



ADOPTED BUDGET

Fiscal Year

2017-2018



2017/18 ANNUAL BUDGET

BUDGET COMMITTEE

Mayor and Council

Mayor Chris Luz
Council President Bruce Sophie
Council Vice President Jim Snyder
Councilor Sarah Westover
Councilor Terry Baker
Councilor Stuart Warren
Councilor Mike Shunk

Citizens

Robert Mumby
Dorothy Cotton
Carol Engle
Larry Dickson

CITY STAFF

Dave Kanner, Interim City Manager
Janette Boothe, Finance Director/City Recorder
Derek Bowker, Police Chief
Ray DiPasquale, Public Works Director
Evan Mackenzie, Planning Director

Table of Contents

Section I - Introduction

Budget Message	1
Background	5
Structure of Municipal Government	8
Personnel	11

Section II - Budget Process

Budget Calendar	13
Budget Objective	14
Summary of Significant Accounting Policies	15
Budgets and Budgetary Accounting	20
Long Term Debt	25
Budget Committee and Approving the Budget	27
The City of Phoenix Budget Process	31

Section III - General Fund

General Fund Summary	33
Executive Department	37
Administrative Department	40
Police Department	43
Planning Department	49
Building Department	49
Non-Departmental	52
Parks Department	53

Section IV - Public Works

Street Fund	57
Water Fund	63

Section V - SDC Funds

Street SDC Fund	68
Water SDC Fund	70
Stormwater SDC Fund	71
Parks SDC Fund	72

Section VI - Capital Improvement Program

Capital Reserve Fund 73

Section VII - Nonmajor Governmental Funds

Advertising Promotion Fund 75
Tourist Usage Fund 77

Section VIII - Debt Service

PHURA Bond Fund 79

Section IX - Resource and Requirement Detail

General Fund 80
Street Fund 90
Water Fund 93
SDC Funds 97
Capital Reserve Fund 101
Nonmajor Governmental Funds 103
PHURA Bond Funds 105
Closed Funds
 Greenway Maintenance Reserve Fund 106
 Intertie Debt Service Fund 107
 City Hall Debt Reserve Fund 108

CITY OF PHOENIX
2017-18 Annual Budget
Section I
Introduction

BUDGET MESSAGE

Fiscal Year 2017-18

MEMBERS OF THE BUDGET COMMITTEE AND CITIZENS OF PHOENIX:

We respectfully submit to you the adopted City of Phoenix budget for fiscal year 2017-18.

We are pleased to report to you that the City's fiscal condition is very good, if not excellent, with steady revenues, conservative expenditures and healthy fund balances. The City, like nearly all local governments in Oregon, faces the challenge of absorbing sharp increases in retirement benefit costs from the Public Employee Retirement System (PERS), but even with these increases, the City is well-positioned to continue offering the high levels of customer-centric services the citizens of Phoenix have come to expect.

This budget has been prepared as a "current service level budget," in which departments were instructed to prepare their budget requests with an eye toward maintaining departmental functions as they are in the current fiscal year. Our goal in preparing this budget was and is to protect core services in each fund and preserve the quality of these services. The budget proposes the addition of two new staff positions. One is a position shared by the Water Fund and the Parks Department and the other is an assistant to the city manager/city recorder position in the Executive Department. This budget closes the Greenway Maintenance Reserve Fund, per City Council Resolution No. 987, adopted by the Council on April 3, 2017, and proposes an expenditure for a space needs analysis for the Police Department, using General Fund dollars that were transferred into the Capital Reserve Fund in FY 2016-17. This is a first step toward addressing a long-term solution for the department's need for an adequate police station, to serve both police personnel and the citizens of Phoenix.

In addition, available dollars have been reassigned in the Capital Reserve Fund with an eye toward completing some of the City's highest-priority projects in the next fiscal year. These include a complete reconstruction of North Church Street, replacement of the South Church Street waterline and an update of the City's capital improvement plan, which expires at the end of FY 2017-18.

As previously mentioned, sharp increases in retirement benefit costs present a challenge for Phoenix and nearly every other local government in Oregon. The PERS system faces

a \$22 billion unfunded actuarial liability and has only two options for addressing it: Decrease benefits for future retirees; and increase employer contribution rates. In Phoenix, nearly all employees are members of the lower-cost Oregon Public Retirement System Plan (OPSRP), which replaced PERS in 2003. The OPSRP general service rate increased from 1.49% of payroll in FY 2016-17 to 5.23% in FY 2017-18 and the OPSRP police/fire rate increased from 5.6% in FY 2016-17 to 10% in FY 2017-18. This results in an increased cost to the City of \$56,376 across all funds and \$37,936 in the General Fund.

While these increases can be covered by normal increases in revenue, local governments have been put on notice to expect similar increases in future biennia. Thus, Phoenix and other PERS employers should rightfully be cautious about adding new or expanded services. However, Phoenix's excellent financial condition of history of frugality in budgeting puts it in the position of being able to readily afford the proposed new positions, which we believe are necessary to keep pace with increased work load and demand for service. Overall, we believe this budget is fiscally responsible and serves the best interests of the citizens of Phoenix.

FISCAL YEAR 2017/18 BUDGET HIGHLIGHTS

The total adopted budget is \$10,741,888 an increase of \$994,170 or 10.2% over the amended FY 2016-17 budget. The increase is due primarily to large capital carry-forwards in several funds, much of which is budgeted for increased capital projects spending in Public Works.

The General Fund budget is \$2,921,276 as opposed to \$2,789,245 in FY 2016-17. All expenditure increases are commensurate with increases in resources.

REVENUE PROJECTIONS

Property Taxes

Phoenix's permanent tax rate is \$3.6463 per \$1,000 of assessed value. No action of the local government can increase the permanent tax rate. The assessed value of Phoenix is \$311,558,843 and the value of each individual property can be increased by no more than 3% in any fiscal year. Based on information received from the County Assessor's office, the property tax levy for the new year is projected to be \$1,045,200, with a net collection of \$1,020,250 and delinquent collection of \$24,950. This is consistent with the modest increases in property tax collections the City has seen in recent years.

Franchise Fees

Franchise fees collected by the general fund from local electric, gas, telephone, cable TV, garbage hauling and sewer utilities are projected to remain flat in FY 2017-18. Total franchise fees projected are \$320,700.

State Revenues

Revenues received from the State are based on per capita distributions from several State collected taxes. For this budget cycle, the State is using a population figure of 4,585 for Phoenix. There are projected slight increases for the state revenues received. Additionally, this is the initial budget year with anticipated marijuana tax revenue for the City of Phoenix. The City has budgeted a conservative amount to be received in the first year. Total State revenues projected for the 2017/18 fiscal cycle are \$418,192.

Water Fund

The budget include only a nominal CPI increase (1.5%) in water rates and, assuming City-wide water use remains flat, income from water sales should remain relatively flat as well. However, it's anticipated that the Medford Water Commission will impose a wholesale rate increase of approximately 13% next year, which will likely require an increase in Phoenix water rates at that time.

EXPENDITURES

General Costs

To the extent practical, this budget holds the line on general cost increases. However, personnel services costs across all funds (budget to budget) are up 8.5% and materials & services costs are down 9.48%. To the degree M&S costs are flexible or discretionary, they have been cut or contained to the greatest practical extent.

About 20.75% of the City of Phoenix budget is for personnel. Overall personal services costs are up 8.5% due to the increase in PERS rates and additional personnel, as stated above.

General Fund – No new major initiatives are planned in the General Fund. One new position is proposed, an assistant to the city manager/city recorder, of which .65 FTE is budgeted in the General Fund, and .5 FTE of an existing position in the Water Fund is proposed to be moved into the Parks Department for the purpose of maintaining the new Community Center and surrounding grounds being built by the Phoenix Urban Renewal Agency. This shift will not occur until the Community Center project is

complete – probably next spring – so while the position is funded for a full year, the actual cost is likely to be significantly less than that full-year cost.

Water Fund – This budget includes a new position in the Water Fund to compensate for a shift of an existing position to facility maintenance. The cost of this position is easily absorbed within existing revenues in the fund.

Capital Reserve Fund – Major expenditures are planned from the Capital Reserve Fund for reconstruction of North Church Street, the South Church Street water line replacement project, continued AC water line replacement, an update to the City's Water System Master Plan and a space needs analysis and (if funds allow) a siting study for a new police station.

Tourist Usage Fund – This fund serves as the repository for that portions of the City's hotel/motel tax that is restricted to tourism promotion and tourism-related facilities. Due to questions as to whether certain expenditures that have historically come out of this fund comply with the statutory restrictions, those expenditures have been moved into the General Fund or the Advertising Promotion Fund and this fund now consists largely of an appropriation for as-yet-to-be-identified contracted services. Over the course of the next year, the City Council will need to determine how it would like to use this money in future budget. A more detailed explanation of the issues with the Tourist Usage Fund is found in the narrative for the fund, later in this budget document.

Conclusion

Budget preparation for the City is an arduous, time-consuming task that begins some four months prior to final budget adoption. It requires the talent and dedication of many City staff members, who take this on in addition to their regular day-to-day responsibilities. We thank them for their hard work and diligence. And on behalf of the citizens of the City of Phoenix, we extend our thanks to the members of the Budget Committee for their time and talent in the review and approval of this budget.

Respectfully submitted,

Dave Kanner, Interim City Manager Janette Boothe, Finance Director/Budget Officer

2017-2018 Annual Budget

Background

GENERAL HISTORY

Phoenix, Oregon is located three miles south of Medford, a commercial and shopping center; eight miles north of Ashland, a cultural and academic center; and only 24 miles north of the California border, in the mild climate of Southern Oregon. The city is just close enough to surrounding destinations to be convenient, yet still secluded enough to maintain the best of rural Oregon.

The town of Phoenix was one of the earliest pioneer settlements in Southern Oregon. Many vestiges of its rich past are still visible today.

The impressive Colver House was located on Highway 99 at the south end of town before it burned down in 2008. The Colver House was built in 1855 by one of the first settlers, Samuel Colver. Colver came west from Ohio in 1850, taking up a donation land claim of 640 acres on a site where Phoenix now stands. The town site of Phoenix was laid out on property he donated to the city in 1854.

Back in the 1850s, Phoenix was the hub of the Rogue Valley. The Rogue River and Modoc Indian Wars, the Northwest gold rush and the onset of the Civil War all played a part in the growth of this frontier town.

With the completion of the Oregon & California Railroad through Phoenix in 1887, travel and trade changed in the region forever. For the first time, agricultural products could reach markets across the country and world. Fruit orchards, particularly pears, grew to become one of the leading industries in Phoenix.

Today, the past and present can be found side by side in Phoenix. Quaint stores and historic homes dot the downtown area, while just outside of the city lie orchards, small farms and rolling hills covered with pines and hardwoods.

MAYORS OF PHOENIX

Walter Moore.....	1909-1910
Augustus Moore.....	1911
Andrew H. Fisher.....	1912-1913
Fred Furry.....	1914
E. G. Coleman.....	1915-1920
Dr. T. J. Malmgren.....	1921-1922
E. G. Coleman.....	1923-1928
W. D. Barnes.....	1929-1936
W. D. Steadman.....	1937-1940
James F. Hays.....	1941-1944
Lillian Coleman.....	1945-1946
Robert Frame.....	1947-1948
Clifford H. Wallace.....	1949-1951
E. R. Claflin.....	1951-1952
Kathryn Stancliffe.....	1953-1954
Dan H. Adams.....	1955-1956
Vincent Claflin.....	1957-1958
Arthur H. Macintosh.....	1959-1960
Faye Carver.....	1961-1962
Darrell Paxson.....	1963-1964
Cecil Claflin.....	1965-1968
Ben Skudlarek.....	1969-1972
George M. Dunford.....	1973-1974
Jack M. Workman.....	1975-1978
Otto Caster.....	1979-1992
Don Russell.....	1993-1994
Jerry Greer.....	1995-1996
Larry Parducci.....	1997-2004
Vicki Bear.....	2005-2006
Carlos DeBritto.....	2007-2012
Jeff Bellah.....	2012-2016
Chris Luz.....	2017-

PROFILE OF THE CITY OF PHOENIX

Population: 4,585

Area within the City: 1.44 square miles

Government:

Incorporated to State of Oregon in 1908
Council-Manager form of Government

Mayor and six councilors, elected at large.

Mayor: Chris Luz

Council Members:

Bruce Sophie

Jim Snyder

Terry Baker

Stuart Warren

Sarah Westover

Mike Shunk

CITY SERVICE AREA:

Phoenix is located along Bear Creek, on the valley floor of the bowl-shaped Bear Creek Basin. The elevation is approximately 1,500 feet, with a hill rising about 1,690 feet. With the exception of this hill, the topography of the community is relatively flat, but slopes gradually toward the northeast and Bear Creek.

The city boundaries encompass 1.44 square miles. There are an estimated 11.5 miles of paved roads. The water collection and distribution system contains over 50,000 lineal feet of piping (17.5 miles). Water is supplied to the city by the City of Medford Water Commission.

Phoenix's estimated population is 4,585 with an additional population within the urban growth boundary area of approximately 494.

STRUCTURE OF THE MUNICIPAL GOVERNMENT

The City of Phoenix is a Constitutional Home Rule city, operating under the Council-Manager form of government. "Constitutional Home Rule" means that the voters of the city have taken from the Oregon Legislature and reserved to themselves the power to adopt and amend their own city charter.

Elective Officials

The City Council consists of six members, elected at-large. The Council serves as the legislative and basic policy-making body of the city government.

The mayor is elected at large and serves as the ceremonial head of the city and the presiding officer of the Council.

Appointive Officials

Appointive officers of the city include the city manager, the city attorney, the city recorder and the municipal judge. The Council reserves the right to create other appointive offices and to combine two or more appointive positions in a single office.

