



CITY OF BEND

# **2023-2025 Biennial Budget Deliberations**

**Eric King, City Manager**

**Sharon Wojda, Chief Financial & Administrative Officer**

May 22, 2023

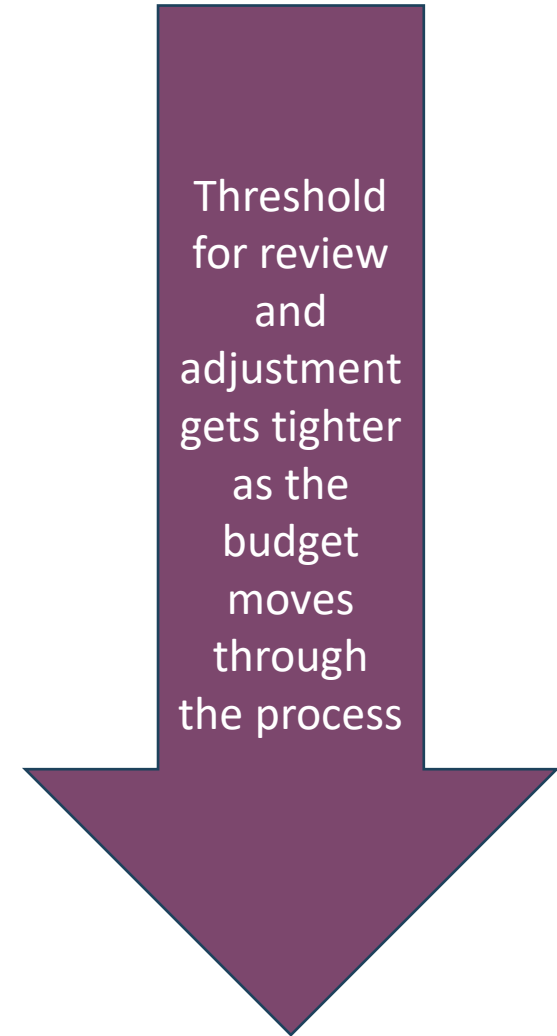
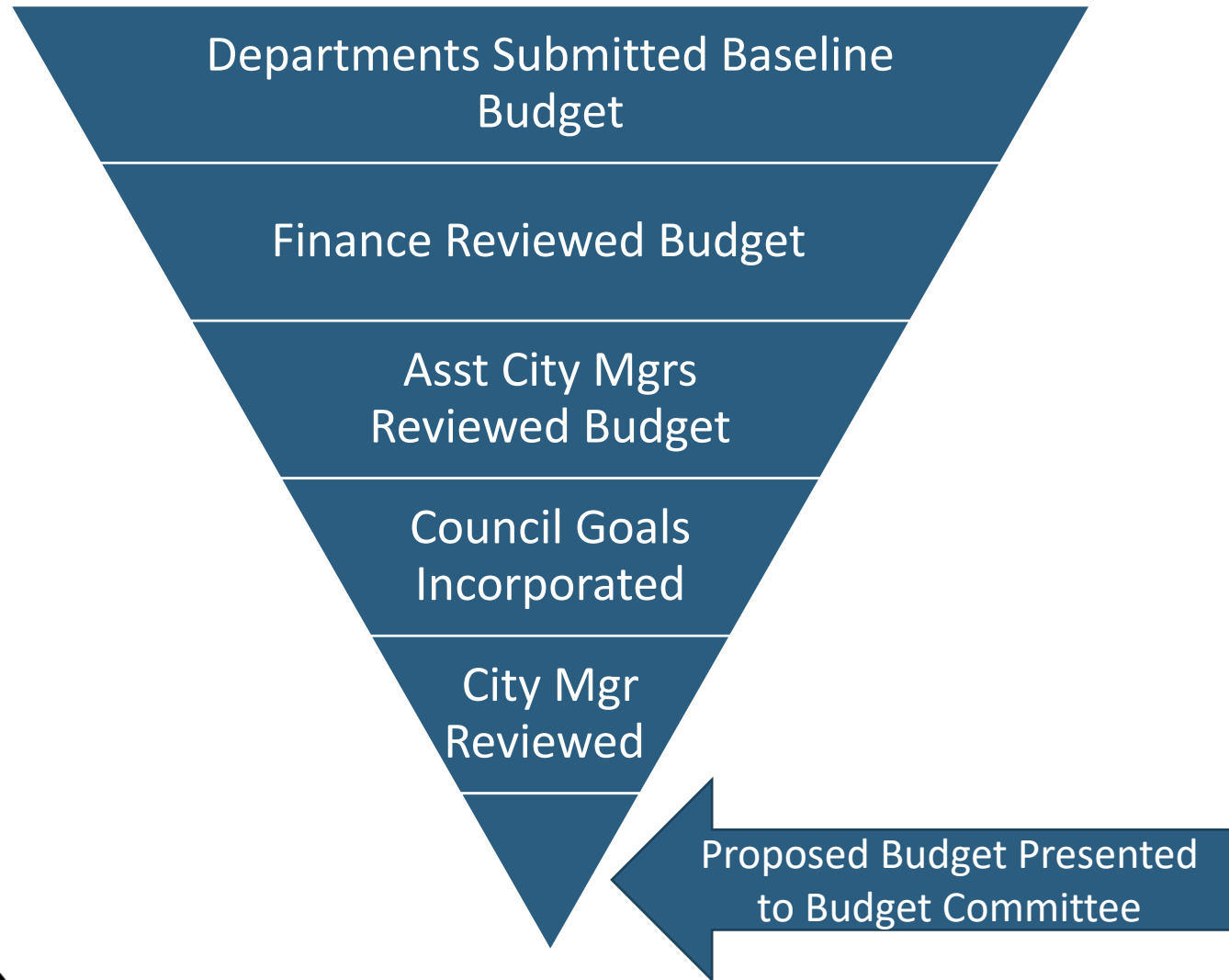
# 2023-2025 Biennial Budget Key Messages



