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April 20, 2018

To: Members of the Budget Committee

Pursuant to Chapter VIII, Section 34(d)(6) of the City Charter, it is the responsibility of the City Manager to prepare and administer the annual budget for the City of Newport and the Newport Urban Renewal Agency. Pursuant to Oregon law and the City Charter, it is my pleasure to present the proposed budgets for the City of Newport and the Newport Urban Renewal Agency for the fiscal year beginning July 1, 2018 and ending June 30, 2019.

## **BUDGET PROCESS**

### **Budget Schedule**

Work on the annual budget began December 2017. Since that time, the Finance Director, department heads and staff, Finance Department personnel, and I have been working on various aspects of the proposed budget for review by the Budget Committee. The City Council's first involvement with the budget process was through a goal setting session that was held on February 26, 2018. During this session, the City Council heard presentations from each of the department heads; reviewed goals from advisory committees; reviewed various upcoming issues; and identified items of importance to be considered at budget time. This year the goal setting process was tied to the recently adopted 2040 Vision for the greater Newport area. In addition to the departmental goals, the Council prioritized goals for the FY 2018/2019 fiscal year. The goals were reviewed with the Budget Committee at the February 27, 2018 preliminary meeting. Following a public hearing, the Council formally modified, and then adopted goals, for the FY 2018/2019 fiscal year at the March 19, 2018, City Council meeting. A report on the disposition of the goals is included in the budget message. Please note that in future years, a recently appointed 2040 Vision Advisory Committee will be integrated into the annual goal setting process.

The complete schedule for the preparation and approval of the FY 2018/2019 fiscal year budget follows:

## Budget Calendar for the 2018-19 Fiscal Year:

### **CITY OF NEWPORT Budget Calendar - Detailed For Fiscal Year 2018-19**

Notice to Departments - Advisory Committees - City Manager (CM) Monday, December 1, 2017  
City Manager/City Clerk – Notice for Budget Committee Appointments...December 1, 2017  
Fee Schedule – Preliminary City Manager Review .....Thursday, December 7, 2017  
Finance/City Manager – Director Meeting for Fee Schedule Discussion.....December 11, 2017  
Preliminary Personnel, Capital Outlay and Fee Schedule (City and NURA) - *Current*  
Distributed to Department Heads ..... Thursday, December 14, 2017  
Appoint Budget Committee members – Council..... Tuesday, January 2, 2018  
Submit any corrections for Personnel or Fee Schedules to Finance.....Friday, January 12, 2018  
Notice from CM for submission of the 2018-19 Departmental Goals.....Friday, January 12, 2018  
Preliminary Budget Worksheets (Six months, City and NURA)  
Distributed to Department Heads (For review – nothing to be returned) Monday, January 22, 2018  
*Capital*  
*Projects* .....*Return to Finance by February 1, 2018*  
(Projects are submitted to Public Works for review on February 2<sup>nd</sup> & they return to Finance March 1<sup>st</sup>)  
Departmental and Advisory Committees Goals Due to CM.....Friday, February 2, 2018  
Goal Setting Meeting with City Council and Department Heads - (9:00am to 3:00pm) Monday, February 26, 2018  
Preliminary Meeting of the Budget Committee..... (6:00pm) Tuesday, February 27, 2018  
*Capital Outlay forms*  
*Equipment ((\$5,000) and up)* ..... *Return to Finance by March 1, 2018*  
Public Hearing and approval on Proposed Council Goals for 2018-19..... (6:00pm) Monday, March 19, 2018  
Final Budget Worksheets for Proposed Budgets with  
Eight-Month Actuals (maybe seven) through February 2018.....Monday, March 5, 2018  
Submit Department Proposed Budgets and Narratives to Finance.....Friday, March 9, 2018  
Department Heads' Group Meeting on Capital Outlay (Projects & Equipment)  
Review of Requests and Prioritizing Projects.....Thursday, March 15, 2018  
Finance submits Preliminary Budgets to Budget Officer .....Friday, March 16, 2018  
Department Heads' Meetings with Budget Officer to Review, Revise  
and Balance Budgets (City and NURA) .....Tuesday, March 20 through March 22, 2018  
Final (wrap-up) Meeting on Capital Projects (City and NURA) ..... Friday, March 23, 2018  
2018 Revised 1/3/2018 1:30 PM Y:\Finance\Budget\2018-19 FY\Support\2018-19 Budget Calendar -Final.docx

**Publish First Notice of Budget Committee Meetings (City and NURA) ..... Wednesday, April 4, 2018**

*(Finance only.... To paper on THURSDAY, March 29, 2018)*

**Budget Officer Completes Budget Message ..... Wednesday, April 11, 2018**

**Publish Second Notice of Budget Committee Meetings (City & NURA) .... Wednesday, April 11, 2018**

*(Finance only.... City website on April 6, 2018)*

**Completed Proposed Budget to Printer ..... Friday, April 13, 2018**

**Distribute Proposed Budgets to Budget Committee & Department Heads ...Wednesday, April 18, 2018**

**First Budget Committee Meeting ..... (5:00pm) Tuesday, April 24 2018**

- ☐ Appoint/Elect Presiding Officer
- ☐ Receive City and NURA Budgets and Budget Message
- ☐ *Public Hearing on Possible Uses of State Shared Revenues*
- ☐ Review Budget Documents and Discuss Relevant changes
- ☐ Respond to Questions from the Budget Committee
- ☐ *Provides for Members of the Public time for Input, Questions and Comments*
- ☐ Present Report on Financial Policy of UEFBs and Contingencies

**Second Budget Committee Meeting ..... (5:00pm) Tuesday, May 8, 2018**

- ☐ Budget Committee Deliberations
- ☐ *Respond to Questions from First Meeting*

**Third Budget Committee Meeting ..... (6:00pm) Tuesday, May 15, 2018**

- ☐ Respond to Questions from Second Meeting
- ☐ Budget Committee approval of the Budget Documents (City and NURA)
- ☐ *Approval of Ad Valorem Property Tax Amount or Rate for City General Fund*

and City Debt Service Funds and the NURA

**Publish Notice of Budget Hearing (only one notice required) .....Wednesday. June 6, 2018**

*(Finance only.... To paper on Thursday, May 31, 2018)*

- ☐ *Publish Financial Summaries (separate City and NURA)*

**City Budget Public Hearing ..... (6:00pm) Monday, June 18, 2018**

**NURA Budget Public Hearing ..... (5:45pm) Monday, June 18, 2018**

- ☐ Public Hearing on Proposed Uses of State shared Revenues
- ☐ *Separate Public Hearings on City Budget and NURA Budget*

***Adopt Budgets and Make Appropriations (City and NURA)***

***Impose and Categorize Taxes for City and NURA***

**Transmit Tax Certification Documents.....Friday July 13, 2018**

- ☐ *To County Assessor by July 13, 2018*
- ☐ *File Budget Document with County Recorder and Designated Agencies.*

The Budget Committee meetings are scheduled for Tuesday, April 24, at 5:00 P.M.; Tuesday, May 8, at 5:00 P.M.; and Tuesday, May 15, at 6:00 P.M. in the City Council Chambers. A public hearing is scheduled on the possible use of State Shared Revenues at the April 24 meeting. Furthermore, public comment will be taken by the Budget Committee at 6:00 P.M. on each of the meeting nights. The process for the budget review will include a complete overview of the budget at the April 24, 2018 meeting. At this time, any member may suggest specific changes to a proposed expenditure or revenue in the budget as the page-by-page budget review is undertaken. The changes will not be debated or discussed by the Committee at the Tuesday, April 24, 2018 meeting. It is important for the Budget Committee to complete this review during the first meeting. Any items identified for further consideration by individual members of the Budget Committee will be presented, with staff comments for the Budget Committee's consideration at the Tuesday, May 8, 2018 meeting. At this meeting, the Committee will discuss possible modifications to the proposed budget suggested by individual members of the Budget Committee, and determine, by a majority vote, which items shall be modified as part of an approved budget. In addition, department heads will participate in the May 8, 2018, meeting to further explain any of the items that have been identified for possible budget modifications by individual members of the Budget Committee. At the third Budget Committee meeting scheduled for Tuesday, May 15, 2018 the Budget Committee is scheduled to formally recommend approval of the budget to the City Council.

On June 18, 2018, the City Council will hold a public hearing on the proposed use of the State Shared Revenues, the city budget, the fee schedule, and the Urban Renewal Agency will hold a public hearing on the Urban Renewal Agency budget. Immediately following the public hearings, final adoptions of the budgets for the fiscal year starting July 1, 2018 and ending June 30, 2019, will occur.

### **Budget Documents**

The budget documents for the FY 2018/2019 fiscal year will include a cover sheet for all operating funds showing a summary of revenues, expenditures, transfers, contingencies-reserves for future expenditures, and fund balance for that fund for FY 2015/2016, 2016/2017, the original budget for FY 2017/2018, and the amended budget through February 2018 for FY 2017/2018. In addition, the summary sheet will show the eight month actuals and estimates for the current fiscal year, along with the original request from the department and the amount proposed by the City Manager for the FY 2018/2019 fiscal year.

Following the summary sheet for each fund, the line item budget can be found showing detailed expenditures for each department or function. A listing of equipment purchases and capital outlay projects proposed for FY 2018-2019 follows the detailed budget sheets in the back of the budget book along with personnel and salary information for funded positions in the city. In addition, we list full-time equivalent positions in each of the cost centers. We have also included tabs for the various funds based on previous comments

from last year's Budget Committee. Additional detail in the budget documents regarding specific equipment, software, and capital outlay expenditures are also included.

## **Government Accounting**

In order to understand the budget process, it is helpful to understand the requirements for local governments to use various types of funds for budgetary and accounting purposes. Many of the funds utilized by the City of Newport are required by the state. Other funds have been established to satisfy requirements of bond covenants or for financial management purposes. Finally, some funds are used for the convenience of the city.

One of the goals of the City Council is for the city to participate in the Government Finance Officers Association (GFOA) Comprehensive Annual Financial Report (CAFR) Excellence in Reporting program. This program requires very strict adherence to nationwide standards set by GFAO. The best place to begin is during the annual budget process, thus the budget document presented incorporates these standards. It is anticipated that the CAFR will be implemented with the financial statements, which will be prepared for the 2017/2018 fiscal year as part of the annual audit.

Government funds, also known as Governmental Activities, are used to account for various governmental services provided by the city that are supported by taxes and other general revenues for the city. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city 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.

Proprietary funds are used to account for operations that are financed and operated in a similar manner to a private business enterprises, known as Business-type Activities. Operating revenues and expenses generally result from delivering goods and providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sanitary sewer enterprise funds and the city's internal service funds are charged to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. In this fund type, fees charged are intended to support the overall business operation. These include the Water Fund (601) and Wastewater Fund (602). In the audited financial report that is issued by the city's independent auditors each year, these proprietary funds are shown in separate schedules in business type activities. The balance of the funds is reflected on the balance sheets for governmental funds.

Furthermore, the State of Oregon requires that governmental accounting divide its financial operations into several types of operating funds, which in turn follow the GFOA Standards. The General Fund (101) is the general operating fund for the City of Newport. Most of the general city services are included within this fund such as General Government, Police, and Fire. The next level of funds is called the Special Revenue funds which are established to account for various revenues that are designated for a specific purpose.

The Special Revenue funds for the City are as follows:

- 201 Parks and Recreation
- 211 Public Parking
- 212 Housing
- 220 Airport
- 230 Room Tax
- 240 Building Inspection
- 251 Streets
- 252 Line Undergrounding
- 253 SDCs
- 254 Agate Beach Closure
- 270 Newport Urban Renewal Agency
- 701 Public Works
- 711 City Facilities Fund

These funds are established to ensure that funds collected for a specific purpose are spent on those purposes.

The next fund types are the Debt Service funds and they are noted as:

- 301 Debt Service - Water
- 302 Debt Service - Wastewater
- 303 Debt Service - General
- 304 Debt Service - Urban Renewal
- 351 Debt Service - Proprietary GO Bonds
- 352 Debt Service - General GO Bonds

Debt Service funds are used to account for the city's various debt type for both the Governmental and Business-type activities.

The city has also established a Reserve Fund (404), which is a fund being used to accumulate money for financing the cost of future property or equipment acquisitions. Finally, the city is utilizing a Capital Projects Fund (402) for government type activities, and a second fund (403) for proprietary type capital projects activities.

The next type of funds are business type activities. These are funds, which are supported by fee based revenues. The City of Newport's business type funds include the Water Fund (601) and the Wastewater Fund (602). The related Debt and Capital Outlay Funds are proprietary as well. Proprietary funds are budgeted on a cash basis, but are presented in

the audited financial reports on an accrual basis reflecting capitalized assets and depreciation for those operations.

Internal Service funds provide services to other departments in the city. These funds include the Public Works Fund - 701 and the City Facilities Fund - 711.

Finally, the Urban Renewal Agency budget activities are shown in fund 270. The Urban Renewal Agency is a separate blended component entity of the city, but for purposes of the budget process are included in the joint City of Newport and Urban Renewal Agency budget documents.