RESPONSIBILITIES:

Mayor: At each biennial general election, a mayor is elected for a term of two years. The mayor is chairman of the council and presides over its deliberations. He or she does not vote except in case of a tie vote of the members of the Council present at the meeting. The mayor has authority to preserve order, enforce the rules of the council, and determine the order of business under the rules of the council. The mayor appoints the committees provided for under the rules of council. He or she signs all approved records of proceedings of the council and countersign all orders on the treasurer. The mayor has no veto power and must sign all ordinances passed by the Council within three days after passage. With the consent of the Council, the mayor endorses all bonds of officers of the city and all bonds for licenses, contracts and proposals.

Council President: At the first meeting of every year, the Council appoints a president from its councilors. Except in voting on questions before the Council, the president functions as mayor when the mayor is absent from a council meeting, or unable to function as mayor.

Council Vice-President: At the first meeting of every year, the Council appoints a vice-president from its councilors. Except in voting on questions before the council, the vice-president functions as mayor when the mayor and president are absent from a council meeting or unable to function as mayor.

Council: The City Council consists of six members, elected at large. This body acts as the legislative body of the city. It is the duty of the council to adopt ordinances and resolutions relating to municipal affairs and to regulate appropriate measures for the good of the city. The council sets rates for utilities, establishes various user fees and sets employee salaries. The Council adopts the annual budget for the city and monitors the revenues and expenditures. The council also performs any and all other functions required by ORS.

PERSONNEL

This budget proposes that the City of Phoenix employ 24.425 full-time equivalent (FTE) employees for fiscal year 2017/18; an increase of two FTE from fiscal year 2016/2017. These FTE are as follows: City Manager, Assistant to the City Manager/City Recorder, Finance Director, Administrative Coordinator, Administrative Assistant, Planning Director, Assistant Planner, Police Chief, Lieutenant, School Resource Officer, Code Enforcement Officer, Traffic Safety Officer, Police Records Clerk, five patrol officers, Public Works Director, Administrative Assistant and five Public Works laborers.

STAFF ALLOCATION

DEPARTMENT/FUNCTION

EXECUTIVE:

City Manager	.65
Assistant to the City Manager/City Recorder	<u>.65</u>

1.30

ADMINISTRATION:

Finance Director	.50
Administrative Coordinator	.45
Administrative Assistant	<u>.25</u>
	1.20

POLICE:

Chief	1.00
Lieutenant	1.00
Police Officers	7.00
Code Enforcement Officer	.375
Administrative Assistant	<u>1.00</u>
	10.375

PLANNING:

Planning Director	.70
Associate Planner	<u>.60</u>
	1.30

BUILDING:

Planning Director	.30
Associate Planner	<u>.40</u>
	.70

PUBLIC WORKS:

Street

City Manager	.15
Assistant City Manager/City Recorder	.15
Finance Director	.15
Director	.35
Laborer	1.63
Administrative Assistants	<u>.47</u>
	3.10

Water

Laborers	2.37
Director	.60
City Manager	.15
Finance Director	.35
Assistant City Manager/City Recorder	.15
Administrative Assistants	<u>1.57</u>
	5.19

Parks

Laborers	1.05
Director	.05
Administrative Assistant	<u>.16</u>
	1.26

TOTAL

24.425 FTE

CITY OF PHOENIX
2017-18 Annual Budget
Section II
Budget Process

2017-2018 Annual Budget Budget Process

BUDGET CALENDAR

1. **Appoint Budget Officer** Feb. 6, 2017
2. **Prepare proposed budget** Feb. 7 – April 24
3. **Print 1st notice of budget committee meeting** April 14, 2017
4. **Publish 2nd notice of budget committee meeting on City's website at least 10 days before the meeting** April 21, 2017
5. **First Budget Committee Meeting**
(1000 S "B" St, 6:30 PM) May 3, 2017
6. **Second Budget Committee Meeting**
(1000 S "B" St, 4:30* PM) May 10, 2017
7. **Final Budget Committee Meeting & Recommendation**
(1000 S "B" St, 6:30 PM) May 17, 2017
8. **Hold Budget hearing (governing body)**
(publish not less than 5 days or more than 30 days before the hearing) June 5, 2017
9. **Enact resolutions to:** June 5, 2017
 Adopt budget
 Make appropriations
 Impose and categorize taxes
10. **Submit tax certification documents to the Assessor by July 15th**

**Wednesday, May 10, 2017 at 6:30 PM is the Phoenix Urban Renewal board meeting*

BUDGET OBJECTIVE

A budget is a financial plan that includes estimates of expenditures and revenues for a single fiscal year. The local budgeting process provides procedures for evaluating a local government's needs and identifying revenue sources to meet those needs. A completed budget provides a means of controlling expenditures and a justification for imposing property taxes.

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. The planning process involves determining the types and levels of services to be provided and allocating available resources among various departments, programs, or functions. Financial control and evaluation processes typically focus upon assuring that fixed expenditure limitations (appropriations) are not exceeded and on comparing estimated and actual revenues.

The budget authorizes and provides control of financial operations during the fiscal year. Upon adoption, the expenditure estimates in the fixed portion of the annual comprehensive budget, as modified by the legislative body, are enacted into law through the passage of an appropriations resolution. The appropriations constitute maximum expenditure authorizations during the fiscal year, and cannot legally be exceeded unless subsequently amended by the legislative body. Expenditures should be monitored through the accounting system to assure budgetary compliance. Unexpended and/or unencumbered appropriations lapse at year-end.

A local government's budget is a public document. Anything connected with the budget is subject to public inspection. The budget is a guide to the financial management of the local government. It provides information that encourages public participation in government. The Budget Officer should temper the detail of the budget with common sense to make the document as informative and uncomplicated as possible.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Phoenix operates under the laws of the State of Oregon and the Phoenix Municipal Charter. The City operates under a Council-Manager form of government. A budget is prepared for all funds in accordance with the modified fund types, the budgetary basis of accounting is the same as generally accepted accounting principles. The following is a summary of the more significant policies, including identification of those policies.

A. REPORTING ENTITY

The City is a general-purpose government and provides public safety, street improvements, parks and recreation, and general administrative services. In addition, the city operates the water system.

B. BASIS OF PRESENTATION—FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on what they are to be spent for and how they are controlled. The following are the fund types and account groups used by the City:

GOVERNMENTAL FUND TYPES:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities on the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Governmental funds focus on measuring changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

GENERAL FUND

The purpose of the General Fund is to record financial transactions related to all activities for which specific types of funds are not required. It is the general operating fund for the local government. Most local governments have a General Fund. Many small local governments have only a General Fund. This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes, state revenue sharing, building permits, franchise fees, fines and forfeitures.

SPECIAL REVENUE FUNDS

These funds account for revenue derived from specific taxes or other earmarked revenue sources required by statute, charter provision, or the terms of a grant, including federal and state grant awards, which are legally restricted to finance particular functions or activities. The number of such funds depends upon the activities of the local government and how it is funded. Some city home rules charters provide for a general fund and several other special funds. The general requirement is that dedicated revenues must be used for the specific purpose authorized, and separate funds should be established for them.

SEPARATE FUNDS FOR LOCAL OPTION TAXES

A separate fund must be established for each local option tax providing money for a specific purpose. The money received must be retained and spent only for the purpose for which the tax was approved. This provides fiscal integrity for the local option tax and ensures that it is used to carry out the purpose described

in its ballot measure. If expenditures from a specific purpose local option tax fund are no longer needed, the governing body may abolish the fund and transfer the balance and any future proceeds to the general fund. The tax imposed for the special fund then must be discontinued. Revenue from local option levies for operations may be budgeted in the general fund.

CAPITAL PROJECT FUNDS

A Capital Project Fund is used to record all resources and expenditures used to finance building or acquisition of capital facilities, which are nonrecurring major expenditure items. Resources can include the proceeds from the sale of general obligation bonds, tax revenue from purpose local option taxes, grants, transfers from other funds, or other revenues authorized for financing capital projects. A separate fund is normally established when a capital project or series of projects is authorized. It is dissolved when the project is completed. Several related projects financed from one bond issue may be accounted for in one fund if there are no provisions to the contrary in the authorization to sell the bonds.

DEBT SERVICE FUNDS

These funds are used to budget for payment of principal and interest on all long-term debt, including that payable exclusively from revenue-producing enterprises [OAR 150-294.352(1)]. There may be several bond issues accounted for in one debt service fund, but you must establish separate funds for general obligation bonds and revenue bonds. Transactions to record the redemption of existing bonds with proceeds of refunding bonds are also recorded in debt service funds.

Resources dedicated to repay bonds cannot be diverted or used for any other purpose. Transfers from a Debt Service Fund are not allowed in most cases. There are two conditions under which a transfer may be made:

1. To repay an interfund loan that was made to the debt service fund from other moneys when collections of taxes levied for exempt bonded indebtedness

were not sufficient. Such transfer should be budgeted as a requirement in the debt service fund called "Loan repayment to _____ Fund."

2. If a surplus remains after all interest and principal of the bond are paid, the fund may be dissolved and the balance transferred to the General fund, unless other provisions were made when the fund was created.

As stated above, attorney's fees and other expenses related to the preparation, authorization, issuance and sale of the bonds cannot be paid from a debt service fund if the fund includes a property tax levy that is categorized as excluded from limitation.

RESERVE FUND

A local government may set up a Reserve Fund, a type of special revenue fund, to accumulate money for financing the cost of any service, project, property or equipment that the district can legally perform or acquire (ORS 294.346). Under Local Budget Law, a Reserve fund is the appropriate way to save money from year to year. Expenditures can be appropriated and made directly from a reserve fund.

Any local government by resolution or ordinance can set up a Reserve Fund. The governing body may specify a time limit in which the money can be added to the fund. At least every ten years after the establishment of a reserve fund, the governing body review the fund to decide if it should be continued or abolished. Any unexpended or unobligated balance left in the fund after it is abolished can be transferred to the General fund or any other fund designated by the governing body.

Money in the Reserve Fund can only be used for the purpose for which the fund was established. Expenditures for that purpose may be budgeted and appropriated directly from a reserve fund.

ENTERPRISE FUND

These funds are established to finance and account for acquiring, operating, and maintaining facilities and services which are primarily self-supporting from user charges and fees. A separate fund makes it possible to set up separate accounting data on the operations of the facility. This information can be used to determine what the service charges should be. It can also provide better control and information on the management of the resources and expenditures. Examples of enterprise funds are: water, gas and electrical utilities, swimming pools, airports, parking garages and transit systems operated by cities, and some school food service operations. Separate funds may be established for each utility or enterprise.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Local governments are required to maintain accounting records by fund, using a cash, modified accrual, or accrual basis of accounting. The selection of the basis of accounting is up to each local government. The City of Phoenix operates on a modified accrual basis.

BUDGETS AND BUDGETARY ACCOUNTING

SCOPE OF THE BUDGET

Each local government must prepare estimates of expenditures and other budget requirements by line item for the upcoming fiscal year.

Local Budget Law requires that expenditures and other requirements be shown in the budget in certain ways. The budget is broken down into funds. The expenditure line items for each fund must be identified in one of two ways, either by organizational unit or program, depending on how the city is structured and the services it provides. Subdividing a fund into organizational units or programs can make the budget more understandable.

Organizational Unit

An organizational unit is an administrative subdivision of the local government, which is responsible for specific services, functions or activities. These are usually identified as departments, divisions, offices, etc. For example, a city may be structured in to organizational units such as Police Department, Public Works Department, Office of the City Manager, etc.

Program

A program is a group of related activities aimed at accomplishing a major service or function. Programs could include services and functions such as: fire protections, water, street maintenance, etc.

Whether a local government is structured by organizational units or programs the budget must contain the following:

1. The estimated expenditures of the General Fund and all special revenue funds arranged by organizational unit or program and activity. They must be categorized by personal services, materials and services, and capital outlay.

2. In addition, separate estimates must be made in each fund for special payments, debt service, interfund transfers, operating expenses and general capital outlays that cannot be allocated to one particular unit or program.
3. **Personal Services** include salaries, benefits, workers compensation insurance, social security taxes, and other costs associated with having employees.
 - a. The estimated expenditures for personal services must include a listing of the salaries for each officer and employee, except hourly wage and part-time employees. Employees of like classification and salary range may be listed by the number of those employees, the limits of each salary range and the amount of their combined salaries. The number of employees may be stated in full time equivalents.
 - b. Personal Services estimates may include a separate schedule detailing the salaries of persons who perform services for two or more organizational units or programs. For example, one staff member may provide services to the administration office and the police department.
4. **Materials and Services** include a separate estimate for: (a) contractual services (attorney or accountant fees), (b) materials (such as office supplies, fuel or repair parts), and (c) other operating expenses (such as utilities, insurance or education and travel). Estimates should be detailed sufficiently to disclose all proposed expenditures, but may be combined into logical groupings such as office supplies, utilities, etc.
5. **Capital Outlay** is expenditures that result in the acquisition of, or addition to fixed assets. Fixed assets are defined as assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment. Each local government may establish its own criteria or cost threshold for distinguishing capital outlay expenditures from other operating expenses.
6. **Debt Service** includes the repayment of any loan, bond, or other borrowing. Expenditures for repaying bond principal and interest for which a separate

property tax levy is imposed should be in a debt service fund and should be separately shown for each bond issue, with separate amounts for principal and interest payments. Each bond issue should be identified by both the issue date and the exact payment date. Any unappropriated ending fund balance associated with the bond issue must be itemized by the payment date and amount, and separately identified by bond issue. Repayment of other loans or borrowings may be identified less specifically. A debt service payment not requiring a separate tax levy may be included in the general fund or another fund.

