May 11,2023

The Honorable Mayor Sherry Kinsey Members of the Lakeside City Council Members of the Lakeside Budget Committee Citizens of Lakeside

As the City Manager and Budget Officer for the City of Lakeside, it is my pleasure to present the proposed Fiscal Year (FY) 2023-2024 budget for the City of Lakeside. The budget is submitted

as required under Chapter 294 of the Oregon Revised Statutes (ORS) and *City* Code.

The City of Lakeside continues to face challenges related to fiscal solvency. Last fiscal year brought awareness and discussions regarding the future of Lakeside. It is my hope those discussions evolve into action this year and the City operates with a hope and b1ightness for the future. Looking forward into the 2023-24 fiscal year, the Citizens should be proud of the fiscal responsibility of the staff and the quality of work provided. Staff continues to adhere to the mission of Lakeside and serve the citizens of our community with responsibility, transparency, integrity, and dedication.

**Budget Overview: General Fund:**

*General Fund Revenue:*

The General Fund (01) is the predominant funding for the City. It receives revenues from three main sources; State Shared Revenues, Franchise fees and 30% of collected Transient Tax.

State Shared Revenues come from taxes the State collects from sales of Marijuana, Liquor and Cigarettes, and Highway Tmst Fund (Restricted to Street Fund). Cigarette and Highway funds are distributed by population. Marijuana is distributed based on the number of licensed marijuana premises in each cetti:fi.ed city compared to the total number of licensed marijuana premises in all certified cities. Liquor revenue uses an adjusted population formula that factors in **per capita property** taxes and per capita income of each city. In 2022 cities saw a decline in

all four revenue categories and based on new legislative laws which impact distribution to cities, the trend is expected to continue through FY23-24. Although some distributions like liquor may slowly rise over the long te1m, revenues from marijuana will continue to remain reduced until current laws related to Measure 110 are reformed. Projected State Shared Revenue for the City of Lakeside for FY 23-24 is $34,100.00.

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Franchise Fees are paid by businesses for use of City streets, alleys, and/or property in providing services to the citizens of the community. Currently the City of Lakeside collects franchise fees from Garbage, Cable and Electric companies. Estimated franchise fees for FY23-24 are projected at $89,000.00.

Note: A budget change for FY23-24 was made to the Central Lincoln PUD Franchise line item. In 2015 the Council adopted the budget with a recommendation the PUD franchise fee be split

50% in the GF and 50% in the Street depmtment. These funds are unrestricted and this budget is

presented with 100% of the PUD franchise going into the GF. If the General Fund becomes J

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financially stable in the future, the franchise fees could be moved back to the Street Fund. The

addition of 50% of CLPUD franchise fees in General Fund will fund the loan payment for the

propetty purchased at 105 S gth. I

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Transient Lodging Tax (TLT) dollars are collected by the City of Lakeside based on a tax rate of

7.5%. Transient lodging includes: Hotels/motels, B&Bs, spaces used for RV parking or tent, Res01ts and Inns, Lodges and guest ranches, cabins, condos, apartments, *duplexes,* houses and

any other dwelling unit or pottion of a dwelling unit that is used for temporaty stays (less than 30 days). State law dictates how the tax is proportioned. The City adheres to a 70/30 split of funds with 30% placed in General Fund and 70% in the Tourism Fund. Anticipated TLT dollars for FY23-34 GF total $35,000.

Other Revenue consists of Interest, Miscellaneous, Rent, License and Fees. The Miscellaneous Revenue line *item* is revenue generated from bottles and cans used for holiday community events (Ttunk or Treat etc.). FY22-23 includes a refund from wrongly filed taxes from several years ago that was placed in this line item. Anticipated revenue for FY23-24 total $12,000.

Covid State and Local Relief Funds (SLFRF): The City received a one-time allotment award of

$397,362 split over FY21-22 and FY22-23. The grant allows the City to take a one-time Loss of Revenue Exemption which small cities receiving under $10 million can use liberally with easier reporting within the guidelines. The funds may not be used for pensions or purchase of prope1ty. These funds have been used for the Food Bank container and may be used for govenunent services traditionally provided by a govenunent. Government services are general government administration, staff, and administrative facilities.

Total anticipated revenues for FY23-24 for the General Fund are: **$170,100** (excluding grant)

*General Fund Expenditures:*

Personnel Services:

City Hall Administration currently operates with 2 full time employees (City Manager and Utility Billing Clerk). The City Clerk position remain vacant and has not been budgeted for FY23-24. Personnel Services includes payroll for the City Manager at 50% and the Utility Billing Clerk at 30%. A $2.00/hr raise is budgeted for the Utility Clerk based on expansion of duties and a goal of bringing employee wages to market rate. An increase in pay has been budget for the City Manager subject to an annual evaluation. Staff would encourage the Council to weigh the priorities of longevity and market pay verses the continual training and turnover of

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staff. The budget for Personnel Services for FY23-24 is 17% lower than the previous year due to staffing reductions. Council and Citizens should understand reduced staffing means reduced level of service.