- Track record of high performance
- Pressures on general fund with constraints on property tax revenue
- Funding increases will be needed to keep operations at the current level or service levels may need to be reduced



# Budget Development Process



# Budget Areas of Focus

## Transportation Operations

Implementation of transportation fee or other revenue sources needed to maintain current level of service.

## Community Development

Development activity flat and historical fee increases were limited. Conducting external fee study to determine recommended fee increases.

## Shelter Operations

No General Fund revenues available to support shelter operations beyond current fiscal year. Reliant on state/federal revenues.

## General Fund (including Public Safety)

Revenue growth is limited due to reliance on property taxes.



# 2023 Funding Strategy

# Property tax revenues are limited by state law, and Bend has one of the lowest property tax rates in the state.

Legislatively cut-and-capped property tax growth have forced many jurisdictions in Oregon to use levies, bonds or other revenue sources to help fill funding gaps.





# Where does your property tax dollar go?



**41.3%**  
Bend-La Pine  
Schools

**22.0%**  
City of  
Bend

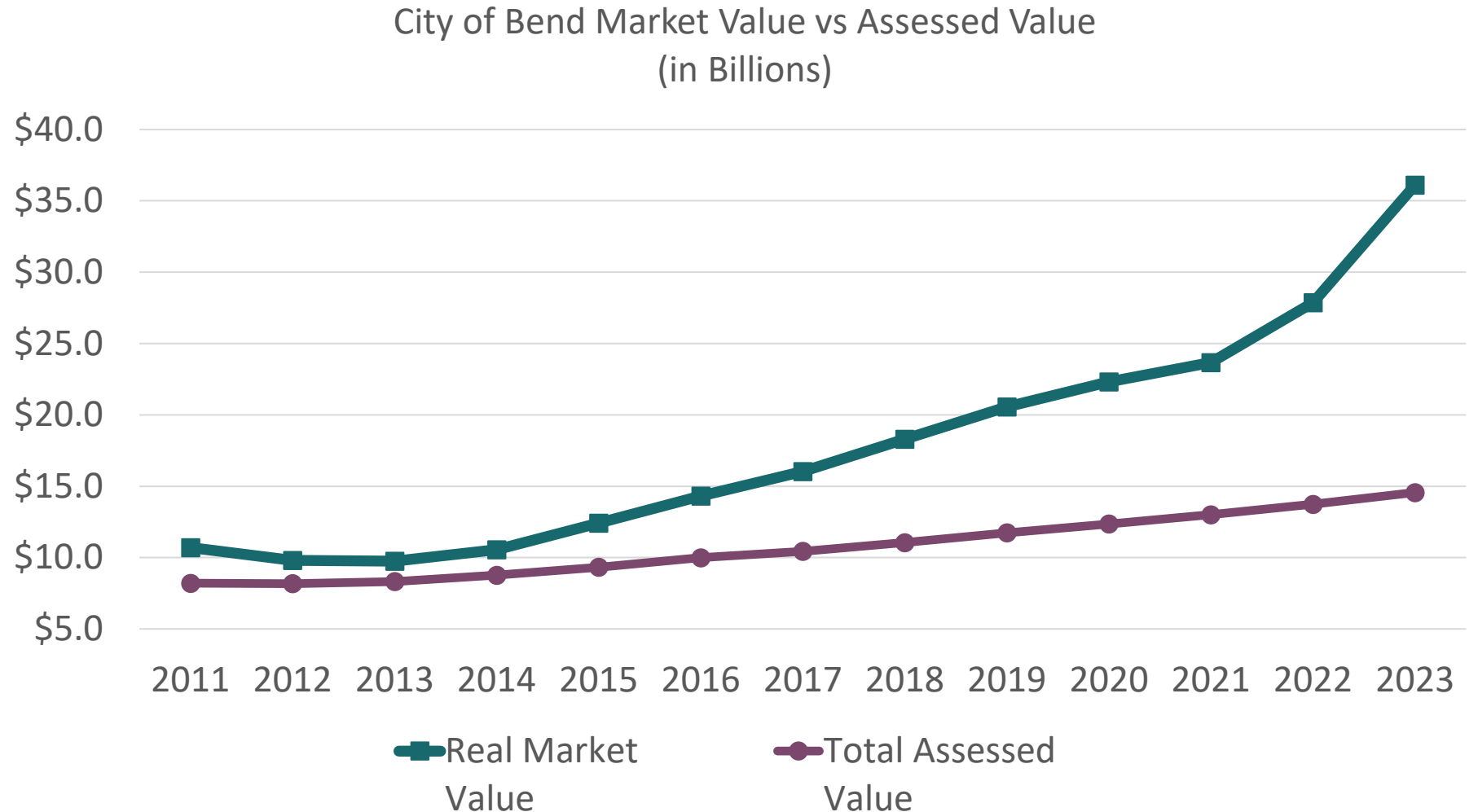
**14.2%**  
Deschutes  
County

**9.9%**  
Park  
& Rec

**12.6%**  
Other\*

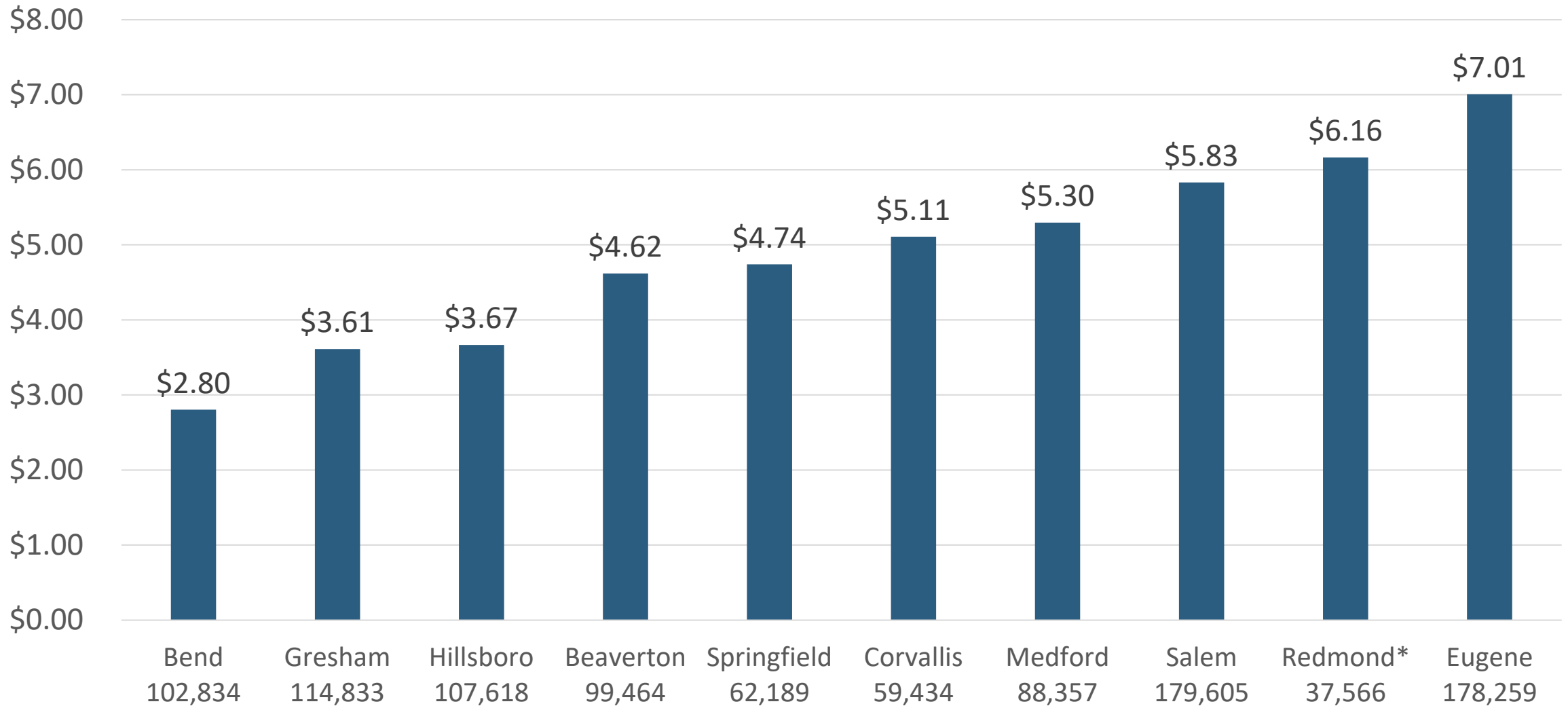
# Market Value vs. Assessed Value

- Property taxes are assessed on Total Assessed Value
- Real Market Value has been increasing, but Total Assessed Value has experienced limited growth because of statutory limitations
- The gap between Market Value and Assessed Value has been increasing, particularly since 2021





# Permanent Tax Rate Comparison



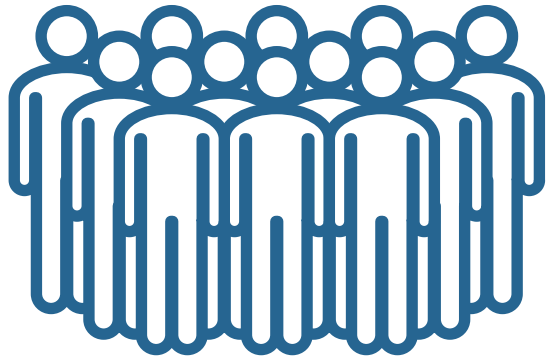
CITY OF BEND

\* Redmond's permanent tax rate reflects their rate before they created a separate fire district.