7. **General Operating Contingency** may be included in any operating fund. The estimate is based on the assumption that operations may necessitate spending during the year on items that cannot be specifically identified at the time the budget is being prepared. The contingency is not a separate fund. It is a line item within an operating fund; separate from any of the other major object classifications.

Each operating fund is allowed one appropriation for a general operating contingency. A non-operating fund cannot have an appropriation for a contingency. The expenditures in non-operating funds can usually be accurately estimated and are not subject to unexpected variations arising from operations. A debt service fund is an example of a non-operating fund that cannot contain an operating contingency.

The contingency estimate must be reasonable, based on past experience, and consistent with the purpose of the particular fund involved. It cannot be made in place of an estimate for expenditures which are known to be necessary and can be anticipated. It must not be used to cover up improper or loose budgeting practices. It must not be used as a "savings account" in which to sequester excess revenues.

During the Fiscal year, money budgeted and appropriated as contingency must be transferred to another appropriation category before it can be expended. A resolution or ordinance or a supplemental budget must be

passed before any of the contingency can be transferred. If the expenditure is to be made from another existing appropriation category, a resolution or ordinance may often be used to authorize the transfer and expenditure. The operating contingency then is reduced and the receiving appropriation category increased by the same amount so the fund remains in balance. If there is no existing appropriation category suitable for the expenditure, then a supplemental budget is required to create the appropriation category and transfer the resources from contingency.

There is no statutory limit on the amount which may be budgeted and appropriated for general operating contingency. However, the amount which may be transferred from contingency by resolution over the course of a year is limited to 15 percent of the amount originally appropriated in the fund. Transfers which in total exceed 15 percent of the original appropriation may be made only after adopting a supplemental budget for that purpose.

For example, if the total appropriation in a fund is \$100,000, including \$20,000 for the general operating contingency, only 15 percent, or \$15,000, of the appropriation may be transferred from the contingency appropriation by resolution or ordinance. The remaining, \$5,000 can be transferred only through a supplemental budget.

8. **Unappropriated Ending Fund Balance** purpose is to provide the local government with a cash or working capital balance with which to begin the fiscal year following for which this budget is being prepared.

When calculating the amount of an unappropriated ending fund balance, determine your cash requirements between July 1 of the fiscal year following the one for which you are budgeting, and the time sufficient revenues will become available from other sources to meet cash flow needs. The maximum amount that should be budgeted in an unappropriated ending fund balance is the difference between the cash requirements and the other resources available during that period. Do not use an unappropriated ending

fund balance as a "savings account" in which to sequester large amounts of excess funds.

Do not include an unappropriated ending fund balance in the resolution or ordinance making appropriations. No expenditures can be made from an unappropriated ending fund balance during the year in which it is budgeted. The only exception to this is in an emergency situation arising during the year by involuntary conversion (theft, vandalism, accident, etc.), civil disturbance or natural disaster. If such an emergency occurs and the revenue in the unappropriated ending fund balance is needed to replace the damaged property, it may be appropriated with a resolution or ordinance or through a supplemental budget after that event occurs.

Toward the end of the fiscal year in which an unappropriated ending fund balance is budgeted, the budget officer should monitor actual cash flow carefully. A revenue shortfall during the year may mean that spending may have to be reduced to have sufficient cash in the unappropriated ending fund balance. If expenses cannot be reduced, then the actual amount in the unappropriated ending fund balance may be less than planned. This is allowed as long as expenditures remain within the fund's budgeted appropriation authority and there has been a revenue shortfall.

LONG TERM DEBT

REVENUE BONDS

Advanced Refunding Bonds – Series 2015A

On June 30, 2015 the City issued \$1,815,000 of full faith and credit refunding obligation bonds, Series 2015A, the proceeds of which retired, in full, two Water Revenue Bonds (Phase I, Loan 91-03, in the principal amount paid of \$935,386 and Phase II, Loan 91-05, in the principal paid amount of \$921,921) totaling \$1,857,307 of principal owing as of the refunding issuance date. These water revenue refunding bonds were issued at a premium of \$114,452, and, carried issuance costs, underwriter discounts, and fees amounting to \$57,002. This advanced refunding was undertaken by the bonds, retiring existing debts carrying interest costs of about 4.75% to the City, along with taking advantage of net premiums, at refunding issuance, mentioned above. Differences in overall costs could amount to over \$625,000 in savings to the City comparing the total amortization schedules of the two defeased bonds to the advanced refunding bonds amortization schedule. Principal and interest payments will be made from the Water Fund.

Full Faith and Credit Obligation Bonds – Series 2015B and Series 2015C

On September 29, 2015 the City issued \$3,320,000 of full faith and credit obligation bonds, Series 2015B and 2015C, to finance projects in the City's urban renewal area and to pay for costs of issuance, sale and delivery of the bonds. In conjunction with the issuance of the bonds, the City and Phoenix Urban Renewal Agency (the Agency) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and Series 2015C obligations under the terms of such obligations.

CONTRACTS PAYABLE

Water Contracts

Storage #1 - \$269,950 payable to the United States of America, for water storage in Lost Creek Lake, a U.S. Army Corps of Engineers owned facility. Annual payments of \$10,643, including interest of 3.253% are payable each July 25th through 2031. Principal and interest payments are made from the Utility Water Fund.

<u>FISCAL</u> <u>YEAR</u>	<u>WATER</u> <u>CONTRACTS</u>	<u>REFUNDING</u> <u>BONDS</u> <u>SERIES 2015A</u>	<u>REFUNDING</u> <u>BONDS</u> <u>SERIES 2015B & 2015C</u>	<u>ANNUAL</u> <u>TOTAL</u>
2017-2018	10,642	119,250	237,292	367,184
2018-2019	10,643	123,000	234,980	368,623
2019-2020	10,643	121,700	237,105	369,448
2020-2021	10,643	120,400	238,790	369,833
2022-2026	53,214	606,825	1,176,800	1,836,839
2027-2031	53,215	608,900	1,181,800	1,843,915
2032-2036	10,642	603,500	942,200	1,556,342
2037-2038	-	122,400	-	122,400
Totals	\$ 159,642	\$ 2,425,975	\$ 4,248,967	\$ 6,834,584

THE BUDGET COMMITTEE AND APPROVING THE BUDGET

BUDGET COMMITTEE MEMBERS

The budget committee is a local government's fiscal planning advisory committee. The governing body of each local government must establish a budget committee. The budget committee is composed of the governing body and an equal number of electors appointed by the governing body. An elector is a qualified voter who, for example, has the right to vote for a ballot measure submitted by the local government.

If, after a good faith attempt, the governing body cannot find a sufficient number of registered voters who are willing to serve, those who are willing and the governing body become the budget committee. If no willing electors can be found, the governing body is the budget committee.

The appointive members of the budget committee cannot be officers, agents, or employees of the local government. An agent, generally, is someone who is authorized to act for the local government, or who can make commitments or sign contracts in the name of the local government. This is sometimes a grey area if an appointee candidate already serves on other advisory committees or commissions of a local government. If you are in doubt about whether a particular person is an agent, consult your legal counsel.

Spouses of officers, agents or employees of the local government may serve on the budget committee if they are qualified electors and not themselves officers, agents, or employees.

Appointive members of the budget committee are appointed for three-year terms. The terms must be staggered so that about one-third of the terms end each year. When a new local government is appointing its first budget committee, the terms may be for one year, two years and three years for each third of the appointive members. After the first two years, the local government will then be able to appoint all new members to three-year terms.

Appointed budget committee members may be reappointed for additional terms, at the discretion of the governing body.

If an appointive member of the budget committee is unable to complete the term, or resigns before the term is over, the governing body must appoint another elector to serve out the unexpired portion of the term.

There is no provision in budget law for “stand-by” or “alternate” appointed members.

All members of the budget committee have equal authority. Each member’s vote counts the same. Any member can be elected by the committee as its chair. No member of the budget committee (including governing body members) may receive any compensation for their services as a member of the budget committee.

Budget committee members should develop a general understanding of the budget process, the departments or programs included in the budget document, and the legal constraints imposed on the local government’s tax levy after budget committee approval. “*Local Budgeting in Oregon*” is recommended as a good resource for budget committee members for information on the basics of taxation and budget law. This publication can be found at https://www.oregon.gov/DOR/forms/FormsPubs/local-budgeting-oregon_504-400.pdf. You can also request copies of the booklet by calling the Finance and Taxation analysts at 503-945-8293.

DUTIES OF THE BUDGET COMMITTEE

The budget committee meets publicly to review the budget document as proposed by the budget officer. The committee receives the proposed budget and the budget message and holds at least one meeting in which the public may ask questions about and comment on the budget. Notice of the first meeting held for these purposes must be published in a specific way. The committee must eventually approve the budget and, if ad valorem property taxes are required, approve the

amount of tax or the rate per \$1000 of assessed value for each levy that will be certified to the assessor.

The budget committee may meet from time to time throughout the year at the governing body's discretion for purposes such as training. All of these meetings are open to the public and notice of the meeting must be given in the same manner as notice for meetings of the governing body, or through one of the local budget law publication methods. Take care not to discuss specifics of the ensuing year's budget at these informal meetings until the notice requirements for the first budget committee meeting have been satisfied.

COPIES OF THE BUDGET

The budget officer may make the proposed budget available to the budget committee at any time before the first budget committee meeting advertised in the notice. Alternatively, the budget officer may choose to make the budget available at the first budget committee meeting. Immediately following the release of the proposed budget to the budget committee, the budget officer must file a copy of the budget in the office of the governing body. This copy becomes a public record. The governing body must provide copies of this budget, or a means of quickly duplicating it, to any interested person. A local government may charge a fee for the copy.

BUDGET COMMITTEE MEETINGS

The budget committee must have a quorum present to hold a meeting. A quorum is a majority of the total membership of the committee. For example, if the budget committee has 10 members, six must be present to hold a meeting.

The committee elects a presiding officer from among the members at the first meeting. The budget committee also hears the budget message at its first meeting. One of the committee's most important duties is to hear and consider any testimony presented by the public about the budget.

The budget committee reviews and, if a majority of the committee feels it is necessary, revises the proposed budget submitted by the budget officer. The committee generally studies the budget by comparing the two previous years' actual data, the current budgeted data, and the figures proposed by the budget officer. The budget committee may reduce or increase the estimates of resources and requirements proposed by the budget officer. Among the most common items discussed are the questions of taxation (how much?) and allocating revenues and expenditures (where will the spending occur?). If the amount of tax revenue needed to balance the budget exceeds the local government's existing taxing authority, the committee may decide that the additional amount needed should be requested from the voters in the form of a local option tax. If the committee decides to stay within its existing taxing authority, and other resources cannot be found, then the committee must reduce budgeted requirements to balance the budget. The committee must ultimately balance each fund and approve the budget. Committee members may not discuss or deliberate on the budget outside of a public meeting.

The committee may ask questions of the executive officer or other staff, and request additional information. The committee is entitled to receive any information it needs to make decisions about the budget.

Any budget committee action requires the affirmative vote of a majority of the total budget committee membership. For example, if only six members of a 10-member committee are present, they have the quorum necessary to meet, but they all must vote in favor of any proposed action to achieve the required majority.

The budget committee may approve the budget at the first meeting. However, it could take several meetings to do so. When the budget officer prepares the budget calendar, several budget committee meetings can be scheduled. The public notice then can include the date, time and place of each of the meetings. If more meetings are needed than were scheduled, give notice of those meetings in the same manner as notice of meetings of the governing body or by one or more of the publication methods used for the initial budget committee meetings.

THE CITY OF PHOENIX BUDGET PROCESS

The budget for the City of Phoenix is implemented every year on the first working day in July. Preparation of the budget begins each year by mid-February. At that time the budget officer prepares the budget forms for each department. These forms give the two years, along with the budget and actuals to-date of the current year. The Finance Director estimates the expenditures for the remainder of the current year. The department heads then review this analysis and submit their requests for the coming year.

The department heads meet with the budget officer, as needed, to review, revise, and balance the budgets. Capital projects are analyzed to insure that they conform to the city's capital improvement plan and the city's goals.

The Budget Committee is composed of an equal number of qualified electors and the City Council. The Budget Committee meets publicly to review the budget document as proposed by the budget officer. At these meetings, any citizen may comment on programs and projects included in the budget. Meetings are publicized as required.

The Budget Message is presented by the budget officer at the first meeting of the Budget Committee. During this and following Budget Committee meetings, the Budget Committee reviews the revenues and expenditures for each fund, and either revises the budget figures or approves them as presented.

After the proposed budget is approved by the Budget Committee, it is published in a newspaper of general circulation in summary form. The full budget document is made available during regular business hours at the City Hall for anyone to review. Publications also notify the public of the dates of the Revenue Sharing hearing, and the date that the budget goes before the City Council for approval. These meetings are also open to the public for questions or comments.

Prior to June 30, the budget is legally enacted by the City Council through passage of a Resolution. The Council shall not increase the amount of estimated expenditures for any fund by more than 10%. The budgets for General, Special Revenue, Capital Projects, and Debt Services are adopted on a basis consistent

with generally accepted accounting principles. Appropriations lapse at the end of each fiscal year.

There are two methods by which Oregon State Budget Law allows the city's budget to be updated in case of unforeseen circumstances. The City Council may authorize supplemental appropriations during the year by adopting a supplemental budget. This procedure requires public hearings, newspaper publications, and approval by the City Council. In addition, if the estimated expenditures in the supplemental budget are 10% or more of the expenditures of the annual budget fund being adjusted, the Budget Committee must be reconvened.

The second alternative is to transfer budgeted amounts within a fund or from the General Fund to any other fund. Normally, these transfers are made between the contingency and a previously budgeted category that needs additional budget. Transfers from contingency are limited to 15% of the total appropriation to which it will be transferred; more than 15% would require a supplemental budget. These budget transfers must be adopted by resolution of the City Council.