### **Expense Code Descriptions**

The accounting code for each line item of the budget consists of a series of numbers. The first three digits are the fund number, the second four digits are the departments within the fund, and the last five digits are the object codes. Please note that the object codes cover the same type expenses from fund to fund and department to department. A list of object codes and the typical types of expenses which are charged to these codes are as follows:

50110 WAGES AND SALARIES: Full-time employee wages  
50120 PART TIME/EXTRA HELP WAGES: Part-time or temporary employee wages  
50103 VOLUNTEER PAYROLL: Fire volunteers  
50140 CERTIFICATION PAY: Additional pay for various optional certifications  
50150 DETECTIVE PAY: Premium pay for police detectives  
50160 K-9 PAY: Premium pay for K-9 handler  
50170 COMMUNITY SERVICE PAY: Premium pay for police personnel involved  
in voluntary service  
50180 LIEU OF HOLIDAY PAY: Pay for employees who are required to work on  
holidays  
50190 FTO PAY: Premium pay for police field training officers  
50210 ORPAT PAY: Premium pay for voluntary compliance with certain physical fitness  
requirements  
51110 OVERTIME: Time worked in excess of regular schedule  
51120 ON-CALL: Pay received for hourly employees who are on call  
52110 INSURANCE BENEFITS: Health insurance expenses  
52120 FICA EXPENSES: Social Security expenses (city portion)  
52130 RETIREMENT: Employees covered by the city's employee retirement system  
52140 PERS RETIREMENT: Police and Fire employee's retirement  
52150 WORKER'S COMPENSATION: Worker's compensation insurance  
52160 UNEMPLOYMENT INSURANCE: Unemployment insurance  
60100 PROFESSIONAL SERVICES: Expenses that should go here are; Architectural,  
title and real estate, engineering, environmental, surveying, laboratory and grant  
administration services  
60200 FINANCIAL PROFESSIONAL SERVICES: Audit, actuarial, banking, loan, and  
other similar professional services  
60300 LEGAL PROFESSIONAL SERVICES: Legal and services of bond counsel

60400 EMPLOYMENT SERVICES: Temporary employees, personnel recruiting, union negotiations, contract employee, such as services for recreation activities

60500 BUILDING INSPECTION SERVICES: Electrical, plumbing, and mechanical services, building code expenses, and state permit surcharge payment

60900 OTHER PROFESSIONAL SERVICES: Translation, election and other professional and technical services

61100 UTILITIES - ELECTRIC: Electrical and street light expenses

61110 UTILITIES - GAS HEATING: Gas and fuel oil heating

61140 UTILITIES - WATER & SEWER: Water and wastewater expenses

61190 UTILITIES - OTHER: Alarm monitoring and cable

61200 BUILDING & GROUNDS EXPENSES: General repair, maintenance, inspections, supplies and materials, and paint supplies for city facilities

61300 PERMITS/LICENSES EXPENSES: Operating licenses, permits, legal notices, taxes, and fees paid

61400 OTHER PROPERTY SERVICES: Other.....

62100 CLEANING EXPENSES: Garbage, cleaning and disposal expenses

62200 ABATEMENT EXPENSES: Cleanup of properties and the like

63100 VEHICLE EXPENSES: Automotive maintenance and repairs, vehicle supplies, and anything else related to vehicles upkeep

63200 EQUIPMENT EXPENSES: Equipment repair and maintenance, small tools, and non-capital equipment & machinery

63300 MAINTENANCE AGREEMENTS / CONTRACTS: Maintenance agreements, service contracts

63400 INFRASTRUCTURE EXPENSES: Pump station and tank maintenance, water and wastewater repairs, storm drain repairs,

63410 BACKFLOW PREVENTION

63420 GREASE TRAP PROGRAM

64100 LEASE EXPENSES: Non-capital leases (equipment we are leasing but have no plans to keep), leased Library materials

64200 RENTAL EXPENSES: Month-to-month rentals

65100 INSURANCE AND JUDGEMENTS: Property, liability, fidelity premiums

65110 UNINSURED CLAIMS: Judgement & Settlements

65200 COMMUNICATIONS EXPENSE: Telephone, cell phone, internet, voice over internet and radio communication

65300 ADVERTISING and MARKETING EXPENSES: Advertising and marketing

65400 PRINTING AND BINDING: Printing and binding

65500 TRAVEL AND ENTERTAINMENT EXPENSES: Travel in and out of city and/or state, refreshments for in house training.

65550 MEMBERSHIP DUES AND FEES: Membership's dues and fees

65600 TRAINING: Training - seminars, workshops and other

65700 PROGRAMS AND PROGRAM SUPPLIES:

1. Services by other government agencies
2. Non-Profit seed money
3. Community involvement/participation
4. Sister City expenses
5. Local event marketing - tourism promotion
6. City funded grant
7. Support of local transit



8. Community celebrations
9. Program supplies
10. Library adult programming
11. Library children programming

65900 OTHER OPERATING EXPENSES:

Parking Enforcement Expenses

1. Landfill closure cost
2. Economic development
3. 911 excise pass through
4. Other operating expenses

66100 OFFICE SUPPLIES: Office supplies

66150 BOOKS/PERIODICALS/DVD AND VIDEO:

1. Subscriptions and periodicals
2. Audio and video expenses
3. Reference books
4. Adult books
5. Children's books
6. DVDs and CDs

66200 POSTAGE/SHIPPING EXPENSE: Postage and shipping

66250 CONSTRUCTION MATERIAL AND SUPPLIES:

1. Rock
2. Cold Mix and asphalt
3. Concrete

66300 TRAFFIC SAFETY AND SIGNAGE

1. Traffic safety expenses
2. Signage
3. Sign posts - deco
4. Sign posts - standard
5. Sign hardware
6. Sign film and blanks
7. Sign installation material

66350 CHEMICAL AND LAB SUPPLIES: Chemical and laboratory supplies

66400 CONCESSIONS AND CATERING: Catering and food for concessions

66450 AMMUNITION AND FIREARMS: Ammunition, range supplies and firearms and related supplies

66500 CLOTHING AND UNIFORMS: Clothing related to work

66550 VOLUNTEER EXPENSES: Expenses related to volunteers

66600 GENERAL EXPENSES:

1. Aircraft and pilot expenses
2. Past due charges/penalty
3. General expenses
4. K9 expenses
5. Furniture and fixtures
6. Other supplies

66700 SAFETY AND HEALTH EXPENSES:

1. Health/physical/medical services
2. Employee health/appreciation
3. Safety supplies
4. First aid-health and safety
5. EMS equipment supplies
6. Safety committee incentive program

66800 FUEL: propane, vehicle fuel, oil and other fuels

66850 JET FUEL: Jet fuel

66855 AV-GAS: AV gas

67100 DATA PROCESSING LEASES AND EXPENSE: (IT ONLY)

1. Data processing services
2. Computer software
3. Computer hardware
4. Peripheral hardware
5. Site licenses
6. Domain renewal
7. Computer leases
8. Fiber optic conduit

67200 OTHER DATA PROCESSING EXPENSES (ALL OTHER DEPARTMENTS BUT IT)

1. Data processing services
2. Computer software
3. Computer hardware
4. Peripheral hardware
5. Site licenses
6. Domain renewal
7. Computer leases
8. Fiber optic conduit

69101 Services Provided By General Fund

69201 Services Provided By Parks Fund

69220 Services Provided By Airport Fund

69251 Services Provided By Streets Fund

69601 Services Provided By Water Fund

69701 Services Provided By Public Works Fund

70000 Series - for capital equipment and construction (assigned by Finance Department)

80000 Series - for city debt (Finance Department only)

90000 Series - Transfers, contingency, ending fund balance and unappropriated reserves (Finance Department only)

Having a general understanding of the accounting structure is helpful when reviewing the detailed budget for the city. The City of Newport has structured its accounting system consistent with the guidelines provided by the Government Finance Officers Association, and with requirements of Oregon Local Budget Law.

## ECONOMIC CONDITIONS FOR THE CITY OF NEWPORT & LINCOLN COUNTY

The City of Newport, the State of Oregon, and the United States have continued to go through a period of historically low unemployment, steady economic growth, low inflation, and low interest rates. The Oregon Office of Economic Analysis indicates in their March 2018 “Economic & Revenue Forecast” that the U.S. economy continues to perform well, and the near term prospects for economic growth are good. They report that the tight labor market is driving wage growth higher, and as the economy approaches capacity, inflation is set to rise after running below target for the past five (5) years.

They further report: “In Oregon the outlook remains bright as the economy continues to hit the sweet spot. Employment growth is more than enough to meet population gains, and to absorb the workers coming back into the labor market. Wages are rising faster than in a typical state, as are household incomes. That said, employment measures of economic wages have come in below expectations in the second half of 2017. From this somewhat lower starting point, the modest economic boost provided by federal tax changes results in a relatively unchanged forecast overall.”

In addition, the Office of Economic Analysis reports: “Oregon’s labor market is tight. Difficulty finding and retaining work appears to be the biggest challenge that many businesses face today. This tight labor market is expected to remain in place until the next recession for two different reasons that are coming to a head today: the business cycle and demographics”.

Part of the reason for the tight labor market is the transition of baby boomers from the labor market to becoming retirees. With the stronger market, individuals who may have postponed retirement are now feeling more confident about leaving the labor market.

While the impacts of a strong national, and state economy can be somewhat delayed on the coast; Newport and Lincoln County are going through a period of historically low unemployment, and are seeing significant investments being made in the community in a variety of forms. Economic conditions can affect some revenues directly such as the city’s room tax and local gas tax, while the impact on property tax is somewhat convoluted due to the various limitations the State of Oregon has placed on the collection of this tax. The City of Newport has seen a slow, but sustained growth in population since the 2000 census. The population trends during this time are as follows:

City of Newport Population Trends by the US Census Bureau	
Year	Population
1990	8,437
2000	9,532
2010	9,989
2017 (est.)	10,215

In reviewing the sources of personal income for Lincoln County's population, it is significant to note that a study of 2012 data commissioned by the Board of Commissioners in 2014 indicated that just over a quarter of the income is the result of various transfer payments for things such as social security, Medicare, Medicaid, veteran's benefits, public pensions, unemployment insurance, family assistance payments, food stamps and other similar sources of income. Just less than 25% of income is investment earnings for individuals living in Lincoln County. The remaining half of personal income was related to commercial fishing at 10% of the remaining income, tourism at 8.0% of the remaining income and timber at 6.2% of the personal income for the county. One growing segment has been the area of marine science, which now counts for 3.7% of personal income received in Lincoln County. With the concentration of commercial fishing and marine science in the Newport area, one would speculate that the percentage of personal income earned within the City of Newport would be a significantly higher percentage than the overall county statistics based on the concentration of those activities in Newport.

According to the most recent data compiled by the Oregon Employment Research Division for the 2015 Quarterly Census of Employment and Wages, there were 695 employers within the City of Newport, average employment of 7,466, total payroll of \$272,820,393 and average wages of \$36,640. Employment in Newport peaks in the summer months of June and July and drop to their lowest in January and February. This was up just slightly from 2014 when there were 682 employers, average employment of 7,434 and total payroll of \$262,968,226.

The City of Newport is fortunate that its economy is relatively diverse and not dependent upon the success or failure of any specific component. Furthermore, with the continued growth and opportunities in the Marine Science sector, this promises to play a greater role in generating personal income in the years to come.

Another indicator of economic trends is the unemployment rate for a particular area. In reviewing the Lincoln County unemployment statistics over the past ten years for the month of February, it shows that 2017 (4.7%) had the lowest unemployment rate during an eleven-year window.

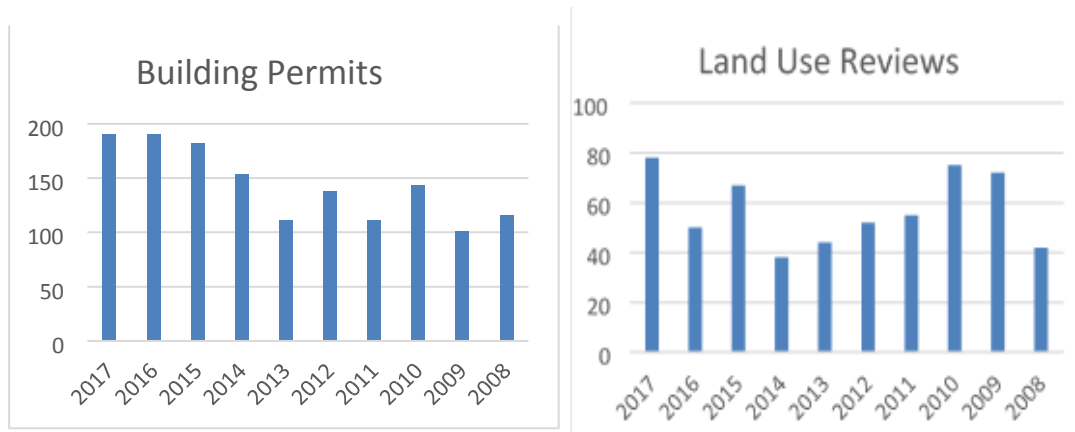
Lincoln County, Oregon Unemployment Statistics Month of February (Seasonally Adjusted)	
2018	4.7%
2017	4.7%
2016	5.9%
2015	6.9%
2014	8.3%
2013	9.3%
2012	10.3%
2011	10.5%
2010	11.0%
2009	10.5%
2008	5.3%

The 2013 calendar year appears to be the low point for construction activity within the City of Newport with 111 building permits being issued and a total construction value of just over \$8,000,000. The building permits and construction value for 2017 is substantially higher with permitted construction valued at almost \$50,000,000. The single largest project permitted was for the hospital expansion at a value of \$28,523,849 for current phases under construction.

A review of the trends and issuance of building and land use permits are helpful. A summary of the building permits and construction values of those permits has been compiled for your review.

	Building Permits	Construction Value
2017	190	\$49,153,610
2016	190	\$19,980,329
2015	182	\$21,957,649
2014	153	\$13,248,480
2013	111	\$8,131,772
2012	138	\$14,603,755

A longer look at the number of land use reviews and building permits issued over a ten-year period can be found below.



Construction activity is continuing to show a rebound within the City of Newport.

The Lincoln County Assessor's office follows all transactions that occur within the county to determine the impact that sales have on market values for properties that are taxed within the county. In reviewing these statistics for the City of Newport for the volume of sales, in 2017 the number of sales continued to grow with 427 transactions taking place. This compares to a low of 175 transactions in 2008. While this is showing a good return of growth, it falls below the peak number of transactions in 2005 with 584 sales being reported.

# VOLUME OF SALES NEWPORT

NUMBER OF SALES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	NUMBER OF SALES
600														600
575	584													575
550														550
525														525
500														500
475														475
450														450
425		424										419	427	425
400											402			400
375														375
350														350
325			320							318				325
300														300
275								275	272					275
250														250
225						214	218							225
200					186									200
175				175										175
150														150
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Includes all transactions within Newport City Limits in all property categories.														

The Lincoln County Assessor's office also tracks the median sales price of all housing units within the county by taxing jurisdiction. While the volume of property transactions has substantially increased, the median sale price of all housing units in the City of Newport has seen a more gradual increase over the past five (5) years, with the median sales price of all housing units within the Newport city limits being approximately \$255,500 in 2017. This is a 6.3% increase over 2016. The lowest median value of housing units was in 2013 at a \$190,000 with the highest value being in 2007 at \$289,000.

MEDIAN SALES PRICE OF ALL HOUSING UNITS IN NEWPORT CITY LIMITS														MEDIAN PRICE	
MEDIAN															
PRICE	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	PRICE	
\$290,000			\$289,000											\$290,000	
\$285,000				\$287,500										\$285,000	
\$280,000														\$280,000	
\$275,000														\$275,000	
\$270,000														\$270,000	
\$265,000														\$265,000	
\$260,000														\$260,000	
\$255,000													\$255,000	\$255,000	
\$250,000														\$250,000	
\$245,000		\$244,500			\$247,500									\$245,000	
\$240,000												\$240,000		\$240,000	
\$235,000														\$235,000	
\$230,000														\$230,000	
\$225,000														\$225,000	
\$220,000										\$218,500	\$219,500			\$220,000	
\$215,000														\$215,000	
\$210,000														\$210,000	
\$205,000	\$204,500													\$205,000	
\$200,000						\$200,000	\$200,000							\$200,000	
\$195,000								\$197,000						\$195,000	
\$190,000														\$190,000	
\$185,000									\$185,000					\$185,000	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
# of Sales	281	222	182	103	96	75	83	126	119	164	200	201	221		
Only includes sales of open market, arms length transactions. No duress sales. No unadvertised sales between relatives, friends, or neighbors. No bank foreclosure resales or short sales. No personal property manufactured homes.															



Another indicator of economic activity relates to the market value of property that is used by the Lincoln County Assessor's Office to determine property valuations from year to year. Please note that the market information used to determine these valuations lag by one year, since it is a sale's study from the previous year that is used to calculate the current year values. The real market value for the City of Newport had a significant drop from 2010 to 2011, and a smaller drop in 2012. However, 2014 was the first year where there was a slight increase in the market valuations. These growth trends have continued through the most recent year compiled.