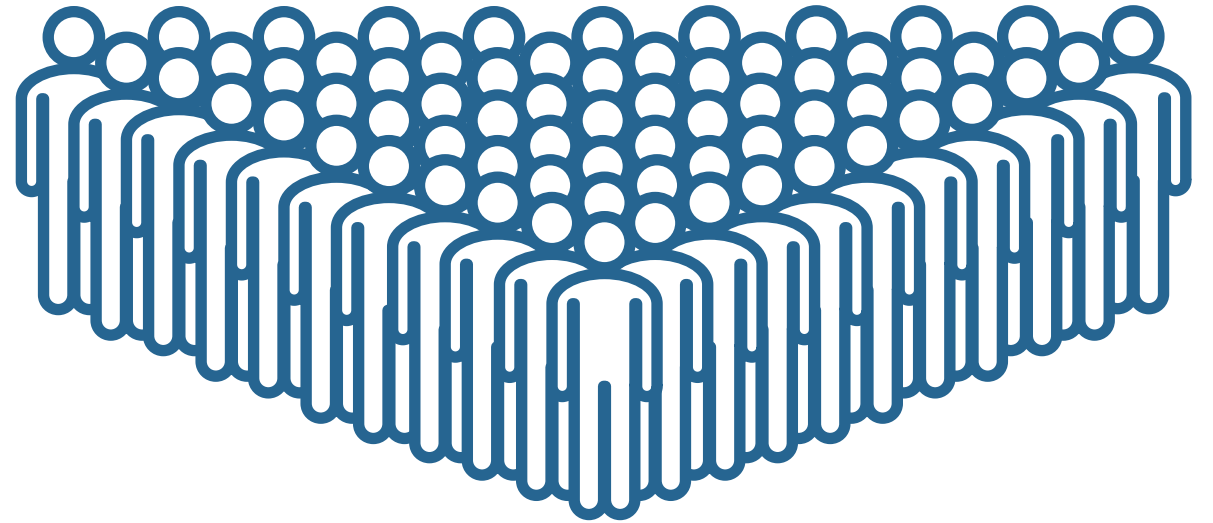
# We have a fast-growing community that needs services.

Bend is anticipated to add more than 40,000 new residents over the next 20 years. The City is being asked to do more without corresponding resources.

2023



2043



# We are strategically targeting specific fees for specific priority needs.

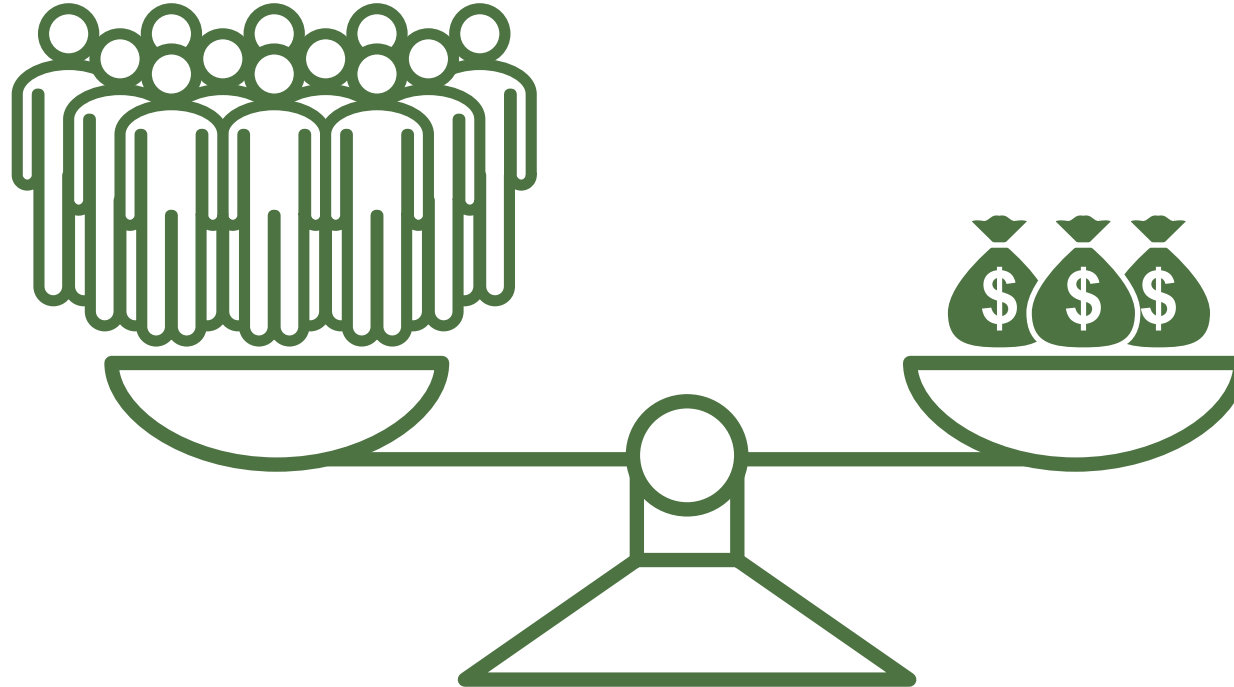
Public safety, transportation and housing are consistent community priorities. Bend is exploring revenue options within our control that can help with those core service areas.