CITY OF PHOENIX
2017-18 Annual Budget
Section III
General Fund

2017-2018 Annual Budget

General Fund

GENERAL FUND SUMMARY

The General Fund is the City's repository for revenues that are not dedicated to a specific purpose and that provide for the general government services that do not generate their own revenues. Departments in the General Fund are Police, Administration, Executive, Planning, Building and Parks & Recreation. Interdepartmental expenditures for items such as utilities, IT maintenance and janitorial services are also budgeted in the General Fund. Property taxes are the primary revenue source for the General Fund, along with franchise fees and state shared revenue. For the first time ever, this budget includes revenue from a 3% tax on retail marijuana sales approved by the voters in November 2016. Since it is virtually impossible to predict exactly how much revenue this tax will produce, a very conservative number (\$15,000) is included in this budget. In addition, this proposed budget includes a very healthy beginning net working capital, created in large measure by savings from position vacancies in the Police and Planning Departments and from property tax collections that were higher than budgeted.

Resources

The beginning fund balance and projected revenues for fiscal year 2017-18 total \$2,921,276 and come from five primary sources:

1. *Property taxes* make up more than half of the general fund revenues. Property taxes are based on a permanent tax rate that was established for the City following the passage of Ballot Measure 50 in 1997. The City cannot levy more than the permanent tax rate (although the Budget Committee must, under state law, nonetheless vote annually to set the City's tax rate for the next year). Based on information received from the Jackson County Assessor's office this year's levy is projected to generate about 3% (\$32,000) more than what was budgeted in FY 2016-17.

2. *Franchise Fees* are those fees paid by utilities for use of the public right-of-way and are based on a percentage of revenues. Pacific Corp. is the largest share of franchise fees followed by Avista, Century Link, Rogue Disposal, and Charter Communications. These revenues are projected to stay flat in the coming year.
3. *Intergovernmental Revenues* are those dollars that come to the City from other governments, the largest of which are the state shared revenues: the liquor tax; state allocated revenue, and cigarette tax. The City also receives a payment from the Phoenix School District which is a reimbursement for half of the school resource officer's time spent on campus.
4. *Licenses and Permits* include business licenses fees, building permits, and land use application fees. Actual land use and building permit fee revenue in FY 2016-17 was higher than budgeted, but in the interest of conservative budgeting, no increase over current year budgeted revenue is proposed.
5. *Fines and Forfeitures* have been experiencing a steady increase in recent years, primarily due to the Fern Valley Interchange project. The proposed budget is in line with the trend that has been happening over the past few years which is likely continue in the coming year.

Requirements

Proposed General Fund requirements for FY 2017-18, excluding contingency, are \$2,066,164. In the FY 2016-17 adopted budget, total requirements were \$1,956,895. Total requirements have increased, largely due to the addition of a new position in the Executive Department (assistant to the city administrator/city recorder), a proposed increase in city manager compensation and a significant increase in PERS contributions beginning July 1, 2017. Regarding operating contingency, this budget proposes to increase the General Fund contingency from \$100,000 to \$280,000. Doing so allows the Council the ability to address unanticipated needs during the fiscal year, while still leaving an unappropriated fund balance equal to 26.5% of total requirements. While total General Fund requirements (including contingency) grew from adopted budget to proposed

budget, the increase is absorbed by an increase in total resources (revenues and beginning net working capital).

Fund Balance

The Fund Balance can be divided into five categories. They are:

Unappropriated – These are funds that cannot be spent during the fiscal year except in specific and extremely rare emergency situations. This fund balance is intended to carry forward to the following fiscal year to provide for cash flow.

Non-Spendable – Resources that are not spendable because they are not in a spendable form, i.e. prepays, inventory, long term receivables and notes receivable, and property held for sale. They are legally or contractually to be retained intact, like the principal amount in a permanent fund. There is no non-spendable fund balance in the proposed General Fund budget.

Restricted – Restrictions imposed by state or federal law, or third parties such as creditors, grantors, contributors, and regulators. A third party could legally compel the City to honor the restriction. There is no restricted fund balance in the proposed General Fund.

Committed – Resources committed by the City Council via ordinance or resolution. The commitment remains in effect unless similar action is undertaken to affect a change. These amounts are not deemed to be legally enforceable as is the case for the restricted funds.

Assigned – Resources dedicated to a specific purpose based on the intent of the organization. These funds are neither committed or restricted and have generally been assigned by the city manager or others in the organization to whom the authority to make such assignment has been delegated.

Budget-to-budget, the unappropriated ending fund balance, including contingency, is increased by about \$145,000, due in large measure to lower-than-budgeted expenditures and higher-than-budgeted revenues in FY 2016-17.

RESOURCES & REQUIREMENTS GENERAL FUND

	<u>2nd Preceding Year 2014/2015</u>	<u>1st Preceding Year 2015/2016</u>	<u>Adopted Budget Current Year 2016/2017</u>	<u>Estimated Actual Current Year 2016/2017</u>	<u>Proposed By Budget Officer 2017/2018</u>
REVENUES					
Working Capital Revenues	\$ 774,390 <u>1,825,422</u>	\$ 925,846 <u>1,976,009</u>	\$ 910,705 <u>1,878,540</u>	\$ 1,023,957 <u>1,863,952</u>	\$ 1,020,029 <u>1,901,247</u>
Total Resources	<u>2,599,812</u>	<u>2,901,855</u>	<u>2,789,245</u>	<u>2,887,909</u>	<u>2,921,276</u>
REQUIREMENTS					
Personal Services	1,238,620	1,285,800	1,371,350	1,289,919	1,472,086
Materials and Services	413,204	494,615	480,760	472,921	502,133
Capital Outlay	-	73,341	-	-	-
Debt Services	22,142	22,142	22,300	22,555	21,945
Transfers Out	-	2,000	82,485	82,485	70,000
Contingency	-	-	100,000	-	280,000
Total Requirements	1,673,966	1,877,898	2,056,895	1,867,880	2,346,164
Unappropriated Fund Balance	<u>\$ 925,846</u>	<u>\$ 1,023,957</u>	<u>\$ 732,350</u>	<u>\$ 1,020,029</u>	<u>\$ 575,112</u>

EXECUTIVE DEPARTMENT

The Executive Department, consisting of the City Council and City Manager, provides the policy-making and executive leadership for the City of Phoenix. This department is, in essence, the heart and soul of the organization; what citizens think of when they think of "city government."

The City Council, consisting of a Mayor and six Councilors, is the communication and political link between the citizens of Phoenix and the City government. The Council's duties include legislative and quasi-judicial authority over policy matters of citywide concern. Adoption of the city's budget is also one of the Council's responsibilities.

To implement policy and oversee all aspects of the organization, the Council appoints a city manager. The Council also contracts with outside legal counsel to serve as the City Attorney.

The City Manager provides general oversight and direction to the city organization as a whole, both in terms of planning for the city's long-term financial health and managing the day-to-day operation. The City Manager implements and communicates to employees the policies, goals and objectives of the Council and works with the Council to formulate those policies and goals. The City Manager evaluates program effectiveness, and provides communication and support for all city programs and services through administrative policy. The City Manager also prepares the Council agendas and keeps the Council informed of issues and trends that may affect the City and of organizational initiatives that may rise to the Council's level of attention.

This budget proposes to add a new position to the City staff: Assistant to the City Manager/City Recorder. This would be a non-represented position whose primary functions would be to assist the City Manager with higher-level administrative functions such as drafting resolutions and ordinances, drafting and updating administrative policies, taking meeting minutes, maintaining public records and responding to public records requests. Currently, there is no executive-level support for the City Manager, thus creating an untenable work load, and the City Recorder duties are located with the Finance Director, who also serves as the City's Human Resources Director. Again, combining the duties of the Finance Director, Human Resources Director and City Recorder in a single position creates an untenable work load.

Significant accomplishments in the past year

The past year has been a tumultuous one for the Executive Department, with the departure of two city managers and the planning director, and the hiring of an interim city manager. This tumult notwithstanding, the City welcomed five new members of the City Council and successfully integrated them into the Council team. The City also hired a new Public Works Director, who began his new position on September 2016.

In the fall of 2016, the City prepared and sent to the ballot a measure imposing a 3% tax on the sale of recreational marijuana in the city. This measure was handily approved by voters in the November election, providing the city with a new general fund revenue stream, although the size of that revenue stream has yet to be determined. The City responded promptly and effectively to the displacement of 21 families due to a fire at the Frontier Lodge property near downtown Phoenix. The City also successfully negotiated a lease with Fire District 5 for the District's use of the fire station facility next to City Hall.

Challenges and opportunities

The single biggest initiative facing the Executive Department is the recruitment of a new City Manager for the City of Phoenix. This individual will be the fifth city manager to serve the City since the 2016-17 budget was presented to the Budget Committee. The turnover in this critically important position impairs the City's ability to achieve its objectives and is harmful to organizational morale, so it's crucial that the City hire the right candidate and a candidate who will stay in Phoenix in the long-term. Some recruitment costs will be incurred in the next fiscal year; primarily related to bringing candidates to Phoenix for interviews. In addition, about 10% more was budgeted for the City Manager's salary in order to give the Council flexibility in negotiating with its desired candidate.

**REQUIREMENTS
EXECUTIVE DEPARTMENT**

	2nd Preceding Year <u>2014/2015</u>	1st Preceding Year <u>2015/2016</u>	Adopted Budget Current Year <u>2016/2017</u>	Estimated Actual Current Year <u>2016/2017</u>	Adopted by Governing Body <u>2017/2018</u>
REQUIREMENTS					
Personal Services	79,374	97,904	75,305	89,292	141,908
Materials and Services	<u>20,637</u>	<u>26,988</u>	<u>17,260</u>	<u>20,097</u>	<u>34,850</u>
Total Requirements	<u><u>100,011</u></u>	<u><u>124,892</u></u>	<u><u>92,565</u></u>	<u><u>109,389</u></u>	<u><u>176,758</u></u>

ADMINISTRATIVE DEPARTMENT

The Administrative Department also known as the Finance Department, is vital to the City of Phoenix. The department provides the foundation for services by delivering disbursement and collection of funds from all sources to sustain amenities in every facet of the City operations. Without the Administrative Department, the City would not be capable of functioning.

The Finance Department is responsible for providing accounting and financial management services for the City. The Finance Department serves other city departments and the public by processing all accounts payable, payroll, utility billing, cash receipting, accounts receivable and general ledger activity. Primary functions include overseeing the annual audit and preparation of the Annual Financial Report, preparation of the annual budget, and ongoing monitoring of the budget throughout the year.

The Administrative Coordinator assists the City Recorder with preparation for the Council meeting agendas and prepares the minutes. Responsibility for maintaining the files and records retention system for the city is shared between them. Both attend council meetings and maintain records for the meeting as well. The Administrative Coordinator reviews the time sheets for all departments and investigates any discrepancies before preparing the payroll semi-monthly. The Administrative Coordinator also processes the payroll related benefit invoices as well as all other invoice payments for the City.

The Administrative Assistant greets everyone at the front desk at City Hall and serves as both the Court Clerk and Utility Clerk. The Court Clerk is responsible for the municipal court records for the city and all court related matters. Utility water billings and inquiries are also the responsibility of the Clerk. The Administrative Assistant is instrumental in assisting the Finance Director in accounts receivable functions and related utilities accounts.

Significant accomplishments in the past year

During the past year, the Finance Department has experienced the challenge of completing everything in a timely manner with limited staffing. However, the

department has been very successful in overcoming this challenge, in addition to implementing important new strategies for the City to address previously stated auditor's notes of significant deficiencies regarding segregation of duties and internal controls.

New strategies implemented in FY 2016/17 in the Finance Department:

- Created a formal City Credit Card Agreement signed by each staff member before use of their assigned credit card.
- Added an extra layer of authorization for utility account adjustments, ensuring the City is using best practices regarding fiscal accountability. The Administrative Assistant completes a form for every adjustment transaction necessary for the Finance Director's approval and this process is audited on a monthly basis.
- Established a working relationship with Police Clerk regarding citations. To significantly reduce the possibility of court fine misappropriations and/or mishandling, the Police Clerk produces a monthly spreadsheet with every citation sent to our court. The Finance Director compares the spreadsheet monthly against City records to ensure the citations have been handled appropriately.

Additionally, to maintain the segregation of duties regarding payroll, the City trains a staff member to review the timesheets and process payroll entries for approval. The additional benefit to training another staff member is to have cross training in the office to keep the City running smoothly, should there be need to complete payroll while the Finance Director is unavailable.

Also, this past year the City has addressed a long standing issue with employee debit cards and opened a new credit card account. This year marks the first time in five years the City has held a credit card account. With the new account, the City is able to track employee card use much more efficiently. As an added bonus, for the first time ever, the City is earning rewards for using the card, including cash back. The City recently redeemed a cash back reward of almost \$2,000 for the past eight months of use.

The City has been working diligently to provide the best possible customer service to our utility users. With that in mind, we have been continuously updating our website, providing more information than we have in the past, and addressed the ability to pay utility bills directly from water user's bank account.

The Finance Department has also dedicated time to formulate written documentation regarding the City's fiscal policies. This documentation will provide the City with guidelines to ensure the City is held to specific standards on a consistent basis.

Challenges and opportunities

The most significant challenge in the Finance Department is establishing sufficient staffing, training, and equipment to provide the community with the same level of service it has experienced with seasoned staff members. However, the City is poised to provide better customer satisfaction in the upcoming fiscal year by upgrading the accounting software. This upgrade will enable the City to provide customer access to online water bills. In addition to the convenience for the City's customers to look up account information, the upgrade supports electronic distribution of water bills. This addition alone will save on staff time and City resources. The Finance Department will continue to strive for outstanding customer service with attention to fiscal awareness.