City of Newport, Oregon Total Market Valuation of Taxable Property Lincoln County Assessor's Office	
2017	\$1,657,912,395
2016	\$1,557,674,968
2015	\$1,490,471,591
2014	\$1,484,011,687
2013	\$1,454,951,775
2012	\$1,560,311,055
2011	\$1,649,057,216
2010	\$1,801,795,380

Based on sales information received by the Lincoln County Assessor's Office, 2017 continued to see an increase in the overall real market value of taxable property within the City of Newport, with a growth of 6.4% based on the sale studies of 2017. This indicates that while economic conditions have improved, the property values within the city are moving back to the 2010 market value of \$1.8 billion at a sustained rate.

Another measurable indicator of activity within the community is data that has been collected in a consistent fashion by the Chamber of Commerce since 2006. Room occupancy in the City of Newport has been on a steady growth rate with 2015 exceeding all years of the survey with a 63.1% occupancy rate which exceeded the low rate of 53% in 2009. Since 2014, this occupancy rate has remained above 60%. Please note that this report does not include information for vacation home rentals.

In reviewing occupancy information, it appears that the off season for room stays has continued to see a significant growth over the ten-year period in which the Chamber has been collecting data. This is a good trend in that it helps even out the economic impact of tourism within the City of Newport.

City of Newport - Occupancy Report	
2006 to 2017	
Accumulative % for all (8) participating hotel properties	
Year	Avg.
2006	60.30%
2007	59.80%
2008	53.79%
2009	53.00%
2010	53.64%
2011	54.25%
2012	54.95%
2013	56.45%
2014	60.46%
2015	63.09%
2016	61.38%
2017	60.73%

Finally, another major impact on Newport's local economy is the annual value of commercially caught fish by fishermen based in Newport. A historic look at the value of fish harvested in Newport is as follow:

Annual Value of Commercially Caught Fish in Newport	
Year	Annual Value
2017	\$52,688,253
2016	\$48,036,303
2015	\$33,221,009
2014	\$52,559,975
2013	\$54,652,212
2012	\$37,316,487
2011	\$44,036,427
2010	\$31,047,318

*Data Provided by Oregon Fish & Wildlife*

The annual value of commercially fish landed in Newport continued to rebound from a low point in 2015 of \$33,000,000 to an amount in 2017 of \$52,688,000. Both Dungeness crab and Pacific whiting were up substantially over the last year with a noted drop off of pink shrimp and Chinook salmon. By value, the top fishery was Dungeness crab, which

accounted for 43% of the fishery value, and by volume, Pacific whiting accounted for 72% of the pounds of fish landed in Newport by commercial fishermen.

<p>Final 2017 Pounds &amp; Values of Commercially Caught Fish and Shellfish Landed in Newport</p>
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	Value (Million \$)	%	Pounds (Million Lbs.)	%
Dungeness Crab Ocean	\$22.8	43.3	7.4	6.4
Pink Shrimp	\$4.6	8.7	8.1	7.0
Sable Fish	\$6.5	12.3	2.1	1.8
Pacific Whiting (Hake)	\$6.9	13.1	82.8	72.1
Albacore Tuna	\$4.8	9.1	2.0	1.7
Chinook Salmon	\$1.4	2.7	0.2	0.2
Petrale Sole	\$1.2	2.3	1.0	0.9
Dole Sole	\$1.0	1.9	2.0	1.7
All Others	\$3.5	6.6	9.3	8.1
TOTAL	\$52.7	100	114.9	100

*Data provided from Oregon Fish & Wildlife*

The City of Newport and Lincoln County continue to see steady economic improvements following the great recession that began in 2008. As the value and demand for housing continues to grow in Newport, it has stirred interest in a number of projects to expand housing availability here. This includes the student housing that is proposed to be built by Oregon State University as part of the Marine Studies Initiative. Twenty-eight units (four-plex) are currently under construction in Wilder Subdivision. Sixty-six market apartment units are going through the permitting process for Wood Haven Ridge located off of Harney/36 Street. Twenty-four units of assisted living are proceeding off of 71st Street. There is a twenty-five unit residential subdivision with land approvals already approved at Wilder Subdivision, a nine unit subdivision that is being proposed at Yaquina Heights, ten residential lots are being developed off of Bay Boulevard, and twelve residential lots are being developed in South Shore as well.

A number of other major capital projects underway include: the construction of the new hospital; the marine studies initiative building has submitted their plans for the review to the Building Department for the academic building, that will be built at Hatfield Science Center; work continues on the Bay Front on wharf reconstruction and office space; Goodwill is building a drop box center, as well as retail space on property located near US Highway 20 and 101; and the Hall family is proceeding with development of warehousing related to the commercial fishing industry at the Yaquina Industrial Park located adjacent to the International Terminal. These projects are all indicating more confidence in the economy and will certainly help address both housing and economic development needs in Newport.

From a financial forecasting standpoint, it would appear to be reasonable to conclude that the local economy will continue to incrementally increase over the next twelve (12) month

period. The greater Newport area will continue to see significant reinvestment and expansion that will assist the workforce over the next few years.

### BUDGETARY TRENDS

Historic revenues and expenses have been compiled as part of the evaluation of past fiscal trends. This information helps to project future revenues and expenses for the city.

#### Property Taxes

Property taxes are the single biggest expense paid by private property owners to support various governmental services. Lincoln County issues a tax bill in November each year for multiple local government agencies. The breakdown is each dollar which is paid by property tax payers in the City of Newport is as follows:

<b>Where Each \$1.00 of your Property Taxes Go</b>	
<b>2017-2018 Tax Levy</b>	
Lincoln County Schools	27.8¢
Oregon Coast Community College	2.3¢
ESD Linn- Benton	1.4¢
Lincoln County	14.4¢
Port of Newport	3.0¢
City of Newport	35.9¢
Health District	6.3¢
<b>Subtotal</b>	<b>91.1¢</b>
Urban Renewal Captures	8.9¢
<b>Total</b>	<b>\$1.00</b>

Please note that 35.9¢ of each dollar of taxes paid supports either operations or general obligation debt for the City of Newport. The remaining 64.1¢ goes to other taxing entities. Please note that this includes the Newport Urban Renewal Agency which captures taxes for specific improvements within each of the three Urban Renewal Districts. The total amount of this capture out of each \$1.00 of operational taxes levied is 8.9¢. In reviewing how the city allocates its 35.9¢ of each dollar can be seen as follows:

Allocation of City Taxes 2017-2018 Tax Levy	
<b>Operations</b>	
General Government	
Public Safety	4.4¢
Library	12.5¢
Other Uses	2.2¢
<b>Transfer to Other Funds</b>	1.8¢
Recreation	
Airport	2.0¢
Capital Projects	0.9¢
Facilities	1.1¢
<b>Operations Subtotal</b>	1.7¢
General Obligation Debt	26.6¢
<b>Total City Taxes</b>	9.3¢
	35.9¢

Please note that 26.6¢ of each dollar paid by taxpayers is used for City Operations and 9.3¢ is used for general obligation debt. In other words, just over a quarter of each \$1.00 of taxes paid to Lincoln County supports operations for the City of Newport. It should be further noted that property taxes do not support, either directly or indirectly, such functions as water and wastewater, storm sewers, roads and other similar-type functions. These functions are supported directly by utility rates and/or designated revenues from the state for roads and revenue sources such as the local gas tax to support road reconstruction in the City of Newport.

The city's single largest source of revenue for the operation of the General Fund comes from property taxes. The city has seen a steady growth in this revenue over the past years which is used to fund the major operations of the city, including police, fire, and general government. The State of Oregon has passed a number of initiatives that impact the amount of property taxes paid to local governments, including Measure 5, which passed in 1990, and Measure 50, which passed in 1996. Measure 5 imposes a limit of \$10 per \$1,000 of real market value for the overall payments of general government taxes. Please note that voter approved general obligation bonds are exempt from this calculation. Measure 50 placed permanent rate limits on taxes in districts and changed the concept of assessed values as used in calculating the tax rate. As a result of these changes,

County Tax Assessors maintain two separate values for each parcel of property. The real market value is the value that is determined based on the sale of similar property in that neighborhood. The assessed value is used to calculate property taxes. The assessed valuation of individual properties is limited to a maximum increase of three percent increase per year. The assessed valuations cannot exceed the real market value for the property. Ownership changes do not affect the assessed value of the property.

The City of Newport has not been significantly impacted by compression, which results when the rate limits enacted by Measure 50 are exceeded on individual properties. As property values grow, compression become less likely. Compression applies to the real market value of properties rather than the assessed valuation. If taxes being raised on an individual property exceed \$10 per \$1,000 for all general government uses, less general obligation debt, then the tax bill for that property is reduced or “compressed.” As market values for property increase, compression becomes less of a concern. In the event of a major downturn in the economy that affects property values, then compression can be more of an issue. In understanding the future growth of property tax revenues, the impacts of Measure 5 and Measure 50 will need to be periodically examined. The history of the collection of current property taxes for the city is as follows:

<b>Current Property Taxes</b>		
<b>Fiscal Year</b>	<b>Taxes Received</b>	<b>Percent Change</b>
07-08	\$4,156,378	-
08-09	\$4,308,044	3.65%
09-10	\$4,410,253	2.37%
10-11	\$5,194,132	17.77%
11-12	\$5,489,776	5.69%
12-13	\$5,610,803	2.20%
13-14	\$5,697,050	1.54%
14-15	\$5,925,405	4.01%
15-16	\$6,098,610	2.92%
16-17	\$6,255,695	2.58%
17-18 (est.)	\$6,550,000	4.70%

Please note that in fiscal year 2010/2011, the city realized a 17.77% increase in its General Fund tax collections as a result of the closure of the Northside Urban Renewal District. Once this tax increment financing district was closed, all taxing units, including the City of Newport, began receiving the portions of the taxes that were captured for various redevelopment projects within the Northside Urban Renewal District area. Please

note that these revenues lag economic conditions by about two years. The city should continue seeing a modest growth in property tax revenues for the foreseeable future.

### **Other Major Revenues**

Other significant sources of revenues for the City of Newport include the transient room tax and local gas tax, state shared revenues, state gas tax and franchise fees, and line undergrounding fees from various utilities utilizing the city's right-of-way or being granted an exclusive franchise within the city.

Two of these revenues that the city collects locally indicate tourism activity including the room tax and gas tax revenues. Ordinance No. 1984 authorizes the collection and use of a one cent per gallon motor vehicle fuel tax on motor vehicle fuel dealers that sell or distribute fuel in the city from November 1 through May 31 of each year. This tax increases to three cents per gallon from June 1 through October 31 annually. Since the gas tax is a fixed rate on gallons of gasoline sold in the city which is unaffected by inflation, it is a good indicator of tourism and economic trends in the community. Another important indicator of the tourism business is the collection of transient room taxes. The city collects a 9.5% tax on room rentals in the city. Please note that an increase in room taxes reflects several possible scenarios, including an increase in occupancy and/or in the price of rooms. Please note that 54% of room tax collections go to the General Fund (101), and 46% to the Room Tax Fund (230). Section 3.05.150 of the Municipal Code provided that the taxes collected in the Room Tax Fund (230) are to be used for tourism promotion, and tourism related facilities. The City Council is charged with determining which facilities are in part, or full tourism facilities. Both of these occurrences are indicators of economic growth. A recent history of the transient room tax and gas tax collections follows:

<b>Tourism Related Taxes</b>		
<b>Fiscal Year</b>	<b>Transient Room Tax Funds 191 &amp; 230</b>	<b>Newport Gas Tax Fund 402</b>
07-08	\$2,242,760	-
08-09	\$2,229,833	-
09-10	\$2,278,501	\$59,839
10-11	\$2,297,743	\$139,689
11-12	\$2,367,590	\$150,063
12-13	\$2,419,698	\$176,114
13-14	\$2,764,050	\$155,463
14-15	\$3,167,000	\$140,202
15-16	\$3,569,523	\$177,042
16-17	\$3,694,135	\$208,181
17-18 (est.)	\$3,740,000	\$200,000

Furthermore, three additional key revenues include:



<b>Other Major Revenues</b>			
<b>Fiscal Year</b>	<b>State Gas Tax Fund 251</b>	<b>Franchise Fees Fund 101/252</b>	<b>State Revenue Share Fund 101</b>
07-08	\$488,207	\$903,022	\$108,248
08-09	\$405,125	\$870,131	\$97,558
09-10	\$439,764	\$1,087,424	\$92,375
10-11	\$510,880	\$917,554	\$80,119
11-12	\$547,261	\$1,067,719	\$130,131
12-13	\$538,094	\$993,622	\$110,800
13-14	\$531,965	\$982,000	\$157,460
14-15	\$584,599	\$793,642	\$121,715
15-16	\$584,595	\$964,519	\$115,963
16-17	\$593,950	\$973,817	\$127,222
17-18 (est.)	\$647,500	\$979,910	\$145,000

A portion of the state gas tax, collected by the state, is returned to local units of government for maintenance of local streets. The franchise fees consist of fees that are collected from various users of the city's rights-of-way, or from companies that are provided an exclusive franchise in order to serve Newport's citizens. In addition, the franchise fee revenues include line undergrounding fees that are paid by the electrical company, and are designated in a separate Line Undergrounding Fund (305). While these funds have varied over the years, a stronger economy generally provides more revenues to the city to fund various government operations.

Overall, the city has seen some variation in each of these revenues which have been caused by the impacts of the "Great Recession" with a gradual recovery occurring more recently.

The city now receives a portion of the state shared marijuana taxes collected by the state, as well as a local 3% tax for the current fiscal year. We are now building a history to understand what can be expected in revenues from this source.

### **Water, Wastewater, and Infrastructure Fees**

The City of Newport provides for the pumping and storage of raw water, the filtration of this water source into safe drinking water, and then distributes this filtered water

throughout the city for the customer use in homes or businesses. The city also runs a completely separate system that collects wastewater from various homes and businesses, and transports that wastewater through a series of lift stations to the Wastewater Treatment Plant where the wastewater is cleaned and then discharged into the Pacific Ocean. Biodegradable sludge is deposited on land from the wastewater operation. With Newport's rugged terrain, the city has a significant number of lift stations to force sewage uphill into gravity systems that ultimately lead to the wastewater treatment plant. Each of these lift stations requires a significant amount of maintenance, and many of the lift stations have to be replaced in order to avoid failures. These failures can cause untreated sewage to be discharged in area waters at various locations in the city. Maintaining safe drinking water at every home and business, and collecting the sewage that results from various homes and businesses, is a very complex and expensive operation. The city needs to assure that the drinking water is safe and that the wastewater discharged into coastal waters is clean to minimize negative impact on the environment. Finally, the city maintains a system of ditches and storm sewers to collect rain water and transport it to appropriate outfalls, which adds a third separate set of mains and pipes under many of the city streets.

