrossing were transferred to the General Fund.
- The bond obligations associated with the 2009 West 1<sup>st</sup> Street LID that would have been assigned to the Street Fund are being paid by the General Fund.

Despite these cost-reducing measures, the 2010-11 Street Fund budget could only be balanced by having no capital projects, no transfers to reserve funds, no contingency, and no summer interns. The financial challenges of the last ten years prior to 2012 have resulted in a backlog of needed street maintenance and a deterioration in general street condition.

As the revenue stream has increased over the last three years, the Street Fund is once again able

to implement some street maintenance projects. The current operating budget anticipates the

purchase of twice as much crack seal material as in prior years. The current budget also includes a transfer to the Transportation System Reserve Fund, as did the 2013/14 budget for the first time in many years, and a transfer to the Public Works Reserve Fund; these funds will be discussed later in this report.

#### Review of Capital Improvement Plan

Street maintenance projects that are constructed using City staff and equipment, sometimes with the assistance of ODOT or County personnel and/or equipment, that cost over \$5,000 and have a life expectancy of 5 years or more, are considered Capital Projects within Fund 5. The capital improvement plan for this year includes the asphalt patching of portions of East Scenic Drive following completion of the Scenic Drive Stabilization Phase 1 Project, repaving Cherry Heights from 6<sup>th</sup> to 10<sup>th</sup> Streets (completed), and repaving 3<sup>rd</sup> Place from Lincoln to Trevitt including the reconstruction of all the ADA ramps to current standards as required by new federal regulations.

#### Special Needs in the Next Five Years

As discussed, funding for the Street Fund has been very limited for many years, although it has improved recently. In that time, the conditions of many streets deteriorated creating a backlog of maintenance needs. It took time to get to this condition and, at current funding levels, it will take time to catch up. If a higher level of service is desired than can be provided by current funding levels - if a "quicker fix" is desired - additional revenues will be needed.

The second challenge may be related to staffing. There is concern that as funding becomes available to do more work, there may not be enough staff to do it. As mentioned earlier, there are five employees assigned full time to the Transportation Division including a working manager. Nearly all paving or resurfacing projects require more personnel to complete the work than five, especially if any traffic-control flagging is required. These staffing needs are currently met by "renting" employees from other divisions (Water, Wastewater, General Fund). However, in doing so, the operations of the other divisions are adversely impacted. It is the desire of the Department to put as much of the revenue received as possible into street maintenance rather than new personnel, but the challenge may be significant.

#### Fund 13 – Transportation System Reserve Fund

Fund 13 is the reserve fund for the transportation system where contracted capital projects are budgeted. These are normally larger projects beyond the labor and equipment resources of the City to economically complete. The sources of revenue for this fund are Surface Transportation Program (STP, but previously called FAU) funds, Transportation System Development Charges (SDCs), grants, and transfers from Fund 5.

STP funds are federal funds allocated to the states for redistribution to cities and counties. They are restricted funds that can only be used for projects on collector or arterial streets. They cannot be used for operations or purchase of equipment. The City is currently allocated about \$145,000 per year from this source and can "bank" up to four years' allocations to save for larger projects. Examples of projects funded with STP monies in recent years include the reconstruction of East 19<sup>th</sup> Street from Dry Hollow east past Mid-Columbia Medical Center, the enhancements to the intersections of 2<sup>nd</sup>/6<sup>th</sup> and Webber to add left turn signals with video control and GPS-based emergency vehicle pre-emption systems, and repaving and restriping of West 6<sup>th</sup> Street from Cherry Heights to Snipes.

Four years' of STP funds are currently budgeted to complete the Scenic Drive Stabilization Phase

1 Project. Due to the cost of this project (estimated at over \$1 million), funds have also been

transferred from Fund 5 in both 2013/14 and 2014/15 for Phase 1. This project is the first of three phases of work designed to stabilize the shallow slide movement that is occurring along East Scenic Drive, causing street damage and posing a risk to public safety and property as well as utilities located within the street.

SDCs can only be used for projects that increase capacity of the transportation system, including projects that plan for those increases. The only project in the current budget that is funded by SDCs is the match toward a grant received to update the City's Transportation System Plan. Examples of future SDC funded projects could include the installation of traffic signals at intersections that warrant them, possibly 2<sup>nd</sup> and Cherry Heights and 6<sup>th</sup> and Snipes. SDCs were previously proposed to be used to help fund improvements to Thompson Street and the extension of East 19<sup>th</sup> Street from Oakwood to Thompson; the capacity-enhancing aspects of those projects could still qualify. The updated Transportation System Plan will identify the priority needs and update the SDC-eligible project list.

### **Fund 9 – Public Works Reserve Fund**

Fund 9 is the reserve fund from which the Public Works Department purchases vehicles and larger equipment. Each fund (Water, Wastewater, and Street) pays into the fund in an amount equal to the purchases anticipated for that fund. Larger pieces of equipment may require contributions from more than one fiscal year to cover the full purchase price. There are also times when the different divisions will jointly purchase a piece of equipment that they will share.

This year, the Street Fund (Fund 5) is transferring \$67,547 into Fund 9. From Fund 9, the current budget anticipates the purchase of an equipment trailer (Wastewater), an asphalt hot box (Street - completed), a portable electronic sign board (1/3 each Street/Water/Wastewater - completed), and a bio-solids truck (Wastewater - completed). The annual payments for the lease/purchases of the asphalt zipper (Street) and skid-steer track loader (Wastewater) are budgeted in this fund. Lastly, funds are being allocated in this fund for the eventual replacement of the vacuum tank truck (Wastewater).