**REQUIREMENTS DETAIL
ADMINISTRATIVE DEPARTMENT**

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REQUIREMENTS					
Personal Services	86,429	93,365	102,545	99,982	92,504
Materials and Services	<u>27,707</u>	<u>35,488</u>	<u>31,440</u>	<u>31,740</u>	<u>32,650</u>
Total Requirements	<u><u>114,136</u></u>	<u><u>128,853</u></u>	<u><u>133,985</u></u>	<u><u>131,722</u></u>	<u><u>132,710</u></u>

POLICE DEPARTMENT

The mission of the Phoenix Police Department is to enhance community livability by working in partnership with community members to promote public safety, public order, and crime prevention while providing professional and courteous service.

The Phoenix Police Department strives to work with all residents and business owners to make our community of the safest in the state. The men and women at the Phoenix Police Department take great pride in the service provided to the citizens and visitors to our city.

This is accomplished by following the established Phoenix Police Department Guiding Principles.

1. The department will serve the entire populace of Phoenix and will provide continuous protections at the highest possible level of service.
2. All laws and ordinances relating to the control of crime and regulation of conduct shall be enforced in a responsible and prudent manner with emphasis on violations that present a substantial threat to life and community peace.
3. All persons shall be treated equally and with fairness, dignity, and respect, regardless of age social status, ethnic group, race, or creed. Constitutional provisions defined by judicial decisions concerning individual civil liberties and civil rights shall be observed.
4. The department will seek support and cooperation from the community while developing community awareness of the nature, role, purpose, and scope of law enforcement and securing community cooperation and involvement in the department's programs
5. The department shall act in a manner that assures citizens that orderly and legal community activities may proceed without disruption from criminal elements and that freedom will not be curtailed by improper police action.

6. The department recognizes in its efforts to achieve excellence that the right to peaceful dissent is an indispensable ingredient of a free and healthy society. Responsibility and community interest are essential to effective law enforcement.
7. The department will actively cooperate with the citizens, organizations, and units of government in addressing criminal problems and other community concerns.
8. The department will be flexible and innovative in its attempts to find superior methods to serve the populace and to alleviate the problems of the community. When the need for new approaches becomes apparent, this department will not hesitate to experiment with new police roles, programs, and procedures, nor will it feel compelled to adhere strictly to historical definitions of police work.

The overall Police Department proposed budget is up \$29,426.00, or a 2.47%, increase from FY 2016-17. This is due in large measure to personnel cost increases that are controlled by a collective bargaining agreement and to a sharp increase in insurance rates, which are beyond the department's control. In addition, this budget proposes to re-establish the "Designated Reserve/K-9 Program" line item, which provides funds for reserve officer and K-9 officer equipment and training, not provided by the city, using monies donated to the programs via citizens and local businesses.

SIGNIFICANT ACCOMPLISHMENTS OVER THE PAST YEAR

- First department in Jackson County to fully implement body worn cameras
 - o Significantly reduced and/or cleared officer complaints
 - o Significantly increased trust with the public
 - o Allows the public to see what is actually going on during police contacts
- Hired and trained two new Police Officers
- The School Resource Officer made a significant impact in our schools
- Implemented greenway security plan for Phoenix's section
 - o Reduced illegal camping along the greenway

- Reduced harassment calls for service on the greenway
- Officer received Life Saving award from the Oregon Peace Officers Association
- Recognized as the 18th safest city in Oregon
- 33 bicycle donated to the Boys and Girls club of the Rogue Valley

CHALLENGES AND OPPORTUNITIES

The Phoenix Police Department faces some new challenges and some old challenges ahead. A lack of jail space and little or no sanctions for some commonly seen criminal and disorderly behavior continue to be a problem for both PXP and all agencies in Jackson County. Many of the problems facing the Police Department are beyond its control and relate primarily to reduced funding for services to support local law enforcement at the Federal, State, and County level.

Other issues facing the Department include:

- Successfully hiring and retaining 3 – 4 new Reserve Police Officers
 - Difficult to find qualified applicants
 - Difficult to retain as reserves as most desire to become full-time officers
- Meeting state unfunded mandates for training
- Increased rate of violence in Jackson County as a whole
- Increased prescription drug abuse in Jackson County
- Increased dangerous drug use in Jackson County
- Pressure from residents, visitors and business owners to continue to address the negative behavior by transients in the downtown and greenway areas

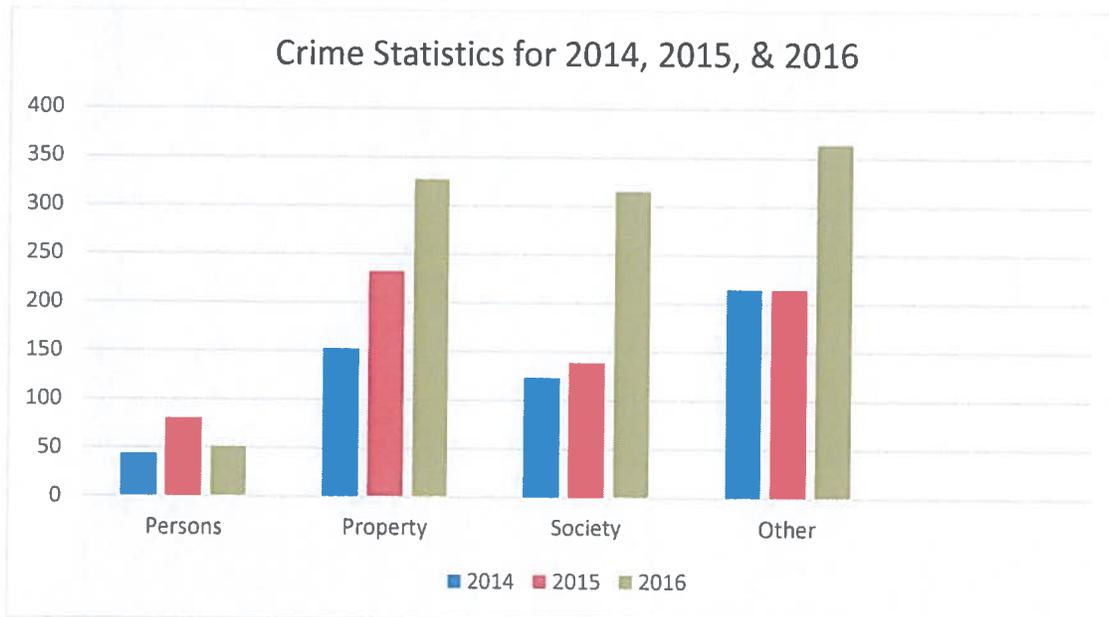
In addition, the Police Department has several goals for the upcoming year.

- Develop and implement Reserve Officer bicycle patrol for the greenway and surrounding areas
- Bolster the Reserve Officer Program with new officers
- Acquire traffic safety grants for seatbelt and DUII enforcement
- Maintain increased coverage on and around the greenway
- Develop and implement a volunteer Community Service Officer Program
- Continue proactive and problem solving efforts to reduce complaints of crime and disorder citywide

- Continue with Community Policing philosophy
- Maintain staffing levels as close to budget levels as possible
- Continue use of LEXIPOL policies and procedures which represent best practices in the law enforcement profession
- Increase number and use of volunteers in the Department
- Reduce response times
- Change duty schedule to enhance two officer coverage

CRIME INFORMATION FOR THE LAST 3 YEARS

The charts below show the total number of crimes reported to have occurred in the city.



- **Persons Crimes Include:** Murder, Rape, Assault, etc.
- **Property Crimes Include:** Robbery, Burglary, Theft, Fraud, etc.
- **Society Crimes Include:** Weapons, Drugs, MIP, DUII, Disorderly Conduct, etc.
- **Other Crimes Include:** Traffic Crimes, Detox Hold, Mental Hold, Warrant Arrests, etc.

**REQUIREMENTS
POLICE DEPARTMENT**

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REQUIREMENTS					
Personal Services	872,973	883,491	946,950	905,463	964,835
Materials and Services	<u>197,181</u>	<u>201,922</u>	<u>219,635</u>	<u>210,673</u>	<u>231,550</u>
Total Requirements	<u><u>1,070,154</u></u>	<u><u>1,085,413</u></u>	<u><u>1,166,585</u></u>	<u><u>1,116,136</u></u>	<u><u>1,196,385</u></u>

PLANNING AND BUILDING DEPARTMENTS

The Planning Department develops the City's long range land use and other plans, administers its Land Development Code (or "zoning" code), and works collaboratively with a broad range of partners to improve the quality of life and opportunity for Phoenix's residents, visitors, and businesses. It is the primary point of contact for information concerning development and construction projects. It processes all development permits, thereby overseeing the implementation of policies that address a complex and diverse set of issues; everything from architectural design standards to water quality and wetlands, from barrier free parking spaces to zone changes.

The Building Department provides construction plan reviews, consultation regarding building codes and inspections to assure compliance with national and state building specialty codes. Per state law, the Department interprets and enforces the state-mandated building codes through a process of education and a clear and fair application of the specialty codes. While portions of the City's Planning Director and Assistant Planning Director positions are budgeted in this department, these services are offered primarily via a contract with a private sector provider.

In addition to its regulatory responsibilities, the Planning Department directly supports community development efforts by identifying and applying for grants and seeking out other funding sources for community development initiatives. It is also closely involved in economic development initiatives. The department provides assistance to other departments including Public Works and City administration. Department staff assist City residents and business and property owners with development related questions.

The Planning Department facilitates the orderly, efficient, and beneficial development of land within the City through comprehensive, long range planning. Most importantly for the City of Phoenix at this point in time, it is principally responsible for managing the expansion of the City's Urban Growth Boundary in a way that responsibly invests the City's limited fiscal resources, conserves land, and ensures that Phoenix will be an attractive place to live, work, and play for decades to come.

Land use and building permit fees are an important source of revenue for the General Fund, but they do not come close to funding the full cost of these Departments. To the extent that Planning and Building Department programs and services benefit all of the citizens of Phoenix and not just those with active land

use or building applications, it's appropriate that the General Fund supports the Department.

The Departments consist of a planning director and an assistant planner, with building inspection services contracted out to a private provider. The Planning Department's proposed FY 2017-18 budget is \$170,113, a 9% decrease (\$15,000) over FY 2016-17. This decrease is primarily due to the fact that a large Comprehensive Plan update project was near completion in FY 2016-17 and the cost is expected to be approximately \$20,000 to complete in FY 2017-18. The Building Department's proposed FY 2017-18 budget is \$107,182, a 14% decrease (\$14,893) over FY 2016-17. This decrease is primarily due to having a smaller portion of the Planning Director FTE allocated to the department, more accurately reflecting the Director's actual work activity.

SIGNIFICANT ACCOMPLISHMENTS IN THE PAST YEAR

- Successfully completed first subdivision (Hilsinger Road) in more than 10 years, which created five new buildable parcels within City limits.
- Successfully completed first annexation (Pacific Lane/Hilsinger Road/Camp Baker Road) in over 10 years, which added about five acres to the City and created four new buildable parcels.
- Approved plans for several new commercial developments, including a five-acre self-storage facility and a new RiteAid drug store.
- Effectively promoted the in-fill potential of existing lots within City limits which resulted in the addition of several accessory dwelling units and several duplexes (still in planning phase).
- As part of the urban growth boundary amendment, the Department updated the Transportation System Plan Element of the Comprehensive Plan and finished work on the Industrial Buildable Lands Inventory (part of Local and Regional Economic Opportunity Study).

CHALLENGES AND OPPORTUNITIES

With the hiring of a new planning director, the Department's biggest challenge will simply be getting him up to speed on the myriad complex issues that impact the City's future, particularly plans for the development and redevelopment of the downtown core and master planning for the PH-5 urban growth area.

In the year ahead, the City will continue to promote the in-fill potential of existing lots to increase density in the City. In addition, a project is in the very early planning stages for a new subdivision on hillside land east of I-5.

REQUIREMENTS PLANNING DEPARTMENT

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REQUIREMENTS					
Personal Services	95,968	100,222	110,415	81,425	121,958
Materials and Services	<u>13,081</u>	<u>22,191</u>	<u>74,715</u>	<u>65,965</u>	<u>48,155</u>
Total Requirements	<u><u>109,049</u></u>	<u><u>122,413</u></u>	<u><u>185,130</u></u>	<u><u>147,390</u></u>	<u><u>170,113</u></u>

REQUIREMENTS BUILDING DEPARTMENT

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REQUIREMENTS					
Personal Services	61,536	65,475	73,605	42,747	62,732
Materials and Services	<u>34,825</u>	<u>56,506</u>	<u>48,470</u>	<u>43,150</u>	<u>44,450</u>
Total Requirements	<u><u>96,361</u></u>	<u><u>121,981</u></u>	<u><u>122,075</u></u>	<u><u>85,897</u></u>	<u><u>107,182</u></u>

INTER-DEPARTMENTAL

The City uses this department for expenditures that either apply to all departments in the General Fund or that do not belong in a specific department or function but facilitate the General Fund as a whole. Such expenditures are utilities, building maintenance, IT maintenance, postage, dues/subscriptions/fees, employee recognition, and community events. Additionally, materials and services include supporting the Food and Friends program through Rogue Valley Council of Governments (RVCOG) for \$3,000.

The total proposed budget for FY 2017-18 is \$54,295, a 19% (\$8,960) increase from 2016-17.

The proposed budget is higher than that of the prior budget primarily due to the addition of janitorial services. No other significant changes made or increases requested.