The systems of water mains, sewer lines, and storm sewers in many areas of the city are reaching the end of their useful life. In recent years, the City Council has increased the utility rates to both eliminate operating shortfalls in these funds and to provide the necessary infrastructure funds to begin rebuilding portions of aging water and sewer lines and components in the city. The city has been undertaking a major evaluation of its infrastructure, and has prioritized various projects that need to be done in order to begin the process of rebuilding these utility systems. The City Council previously adopted a capital improvements surcharge to help facilitate various infrastructure replacements in the city. This surcharge is collected on the water bills. Furthermore, the city has increased water and wastewater rates in order to generate sufficient funding for the safe operation of the water and wastewater systems, as well as for capital needs to replace lift stations, water mains, booster stations, water tanks, and other parts of the infrastructure system, necessary to provide for a sound and safe system to continue serving the city into the future. The water and sewer charges collected by the city over the past years follows:

<b>Water, Wastewater, and Infrastructure Revenue</b>			
<b>Fiscal Year</b>	<b>Water User Charges Fund 601</b>	<b>Wastewater User Charges Fund 602</b>	<b>Capital Improvement Surcharge Fund 402</b>
07-08	\$1,717,891	\$2,227,673	-
08-09	\$1,888,891	\$2,394,222	-
09-10	\$1,816,018	\$2,414,461	\$410,172
10-11	\$1,969,600	\$2,485,945	\$424,871
11-12	\$2,220,881	\$2,642,935	\$458,286
12-13	\$2,745,603	\$3,208,295	\$513,425
13-14	\$3,254,281	\$3,537,325	\$517,495
14-15	\$3,523,479	\$3,832,265	\$558,797
15-16	\$3,418,867	\$3,769,594	\$592,286
16-17	\$3,724,254	\$3,983,040	\$627,942
17-18 (est.)	\$4,171,969	\$4,089,813	\$624,000

There has been a significant increase in revenue in order to be able to fund needed infrastructure improvements into the future for the city. The City Council established an Infrastructure Task Force to evaluate this strategy with a report being provided to the City Council on January 6, 2014. The report suggested that the City Council redirect this effort from utilizing a “pay as you go” approach which relies on utility rate increases to pay for immediate capital project needs to a process in which major segments of the work would be bonded and paid back over time. The impact of the alternative approach is for overall lower future utility rate increases for residents in exchange for allocating these costs over a 20-year period when the bonds would be paid back through utility rates. There is merit in considering this type of plan since the users of the water and sewer utility system over the next 20 years will be paying for improvements that they are enjoying during this time. Furthermore, with the typical life of underground utility systems, the rate payers will, at some point in the distant future, enjoy a period of lower rates and/or will establish replacement reserves once these debts are satisfied.

The rates were not adjusted in the 2017/2018 fiscal year due to an evaluation of the city’s current utility rate structure. The rate study conclusions are currently under review by the City Council.

## Expenditure Trends

Listed below are various expenditure trends within the city's General Fund including personal services, materials and services, and transfers to other funds. These are the most significant categories of expenditures from the General Fund. I have included the original budgeted amount, as well as an estimate of the year-to-date expenditures. Please note that the budget numbers are significantly higher than what we estimate will be expended this year. This is in part due to a number of vacancies that were budgeted but not filled in the fiscal year. Materials and services have been fairly stable over the past four years as well. Finally, the General Fund supports other funds such as the Airport Fund, the Recreation Fund, and Street Fund which are reflected as fund transfers in order to provide operating and capital outlay dollars for these operations. Listed below is financial information for the past three years broken down by these three categories:

		General Fund			
	13-14	14-15	15-16	16-17	Estimated 17-18
Personal Services	\$6,143,165	\$6,308,791	\$6,762,810	\$7,070,776	\$7,575,455
Materials & Services	\$3,252,868	\$2,649,783	\$2,839,984	\$4,179,136	\$2,740,678
Transfer to Other Funds	\$1,943,155	\$1,509,403	\$1,336,103	\$3,848,733	\$3,250,552

One significant issue that is impacting personnel cost is the implementation of a salary study for various city jobs. Newport has seen a significant turnover in employment in certain positions in recent years. In order to create a more stable work force, the City Council has implemented the rate study findings with non-represented employees with 25% of the adjustment being implemented retroactive for the 2016/2017 Fiscal Year, 75% of the adjustment being implemented in 2018/2019, and the final adjustment occurring in 2019/2020.

When reviewing expenditures, it is important to keep a balance between personnel costs and materials, services, and proper reinvestment in equipment, tools, special services and other activities necessary to continue keeping a city organization healthy and to meet the needs of the citizens of the community. During times of some economic uncertainty, I am always much more comfortable reinvesting in city facilities, buildings and infrastructure rather than adding to the city's payroll. When the city makes a decision to

replace \$80,000 worth of playground equipment, that purchase represents a onetime capital investment that will be good for a decade or two. If the city considers adding a job as part of the budget process, and assuming that job with fringe benefits equals the same \$80,000 in the current fiscal year, the real result of that decision will cost the city not \$80,000 but \$800,000 over the next ten years without factoring any inflation. As the city looks for ways to meet the capital costs to sustain its buildings, parks and other facilities, the city also needs to be aware of the long term impacts of adding staffing to the city organization.

That being said, we also need to review the overall organizational needs of the city. Staffing issues can be forestalled for a period of time; however, unless the city is willing to reduce scope of services, then appropriate levels of staffing need to be considered.

## **REVIEW OF FINANCIAL ACTIVITY FOR THE 2017/18 FISCAL YEAR**

In developing the budget for the 2018-19 Fiscal Year, it is critical to have good estimates as to how the current fiscal year will finish up. This projection helps form the basis of available funding for the upcoming fiscal year. The department heads are asked to project the expenses for each of their departments. The Finance Department typically does the projections for revenues for the city funds. I believe our estimates are on the conservative side, which will likely place the city in a stronger position in what is anticipated at this point in the fiscal year.

### **General Fund (101)**

In reviewing the estimated General Fund revenues, our projected fiscal year end estimates are indicating that we will finish the year about \$450,000 better than what was anticipated in the current amended budget. Those areas running ahead of projections included current property taxes, transient room tax, and the state shared and local marijuana tax revenues.

From an expenditure standpoint, our estimates are indicating that we will finish the year about \$395,000 under the current amended budget. Please note that the most significant item impacting the annual operating budgets in the General Fund has resulted from the implementation of non-represented exempt, and non-exempt city employees' salary study. The adjustments from the salary study are being implemented over four (4) fiscal years, with 25% of the adjustment being due retro-actively for the 2016/2017 Fiscal Year, 50% of the adjustment being paid in the current fiscal year, 75% of the adjustment being paid in the 2018/2019 Fiscal Year, and the full adjustment being implemented in the 2019/2020 Fiscal Year. These adjustments were allocated across all the various departments of the General Fund, and other funds where payment is made for the exempt and non-exempt employees. As part of the supplemental budget, these costs were allocated evenly across the various departments. A final supplemental budget will adjust those numbers specifically by department. Please note that overall, the General Fund will finish the year under the current amended budget; however, the allocation of the Salary Study funds will reflect actual amounts per department with the next Supplemental Budget. Also, please note that overtime in the Fire Department was significantly higher than the appropriated amount for this year. The majority of this overtime was generated

from our firefighters participating in conflagration events during the fiscal year. In these cases, firefighters are earning overtime on a 24/7 basis while they are assigned by the state to a fire. The city receives reimbursement for all our personnel costs, as well as equipment costs when the city provides resources to the state to fight fires. With the exception of some of the payroll line items, which will be adjusted in a future supplemental budget, the overall expenditures are running well within the appropriated amounts for the current fiscal year in the General Fund.

### **Other City Funds**

The Recreation Fund (201) is running well above projected revenues, and expenditures are expected to fall within the appropriated amounts within this fund.

In the Airport Fund (220) revenues are running well ahead of projections. The big portion of this increase has been the sale of jet fuel, which has been facilitated with LifeFlight basing their operations out of ONP. Expenditures are running at appropriated amounts.

The Room Tax Fund (230) is running at projected amounts for total revenue. Expenditures are estimated to finish at appropriated amounts for the fiscal year.

In the Street Fund (251) we are seeing an impact of the new transportation package in this fund with a projected \$59,000 increase in the State Tax proration for the gas taxes implemented on January 1. This will generate additional revenues going forward in the 2018-19 Fiscal Year budget as well. Expenditures are running below the appropriated amounts within the Street Fund.

### **Capital Projects Fund**

The city maintains three (3) separate funds for the purpose of paying for capital outlay projects that are anticipated during the course of the fiscal year. Please note that the presentation of capital outlay funding is complicated by the fact that projects normally overlap more than one fiscal year. This occurs particularly with a July 1, beginning date of the fiscal year. Secondly, for capital outlay projects, we are typically trying to appropriate the entire amount for the capital outlay project in the budget knowing that a portion of these funds will be carried over into the next fiscal year. From a financial planning standpoint, it is important that those funds are set aside in the capital outlay funds. This is done so the funds are not inadvertently used for operational purposes for a project that is going to carry over into the next fiscal year. In addition, there are projects that were appropriated, but not started in the fiscal year. These projects are carried over into the next fiscal year as well.

In our Capital Project Funds (402,403 & 405), capital projects are prefunded from the various funds, and also directly receive the local gas tax, and the infrastructure fee included on utility bills. Please note that we typically fund these projects in advance to assure that those funds are specifically designated for any projects we have committed to undertake. These funds are spent down from this fund. Many of these projects cover multiple fiscal years so there is always a substantial carry-over from fiscal year to fiscal year to accomplish these projects. Furthermore, we have had some difficulties getting projects designed, out the door, and bid as well. Please note that a number of these

resources are in the form of revenue bonds, State Revolving Fund, borrowings, and other similar sources, particularly for the utility projects.

In the Water Fund (601), revenues are projected to exceed the current year amended budget. Please note that no rate increases were made for the current fiscal year, since the city is in the process of completing a utility rate study to determine rates for the 2018-19 Fiscal Year and beyond. Expenses are estimated to finish at appropriated levels.

The Wastewater Fund (602) has revenues running at anticipated amounts, and expenditures for the Wastewater are running below the appropriated amounts.

Finally, the city established the City Facilities Fund (711) to consolidate the various expenses for our city facilities that are funded by either the General Fund or the Room Tax Fund. Overall, the resources are running as anticipated with the expenditures falling below projections. This will enable the City Facilities Fund to carry over an unexpended fund balance, and to create the necessary contingencies and reserves for future expenditures going forward.

### **Urban Renewal**

The City of Newport currently has three (3) Urban Renewal Districts. Urban Renewal Districts are set up under a law to establish a tax base for those districts. In the Urban Renewal Districts, the district can capture taxes on the increase in taxable value that occurs after the initial base is established.

Revenues for the South Beach Urban Renewal District (270) are coming in ahead of projections.

The revenues for the North Side Urban Renewal District (271) are also anticipated to exceed projected amounts for this year. Please note that the North Side Urban Renewal Agency is now beginning to see fairly significant captures.

The final district is the McLean Point Urban Renewal District that was set up in conjunction with the Port of Newport (272). Funds for this district are fairly minimal at this point. Please note that as the private property on McLean Point is developed, the district will begin receiving virtually the entire tax collection from these properties. This is anticipated to happen in this next year.

### **GOALS FOR THE FY 2017/18 FISCAL YEAR**

As part of the budget preparation process, the City Council met in a work session on February 26, 2018, beginning at 9:00 A.M. and concluding at 3:45 P.M. During this time, the Council heard various reports from departments on their goals for the coming year, reviewed goals for the advisory boards, and committees, and developed Council goals for consideration during the 2018-19 Fiscal Year. The draft goals were presented to the Budget Committee, and were scheduled for a public hearing before the City Council on March 19, 2018. Following the public hearing, the City Council unanimously adopted the goals. Some of the goals that were adopted will have a budgetary impact on the upcoming budget, while others will affect staff time and priorities during the course of the next year.

I have provided a summary of how the Council goals have been addressed in the proposed budget. I have also included an update on the current City Council Goals for additional background. The Budget Committee can address any changes to the proposed budget to address the goals in a different way.

## **2018-19 Council Goals**

### **18.1.0-Capital Outlay/Equipment Purchases**

#### **18.1.1-Evaluate Methods to Improve Fire Flows at the Airport to 1500 gallons per minute in order to accommodate additional development at the Municipal Airport.**

This is to evaluate methods to improve fire flows at the Airport with the new Seal Rock Water District Pump Station, which has been constructed at the Airport, it may be possible to achieve fire flows at the Airport in conjunction with the new water pumping station. Sixty thousand dollars (\$60,000) has been appropriated for the purpose of determining how the pump station could be used to address this issue at the airport.

#### **18.1.2-Proceed with efforts leading to the construction of a seismically stable dam to replace the current city reservoir dams.**

The proposed budget includes \$1,000,000.00 to continue with the preliminary design of a replacement dam at Big Creek with funding coming from the water revenue bond as a source of funding for this work.

#### **18.1.3-Pursue the efforts to obtain funding through grant sources to acquire a fire boat to improve fire protection of structures and vessels on the Yaquina Bay.**

I have not included funding for the fire boat or for the FEMA Grant, which would offset \$750,000 of the \$950,000 purchase. We are not aware of when the next round of funding will be provided for this purpose. The City Council will be able to evaluate whether the funds should be applied for at that time. It is unlikely that a fire boat would be purchased within the next fiscal year, under the most optimistic circumstances.

#### **18.1.4-Explore the creation of an alternate transportation route across Yaquina Bay, such as passenger ferry that utilizes the Abby Street Pier.**

The budget does not include a specific appropriation for this purpose. It would be our intent to meet with the Port of Newport and others to discuss the feasibility of proceeding with this type of effort during this next fiscal year.

#### **18.1.5-Address the storm sewer problem that results in regular flooding of the 60+ Center.**

Funding is included in the proposed budget for the Hatfield Drive storm sewer replacement in the amount of \$900,000. This will address sewage backup issues at the



60+ Center, as well as other capacity issues with this system. This is mostly funded by a CWSRF Loan.

### **18.2.0-Community Development**

#### **18.2.1-Increase efforts relating to code enforcement for substandard buildings.**

Increase efforts relating to code enforcement per substandard buildings. We have initiated an internal review process to determine how we can best coordinate issues between the Building Official, Fire Department, and the Police Ordinance Enforcement Officer. We have not proposed any additional staffing at this point relating to this goal.

#### **18.2.2-Continue efforts relating to increasing available workforce and affordable housing within the City of Newport, with Lincoln County, and the County Housing authority.**

Continue efforts relating to increasing available workforce affordable housing. The budget reflects adjustments to the SDC charges and to the construction excise tax that was created as a method to incentivize affordable housing in Newport. The City of Newport is participating in a County-wide effort to determine what collaborative efforts may be possible in order to attract this type of development to Lincoln County.