Materials & Services:

Materials and Services categmy is the expenditures under which the city operates. Line items like Attorney, Contracted Services, Audit, Insurance, License, Building Maintenance, Utilities,

and Office Supplies all fall under the General Fund Materials and Sel'vices. The Senior Center,

City Hall, and Libraty (building and utilities) are su bsictized from the General Fund. Like wages,

many line-item expenditures are calculated at a percentage across General, Street and

Wastewater Funds.

Dues, Travel and Conference has been increased for the FY23-24 based on the estimated number of Council and staff anticipated to attend the annua l LOC Conference in the fall. Council may decide to limit funding for all Council members or some, but the line item has been funded with increased travel and dues in mind.

Contracted Services line item has been increased $3,000 from last fiscal year to allow for a consultant to help with a possible ballot measure and additional funding for website and IT expenses such as a new website design. The Contracted Services line item a lso includes the City's accountant, *lT* services, and security.

Note: All utilities, audit, and postage are expected to increase. Insurance is projected to increase

15% liability and 23% prope1iy. Total Materials and Services category is anticipated to be

$164,747(excluding grants); and lower than FY22-23.

The Lakeside Airport line item has been moved to Wastewater (07).

Debt Service: In May of 2023 the City purchased property with an existing building in downtown located at 105 S. 8111 Street for $274,000. The 10-year debt service is shown in this FY budget. The property is anticipated to be an economic driver for downtown with potential commercial use TBD. Payments will be made utilizing General Fund resources which includes

50% of CLPUD franchise fees.

Capital Outlay Expenditures means expenctitures for the acq uisition cost of capital assets, such as equipment, or expenditures to make improvements to capital assets that materially increase their value or useful life. FY22-23 it was discovered the Senior Center Building roof was leaking. Estimates to fix the roof place the price at approximately $60,000. The Capital Outlay City Hall line item has a budget of$75,000 to reflect expenditures related to replacing the roof on the Senior Center Building and any additional capital improvements that may be needed in FY23-24.

Contingency and Unappmpriated line items in total are reduced due to increased cost of service.

**Street Fund**

The Street Deprutment provides the resources for the operation and maintenance of all City owned roads within City limits, buildings, lights, pru·ks maintenance, cemetery, and stormwater.

Fiscal year 22-23 the City was able to complete the RR pedestrian project through cooperation with ODOT Rails, ODOT SCA grant and County resources. In addition, increase vandalism and theft at City prope1ties has taxed city resources in both personnel and dollars. Last year it was noted the City does not have a Capital Improvement Plan and a street assessment has not been completed in over 20 years. This remains true this fiscal year. This 23-24FY the Wastewater Supervisor will transition into the Public Works Director position and be responsible for Wastewater and Street Department. The transition will allow for more coordination and

ef-ficiency with city operations and personnel.

*Street Fund Revenue:*

The Street Fund (03) main source of revenue is through the Highway Use Tax. The Highway

Use Tax is restricted revenue which can only be used to support the construction, reconstruction, preservation, maintenance, repair and improvement of streets and roads. Anticipated Highway Use Tax Revenue for FY23-24 has been budgeted conservatively at $120,000.00.

The fund also receives a portion of interest and Misc. Revenue which anticipates to be approximately $550.00 total. Total anticipated FY23-24 Revenue for the Street Department is

$120,550.00. (Excluding Grants).

*Street Fund Expenditures*

Personnel Services

The City of Lakeside Street Depattment operates with one full time employee. Increased demands on infrastructure and maintenance will require additional funds and personnel in the future to ensure continuity in the department. A part time employee was budgeted for FY22-23 and remains in this budget. Total persmmel services for FY23-24 are $101,500, slightly lower than last fiscal year. A 3% COLA has budgeted for FY23-24.

Materials and Services

Materials and service is increased by $14, 616 over last year. Increases are reflected in utilities, dues and travel, audit, insurance, and street maintenance. A onetime expenditure for a security system is budgeted for wastewater and street facilities of which 40% will be allocated through contracted services. Total materials and services for FY23-24 is $146.066.

Capital Outlay

Capital Outlay was budgeted last fiscal year at $100,000 for purchase of a vehicle. The vehicle was never purchased and capital outlay has been reduced to $60,000 this fiscal year.

Operating Contingency and Unappropriated line items have been reduced based on the increase jn cost of services.