REQUIREMENTS INTER-DEPARTMENTAL

	<u>2nd Preceding Year 2014/2015</u>	<u>1st Preceding Year 2015/2016</u>	<u>Adopted Budget Current Year 2016/2017</u>	<u>Estimated Actual Current Year 2016/2017</u>	<u>Adopted by Governing Body 2017/2018</u>
REQUIREMENTS					
Materials and Services	<u>78,158</u>	<u>101,191</u>	<u>45,335</u>	<u>60,096</u>	<u>54,295</u>
Total Requirements	<u><u>78,158</u></u>	<u><u>101,191</u></u>	<u><u>45,335</u></u>	<u><u>60,096</u></u>	<u><u>54,295</u></u>

PARKS DEPARTMENT

Parks and open spaces provide critical social, physical and aesthetic opportunities to promote neighborhood activities, healthy lifestyles and sense of place in a community. Parks and open space systems play a key role in community development programs and have a direct effect on quality of life. While serving the residents of Phoenix as well as a more regional visitor base, the Parks Department helps define the character of the community and provides for an enhanced living environment for all users.

The Parks Department is responsible for the maintenance and operations of existing public parks and City-owned open space properties, along with the development of improvements to those facilities. Parks and open spaces are developed and maintained by the Public Works Department under the direction of the Public Works Director. Guidance and visioning for the Department activities are generally provided through the Phoenix Parks Master Plan and the Parks and Recreation Element of the City's Comprehensive Land Use Plan. The following parks and open spaces fall under the responsibility of the Parks Department:

- Otto Caster Park
- Blue Heron Park including:
 - Bee City Pollinator Garden
 - Monarch Waystations
 - Community Gardens
 - Carlos DeBritto Community Stage
- Colver Road Park
- Bear Creek Greenway
- Phoenix Community Center and Wetlands Park
- Phoenix Pioneer Cemetery

Each of the above facilities is managed in a manner that provides for an effective and efficient utilization of available funding resources and opportunities for improvement are continuously evaluated by City staff. Services provided by the Department include lawn mowing, leaf collection, cleaning/maintaining restroom facilities and garbage collection. In addition, the Department provides event coordination, repair of pathways and parking facilities, irrigation system improvements, signage improvements, fence maintenance and installation,

structure enhancements and landscape material installation. The addition of the Wetlands Park and Community Center properties will present a unique opportunity to provide services to newly constructed environmental enhancement areas, which require specialized treatment in order to maintain the facilities in a properly functioning manner.

The total Department budget for FY 2017-18: \$144,332, a 36% (\$37,987) increase from 2016-17, and is funded through the General Fund.

Full Time Equivalent Employees:	Utility Worker	1.00 FTE
	Administrative Assistants	0.16 FTE
	Public Work Director	<u>0.05 FTE</u>
	Total	1.21 FTE

SIGNIFICANT ACCOMPLISHMENTS IN THE PAST YEAR

Over the past fiscal year, a variety of improvements to the Parks and Open Spaces have been completed:

- Upgraded electrical service to the Carlos DeBritto Community Stage
- Addition of outdoor solar area lights to Blue Heron Park
- Construction of a new four-swing play set at Colver Road Park
- Repair and maintenance of paved path at Colver Road Park
- Installation of new “soft fall” materials for all playground areas
- Removal of deadfalls and invasive plant species at Blue Heron Park
- Repairs to the Colver Road Pump/Irrigation Plumbing Shed
- Development of the Phoenix Parks Master Plan
- Installation of two new picnic tables with shade trees at Blue Heron Park (Eagle Scout Project)
- Installation of two new picnic tables at Colver Road Park
- Coordinated with ODOT for landscaping areas that will soon be under City jurisdiction

CHALLENGES AND OPPORTUNITIES

Looking forward to future enhancement efforts, the Public Works Department is pursuing grant funding from the Oregon Parks and Recreation Department for significant parking lot, landscaping, drainage and ADA accessibility improvements at Colver Road Park. In addition, more outdoor solar lighting elements will be added as funding allows, the horseshoe pits at Colver Road Park are slated for significant reconstruction and additional landscaping plantings are anticipated throughout the City. The Department is also exploring a coordinated effort between Bee City USA-Phoenix, the Southern Oregon Monarch Advocates and Rogue Valley Council of Governments for the expansion of the Monarch Garden facilities.

As the Bear Creek Greenway ages, the maintenance of both the paved surface of the path and the surrounding vegetative cover has become increasingly difficult to manage. In coordination with the Jackson County Parks Department, the City and several other jurisdictions along the Greenway have consolidated financial commitments to provide funding for common maintenance through the County Parks Department. This arrangement allows for a more efficient use of repairs and maintenance activities and allows for the use of larger pieces of equipment owned by the County to operate along the entirety of the Greenway. This approach allows the City to minimize expenditures on commercial grade landscaping equipment, and maximizes contractual efficiencies when a specialized contractor is needed for system-wide repairs or improvements.

Safety, security and cleanliness are hallmarks of successfully operated public spaces and Phoenix has encountered an increase in illegal camp sites, particularly along the Bear Creek Greenway. Additional man-hour expenditures can be expected in the coming year in order to facilitate a better understanding of public area use rules and regulations, along with the need for increased attention to these activities. The City participated in the first Bear Creek Clean-up Program to improve conditions along the Greenway and now looks to build on that initial event to create a biannual volunteer effort (combined with City resources) to raise awareness of man-made and natural impacts to the Greenway.

Other future endeavors will include increased community outreach activities to improve awareness of opportunities available at the City parks. Additional advertising of special events and activities will lead to better facility usage and private/public partnerships can be enhanced to expand the sense of “ownership” commonly experienced by volunteers and sponsors of park activities.

**REQUIREMENTS
PARKS**

	2nd Preceeding Year	1st Preceeding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REQUIREMENTS					
Personal Services	42,340	45,343	62,530	71,010	88,149
Materials and Services	<u>41,615</u>	<u>50,329</u>	<u>43,905</u>	<u>40,700</u>	<u>56,183</u>
Total Requirements	<u><u>83,955</u></u>	<u><u>95,672</u></u>	<u><u>106,435</u></u>	<u><u>111,710</u></u>	<u><u>144,332</u></u>

CITY OF PHOENIX
2017-18 Annual Budget
Section IV
Public Works

2017-2018 Annual Budget

Public Works

STREET FUND

A safe and high-functioning street system is essential to any city and Phoenix is no exception. Even citizens who do not drive or own cars depend on well-designed and maintained streets for the movement of goods and services without which urban living would not be possible.

The Street Fund, managed by the Public Works Department, provides for the design, construction and maintenance of the multi-modal facilities associated with transportation programs in the City. This is not just a matter of access and mobility for personal automobiles, but also mass transit, bicycle, pedestrian and freight modes of travel. The street system also provides a right-of-way for utility services, as a wide variety of system facilities are present within the roadway network, including improvements owned by the City as well as those operated by other utility franchisees. Maintenance and construction activities supported by the Street Fund are addressed by members of the Public Works Department under the direction of the Public Works Director. Guidance and visioning for the street system maintenance, operations and improvement strategies are generally provided through the City's Transportation System Plan, the Public Works Strategic Plan and the Public Facilities Element of the Comprehensive Land Use Plan.

The City recently update the Transportation System Plan, which summarizes projects and policies affecting transportation challenges throughout the community. A significant number of long- and short-term improvements have been identified and these projects include many potential maintenance activities. However, there remains a large volume of work associated with maintaining the streets and rights-of-way of Phoenix which are addressed as part of the overall facility maintenance plan.

The street system and right-of-way elements of the City's infrastructure network are some of the most readily visible assets maintained by the Public Works Department. As such, there is a significant appreciation for resident concerns regarding the condition of the roadways, sidewalks, and street frontages. These

issues are not just practical and safety related in nature, but also reflect an aesthetic projection of a community's character. Not only is a clean, clearly marked and well maintained right-of-way a safer facility than a poorly maintained facility, it is also indicative of a community that recognizes the need to create an attractive and enjoyable environment that invites positive interaction with local amenities. The Public Works Department is very active in developing unique and creative alternatives to right of way improvement challenges, from pursuing grant funding opportunities and maintaining current best management practices for designs, to coordinating activities with private and public partners in order to minimize costs where applicable. As noted in the Transportation System Plan and other facility assessment documentation available to the City, many improvements are still available for renewed attention, and maintaining existing facilities will support the ongoing efforts to make the street system a more safe, efficient and attractive infrastructure element in Phoenix.

Although not specifically addressed in the Fund description, the stormwater management and drainage facilities in the City of Phoenix are maintained primarily through the Street Fund. In addition to cleaning the inlet and manhole structure, regular maintenance activities include the removal of brush and obstructions in drainage ditches, erosion control measures along watercourses and culvert discharge points, pipe network flushing or repairs and vegetation maintenance in naturalized drainage control features. In addition, all street sweeping services, street sweeper equipment maintenance pavement markings, signage, vegetation control and pavement repairs are supported by the Street Fund. As with the other Public Works Funds, the financial obligations cover the necessary utilities, insurance, equipment and vehicle costs typically associated with tasks performed under a street maintenance program.

Total Department Budget for 2017-18: \$695,759 , 18% (\$110,599) increase from 2016-17, and is generally funded through the collection of street user fees, a stormwater utility fee, franchise fees, and the city's share of state gas taxes.

Full Time Equivalent Employees:	Utility Worker	1.63 FTE
	Administrative Assistants	0.57 FTE
	Public Work Director	0.35 FTE
	City Manager	0.15 FTE
	Finance Director	0.15 FTE
	City Recorder	<u>0.15 FTE</u>
	Total	3.00 FTE

SIGNIFICANT ACCOMPLISHMENTS IN THE PAST YEAR

Over the past fiscal year, a variety of improvements to the street system have been accomplished:

- Acceptance of jurisdictional exchange areas related to the Fern Valley Interchange project
- Replacement of drainage facilities and the installation of new curb, sidewalk and paving on First Street
- Installation of new drainage facilities on South Church Street
- Replacement of signs and support structures where necessary for retroreflective facade compliance
- Sidewalk and ADA ramp improvements through an ODOT FixIt Grant for the area around the proposed Phoenix Plaza
- Installation of a new drainage culvert between Church Street and Main Street
- Restriping, signage installation and replacement of pavement markings at the intersection of Fern Valley Road and Grove Way.
- Sidewalk and ADA ramp improvements on Main Street under an ODOT Bike/Ped Grant
- Installation of barrier controls near the terminus of West Grove Way.
- Restriping and reconfiguration of Bear Creek Drive and Main Street in the Downtown area

- Striping, signage and barrier installation at the terminus of Pear Tree Lane adjacent to I-5
- Installation of a speed hump on the 200 Block of North Church Street

CHALLENGES AND OPPORTUNITIES

There are many aspects of the Phoenix's future Transportation System that will be essential to the future growth and viability of the Urban Growth Area Expansion process. The nature of the roadway infrastructure component of the system will drive the accessibility of parcels designated for development, and will also define the character of the already developed portions of the community. Given the bisected nature of the city due to the I-5 corridor, there is a tendency to view the eastern and western portions of the City as individual entities, but the Transportation System is the primary means of linking these two distinct areas in a manner that will support all modes of transportation. This connectivity will enhance the attractiveness of the available land designated for development and will also provide for a well-crafted, progressive approach to system management. It is the Department's perspective that the Transportation System is likely to become the single most important factor in the near term and long term viability of the community.

The Public Works Department has received documentation regarding the street conditions throughout the City, and has also assessed the street conditions in coordination with information presented in the Capital Improvement Plan. Along with daily observations and continual changes to the regulatory requirements regarding modern Transportation Systems, a program for prioritizing improvements can be developed to support right-of-way maintenance and improvements. Although fiscal limitation and end user comfort levels preclude the construction of all facility improvements the short term, a combination of forward looking fiscal approaches, such as long term grant procurement, annual budget allocations, and creative public and private partnerships, the challenges can be addressed over a period of time that is coincidental with prioritized needs within the community.

Given the expanded scope of city-owned facilities requiring service within the Street Fund, the addition of 0.26 Utility Worker FTE to the Fund has been included in the FY 2017-18 Budget. This additional asset will also allow for a maximally efficient crew allocation to work projects while minimizing the occasions where the entire Public Works crew is engaged in one activity, as commonly occurs under current staffing conditions. As the complexity of the Transportation System increases with expansions and operational control activities, the staffing resources can be more effectively and efficiently allocated to the appropriate priorities under the direction of the Public Works Director.

While most of the larger scale Transportation System improvement projects will be accommodated under the Capital Reserve Fund program, it is also apparent that new facilities installed under projects like the access points surrounding the Fern Valley Interchange and the Main Street/Bear Creek Drive couplet will require additional attention as well. New facilities surrounding the Phoenix Plaza have been constructed, and the recently constructed and proposed roadway improvements will be operated and maintained by the Public Works Department. There are also several new development projects in the area that will eventually turn over improved right of way areas to the City, and the Urban Reserve Area Expansion necessitates research, design, and input considerations from an operational and system adequacy perspective to plan for future system growth patterns. The FY 2017-18 improvement plans will include reconstructing a significant portion of existing substandard facilities, such as North Church Street, and the pavement maintenance program will continue to show progress on street surfacing issues. There will also be an effort directed towards revising ADA accessible ramps and sidewalk conditions to develop compliance with current regulations and standards. The Public Works Department will continue to endeavor towards providing the most cost effective and efficient means of maintaining the Transportation System in a manner consistent with the City's goals and expectations.