# Balancing needs

Like members of our community, we are also experiencing challenges of increasing, inflationary costs without corresponding increases in revenue. We must balance community member needs and expectations.

**Community  
Needs** vs **Revenues**



# 2023-2025 City Council Goals

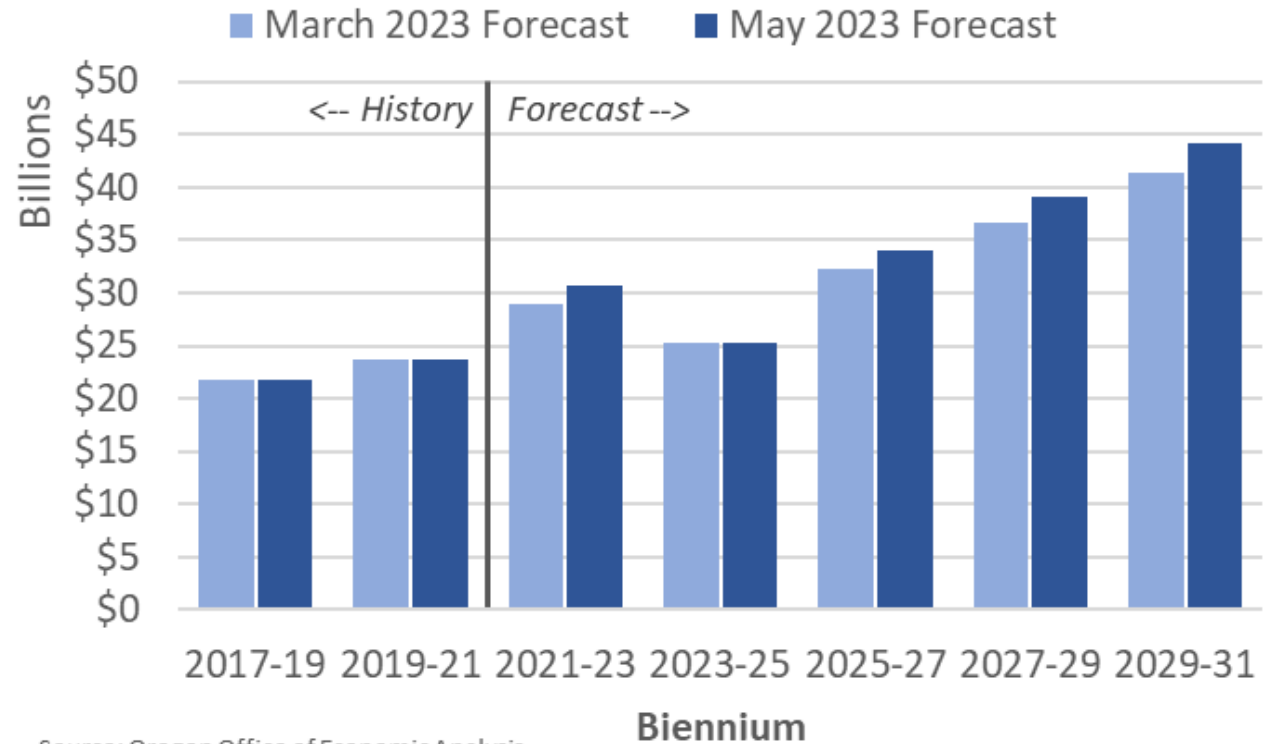


# Macroeconomic Setting

# State Economic And Revenue Forecast

- State Office of Economic Analysis is forecasting a soft landing but notes recession risks remain
- State revenues are up since the March forecast
- No significant increases or impact to City allocation of state shared revenues