**Community Development**

*Community Development Revenue:*

The Community Development Department (04) is responsible for the Planning & Building Department of the City. The Revenue is generated tlu·ough petmit fees and subsidized through the General Fund. Last fiscal year was the fust year for this fimd and revenues generated through applications and building permits exceeded budget projections by more than 50%. A General

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Fund transfer of$70,000 was budgeted for FY22-23. Based on the revenue generated this fiscal year, only $60,000 of budgeted dollars will be transferred into the fund from General Fund; a savings of $10,000 to the General Fund . A transfer of $50,000 from the GF is budgeted for FY23-24.

*Community Development Fund Expenditures*

Personnel:

The City of Lakeside Community Development Fund (04) operates with one .5 employee contracted through Cardinal Services and is expended through Materials and Services. The one employee handles almost all aspects of the department including some code enforcement. A

full-time planner will become necessary in the future, Based on the *City's* cun·ent financial state,

recruitment could be difficult.

Materials & Services:

Materials and services have been reduced marginally for FY23-24. The Grant line item has been increased to reflect the standard grant amount of$300,000 in most all funds. The City's Comprehensive Plan has not been updated since 2013. In addition, the City Development Code will need to be revised after a Comprehensive Plan update. This budget reflects an intent to apply for a grant in the amount of $150,000 which would fund a Comprehensive Plan Update.

**Tourism Fund:**

*Tourism Fund Revenue:*

The City of Lakeside Tourism Fund (05) revenue comes from the collection of a Transient Lodging Tax (TLT) of seven and half (7.5%) on all sh011-term rentals (less than 30 days). Oregon State Law dictates what percentage of fees collected be restricted for the promotion of tourism. 70% of all TLT dollars collected make up the revenue in the Tourism Fund. Anticipated Revenue for FY 23-24 is budgeted at $80,000.

*Tourism Fund Expenditures:*

Based on an increase in TLT over the last couple years, the City has been able to build the fund and expend dollars on projects. Last FY the City budgeted $50,000 for a Logo/BrandingNision project. ·The new logo and branding will set the tone for future advertising and promotion of Lakeside. The City also purchased skyline holiday lights and a banner.

Based on the goals of the Council the following line items have been increased: Budgeted for FY23-24 is an increase of$10,000 for Wulfy Beach maintenance. Event Expense has been increased by $10,000. July 4th line item has been increased to reflect the pmchase of fireworks and other 4th of July related expenses such as barge rental and other promotional materials.

**Wastewater Fund:**

*Wastewater Fund Revenue*

The Wastewater Fund (07) primarily receives revenue from monthly sewer fees. Other revenue sources include interest earned and sewer hookup fees, Last FY the City Council heard testimony regarding the status of the Capital Reserve Fund and why the fund was not able to be increased though a transfer of revenue designated to assist in the Wastewater Plant Project. The Council raised rates according to the Rate Study 20% to help make up the deficit. This FY the

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Fund shows a transfer of$ $50,000 into the Capital Reserve fund which represents approximately 5% ofthe total revenue collected. This 23-24FY budget includes a 10% increase in sewer fees in accordance with the Study.

Grants: The City received an ARPA grant of 14 million to relocate, upgrade and expand the existing wastewater plant. The project will require approximately 8 million in additional funding and staff continues to explore funcli11g options. The grant line item reflects the dollars expected

to be reimbursed through expenditures for the project during the 23-24FY.

Total anticipated revenue (excluding grant dollars) for the Wastewater Fund: $811,500. Personnel Services:

Wastewater F1md personnel services includes the Wastewater Supervisor and 3 operators. The City Manager is funded at 40% and Utility Billing Clerk is funded at 70%. The *City* Clerk position is not funded. Personnel services for FY23-24 includes a 3% COLA for operators; the percentage increase for the City Manager and Utility Bilfu1g Clerk and a $5,000/yr. increase for the Wastewater Supervisor, who will be transitioning into a Public Works Director position. Personnel Services includes a small increase for operators who receive certificates. The total personnel expenditure for FY23-24 shows a decrease of$8,400 over last FY.

Materials and Services

Several line items in this category have increase due to cost of operations. The existing infrastructure and equipment continue to be a problem with unexpected failures and repairs costing in excess of $85,000 this FY.

The Airport line item was moved back into wastewater materials and services and funded at

$15,000. Anticipated expenditures include a Rainbird computer system ($10,000) which controls the airport sprinlder system and regular maintenance costs.

Contracted Services has been increased to allow for across the funds increases and a one-time setup of a security system ($16,000 total) funded at 60% for the plant buildings. TV/Line Cleaning has been budgeted for FY23-24 increasing the line item $30,000 over last fiscal year.

Total Material and Services for the Wastewater Ftmd are projected at $588,072 (excluding grants) an increase of$37,772 over last FY.