### **18.3.0-Parks Recreation**

#### **18.3.1- Increase resources to better improve parks and other public areas within the city.**

A proposed budget includes \$50,000 for beautification projects, as well as additional seasonal help to address parks and other public areas within the city. I had initially hoped to add a couple of additional full-time staff positions to this request; however, based on the overall budget, I reduced that to additional seasonal help only. Furthermore, the city will be embarking on the Recreational Master Plan, which will have a component to review maintenance levels, and identify additional maintenance funding that will help address financial issues going forward in future years.

#### **18.3.2-Create a plan that provides specific direction relating to sidewalk replacements, crosswalks, and improvements to Oceanview Drive.**

Sixty-two thousand dollars (\$62,000) has been proposed to address shoulder and fog line issues along Oceanview Drive. This will address a number of immediate issues. Oceanview Drive will be a part of the update of the ODOT Transportation Plan that will be initiated this year.

#### **18.3.3-Implement a tree ordinance.**

The Parks & Recreation Advisory Committee is working with Rachel Cotton in the Planning Department to develop this ordinance. It is anticipated that this ordinance will be ready for City Council review by July of 2018.

### **18.4.0 Public Safety**

#### **18.4.1-Develop a disaster preparedness plan for various neighborhoods within Newport.**

The City's internal Emergency Preparedness Committee will be working with our Emergency Preparedness Coordinator on these types of plans during the coming fiscal year. Furthermore, funding is proposed for a cache at City Hall to address emergency response needs in the event of an emergency in the amount of \$44,650.00.

**18.4.2-Create a collaborative effort to help address homelessness and mental health issues on a community-wide basis.**

The City Council has scheduled two work sessions on homelessness with the second work session scheduled in May to review a collaborative approach among multiple agencies to address this issue. Furthermore, Lincoln County is considering the creation of a program of funding for local initiatives across Lincoln County. This would address opportunities related to this problem.

**18.5.0-Operations**

**18.5.1-Provide annual training to each of our volunteer committees on ethics, public meetings, conflict of interest, disclosures, and other pertinent issues.**

This effort will be conducted internally. There are sufficient resources appropriated for any outside training which would be part of this effort. A core group of the City Attorney, City Recorder, and myself will develop a specific plan to accomplish this goal.

**18.6.0-Proposed New City Positions**

**18.6.1-Create a second ordinance enforcement officer position charged with the responsibility of addressing vacation rental dwellings and business licenses.**

In my original proposed budgets, I had included funding for this effort. As I had to refine the budget, I have eliminated this funding at this time. This was a high priority for the City Council, and I think it is worthy revisiting this issue during the budget review process. I am concerned about our ability to sustain a second ordinance officer over time. Furthermore, the Ad Hoc Vacation Rentals Dwelling Committee will be providing recommendations to the Planning Commission and City Council sometime this fall on addressing VRDs. One of the options that they will be evaluating, is a contractual enforcement option regarding VRDs. Overall, I would really like to staff this position, but I am concerned about the level of resources necessary to support this position. Please note, we did look at some options which would result from increasing revenues by an added level of enforcement. We can review this with the Budget Committee, if the committee chooses to review the need for this position as part of the budget deliberations.

**18.6.2-Evaluate the division of responsibilities and creation of a new position related to Public Works and Engineering.**

This was another priority outlined by City Council. I am proposing that we create a separate position for the operation of Public Works from Engineering, to allow Engineering to focus specifically on projects and for Public Works to focus

specifically on operations. I do not believe the current system of combining Public Works and Engineering is sustainable from a time standpoint, nor will it give us the focus we need to move forward with the projects, and to effectively utilize the resources of Public Works to deal with day-to-day operational issues. Funding has been appropriated for a new position for Public Works Operations. It is my initial intent to have this position reporting to the City Manager. After evaluating this with the department, I will have a specific recommendation on how to move forward by the second meeting in June.

**18.6.3-Add appropriate staffing for maintenance, litter pickup, and general beautification for all city properties.**

The proposed budget includes increasing the part-time employees to deal with these issues on a seasonal basis.

**18.6.4-Hire an intern from Chemeketa Community College to assist as an intern for the Building Department.**

Funds have been included in the budget to allow for this to occur.

**18.6.5-Fund a training officer for the Fire Department.**

Funding has not been included to create a new training officer position in the Fire Department for the 2018/2019 fiscal year based on overall sustainability concerns regarding this position.

**Update on Current Year Goals**

**17.1.0 - Human Resources**

**17.1.1 - Library Security Guard on a contractual basis.**

The Budget Committee recommended funding for a Library security guard, and the City Council entered into a contract with TCB Security to provide this service for 61 hours each week. This coverage began in mid-October, and the response from both patrons and staff has been very supportive. Overall, the Library has become a much quieter, safer place for individuals to enjoy its services.

**17.1.2 - Fund a Fire Prevention Officer**

Fire Department staff has developed and revised a job description for the newly-funded Fire Prevention Officer/Relief Engineer position. The position was submitted for review to Human Resources, and submitted to LGPI for assignment of a wage scale for this position. The salary for this position has been submitted to the IAFF union, and once an agreement is reached; we will advertise for this position. The Fire Chief has a schedule for having this position posted by the end of April with a hire date sometime around July of 2018.

**17.1.3 - Repurpose Modular Houses for Transition Employee Houses**

The city was able to salvage two of the six manufactured homes that were part of the FEMA funded landslide remediation project along NE 70<sup>th</sup> Drive. As part of the FEMA

grant, it was the plan to determine whether any non-profit organizations would be willing to repurpose these units to provide affordable housing in Newport or in unincorporated areas of Lincoln County. As of this date, none have accepted the offer. One of the challenges for these organizations is that manufactured structures have financing issues when they are sold to subsequent owners. During a cursory review, city staff has not identified any city-owned sites that would be appropriate for this use where city utilities are present. A report has been forwarded to the City Council and the Council has concurred to offer non-profits an opportunity to salvage components of value and dispose of these units.

### **17.2.0 - Capital Outlay/Equipment Purchases**

#### **17.2.1 - Replace Library HVAC System**

Funds were appropriated to initiate a preliminary design for this work in the 2017/2018 budget. Staff has contracted with Systems West Engineering to perform an HVAC evaluation and to provide recommendations for replacement of the Library HVAC system. The estimated cost for this replacement, based on this analysis, is \$635,000. Funds have not been included for this project in the 2018/2019 proposed budget.

#### **17.2.2 - Replace Library Van**

Funds were appropriated, and a new Prius station wagon was purchased by the city in July of 2017. The Newport Public Library Foundation contributed \$12,000 to assist in funding this purchase.

#### **17.2.3 - Demolish the old Wastewater Building**

One hundred thousand dollars (\$100,000) was appropriated in the 2017/2018 Fiscal Year for the demolition of this building. It is anticipated that this work will be completed during the summer of 2018.

### **17.3.0 - Public Safety**

#### **17.3.1 - Reactivate the Countywide Drug Team**

No budget was requested by staff or appropriated by the Budget Committee for this purpose. The Lincoln Interagency Narcotics Team (LINT) was disbanded and is no longer a physically functioning unit. The Newport Police Department has had discussions with the Lincoln County law enforcement community, and there is a desire to create an informal unit that can be deployed at any time there is a reason to warrant team members to follow, investigate, and work drug intelligence information. Furthermore, with the addition of our K-9 team, the department has been able increase its success in handling drug cases. There is a general desire from the law enforcement community to establish a unit, or team, that would focus on drug investigations similar to the LINT model. This is now more feasible as the various law enforcement agencies have been able to operate at or near full staffing, which was problematic over the past three or four years. We will provide an update to the City Council on this matter as part of our budget discussions for 2018/2019.

### **17.4.0 - Community Enhancement & Development**

#### **17.4.1 - Establish a Permanent Home for the Farmer's Market**

The Farmer's Market operated at the new Angle Street parking lot for the 2017 season. In evaluating this use during 2017, it has been determined by both the city staff and the Farmer's Market that this has been a compatible and desirable use of the Angle Street parking lot. We are proceeding with arrangements for the Farmer's Market to operate from this lot in 2018 and the foreseeable future. I do not see a need to consider any alternate locations for this important community event. It should be noted, however, that as the city proceeds with development plans for the City Center, the Angle Street parking lot could be repurposed in a variety of ways. As part of this planning process, however, it will be important for the community to maintain a visible and central location for the Farmer's Market in Newport's long-term future. The development of the traffic plan, and Urban Renewal Plan for the City Center area will be kicking off later this year, and will be completed over a two-year period of time jointly by the Newport Urban Renewal District and ODOT.

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#### **PROPOSED BUDGET FOR THE FY 2018/19 FISCAL YEAR**

The proposed budget for the fiscal year beginning July 1, 2018 and ending June 30, 2019 has been prepared for review and approval by the Budget Committee. Overall, the format of the budget is consistent with the current fiscal year. Through the course of this past year, we have accumulated better information regarding the operations of city facilities which are funded out of the General Fund or Room Tax Fund by creating the City Facilities Fund (711) in the current fiscal year. We also made significant changes to the way the Room Tax Fund is appropriated to improve the transparency relating to the use of 46% taxes collected to fund various activities in the Room Tax Fund (230). We are continuing with these changes in the next fiscal year.

#### **Recommended Revenue**

The Finance Director has prepared an estimate of General Fund property taxes for the FY 2018/2019 Fiscal Year. As you are aware, the City of Newport permanent tax rate is 0.0055938, which is multiplied against the assessed value for the city. The Finance Director has estimated the assessed value for the 2018-19 Fiscal Year as follows:

Assessed Value			
Fiscal Year	Assessed Value	Increased Over Prior Year	Percent Increased
17-18	\$1,376,230,527	\$49,264,266	3.71%
16-17	\$1,326,966,261	\$46,610,876	3.64%
15-16	\$1,280,355,385	\$36,994,034	2.89%
14-15	\$1,243,361,351	\$35,613,911	2.86%
13-14	\$1,207,747,440	\$12,280,130	1.02%
12-13	\$1,195,467,310	\$16,043,774	1.34%
11-12	\$1,179,423,536	\$13,291,232	1.14%

Utilizing the assessed valuation, the revenue received by the city during the first year of collections of property tax is estimated at \$6,576,291 assuming a collection rate of 93%. This calculation is as follows:

Property Tax Revenue	
Total Assessed Value @ October 2017	\$1,376,230,527
Deducted Urban Renewal (est.)	( 163,639,802 )
Net Value for Tax Computation	\$1,212,590,725
City of Newport Permanent Tax Rate	0.0055938
Estimated Tax Calculated	\$6,986,480
Estimated Discount & Uncollected (7%)	( 419,189 )
Estimated Taxes Received by the City	\$6,567,291
Assumed Tax Collection Rate	94%

Furthermore, the city levies an amount of taxes to cover general obligation debt. The amount of debt that will be paid by the debt fund will include: wastewater bonded debt; water treatment plant bonded debt; and the aquatic center bonded debt. Please note, the proposed budget continues to spend down the surplus that accumulated in the debt fund over time. This will smooth the impact on the property tax millage for debt in accordance with the Budget Committee direction two years ago.

Finally, the Budget Committee, acting on behalf of the Urban Renewal Agency, will be required to approve a motion requesting the maximum amount of revenues that will be generated from the tax increment for the South Beach Urban Renewal District to cover proposed appropriations from the District for the coming year.

In addition to the property tax, the city's second largest source of governmental revenue is from the city's room tax. Under Section 3.05.150 of the city code, at least 46% of the room tax revenues shall be used for tourism promotion and tourism related facilities. The City Council shall have the authority to determine which facilities are tourism related. The City Council may determine that some facilities are in part tourism related facilities, and funds reserved for tourism related facilities may be used to cover an equivalent portion of the cost for such a facility.

The room tax has seen significant growth over the last few years which corresponds with occupancy reports from the Chamber of Commerce. In addition to increased occupancy, higher room rates will generate additional revenues. The city has also been successful with business license provisions in order to collect room tax from vacation rentals in the city.

In the General Fund (101), the fees in lieu of franchise for water and wastewater are \$153,377 in the proposed year as paid by the Water (601) and Wastewater (602) Funds to the General Fund. This is paid as a franchise fee to the General Fund as has been the practice in the past. In accordance with the motion made by the Budget Committee previously, this amount continues to be reduced for the 2018/2019 Fiscal Year.

### **Water, Wastewater, and Infrastructure Rates**

The city currently collects on its utility bill fees for the water system, the sanitary sewer system, the storm sewer system, and a capital improvements surcharge. These funds have historically been utilized to fund Water (601), Wastewater (602), Storm water and Street Fund (251), with the infrastructure fee being placed in the General Capital Projects Fund (402).

The City of Newport had previously adopted a schedule for various infrastructure rates that would have resulted in a 10% rate increase for water, a 15% rate increase for sewer, with 5% increases in storm water and infrastructure fees. The Council directed staff to develop a budget that would utilize revenue bonds instead of a "pay-as-you-go" method for financing infrastructure, as part of the recommendations from the Infrastructure Task Force in 2014. Based on preliminary numbers that were developed by Public Works and Finance Departments, and reviewed by the Infrastructure Task Force, it was determined that Council could consider a rate structure with an annual increase of 4% for wastewater instead of the 15% that would be required for the "pay-as-you-go" basis, and 5% for water instead of the 10% that would be required for the "pay-as-you-go" basis to reduce the overall impact on the ratepayers for these systems. In 2017, the city has commissioned FCS Group to conduct a comprehensive rate and rate structure review for the city. The City Council heard a report on February 5<sup>th</sup> from the consultant, FCS Group, which outlined various recommendations for Council's consideration. The Council has asked

staff to proceed to collect public input on these recommendations in preparation for review and possible rate adoption by the City Council.

As a city of 10,000, Newport's permanent residents maintain a significant infrastructure system in a challenging climate and geologically active area. The infrastructure operated by the city is larger than most towns of similar size because Newport hosts industry with heavy water demands, along with a thriving tourist industry and the associated services, hotels, vacation homes, restaurants, and tourist-related businesses. As a result, the infrastructure systems of the city are larger and more extensive than most small cities. The City of Newport operates and maintains a five MGD membrane water treatment plant, seven water storage tanks, five water booster stations, and two dams that store the city's water supply in the Big Creek Reservoirs. The city also operates and maintains a five MGD wastewater treatment plant, with the wastewater system spread across approximately 11.2 square miles. The city owns over 62.5 miles of gravity pipelines ranging in size from approximately three to 36 inches in diameter, 1,400 manholes, nine major pump stations, 16 minor pump stations, and 12 miles of sanitary force mains. In addition to water and wastewater systems, the city maintains approximately 60 miles of asphalt and gravel streets, and a comprehensive storm sewer system.

Newport developed as a small fishing village and tourist destination, and the city has continued to expand along the coast and into the toe of the coastal mountains. As growth and development occurred, ravines running water to the ocean were piped and filled with structures and roads constructed over the top of them. These pipes became a combined sewer and storm sewer system, often up to 40 feet deep, and discharged into the ocean. In the late 50's and early 60's, the first wastewater pipes and wastewater plant were built. The original combined sewer system is still mostly in service and functions as the current storm sewer system. Newport provided domestic water beginning in 1904 and still operates the two original tanks constructed in 1906 and 1908. Several water districts have since been annexed into Newport, and the city took over operation and maintenance of these systems. These annexed areas were originally within the non-urbanized county and were characterized by narrow gravel roads and minimal or non-existent storm drainage.