**RESOURCES & REQUIREMENTS
STREET FUND**

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REVENUES					
Working Capital	\$ 817,312	\$ 611,941	\$ 579,545	\$ 738,248	\$ 916,231
Revenues	<u>566,433</u>	<u>690,070</u>	<u>598,025</u>	<u>626,230</u>	<u>644,370</u>
Total Resources	<u>1,383,745</u>	<u>1,302,011</u>	<u>1,177,570</u>	<u>1,364,478</u>	<u>1,560,601</u>
REQUIREMENTS					
Personal Services	141,763	158,147	213,095	169,043	251,539
Materials and Services	281,950	270,892	254,150	236,289	244,220
Capital Outlay	-	10,837	-	-	-
Debt Services	-	-	-	-	-
Transfers Out	348,111	123,886	42,915	42,915	342,848
Contingency	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>100,000</u>
Total Requirements	771,824	563,762	585,160	448,247	938,607
Unappropriated Fund Balance	<u><u>\$ 611,921</u></u>	<u><u>\$ 738,249</u></u>	<u><u>\$ 592,410</u></u>	<u><u>\$ 916,231</u></u>	<u><u>\$ 621,994</u></u>

WATER FUND

The provision of clean, safe, high-quality and reliable water is a core services of virtually any city and Phoenix is no exception.

The Water Fund supports a variety of operational and administrative services associated with providing end users potable water and plans for the future anticipated demands of the City. It is imperative that the citizenry enjoy a high level of confidence in the maintenance and operations of the City's water system infrastructure and delivery methods in order to promote a healthy and reliable supply of clean water.

Water Fund services are provided by the Public Works Department under the direction of the Public Works Director. Guidance and visioning for the Water System maintenance, operations and improvement strategies are generally provided through the City's Water System Master Plan, the Public Works Strategic Plan and the Public Facilities Element of the Comprehensive Land Use Plan.

The City of Phoenix does not operate a water treatment facility, instead purchasing potable water in bulk from the Medford Water Commission (MWC) under the MWC Water Intertie Agreement. The two sources of inflow to the city include a transmission main from the Experiment Station Road pump station and the shared transmission line from the Talent-Ashland-Phoenix (TAP) Regional Booster Pump Station. While a portion of the flows from the regional pump station are shared with Talent and Ashland, the entire flow volumes from the Experiment Station pump station flow directly into Phoenix reservoirs. As such, maintenance and operational costs of the regional pump station are shared with Talent and Ashland under the TAP Agreement, while all of the operational and maintenance costs of the Experiment Station Road pump station are borne by the City of Phoenix. The following items represent the more critical large-scale components of the water system that are maintained and operated within the Water Fund:

- Experiment Station Road booster pump station
- Regional booster pump station
(Shared costs with Talent and Ashland through the TAP Agreement)
- Public Works shop water distribution pump station
- Skyline booster pump station

- Public Works shop water reservoirs
- East side water reservoir

Each of the above facilities is managed in a manner that provides for an effective and efficient utilization of available funding resources, and opportunities for improvement are continuously evaluated by City staff. In addition, the City is responsible for maintaining and operating all of the below ground transmission piping, system controls, service lines and meters and all of the necessary testing or reporting data required to maintain compliance with regulatory directives.

The City is working with an aging-in-place infrastructure system, so it is crucially important to recognize the strengths and weaknesses inherent in the water system. The Public Works Department is continually pursuing means of maximizing operational efficiencies while using cost effective approaches to obtain the best possible service life out of new and existing facilities. In the constantly evolving regulatory arena, it is also necessary to remain current on proposed permitting requirements to ensure that Department practices and methods of installation are responsive to anticipated water supply and service conditions. This is especially true for a municipal system that is dependent upon an independent water supplier for bulk water purchases. As such, the City also maintains a high level of communication with Medford Water Commission and the other cities (most particularly Ashland and Talent, with whom we share a common supply line) that purchase bulk water from MWC.

Total Fund Budget for 2017-18: \$1,536,510, 10% (\$145,559) increase from 2016-17, and is generally funded through charges for water sales, connection fees, service and installation fees and System Development Charges.

Full Time Equivalent Employees:	Utility Worker	2.37 FTE
	Administrative Assistants	1.57 FTE
	Public Work Director	0.60 FTE
	City Manager	0.20 FTE
	Finance Director	0.35 FTE
	City Recorder	<u>0.20 FTE</u>
	Total	<u>5.29 FTE</u>

The budget for the Water Fund include services, materials, insurance, monitoring and testing activities, equipment, utilities and a variety of other costs associated with maintaining and operating the portions of the water system under the City's jurisdiction.

SIGNIFICANT ACCOMPLISHMENTS IN THE PAST YEAR

Over the past Fiscal Year, a variety of improvements to the Water System have been completed:

- Installation and Operational Maintenance of the SCADA System
- Replacement of numerous older customer service lines with modern materials
- Continuous replacement of malfunctioning or unreliable water meters with new meters
- Repair and replacement of equipment in the Skyline pump station
- Installation of a new security system at the regional booster pump station
- Repair and replacement of equipment at the Public Works shop pump station
- Replacement of older fire hydrants with new hydrants
- Replacement of asbestos cement (AC) water mains under the Fern Valley interchange project
- Valve maintenance and leak detection activities
- Installation of new irrigation lines and replacement of older failing installations
- Purchase and operation of new remote water meter readers and data collection units
- Installation of commercial and residential service connections for new developments
- Coordinate improved operational procedures with Talent and Ashland for the TAP facilities

CHALLENGES AND OPPORTUNITIES

In order to move forward with a facilities maintenance and operations programs, the City is looking forward to developing an updated Water System Master Plan in the coming fiscal year. The Public Works Department will play a significant role in supporting this important endeavor. In addition to reviewing the current practices and physical plant conditions, the Water System Master Plan will take a forward-

looking view towards addressing the aging-in-place infrastructure as well as identifying anticipated growth opportunities. As with all service expansion programs, the ability to provide an extended water system supply to new areas in and around the existing system boundaries will require a significant expansion of physical improvements along with the associated maintenance activities to operate those improvements. The Master Plan will also identify critical elements within the existing system that require replacement, along with a strategy for addressing facility improvements on a prioritized basis.

Although the Public Works Department has expended significant resources towards maintenance activities throughout the water system, it is apparent that additional attention is warranted as the equipment and installations continue to show signs of reaching the end of their life cycles. Of particular importance are the pump stations, as the intricate interdependencies of these resources require the proper functioning of numerous critical components, and minor failures can create major cost impacts if maintenance programs are limited. While recognizing the challenging aspects of cost controls, aggressive maintenance programs have proven to be an extremely cost effective element of any water system management approach. The Public Works Department is committed to improving these maintenance activities to extend large equipment life spans to the extent practicable before replacement is warranted.

In order to adequately address maintenance concerns throughout the Water System, the addition of 0.30 Utility Worker FTE to the Water Fund has been included in the FY 2017-18 budget. This additional asset will allow for a maximally efficient crew allocation to work projects while minimizing the occasions where the entire Public Works crew is engaged in one activity, as commonly occurs under current staffing conditions. As the complexity of the Water System increases with expansions and operational control activities, the staffing resources can be more effectively and efficiently allocated to the appropriate priorities under the direction of the Public Works Director.

Most of the larger scale water system improvement projects will be paid for out of the Capital Reserve Fund, but new facilities installed under projects like the Fern Valley Interchange and the Phoenix Plaza will require additional attention as well. New irrigation service areas on City maintained properties will be maintained by

the Public Works Department, and the various new development projects in the area will coordinate for services through the Department. In addition, the Urban Reserve Area expansion requires research, design and input considerations from an operational and system adequacy perspective to plan for future system growth patterns. It's expected that the Department will play a significant role in these endeavors in the coming year. A significant effort will be undertaken to continue the replacement of older AC pipe throughout the water distribution system, with replacements planned for North Church Street and the Lumen Road segment connecting the new main installed under the Fern Valley Interchange project with the existing 12" ductile iron water main running under I-5. As other opportunities arise, additional progress will be made on these older line replacements. Further improvements to the booster pump stations and SCADA connectivity are anticipated, along with main line valve and hydrant replacements as warranted.

WATER FUND

	2nd Preceding Year <u>2014/2015</u>	1st Preceding Year <u>2015/2016</u>	Adopted Budget Current Year <u>2016/2017</u>	Estimated Actual Current Year <u>2016/2017</u>	Adopted by Governing Body <u>2017/2018</u>
REVENUES					
Working Capital Revenues	\$ 602,712 <u>3,355,754</u>	\$ 242,442 <u>1,461,461</u>	\$ 511,940 <u>1,324,340</u>	\$ 518,406 <u>1,339,208</u>	\$ 621,233 <u>1,312,482</u>
Total Resources	<u>3,958,466</u>	<u>1,703,903</u>	<u>1,836,280</u>	<u>1,857,614</u>	<u>1,933,715</u>
REQUIREMENTS					
Personal Services	387,173	398,666	423,240	371,145	455,307
Materials and Services	574,037	510,763	553,320	551,147	551,310
Capital Outlay	-	10,837	-	-	-
Debt Services	2,003,357	131,052	130,795	130,793	129,893
Transfers Out	751,457	134,179	183,296	183,296	300,000
Contingency	-	-	100,000	-	100,000
Total Requirements	<u>3,716,024</u>	<u>1,185,497</u>	<u>1,390,651</u>	<u>1,236,381</u>	<u>1,536,510</u>
Unappropriated Fund Balance	<u>\$ 242,442</u>	<u>\$ 518,406</u>	<u>\$ 445,629</u>	<u>\$ 621,233</u>	<u>\$ 397,205</u>

CITY OF PHOENIX
2017-18 Annual Budget
Section V
SDC Funds

2017-2018 Annual Budget SDC Funds

STREET SDC FUND

System Development Charges (SDCs), also known as “impact fees,” are charged to new development to help pay for infrastructure required to support that development and to reimburse local governments for the impact of new development on existing infrastructure. The SDCs are paid when building permits are approved. The charges are based on parameters established by City ordinances, pursuant to adopted capital improvement plans. In this way, the City accumulates a funding stream for projects that add facilities or capacity to the existing street and right-of-way network. Because the use of SDCs is restricted by state law, the City maintains the Street SDC Fund as a mechanism for accounting for the SDC monies collected throughout the year. Expenditures from this Fund typically take the form of capital outlay for street system projects identified in the Capital Reserve Fund or the Street Fund. Guidance for allocation of these resources are generally derived from the Transportation System Master Plan and the Public Facilities Element of the City’s Comprehensive Land Use Plan.

	2nd Preceding Year	1st Preceding Year	Adopted Budget Current Year	Estimated Actual Current Year	Adopted by Governing Body
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REVENUES					
Working Capital Revenues	\$ 1,880,651 6,221	\$ 697,287 9,942	\$ 382,900 179,720	\$ 326,456 208,681	\$ 488,320 70,015
Total Resources	<u>1,886,872</u>	<u>707,229</u>	<u>562,620</u>	<u>535,137</u>	<u>558,335</u>
REQUIREMENTS					
Materials and Services	1,450	1,450			
Capital Outlay	734,819	204,562	325,287	20,417	165,000
Transfers Out	453,316	174,761	26,400	26,400	150,000
Total Requirements	1,189,585	380,773	351,687	46,817	315,000
Unappropriated Fund Balance	<u>\$ 697,287</u>	<u>\$ 326,456</u>	<u>\$ 210,933</u>	<u>\$ 488,320</u>	<u>\$ 243,335</u>

WATER SDC FUND

System Development Charges (SDCs), also known as “impact fees,” are charged to new development to help pay for infrastructure required to support that development and to reimburse local governments for the impact of new development on existing infrastructure. The SDCs are paid when building permits are approved. The charges are based on parameters established by City ordinances, pursuant to adopted capital improvement plans. In this way, the City accumulates a funding stream for projects that add facilities or capacity to the existing water distribution system. Because the use of SDCs is restricted by state law, the City maintains the Water SDC Fund as a mechanism for accounting for the SDC monies collected throughout the year. Expenditures from this Fund typically take the form of capital outlay for water system projects identified in the Capital Reserve Fund or the Water Fund. Guidance for allocation of these resources is generally derived from the Water System Master Plan and the Public Facilities Element of the City’s Comprehensive Land Use Plan.

RESOURCES & REQUIREMENTS WATER SDC FUND

	2nd Preceding Year <u>2014/2015</u>	1st Preceding Year <u>2015/2016</u>	Adopted Budget Current Year <u>2016/2017</u>	Estimated Actual Current Year <u>2016/2017</u>	Adopted by Governing Body <u>2017/2018</u>
REVENUES					
Working Capital Revenues	\$ 161,383 30	\$ 120,688 39,089	\$ 97,525 30,755	\$ 129,673 41,800	\$ 145,748 35,000
Total Resources	<u>161,413</u>	<u>159,777</u>	<u>128,280</u>	<u>171,473</u>	<u>180,748</u>
REQUIREMENTS					
Materials and Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Transfers Out	<u>40,725</u>	<u>30,104</u>	<u>25,725</u>	<u>25,725</u>	<u>125,725</u>
Total Requirements	40,725	30,104	25,725	25,725	125,725
Unappropriated Fund Balance	<u>\$ 120,688</u>	<u>\$ 129,673</u>	<u>\$ 102,555</u>	<u>\$ 145,748</u>	<u>\$ 55,023</u>

STORMWATER SDC FUND

System Development Charges (SDCs), also known as “impact fees,” are charged to new development to help pay for infrastructure required to support that development and to reimburse local governments for the impact of new development on existing infrastructure. The SDCs are paid when building permits are approved. The charges are based on parameters established by City ordinances, pursuant to adopted capital improvement plans. In this way, the City accumulates a funding stream for projects that add facilities or capacity to the existing stormwater collection and control system. Because the use of SDCs is restricted by state law, the City maintains the Stormwater SDC Fund as a mechanism for accounting for the SDC monies collected throughout the year. Expenditures from this Fund typically take the form of capital outlay for stormwater system projects identified in the Capital Reserve Fund or the Street Fund. Guidance for allocation of these resources are generally derived from the NPDES permit requirements, the Transportation System Master Plan and the Public Facilities Element of the City’s Comprehensive Land Use Plan.