Capital Outlay:

FY23-24 purchases include a new vehicle for $65,000.00. The vehicle was budgeted for 22-

23FY but was put on hold due to the unexpected expenditures stated above. A Jet/Rodder system is also budgeted in the equipment line item. The equipment will allow staff to resolve problems in the field without using contracted services and save the city approxin1ately $5,000 a year.

Transfer of Funds to Wastewater Capital Reserve:

FY22-23 the City was unable to transfer funds into the Capital Reserve Fund based on several factors heard dw·ing testimony from the City Engineer last budget year. The City Council

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approved a 20% increase in sewer rates to make up the difference, however unexpected expenditmes totaling approximately $85,000 cut into the expected revenue l eaving an estimated h·ansfer of$50,000 equating to 5% oftotal revenue from sewer payments.

**FY 2021-22 Wastewater Treatment Plant Project:**

Wastewater expansion and improvements: The City has secured a funding package that includes a 14-million-dollar grant and obtaining a low-interest loan to complete the project.

Fiscal Year (FY) 2023 has included preliminary design, surveying, and Membrane Equipment Procurement for the Wastewater Treatment Plant (WWTP). The WWTP design is on schedule for completion in late 2023. Bidding construction and insta llation of the preselected membrane trea1ment units is anticipated for early 2024. After contract award for construction, we anticipate a Contractor beginning mobilization and the submittal process for

equipment. Concrete tank and piping construction may begin prior to the end of the 2023

FY. We anticipate the City will have design costs and construction costs in FY 2023. The bulk of the construction costs are anticipated in FY 2025, however ifmaterial availability improves, the consttuction schedule may accelerate. Bidding, construction management, and onsite observation services by Dyer Engineering would begin in FY 2023. Grant Funds have been increased to $6,000,000.

**Library Flmd:**

The Lakeside Library Fund (21) operates with funds collected from Coos County Library Service District Tax Base. The cities of Coos Bay, Bandon, Coquille, North Bend, Myttle Point, Powers, Dora and Lakeside aJI make up the Coos County Library Service District. The voters of Coos County have determined that a cooperative library service is in the public interest and have provided stable funding for such services through approval of a ta x base and by the creating of the Coos County Libraty Service District.

Out of the revenue generated by the Coos County Library Se1vice Dish·ict Tax Base, the District agrees to distribute money to the City of Coos Bay to provide the county-wide cooperative library materials, personnel and services, including the union catalog and interlibra1y loan service, automated libraty circulation and on-line catalog service, oulTeach aud courier services, books-by mail, reference setvice, and satellite libraries (collectively, the ''Extended Service Office" or "ESO" services).

Money is allocated to each ofthe libraries as the county's taxes come in. The City of Lakeside is under conb·act with Coos Co unty Libraty Service District to provide a libraty building plus maintenance and repair of that building. The City subsidizes the utilities and acts as the fiscal agent for the libraty.

*Librcuy Fund Revenue:*

The library operates *:fi:om* Special District revenue budgeted conservatively at $90,000. The library also has a restricted trust fund of $33,247. The trust fund interest is supposed to be used for materials and books; however, the trust does not yield enough interest to be relevant. In the future the library will need to investigate possibly freeing the fund to be better utilized.

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*Librmy Fund Expenditures:*

Personnel Services

The library operates with one patt time Director and 6 part time employees. This budget

includes *an* increase in pay to $25.00/hr for the Director and modest increases based on longevity for employees. Based on pay increases> projected personnel services is 36% higher than last

fiscal year.

Materials and Services

FY23-24 Materials and Services for the Library Fund is budgeted slightly higher than last fiscal year. Travel and Dues has been increased due to anticipated conference attendance by staff for the 23-24FY. Most categories show modest increases.

**Looking into the futul'e:**

As revenue needed to support municipalities continue to rise, the lack of a sustainable revenue source is apparent in the City of Lakeside. As the *City* continues to grow and evolve, costs will continue to rise in all categories of expenditures. Increased demands to maintain and operate effectively> efficiently and with transparency requires updated technology and maintenance and repair of facilities. Infrastructure and services cannot be maintained at a sustainable rate and tough decisions will need to be made regarding the future of maintaining Lakeside as a City. I encourage the Councilors and Citizens to be proactive in identifying a solution.

**Conclusion**

This proposed budget for FY 2023-24 reflects the priorities> policies and goals of the Lakeside City Council and the Community. A huge thank you to our staff who all helped prepare this budget. Moving forward it is my hope the City fmds a way to sustain itself and maintain its charm and identity that Lakeside citizens and visitors love.

Respectfully submitted,

Melissa Bethel

City Manager/Budget Officer