Aging infrastructure and road systems that were annexed into the city, but not constructed to city standards, create significant financial and human resource burdens in the maintenance and the meeting of regulatory permitting requirements. This burden increases annually as infrastructure continues to age and fail, and construction and replacement costs continue to escalate.

#### Water Rate Structure

There were no water rate increases approved for the current Fiscal Year (FY) 2017/2018 since the city was conducting a utility rate study. Beginning July 1, 2018, the anticipated revenue necessary to fund operations and infrastructure, will require 6% growth each fiscal year through FY 2025/2026. With this rate structure in place, the city plans to borrow capital funding in the fiscal year beginning July 1, 2018, and every two years thereafter, to pay for various system upgrades to the water utility.



The biggest outcome of this rate study was a Cost of Service Analysis (COSA). The COSA allocates costs to the various customer classes (i.e. residential, commercial, industrial, etc.) corresponding to the level of service provided. Many costs are incurred for the joint benefit of all customers, some costs benefit certain customers more than others, and other costs may benefit only specific customers. A COSA follows the principles of cost-causation - those that cause costs; pay costs. Thus, new rates are proposed to be allocated to the classes served; and will be phased-in via adjustments applied in the first year and across the board increases thereafter

Because of this study, it has been determined that residential (single family and multi-family) users have been paying a disproportionate share of the utility costs with commercial customers not fully supporting the costs of the utility. COSA is recommending that separate water rates be developed for residential, multi-family, and commercial, based on the impact that each class of users have on the water system.

I would recommend that the City Council hold off on any rate changes until the rate study is completed, has been vetted by the City Council, and hearings held. I would further recommend that the revenues be increased as recommended with the adjustments for the 2018/2019 Fiscal Year being based on the new rate structure that is ultimately approved by the City Council.

#### Wastewater Rate Structures

There were no wastewater rate increases approved for the current Fiscal Year (FY) 2017/2018. Beginning July 1, 2018, the anticipated revenue needs will increase by 8% each fiscal year for three years, then 4% thereafter. As with the water rate, the city plans to issue debt in the fiscal year beginning July 1, 2018 and every two years thereafter. For required infrastructure improvements to adequately collect and treat wastewater and eliminate overflows, which are an environmental problem, the COSA was also applied to the wastewater rates. The COSA is proposed to allocate these expenses to the various customer classes served (i.e. residential, commercial, industrial, etc.) corresponding to the level of service provided. As part of the COSA phase-in, the current Winter/Garden rate will cease and become part of the new rates.

Because of the study, it has been determined that single-family residential users have been paying a disproportionate share of the utility costs, with multi-family and commercial users not fully supporting the costs of wastewater collection and treatment. COSA is recommending that separate sewage rates be considered for residential, multi-family, and commercial users based on the impact that each class of users have on the wastewater system.

#### Storm Water Rate Structures

The city currently charges a flat fee to customers for storm water expenses, and a fee based on meter size for infrastructure improvements. The rate study is recommending a significant change to these fees. A storm water fee is proposed to be implemented on July 1, 2019. The new rate will be based on a unit called ESU, or Equivalent Service Unit, which represents a typical impervious surface associated with a single-family home or

residence. It will take time to set this system of ESU's, so a new rate structure will not be effective until July 1, 2019. As with the water and wastewater rates, the city will be issuing debt for storm water improvements in FY 2019/2020, which will be tied to the water and wastewater issuances going forward. For July 1, 2018, no increase will be recommended to the existing storm water and infrastructure fees.

As part of the COSA phase-in in 2019, the current infrastructure fee rate will cease, and at that time, become part of the new storm water rates. The net result is that customers with large impervious areas will pay a larger share of the cost to address storm water issues in the community. Residential customers will see flat storm water fees and the elimination of the infrastructure fee.

The budget has been built with the revenues outlined above pending public review and Council approval of a new rate structure for utility fees for the city. Please note that this process will be running concurrently with the budget process. The Budget Committee will be updated with status reports on the discussions relating to the utility rate recommendations which occur.

### **Comprehensive Fee Schedule**

The business license fees for the 2018/2019 fiscal year are proposed to be increased for the first time in many years. Fees for Parks and Recreation, and Community Development for various activities have a cost of living provision that has been set up by previous City Councils to make sure those costs remain sufficient as inflation creeps forward. You can see those changes in the Community Development fees, Parks and Recreation fees, etc. Please review the fee schedules or other recommended changes for this upcoming fiscal year. Council adopts a new fee schedule each June. By having a comprehensive fee schedule, it assures that various rates and charges are reviewed on an annual basis. It also allows staff to have one point of reference for fees that are charged to avoid inappropriately charging the wrong amount for a particular service.

### **Proposed Expenditures**

In the beginning of the budget process, I encouraged departments to make requests for needs they identified to improve the operations of their departments. It is important for the Budget Committee to see these needs and to review the proposed budget as it relates to the requests from each of the departments. Throughout the budget, you can compare what was requested by each department and what is being proposed in the budget. Where changes occur, I have reduced the requested budget based on fiscal needs of the city as a whole. These are all subject to review and modification throughout the budget process by the Budget Committee and City Council.

There were a number of requests for additional positions within the city. They are shown on the summary list which follows. There were a number of positions that were prioritized by the City Council, but after compiling the budget for the upcoming fiscal year, it is my recommendation that only one of the requested full-time positions be filled in this year, as well as the addition of some part-time/intern positions which were requested in other departments. My primary concern, as outlined above, is that the city is not in a position

to expand its workforce over the next couple of years. The only full-time position that I am recommending is for a Public Works Director position. It is my belief that we need to have Engineering focus on the very aggressive infrastructure schedule we have in place, and allow for the day-to-day operations to be managed by a Public Works Director free from the obligations of the various projects and initiatives typically related to Engineering. I certainly appreciate the efforts that Public Works Director, Tim Gross, put into the role of City Engineer and operating the Public Works Department, but I do not believe this is a sustainable or advisable way to continue operating these departments. It is my thought at this time that the Public Works Director be established separate from the City Engineer which will report directly to me as City Manager. This will allow complete focus on the day-to-day operations of Public Works and allow complete focus on accomplishing the vast list of projects that need to be accomplished within the City of Newport. I will be meeting with Public Works Director, Tim Gross, and the department to finalize a recommendation to the City Council on the reorganization of the department.

The Council had identified a couple of other positions during the goal setting, which I tried to maintain in the budget process. As it became evident that funds were not available to recommend funding those positions, I had to reluctantly remove them from the proposed budget. It is important that the Budget Committee review each of these prioritized positions based on the goals from the City Council to determine whether that position should be created, and if so, whether we should not fund some other priority to offset the expense of creating a new position.

NEW & REQUESTED CHANGES IN STAFFING

Department	Position Requested	Proposed	Cost Wages/Benefits
Police	Add 1 FTE-CSO VRD	Yes	90,158
Park Maintenance	Add 3.15 FTE-Park Maintenance Worker (Vacant 2.6 and .55 existing)	Yes	179,213
Restrooms (Custodial)	Add 1 FTE-Custodial	Yes	59,837
	Remove .45 FTE-Parks Maintenance Worker	Yes	(36,067)
	Remove .45 FTE-Custodial	Yes	(28,785)
Public Works-Admin	Add 1 FTE - Public Works Director	Yes	124,546
	Add 1 FTE-Office Assistant	Yes	90,380
	Remove 1 FTE-Public Works Director	Yes	(161,969)
	Remove 1 FTE - Administrative Secretary	Yes	(74,865)
Public Works-Engineering	Add 1 FTE - City Engineer	Yes	161,969
	Add 1 FTE - Administrative Secretary	Yes	74,865
Street Maintenance	Remove .25 FTE - Office Assistant	Yes	(22,536)
Storm Drain Maintenance	Remove .25 FTE - Office Assistant	Yes	(22,536)
Water Plant	Remove 0.10 FTE-Park Maintenance Worker	Yes	6,694
Water Distribution	Remove .25 FTE - Office Assistant	Yes	(22,536)
Wastewater Collection	Remove .25 FTE - Office Assistant	Yes	(22,536)
Building Inspection	Add .47 FTE - Building Inspection Intern	Yes	14,875
60+ Activity Center	Change .50 FTE Office Clerk to .73 FTE Office Clerk	Yes	6,048
Swimming Poll	Add .73 FTE Lead Lifeguard	Yes	24,920
	Add .73 FTE Lead Lifeguard	Yes	24,920
Recreation Center	Add 1 FTE Facility Operation Coordinator	Yes	63,847
	Add .50 FTE Control Desk	Yes	12,097
Recreation Programs	Add .50 FTE Recreation Leader	Yes	12,097

In the course of preparing a proposed budget for the 2018/2019 fiscal year, a number of trends are impacting our ability to fund the various requested service levels by the departments and by the City Council.

A salary study was completed and implemented during the current fiscal year to evaluate salaries paid for various non-represented positions within the city to their counterparts in eight other cities, which included Lincoln City, Florence, North Bend, Astoria, Cottage Grove, St. Helens, The Dallas, and Dallas. LGPI did a comprehensive analysis of our job descriptions and compared them with similar job descriptions in other communities to develop an average wage paid for those positions as a composite of each community. Overall, most of our positions were significantly below the ranges paid by our competing cities. This is an issue which we believe has cost a fair amount of turnover, as employees gain experience in Newport and then move to another city where the compensation for that position was better than what we offered in Newport. The remaining steps of the wage study are implemented in 2018/2019, with 75% of the adjustment being implemented, with the final full adjustment being implemented in the 2019/2020 fiscal year. Furthermore the city is seeing significant increases in the cost for health insurance and is impacted by the Public Employees Retirement System of Oregon (PERS) which continues to impact all public employers who have employees covered by this retirement system. Please note that in the City of Newport only Police and Fire uniformed positions are included in the PERS system. All other employees are included in a City of Newport retirement system, which has experienced a much more stable outcome.

In addition, as a result of the salary study, there were significant adjustments made in the compensation schedule for our part-time employees. In reality, the starting minimum wage in the city is around \$11.00/hour (the typical rate advertised by Taco Bell and other similar employers), which was creating a revolving door of employees in our Parks and Recreation system. We have implemented rates to get all our rate schedules above the minimum wage, and hire people in amounts that are consistent with the starting wages typically found in Newport. We will be evaluating this to see how these adjustments impact our stability in part-time employees as well.

The Room Tax Fund (230) receives the portion of the room tax that must be used for specific purposes in accordance to Section 3.05.150 of the Newport Municipal Code. These provisions are as follows:

“at least 46% of the room revenue shall be used for tourism promotion, and tourism related facilities. The city may accumulate funds dedicated to tourism and promotion, and tourism related facilities in such funds will be considered to be used for tourism promotion, and tourism related facilities. The City Council shall have the authority to determine which facilities are tourism related. The City Council may determine that some facilities are in part tourism related facilities, and funds reserved for tourism related facilities may be used to cover an equivalent portion of the cost of such facilities.”

The allocation of the Room Tax Funds for tourist related facilities are as follows in the proposed budget:

ROOM TAX TOURISM RELATED FACILITIES
-------------------------------------

Library	2.5%
Parks Maintenance	50.0%
Public Restroom Facilities	90.0%
Piers & Boardwalks	90.0%
Performing Arts Center	40.0%
Visual Arts Center	55.0%
Street Lights	30.0%
Facilities Administration	32.0%
Recreational Fund	18.0%
Airport	10.0%

Please note, that by adoption of the budget, the City Council determines which facilities, or which part of facilities are tourism-related and eligible to be funded from the portion of the room tax to be used for tourism promotion and tourism-related facilities.

### **Proposed Equipment Purchases**

For the 2018/2019 Fiscal Year, these include a number of replacement vehicles for Public Works, Parks, and the Police Department, membrane module replacement for the Water Plant, and a “set aside” for the ultimate purchase of a replacement of a sewer vacuum and jet truck, as well as miscellaneous equipment for the Recreation Department. One item that has been requested, but not addressed in the proposed budget, is the potential acquisition of a fire boat in the amount of \$950,000 with \$750,000 in FEMA funds if approved. Note it is unlikely that a fire boat would be purchased in this next fiscal year, but if the opportunity to apply for funding arises, the City Council could consider approximate funding at that time. I do have concerns as to our ability to utilize local funds to match the federal grant for the purchase of the boat, and I have concerns about our capacity to finance paying for the operation of the boat as well. I think this is an issue that needs to have further discussion by the Budget Committee and City Council before proceeding.

### **Proposed Capital Projects**

There is a significant list of capital projects that were requested with most of these projects being proposed. One area which has been difficult to fund projects is where the source of funding is either the General Fund, or the Room Tax Fund. This funding is needed for HVAC system replacements, major infrastructure, facilities, parks, and other similar items funded by the General Fund. The cost for dealing with a number of these issues is staggering with the Library HVAC system as designed with an estimated cost of over \$600,000, City Hall’s HVAC system at over \$590,000, and the Recreation Center HVAC system at over \$400,000. My concern is that many of our facilities were built utilizing non-General Fund dollars (Urban Renewal Funds were commonly used) and now those structures are requiring major reinvestment in order to keep them in good shape to continue serving the public. In addition to HVAC systems, these buildings will be needing, in the not too distant future, replacement of roofs, windows, and other significant costs will

be required as well. I believe that the Budget Committee should give some thought to considering a limited time levy that would have to be approved by the voters to make specific repairs to update these facilities with that levy having a limited duration (three to five years). This would allow the city to be able to catch up with these improvements. However, these improvements would have to be justified to the taxpayers in order to find funding. For other projects, sources of funding have been identified through our utility funds and other sources of funds separate from the General Fund, which facilitates us completing these projects. The city is undergoing the long-term reconstruction of much of our water and wastewater infrastructure. The city will be realizing a few additional dollars in transportation funds with the transportation funding package approved by the State Legislature last year. This will allow us to more aggressively address road issues,

The South Beach Urban Renewal District has significant resources to continue with projects there, including the S.E. 35<sup>th</sup> Street and Highway 101 intersection work. A complete listing of capital projects is included in the budget for your review.

### **Urban Renewal Agency**

The City Council acts as the governing body for the Urban Renewal Agency for the City of Newport on all matters of business. As part of the budget process, the Budget Committee also serves a dual purpose. There are currently three Urban Renewal Districts in the City of Newport. The South Beach Urban Renewal District Fund (270) has been established for many years. A number of projects that have been completed in this district that have been bonded. The tax increment received in this district is used to pay back those bonds. In addition, the funds that exceed the required bond payments can be used to fund projects in the district as well.

Fund (271) is for the new Northside Urban Renewal District. This district has been established and is receiving its third tax increment revenue during this proposed fiscal year. The Northside Urban Renewal District is receiving enough funds to initiate some of the planning efforts that will focus first on the City Center, and the Highway 101/20 Corridor. This will facilitate planning that will be done jointly with ODOT to address both community development issues, and transportation issues through this corridor. It will be a few years before this district will have the capacity to bond for future projects.