RESOURCES & REQUIREMENTS STORMWATER SDC FUND

	2nd Preceding Year <u>2014/2015</u>	1st Preceding Year <u>2015/2016</u>	Adopted Budget Current Year <u>2016/2017</u>	Estimated Actual Current Year <u>2016/2017</u>	Adopted by Governing Body <u>2017/2018</u>
REVENUES					
Working Capital	\$ 33,046	\$ 7,883	\$ 34,260	\$ 6,547	\$ 25,862
Revenues	<u>837</u>	<u>1,664</u>	<u>37,155</u>	<u>35,000</u>	<u>8,000</u>
Total Resources	<u>33,883</u>	<u>9,547</u>	<u>71,415</u>	<u>41,547</u>	<u>33,862</u>
REQUIREMENTS					
Materials and Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Transfers Out	<u>26,000</u>	<u>3,000</u>	<u>15,685</u>	<u>15,685</u>	<u>-</u>
Total Requirements	26,000	3,000	15,685	15,685	-
Unappropriated Fund Balance	<u>\$ 7,883</u>	<u>\$ 6,547</u>	<u>\$ 55,730</u>	<u>\$ 25,862</u>	<u>\$ 33,862</u>

PARKS AND RECREATION SDC FUND

System Development Charges (SDCs), also known as “impact fees,” are charged to new development to help pay for infrastructure required to support that development and to reimburse local governments for the impact of new development on existing infrastructure. The SDCs are paid when building permits are approved. The charges are based on parameters established by City ordinances, pursuant to adopted capital improvement plans. In this way, the City accumulates a funding stream for projects that add facilities or capacity to the existing parks and recreation system. Because the use of SDCs is restricted by state law, the City maintains the Parks and Recreation SDC Fund as a mechanism for accounting for the SDC monies collected throughout the year. If the City is successful in obtaining grants for Parks & Rec projects, those funds are also deposited in this fund. Expenditures from this Fund typically take the form of materials and services for professional service contracts and capital outlay for parks and recreation projects. Guidance for allocation of these resources are generally derived from the Phoenix Parks Master Plan and the Parks and Recreation Element of the City’s Comprehensive Land Use Plan.

RESOURCES & REQUIREMENTS PARKS & RECREATION SDC FUND

	<u>2nd Preceding Year</u>	<u>1st Preceding Year</u>	<u>Adopted Budget Current Year</u>	<u>Estimated Actual Current Year</u>	<u>Adopted by Governing Body</u>
	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2016/2017</u>	<u>2017/2018</u>
REVENUES					
Working Capital	\$ 105,869	\$ 105,178	\$ 91,855	\$ 94,521	\$ 79,381
Revenues	<u>819</u>	<u>3,942</u>	<u>6,325</u>	<u>4,860</u>	<u>5,010</u>
Total Resources	<u>106,688</u>	<u>109,120</u>	<u>98,180</u>	<u>99,381</u>	<u>84,391</u>
REQUIREMENTS					
Materials and Services	-	-	-	-	-
Capital Outlay	1,510	14,600	95,000	20,000	80,000
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Requirements	1,510	14,600	95,000	20,000	80,000
Unappropriated Fund Balance	<u>\$ 105,178</u>	<u>\$ 94,520</u>	<u>\$ 3,180</u>	<u>\$ 79,381</u>	<u>\$ 4,391</u>

CITY OF PHOENIX
2017-18 Annual Budget
Section VI
Capital Improvement Program

2017-18 Annual Budget

Capital Improvement Program

CAPITAL RESERVE FUND

The City Council, at its January 21, 2014, meeting, adopted Resolution No. 886 approving the creation and project ranking of a Capital Improvement Plan. On April 7, 2014, the Council adopted Resolution No. 892, creating the Capital Reserve Fund. Consistent with state law, this fund accumulates money from fiscal year to fiscal year for capital projects and expenditures such as infrastructure improvements or new equipment purchases.

Revenues for the Capital Reserve Fund are typically transfers in from other funds (principally the Water Fund, the Street Fund, and the Water, Street, and Stormwater SDC Funds). As the Capital Reserve Fund accumulates revenue over time, funds are assigned to specific capital improvements and/or large scale equipment purchases. Guidance for the resource expenditures is generally taken from the Capital Improvement Plan, the Transportation System Plan, and the Public Facilities Element of the Comprehensive Plan. Most of the Fund Expenditures are managed by the Public Works Department under the oversight of the Public Works Director, however other project allocations may be directed towards facilities or programs administered by other department managers and/or the city manager.

PROGRAM OPPORTUNITIES

Under the proposed FY 2017-18 Budget, the following projects have been designated for funding through the Capital Reserve Fund:

- Large diameter service water meter replacements
- Police Department space needs analysis
- North Church Street reconstruction project
- Fern Valley Interchange water main system completion
- Water System Master Plan update
- South Church Street water main

- Asbestos concrete pipe replacement (Lumen Road Interconnection to I-5 Crossing)
- Capital Improvement Plan update

Upon implementation of the projects listed above, an assessment of future needs will be developed to guide the project selection for future budget appropriations.

RESOURCES & REQUIREMENTS CAPITAL RESERVE FUND

	<u>2nd Preceding Year 2014/2015</u>	<u>1st Preceding Year 2015/2016</u>	<u>Adopted Budget Current Year 2016/2017</u>	<u>Estimated Actual Current Year 2016/2017</u>	<u>Adopted by Governing Body 2017/2018</u>
REVENUES					
Unassigned Working Capital	\$ -	\$ 7,036	\$ 42,615	\$ 7,901	\$ 4,442
Assigned Working Capital		835,907	\$ 1,166,955	\$ 1,166,955	\$ 1,210,693
ODOT Reimbursement		86,269			
Transfers In	<u>1,587,884</u>	<u>440,505</u>	<u>348,296</u>	<u>348,296</u>	<u>962,848</u>
Total Resources	1,587,884	1,369,717	1,557,866	1,523,152	2,177,983
REQUIREMENTS					
Materials and Services	-	29,875	50,000	-	150,000
Capital Outlay					
Street Improvements	371,175	73,490	137,280	138,164	957,848
Storm Improvements	-	5,774	81,685	87,897	
Water Improvements	<u>373,766</u>	<u>85,723</u>	<u>73,296</u>	<u>81,956</u>	<u>395,000</u>
Total Requirements	744,941	194,862	342,261	308,017	1,502,848
Unappropriated Fund Balance	<u>\$ 842,943</u>	<u>\$ 1,174,855</u>	<u>\$ 1,215,605</u>	<u>\$ 1,215,135</u>	<u>\$ 675,135</u>

CITY OF PHOENIX
2017-18 Annual Budget
Section VII
Nonmajor Governmental Funds

2017-2018 Annual Budget Nonmajor Governmental Funds

ADVERTISING PROMOTION FUND

Phoenix has, per an ordinance adopted in 1990, distributed a portion of its transient lodging Tax to the Advertising Promotion Fund, which pays for the Mayor's newsletter and miscellaneous community events, such as the Easter egg hunt and the high school parade. Over time and through the adoption of various resolutions, the City Council has changed the allocation of TLT that goes to this fund. Today, it is 25% of total collections.

Given changes to state law regarding allowable uses of transient lodging tax, it is no longer necessary to segregate funds in this way. The Advertising Promotion Fund has become a pass-through for what are essentially General Fund dollars. The Budget Officer and the City Manager recommend that this fund be closed and that expenditures currently supported by this fund be paid directly from the General Fund. However, action to close the fund was not initiated in time for this budget.

The proposed Advertising Promotion Fund budget is up significantly from FY 2016-17 due to higher-than-expected TLT collections, which have created a significant cash carry-forward. These funds have been budgeted for contracted services and the mayor's newsletter, although they can be redirected, if necessary, to other materials and services during the course of the fiscal year.

**RESOURCES & REQUIREMENTS
ADVERTISING PROMOTION FUND**

	<u>2nd Preceding Year 2014/2015</u>	<u>1st Preceding Year 2015/2016</u>	<u>Adopted Budget Current Year 2016/2017</u>	<u>Estimated Actual Current Year 2016/2017</u>	<u>Adopted by Governing Body 2017/2018</u>
REVENUES					
Working Capital	\$ 2,072	\$ 1,661	\$ 1,797	\$ 972	\$ 6,134
Revenues	<u>3,482</u>	<u>3,076</u>	<u>4,400</u>	<u>9,295</u>	<u>2,540</u>
Total Resources	<u>5,554</u>	<u>4,737</u>	<u>6,197</u>	<u>10,267</u>	<u>8,674</u>
REQUIREMENTS					
Materials and Services	<u>3,893</u>	<u>3,765</u>	<u>5,000</u>	<u>4,133</u>	<u>7,000</u>
Total Requirements	3,893	3,765	5,000	4,133	7,000
Unappropriated Fund Balance	<u>\$ 1,661</u>	<u>\$ 972</u>	<u>\$ 1,197</u>	<u>\$ 6,134</u>	<u>\$ 1,674</u>

TOURIST USAGE FUND

The Tourist Usage Fund was created by ordinance in 1990. The ordinance stipulated that the fund was to receive 37.5% of all transient lodging tax funds and “used for matters related to tourist usage.” In 2003, the Oregon Legislature passed a law requiring that “A unit of local government that imposed a local transient lodging tax on July 1, 2003, may not decrease the percentage of total local transient lodging tax revenues that are actually expended to fund tourism promotion or tourism-related facilities on or after July 2, 2003.” (ORS 320.350(3)) This same law stipulates that 70% of any new or increased lodging tax imposed by a unit of government after July 1, 2003, must be dedicated to tourism promotion and tourism related facilities.

This presents two issues going forward for the City of Phoenix. First, staff research has found that the amount Phoenix was actually spending on tourism promotion and tourism related facilities on July 1, 2003, was 0%. It therefore has no legal obligation to expend any of its pre-2014 transient lodging tax on tourism promotion and tourism related facilities. However, the City adopted a new transient lodging tax on RV parks in 2014, and is required by state law to budget 70% of that revenue for tourism promotion and tourism related facilities, but has not been doing so. This budget corrects that oversight going forward.

There is an even larger problem that certain expenditures the City has made from its Tourist Usage Fund for community events and the mayor’s newsletter do not comply with the state mandate that these restricted revenues be used only for tourism promotion and tourism related facilities. Those items are now budgeted in the Advertising Promotion Fund. However, the current legislative session is considering two bills that would loosen the constraints on the restricted transient lodging tax revenue, thus making it possible for Phoenix and other cities to spend the money on such things as hanging flower baskets, downtown beautification projects, special community events, etc. In anticipation of these bills becoming law, this proposed budget puts the bulk of the Tourist Usage Fund revenue in contingency and unspecified contracted services. This gives the City Council the opportunity to decide at a future date what it wishes to buy with these restricted tourism revenues. In addition, revenues going into this fund are now divided

between restricted and non-restricted revenues. However, it is recommended that in future budgets, this fund become a repository for restricted funds only.

RESOURCES & REQUIREMENTS TOURIST USAGE FUND

	<u>2nd Preceding Year 2014/2015</u>	<u>1st Preceding Year 2015/2016</u>	<u>Adopted Budget Current Year 2016/2017</u>	<u>Estimated Actual Current Year 2016/2017</u>	<u>Adopted by Governing Body 2017/2018</u>
REVENUES					
Working Capital	\$ 7,549	\$ 5,983	\$ 5,015	\$ 2,967	\$ 7,712
Revenues	<u>10,934</u>	<u>9,711</u>	<u>12,750</u>	<u>14,745</u>	<u>18,050</u>
Total Resources	<u>18,483</u>	<u>15,694</u>	<u>17,765</u>	<u>17,712</u>	<u>25,762</u>
REQUIREMENTS					
Materials and Services	<u>12,500</u>	<u>12,727</u>	<u>14,500</u>	<u>10,000</u>	<u>20,500</u>
Total Requirements	12,500	12,727	14,500	10,000	20,500
Unappropriated Fund Balance	<u>\$ 5,983</u>	<u>\$ 2,967</u>	<u>\$ 3,265</u>	<u>\$ 7,712</u>	<u>\$ 5,262</u>

CITY OF PHOENIX
2017-18 Annual Budget
Section VIII
Debt Service

2017-2018 Annual Budget

Debt Service

PHURA BOND FUND

At the August 3rd, 2015 Council meeting, Resolution 931 was passed which approved the issuance and negotiated sale of full faith and credit obligations to finance projects in the City's urban renewal area; designating an authorized representative, escrow agent and special counsel; authorizing the execution and delivery of a financing agreement, escrow agreement and intergovernmental agreement; and related matters. In conjunction with the issuance of the bonds, the City and Phoenix Urban Renewal Agency (the Agency) entered into an intergovernmental agreement, where the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2015B and Series 2015C obligations under the terms of such obligations. This fund was originated to record the receipt of the bond proceeds, amounts loaned to the Agency, receipt of tax increment revenue from the Agency and debt service payments.

RESOURCES & REQUIREMENTS PHURA BOND FUND

	2nd Preceding Year <u>2014/2015</u>	1st Preceding Year <u>2015/2016</u>	Budget Current Year <u>2016/2017</u>	Actual Current Year <u>2016/2017</u>	Adopted by Governing Body <u>2017/2018</u>
REVENUES					
Working Capital	\$ -	\$ -	\$ 1,265,608	\$ 1,269,248	\$ 1,019,248
Revenues	-	3,800,322	234,092	235,292	237,293
Total Resources	-	3,800,322	1,499,700	1,504,540	1,256,541
REQUIREMENTS					
Materials and Services	-	2,296,682	1,265,608	251,200	1,019,248
Debt Services	-	234,392	234,092	234,092	237,293
Total Requirements	-	2,531,074	1,499,700	485,292	1,256,541
Unappropriated Fund Balance	<u>\$ -</u>	<u>\$ 1,269,248</u>	<u>\$ -</u>	<u>\$ 1,019,248</u>	<u>\$ -</u>