The final Urban Renewal District is Fund (272) for the McLean Point Urban Renewal District. This district consists of the industrial/port property located at, and adjacent to, the International Terminal. Funding for this district will not start in any significant way until the lease between the private owners of McLean Point is terminated with the Port. Once this lease terminates, a portion of McLean Point will become taxable, which will then generate a basis for the collection of a significant tax increment that can be used to facilitate utility extensions to this property.

Currently the tax increment for Fund (270) goes to Fund (304), which is a debt fund for the South Beach Urban Renewal District. This is the fund that pays the various bonds that have been incurred for this district. We are anticipating just over \$2,000,000 coming into the South Beach Urban Renewal District in the 2018/2019 Fiscal Year. The anticipated debt requirements (principal and interest) will be paid in 2018/2019 with an amount just over \$1.5 million. The Northside Urban Renewal District is anticipated to

capture \$410,000 in 2018/2019, and as reported earlier the McLean Point Urban Renewal District is not anticipated to capture any significant funds in 2018/2019.

### **FUND BALANCE IN 2018-2019**

Resolution No. 3748 provides guidance to the city administration, the Budget Committee, and the City Council regarding the maintenance of unappropriated ending fund balances, reserves for future expenditures, and contingencies for the various operating funds. ORS 294.388 requires that funds not specifically appropriated be kept in an operating contingency for the amount reasonably expected to be spent on unidentified operating expenses, and unappropriated ending fund balance. The unappropriated balance is an amount set aside in the budget to be carried over to the next year's budget to cover cash flow, with remaining funds being placed in a reserve for future expenditure, which is available for future years use. Please note that the reserve for future expenditure and the operating contingency can be appropriated by the City Council through the course of the fiscal year as part of a supplemental budget in accordance with ORS requirements. The unappropriated ending fund balance can only be used when an emergency has been declared by the City Council.

Resolution No. 3748 also establishes thresholds for these savings accounts. As part of the policy, the Budget Officer is to advise the Budget Committee and City Council when these funds fall more than 10% outside of the established parameters for the various types of funds. This year in the proposed budget, there are four (4) funds that need to be noted that fall outside of these parameters. In the General Fund, the contingency and unappropriated ending fund balances meet our policy guidelines; however, the reserve for future expenditures is about \$330,000 below the targeted range established in the policy. I am not overly concerned since our budget anticipates fully staffed positions in all departments through the course of the fiscal year. This never happens and I believe at the end of the fiscal year our reserve for future expenditures will fall within the range established in our policy.

The Room Tax Fund (230) has sufficient contingency but is below the target on the unappropriated fund balance. I do not see that as having a material impact on this fund; however, we need to be cautious about utilizing the contingency throughout the course of the year.

Fund (240), the Building Inspection Fund is significantly above the threshold guidelines for the reserve for future expenditures. Building trends often times are cyclical between a very busy period of time when there is a great amount of construction followed by periods of time when there are fewer construction projects. We will monitor these funds to determine whether any action needs to be considered in future years regarding this fund. Please note, these funds cannot be transferred for other uses since state law requires that fees collected for various building permit activities be utilized specifically for that purpose.

Finally, our newest fund, Facilities Fund (711) had no reserves or contingencies when established. This is a fund that is supported by other operating funds. With this fund, we have been able to establish the adequate level of contingency this year; however, the unappropriated fund balance is under the amounts recommended in the fund balance



policy. As we continue to build this fund over the next couple of years, I believe we will be able to have this newest city fund meet the recommendations of Resolution No. 3748 regarding funds supported by transfers.

Otherwise, the contingencies, reserves, and unappropriated fund balances are consistent with Resolution No. 3748 for our various operating funds.

## **FUTURE BUDGET ISSUES**

The proposed budget for the 2018/2019 Fiscal Year presents a number of areas of concern looking forward for future budgets. The primary concern relates to various personnel costs. During the recession, the city eliminated a number of positions in departments in order to bring the budget into balance. As the economy recovered, the financial picture for the city improved, and as specific needs surfaced, a number of positions have been created in recent budget years. Furthermore, with the improving economy, pressures have been placed by increasing wages and limiting available workforce, with the city having a difficult time attracting and keeping employees. As we were reviewing the reasons people left, it was often over the issue of compensation, and costs for living on the coast. This turnover and difficulty in filling positions impacted our ability to provide services in certain departments when these longer term vacancies occurred. The city commissioned a salary study as part of the negotiations with the Newport Employee Association to look at compensation of like-size cities on the coast, and other cities outside the metropolitan areas of the state. As a result, the city was significantly lower on the salary scale as it related to other similar communities competing for the same workforce. The adjustments for the salary study are being implemented over four fiscal years, with the final adjustment being implemented in the 2019/2020 Fiscal Year. Furthermore, the city continues to feel the pinch on other costs, such as the Oregon Public Employee's Retirement System (PERS), healthcare costs, which will increase for the proposed fiscal year by over ten percent, and costs for various construction activities escalating at a much greater rate than the rate of inflation. Please note that most of these pressures felt by the city's General Fund, which bears the biggest burden of our human resource costs, and is the fund that has the least flexibility in adjusting various rates and costs. Also, it is the General Fund, either through direct expenditures or transfers to other funds, that bears the burden for addressing substantial and significant maintenance issues with many of our city facilities, and pedestrian, bike, and park improvements as well.

Upon completion of the budget for the 2018/2019 Fiscal Year, it is my intent to begin focusing on how the city can meet the financial needs and expectations of the city over the next five (5) year period. This may include consideration of going to voters for a short-term, special levy to meet specific infrastructure requirements.

I intend to schedule three (3) work sessions with the City Council during the remainder of 2018 to specifically discuss these longer term issues. The first work session will be scheduled for June 18, the second on September 17, and the final work session will be scheduled for December 7. It is my goal to develop a longer range financial plan for how to proceed with addressing a number of operational cost issues, as well as long term infrastructure issues that will need to be addressed by the city over the next decade. It is my hope this financial plan will provide guidance on the impact of any financial decisions

that the Budget Committee and City Council will need to make over a much longer period of time.

## **COMMUNICATIONS**

Attached to this budget message are several communications regarding appropriation requests by various organizations for the 2018/2019 Fiscal Year. Funding has been included in the budget as requested for operations. Please note, the Oregon Coast Council for the Arts is also requesting participation by the city in the Phase 7 fund raising effort for "Entertain the Future". This final phase is estimated to be a \$2.5 million project. OCCA has raised \$450,000. The Oregon Coast Council for the Arts is requesting that the City Council consider a total contribution of \$600,000 appropriated over two (2) fiscal years to help meet their specific goal. The proposed budget has included a \$150,000 from the 2018/2019 Fiscal Year as a first installment to this request. These requests are subject to review, possible adjustment, and approval through the budgeting process. The attached request letters are as follows:

- Oregon Coast Council for the Arts (OCCA) - Capital campaign request
- Oregon Coast Council for the Arts (OCCA) - Operating request
- League of Oregon Cities (LOC)
- Oregon Coast Zone Management Association
- The Oregon Cascades West Council of Governments

## **BUDGET SUBMISSION**

Pursuant to Chapter VIII, Section 34(d)(6) of the City Charter, I have prepared and hereby submit to the Budget Committee, for the City of Newport, the proposed budget for the fiscal year beginning July 1, 2018 and ending June 30, 2019 for your review, modification, and approval.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "S. Nebel", is written over a faint, light blue circular stamp.

Spencer R. Nebel, City Manager



## OREGON COAST COUNCIL FOR THE ARTS

*OCCA promotes and provides high-caliber  
arts experiences on the Oregon coast.*



*Entertain the Future!*

A CAPITAL CAMPAIGN TO EXPAND & ENHANCE THE NEWPORT PERFORMING ARTS CENTER

### Budget Request

March 26, 2018

Spencer Nebel, City Manager  
City of Newport  
169 SW Coast Highway  
Newport, Oregon 97365

Dear Spencer,

On behalf of the Oregon Coast Council for the Arts capital campaign we are pleased to submit this request for funding Phase VII of "Entertain the Future."

The City contributed approximately 16.6% of the \$1.5 million in expenditures to complete Phases I – VI. The other 83.4% was raised through private donations, foundations, and grants by the OCCA.

Phase VII is the culmination of the campaign and includes the most ambitious and expensive expansion and enhancement of the Performing Arts Center.

It includes complete renovation of the Studio Theatre to provide a new performance space, new sound and lighting systems, upgraded infrastructure and acoustics, additional back stage rooms, and new seating that will allow the Studio Theatre to operate as a stand alone and complimentary performance area to the Alice Silverman Theatre. The plans also include a new piano rehearsal space. The attached brochure fully explains the Phase VII expansion and enhancements.

The cost of this final phase is estimated to be \$2.492 million. Of this amount, OCCA has already raised approximately \$450,000. Working with a respected and successful consultant we believe we can raise an additional \$1.442 million in grants and donations leaving us with approximately \$600,000 to be raised from other sources.

(over please)



Our request is that the City provide this \$600,000 over two fiscal years (\$300,000 in FY 18-19 and \$300,000 FY 19-20). This constitutes a City contribution of approximately 24% of the total cost. That means we will raise and commit over three dollars for every one dollar the City provides towards completion of the campaign.

We understand that each fiscal year's decision making must stand alone; but a commitment to the first year's funding, and a pledge, subject to budget approval, in the second fiscal year, will allow us to leverage additional foundation and granting agency funding as we move forward to raise the remaining monies.

Since the Performing Arts Center is a public building owned the City of Newport we will continue to work closely with City officials and staff to comply with all requirements under law for completion of this project.

It is only through the cooperative efforts of OCCA and the City to provide public and private financing of these enhancements that the project has succeeded so far. With additional City funding we are on track to reach a successful conclusion of the final phase.

Thank you for consideration of our request.

OCCA Capital Campaign  
Committee

OCCA Board

Catherine Rickbone  
OCCA Executive Director





# OREGON COAST COUNCIL FOR THE ARTS

*OCCA promotes and provides high-caliber arts experiences on the Oregon coast.*

## Budget Request – Revised

March 27, 2018

Spencer Nebel, City Manager  
City of Newport  
169 SW Coast Highway  
Newport, Oregon 97365

Dear Spencer,

Staff is key to any organization or governmental entity. Staff carries out our mission and assigned tasks and duties. Recently OCCA experienced an unprecedented situation when three longtime key employees at the Newport Performing Arts Center retired in a span of 12 months. They had been with us for 29, 28 and 25 years. OCCA is in the process of filling major staff positions, and we now have a new OCCA Bookkeeper/Business Manager and a new PAC Operations & Rentals Manager/Technical Director.

Additionally, OCCA is working to retain other staff positions (at the PAC and VAC) at fair and competitive wages and benefits while trying to attract support staff. With the low unemployment rate, competition for fewer workers, coupled with little affordable housing in the county, the impact on our ability to attract employees is significant.

The days of hiring and retaining support staff for \$10-\$12 per hour are gone. The days of attracting and retaining middle management for \$12 - \$15 per hour and attracting and retaining senior leadership at \$20-\$22 per hour are over.

The management and operations of any City-owned building are a significant undertaking that necessitate qualified staff to run the operations. The management arrangement between OCCA and the City is an enormous benefit to the City and the challenge of putting together a competitive employment package plus modest benefits, still well below those enjoyed by most city employees, require more funds. OCCA must recruit qualified people that are acceptable in these highly visible positions that impact the buildings, the community and are a reflection on the OCCA and the City.

Last year OCCA proposed increased funding for management of the PAC and VAC over several years so that by FY '19 -'20 the amount would be \$173,065. In an email last April 12 you indicated that this was doable. We appreciate Year One of this multiyear catch up and we now are requesting \$15,519 for FY '18 -'19 for a management total of \$160,000 for FY '18 -'19. (OCCA realizes that a new five-year agreement is in progress and when it is negotiated and resolved adjustments can be made later from a revised management agreement.)



# OREGON COAST COUNCIL FOR THE ARTS

*OCCA promotes and provides high-caliber arts experiences on the Oregon coast.*

From our yearly Management Highlights Reports to the City, OCCA provides a significant share of the total management costs of the PAC and VAC. The ability of OCCA to increase its portion of this partnership, through earned and contributed income, is reaching its limit. Please see below.

FY '16 -'17 = \$258,745 total PAC/VAC management cost.  
City Contract = \$129,605 (50.1%) and OCCA Funds of \$129,140 (49.9%).

FY '15-'16 = \$254,980 total PAC/VAC management cost.  
City Contract = \$116,453 (45.7%) and OCCA Funds of \$138,527 (54.3%).

FY '14-'15 = \$234,066 total PAC/VAC management cost.  
City Contract = \$115,300 (49.3%) and OCCA Funds of \$118,766 (50.7%).

FY' 13-'14 = \$223,666 total PAC/VAC management cost.  
City Contract = \$112,500 (50.03%) and OCCA Funds of \$111,166 (49.7%).

Some further information about this beneficial public/private business relationship is noted below.

**ONGOING Facilities Upgrades:** OCCA has launched the \$2.5M Phase 7 "Entertain The Future" Newport Performing Arts Center Capital Campaign.

**OTHER facilities upgrades PAC:** OCCA raised over \$1.5M for the PAC "Entertain the Future" Capital Campaign that includes Sound, Meyer Constellation Acoustic System, Alice Silverman Lighting and Signage, expanded PAC Lobby and Women's Restroom. OCCA also implemented upgrades to the PAC security system in excess of \$2,500.

**OTHER facilities upgrades VAC:** An Oregon Community Foundation donor advised grant of \$25,000 has been received to apply toward VAC upgrades. Also, a grant for \$15,000 from the Ford Family Foundation was secured by OCCA and VAC capital improvements in the Runyan Gallery flooring, front stairs, 2<sup>nd</sup> floor hallway, etc., were completed. The VAC Steering Committee, started by the OCCA, is made up of community members, VAC building partners, OCCA board and staff and the City of Newport and meets monthly to help govern the building.

**Ongoing expenses:** PAC & VAC liability insurance and PAC utilities.

**Economic Impact:** For FY '16 -'17 PAC and VAC programming contributed \$907,758 in economic impact to Newport.



# OREGON COAST COUNCIL FOR THE ARTS

*OCCA promotes and provides high-caliber arts experiences on the Oregon coast.*

**Economic Impact:** The 2016 Americans for the Arts “Arts & Economic Prosperity 5” national study reveals, through local surveys, that the arts are a \$10.4 million industry in Lincoln county. Of course, arts organizations across the county participated, but we know the Newport Performing Arts Center is a major contributor to these figures.

The arts mean business in Newport and Lincoln County and the Performing Arts Center and the Visual Arts Center are major players in cultural tourism.

Thank you for your consideration of our FY 2018-2019 budget request and the opportunity to manage two outstanding community resources and tourist attractions. OCCA has always experienced a good relationship with the City and we thank you for the public/private partnership.

Mark Farley  
OCCA Board President

Wayne Belmont  
OCCA Board Secretary

Catherine Rickbone  
OCCA Executive Director



RECEIVED  
FEB 12 2013  
CITY OF NEWPORT

***This is not an invoice; for budgetary purposes only***

February 9, 2018

FY 2018-2019 LOC Annual Dues Budget Information

City: Newport

Population 10215

*PSU July 2017 Population Survey*

Total FY 2018-19 Annual Dues: \$7,540.145

*This is for budgetary purposes only; **DO NOT PAY at this time.***





**Oregon Coastal Zone Management Association**  
1201 Court Street • Suite 300 • Salem, Oregon 97301 • 541-265-8918 • [www.oczma.org](http://www.oczma.org)

December 20, 2017

Councilman David Allen  
City of Newport  
169 SW Coast Highway  
Newport, OR 97365

*Submitted by electronic mail to: [dnallen@actionnet.net](mailto:dnallen@actionnet.net), [s.nebel@newportoregon.gov](mailto:s.nebel@newportoregon.gov)*

RE: OCZMA DUES REMINDER FOR FY 2017-2018

Dear Newport City Councilmembers,

As a member of the Oregon Coastal Zone Management Association (OCZMA), please support the coast's only association representing all local governments by submitting a modest dues payment of \$500 for FY 2017-2018.

Since our beginning in 1975, OCZMA has played an important role in issues affecting our communities and natural landscapes on the Oregon coast. We've provided leadership and a unified voice for local governments on a broad range of issues from commercial and recreational fisheries to land use policy, timber payments to marine reserves, wave energy, port infrastructure, broadband access and much more. And continuing this 42-year tradition is of utmost importance>

Several years ago, OCZMA's Executive Board began the process of restructuring the association to maximize operations and efficiency without raising costs. This involved contracting with the Association of Oregon Counties (AOC) rather than maintaining in-house staff. This decision allowed us to reduce overhead costs and has provided us with access to a professional team of policy specialists to work on behalf of our jurisdictions on the coast. We've continued to work to fine-tune our processes, including launching a legislative committee of representatives from coastal counties, cities, ports and soil and water conservation districts to direct lobbying efforts. The committee met on an ad hoc basis during the 2017 legislative session to review bills and guide staff efforts in the Capitol. A summary of our positions and the results of our advocacy is included with this letter.

It remains critical for local governments to have a forum to come together to share information and, when possible, advocate on issues at the state and federal level with a unified voice. **Your involvement and dues payment will ensure OCZMA can continue to serve as this forum and advocate for the needs of Oregon's coastal governments and communities. Please submit your dues payment for FY 2017-2018 as soon as possible.**

**City dues for FY 2017-18 are: \$500**

Our coastal voices and perspectives must continue to be heard into 2018 and beyond. The continued viability of OCZMA and our work depends on your support.

Thank you for your consideration of this important matter.

Sincerely,

Scott Lee, OCZMA Chair (Clatsop County Commissioner)



**Oregon Coastal Zone Management Association**  
1201 Court Street • Suite 300 • Salem, Oregon 97301 • 541-265-8918 • [www.oczma.org](http://www.oczma.org)

**Designated Representative and Alternate to the  
Oregon Coastal Zone Management Association (OCZMA)  
FY 2017-2018**

**Most recently communicated**  
**Representative:** Councilman David Allen  
**Alternate:** Spencer Nebel

Member Jurisdiction: \_\_\_\_\_

Designated Representative (must be an elected official): \_\_\_\_\_

Email: \_\_\_\_\_ Phone: \_\_\_\_\_

Designated Alternate (can be an elected or non-elected official): \_\_\_\_\_

Email: \_\_\_\_\_ Phone: \_\_\_\_\_

Address to which materials should be sent: \_\_\_\_\_

Approved or submitted by: \_\_\_\_\_ Date: \_\_\_\_\_

**Please email completed form to:** [accounting@oregoncounties.org](mailto:accounting@oregoncounties.org)

**Thank you!**

\*\*\*\*\*

**OCZMA BYLAWS  
(Article III, Membership)**

Section 1. Any county, city, port or SWCD within Oregon's Coastal Zone may become a Member of the Association by adopting a Resolution joining the Association. Each Member entity shall designate a representative and alternate to the Association. In the absence of the representative, the alternate shall have all of the representative's responsibilities and authority.

Section 2. Representatives to the Association must be an elected official of the jurisdiction.  
Alternates selected by the jurisdiction may be elected or non-elected representatives.

Section 3. At the beginning of the fiscal year, the Association will request from Member entities the names of the representatives and alternates to the Association who will represent the jurisdiction during the year. If any time during the year, a Member wishes to change its representation to the Association, it may do so by notifying the Chair of the newly designated representative and/or alternate.

Section 4. The Association may create associate and other non-voting memberships with privileges and assessments as deemed appropriate in support of the Association's purposes, activities and finances. No associate or other non-voting member shall be entitled to be appointed or elected to the Executive Board or otherwise vote on Association matters.



## Oregon Coastal Zone Management Association

### 2017 Legislative Session Summary

July 31, 2017

Oregon's 79<sup>th</sup> Legislative Assembly adjourned a historic and contentious legislative session on Friday, July 7th. Despite controversies over the budget, revenue, cost-containment measures and the long-term fiscal health of the state, the Legislature succeeded in balancing the budget and passing a \$5.3 billion transportation package. They also passed a major hospital and insurance provider tax to help pay for health care for about 375,000 Oregonians who gained coverage through the Affordable Care Act (Although a ballot measure to repeal this tax may be forthcoming); raised the age Oregonians can purchase tobacco to 21; gave judges the authority to take guns away from suicidal or dangerous individuals; allocated additional money to increase housing supply and support services for homeless Oregonians; increased the state's education budget by 11% this biennium; and changed the law to allow 16-year-olds to preregister to vote.

Throughout the session, OCZMA's leadership and staff took positions on and advocated for a slate of bills specifically affecting our ocean, beaches, and coastal communities. Overall, the 2017 session was a good one for ocean and coastal issues, especially in light of the state budget crunch. OCZMA played a role in crafting and promoting state legislation and supporting key efforts of the legislative Coastal Caucus, which continues to provide unified bicameral and bipartisan leadership on coastal issues.

- **SB 867 – Maritime Workforce Development Task Force**

The flagship bill introduced by the legislative Coastal Caucus at the request of OCZMA, SB 867 creates the Task Force on Maritime Sector Workforce Development to begin the process of identifying and defining the scope and extent of the maritime sector as an economic driver in Oregon and provider of family wage jobs. The task force will be staffed by the Association of Oregon Counties and will develop recommendations for the State Workforce Investment Board that incorporates the maritime sector into the statewide workforce investment system plan. The bill also declares a state policy to promote coordinated provision of education, employment, economic development and job training to support maritime sector in Oregon.

- **HB 3149 – The Oregon Coast Trail**

Requires State Parks to develop a plan to finish and fund the remaining gaps in the Oregon Coast Trail so it runs the entirety of our coastline. AOC/OCZMA staff continue to work as a part of a coalition of stakeholders committed to developing a cohesive, collaborative plan to complete the trail and take advantage of all the economic opportunities it presents.

- **SB 1039 – Ocean Acidification and Hypoxia**

Declares state policy on ocean acidification and hypoxia and establishes the Oregon Coordinating Council on Ocean Acidification and Hypoxia, which is required to report to the Legislative Assembly and Ocean Policy Advisory Council on their activities and recommendations during even-numbered years.

- **HB 2784 – Shellfish Health**

Designates the Oregon Department of Agriculture as the lead agency responsible for the administration of programs and policies relating to commercial cultivation of oysters, clams and mussels. It also establishes a pilot project to increase the frequency of water quality monitoring and analysis related to shellfish harvesting.

- **Ports** – a series of four bills relating to ports also passed and have been signed by the Governor:

- HB 2899 allows ports to enter into an intergovernmental agreement for any purpose permitted under ORS chapter 190.

- HB 2900 allows ports to advertise their activities and the activities of others using port facilities.
  - HB 2901 increases the threshold of real property value that requires a port to obtain an additional appraisal before purchase.
  - HB 2902 clarifies port authorization to acquire, construct, maintain and operate shipyards.
- **SJM 7 – Coast Guard Facility in Newport**  
Asks Congress to authorize and appropriate funding for the U.S. Coast Guard's air facility in Newport in to perpetuity.
  - **HCR 8 – Oregon Beach Bill**  
Celebrates the 50th anniversary of Oregon's Beach Bill

In addition, many important projects in coastal communities were funded by the Transportation Package (HB 2017) and what is commonly dubbed the “Christmas Tree Bill” (SB 5529), which is assembled by the Joint Committee on Ways & Means at the end of session to allocate funds for various projects.

### **The Transportation Package**

As previously noted, 2017 was a historic year for transportation in Oregon. The bipartisan passage of HB 2017, the largest transportation funding bill in Oregon history, was undoubtedly the signature moment of this year’s session and the product of several years of challenging work.

The Joint Committee on Transportation Preservation and Modernization (JCTPM), which had toured the state throughout 2016, was kept intact and quickly set to work on developing a comprehensive transportation funding bill. The JCTPM also operated in a much more transparent fashion than prior transportation package efforts, with five workgroups meeting in the evenings with all stakeholder groups invited to contribute to the process. The five workgroups focused on maintenance and preservation, freight mobility and congestion, public transit and safety, multi-modal transportation and accountability.

The program duration is seven years and the maintenance, preservation, and seismic upgrades will be financed through a gradual increase in the motor fuels tax and a one-time increase to motor vehicles registration and titling fees.

Transit funding is also a critical component of the bill and establishes a 1/10 of 1% statewide employee payroll tax, with proceeds going to the Statewide Transportation Improvement Fund. 90% of the fund will be distributed to counties without a mass transit district or transportation district, mass transit districts, transportation districts, and federally-recognized tribes. 5% will support a competitive grant program established by the commission, 4% to improve public transportation services between two or more communities and 1% to support a technical resource center at ODOT for rural areas.

Connect Oregon was modified and divided into two parts. Connect Oregon Part I consists of transportation projects that involve, air, marine, rail, and bicycle and pedestrian projects. Connect Oregon Part II consists of projects of statewide significance that enhance or maintain air, marine, Class I, Class II or Class III railroads. How Connect Oregon is implemented will depend on how much is available during each biennium.

Of particular interest to the coast, the measure funds operation of the state-owned portable dredge by setting aside the revenue from 2¢ per gallon on fuel used in power boats that would normally be transferred to the Oregon State Marine Board. The money will be transferred to the Marine Navigation Improvement Fund within the Oregon Business Development Department to fund the cost of maintenance dredging projects in publicly-owned ports and marinas. The amount transferred to the Marine Navigation Improvement Fund is anticipated to be approximately \$275,000 per year.

Other key components of the bill include changes to the Cleans Fuels program, several jurisdictional transfers, zero-emission and electric vehicles rebates, increased money for the Safe Routes to Schools Program, and direction to ODOT to establish a value pricing and tolling on both I-205 and I-5.



Oregon Cascades West Council of Governments  
1400 Queen Ave. SE Suite 201  
Albany, OR 97322  
Phone: (541) 967-8720  
Fax: (541) 967-6123  
Federal Tax ID: 93-0584306 CFDA No.

# INVOICE

Date: 2/1/2018

Invoice No. FY 18-19

Vendor No:

Attention: Mr. Spencer Nebel  
City Manager  
City of Newport  
169 SW Coast Highway  
Newport, OR 97365

## DESCRIPTION:

**Annual Membership Dues for Fiscal Year 2018-19**  
**(July 1, 2018 through June 30, 2019)**

## Deliverables

## Total

**\$11,607.06**

-  
-  
-  
-  
-  
-  
-

**TOTAL: \$ 11,607.06**

## Other Comments

1. Total payment due July 1, 2018
3. Make check payable to:  
Oregon Cascades West Council of Governments  
Attn: Finance Department  
1400 Queen Ave. SE Suite 201  
Albany, OR 97322

*Thank You For Your Business!*



1400 Queen Ave SE • Suite 201 • Albany, OR 97322  
(541) 967-8720 • FAX (541) 967-6123

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February 1, 2018

City Manager Spencer Nebel  
City of Newport  
169 SW Coast Highway  
Newport, OR 97365

**RE: Fiscal Year 2018-2019 OCWCOG Member Dues**

Mr. Nebel,

Attached is your membership dues invoice for the Fiscal Year (FY) 2018-2019, as approved by the Oregon Cascades West Council of Governments' (OCWCOG) Board of Directors in January 2018. Member dues are adjusted annually based upon the current population estimate for each jurisdiction and the Portland Consumer Price Index.

Your member dues are used to match Federal and State dollars to fund your community programs, projects, and services. For example, your dues match, as required by State law, our Medicaid transfer dollars and allow us to determine eligibility and provide support to Medicaid clients. Your dues are also used to match, as required by Federal law, our funding for our Economic Development District, which allows us to access Federal money for economic development and develop a five-year Comprehensive Economic Development Strategy for our region. Therefore, while member dues are a very small portion of the OCWCOG budget, about 1%, they are very important for the programs and projects that we administer in your community.

Historically, dues are assessed for three areas: General Dues; Community Development (CD); and Transportation (Trans). General Dues are distributed based by program size and full time employees; therefore, the majority of these dues are applied toward match for the Senior and Disability Services program. Community Development dues are assessed for the services that are provided by OCWCOG's Community and Economic Development program, and the Transportation dues provide the OCWCOG's Community and Economic Development staff the increased capacity to work on transportation programs.

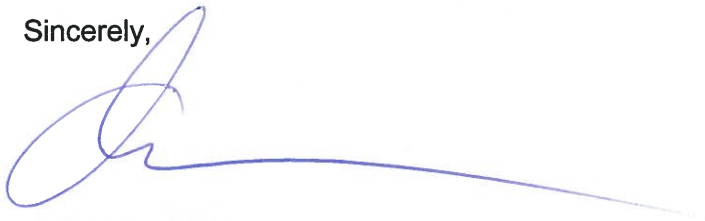
The OCWCOG Board of Directors sets the total amount of transportation dues at a \$15,000 maximum. Members with populations under 5,000 are assessed a flat \$250. Larger members are assessed the \$250, plus .036 per capita. Port districts are assessed only the Community Development and Transportation dues; and the Counties are assessed for the population outside of city boundaries.

A breakdown of your Member Dues are as follows:

Member	FY2018 Dues	Population Estimate	FY2019 Dues				Total FY2019 Dues	Change from FY2018
			General Dues	CD Dues	Trans Dues	Special Projects		
Newport	\$11,121.22	10,190	\$7,815.73	\$2,618.83	\$619.78	\$552.71	\$11,607.06	\$485.82

If you need any further information about this dues notice, and/or would like a copy of this year's *Work Program and Budget*, please call me at 541-924-8470. If appropriate, I would be pleased to attend a meeting of your Council to provide more details about OCWCOG services.

Sincerely,



Fred Abousleman  
Executive Director

Enclosed: Membership Dues Invoice

Cc: Councilor Dean Sawyer, OCWCOG Board Member