## Oregon General Fund Forecast

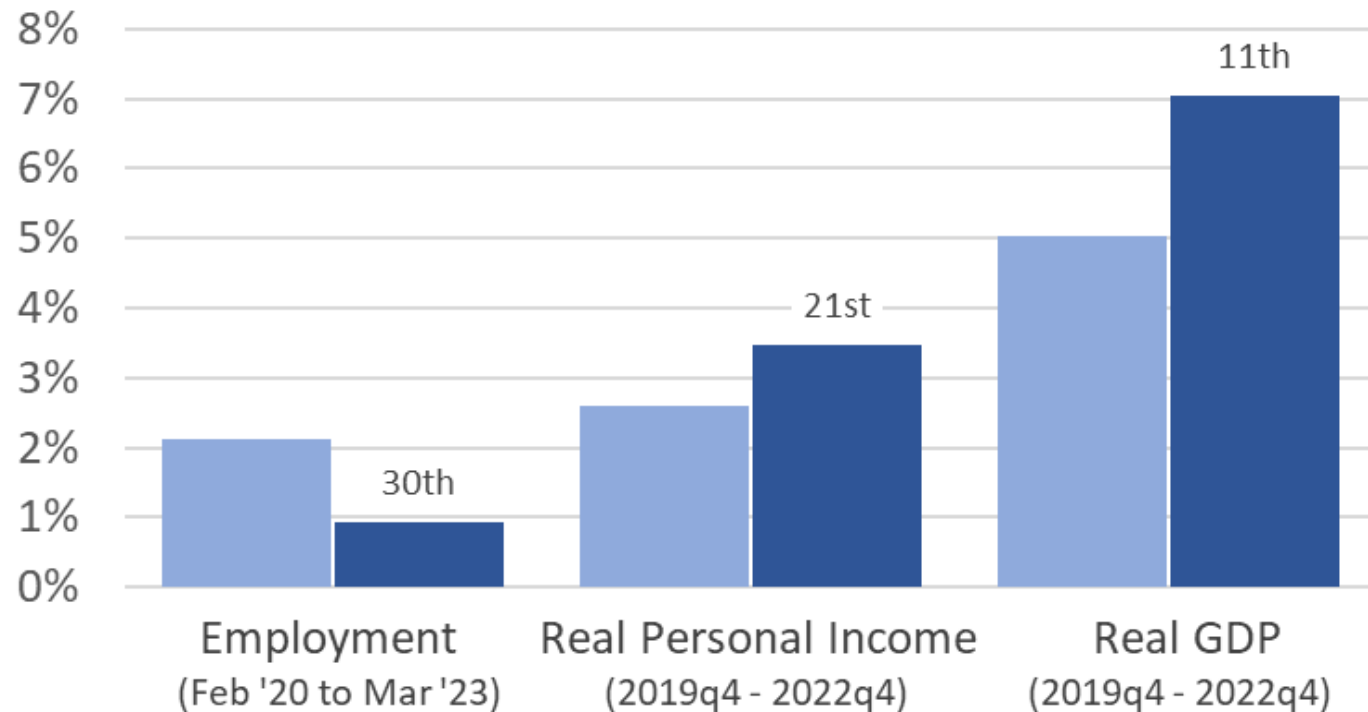




# Oregon Economic Outlook

## Pandemic Economic Recovery

Percent change from pre-pandemic for **U.S.** and **Oregon**



Source: BEA, BLS, Oregon Office of Economic Analysis

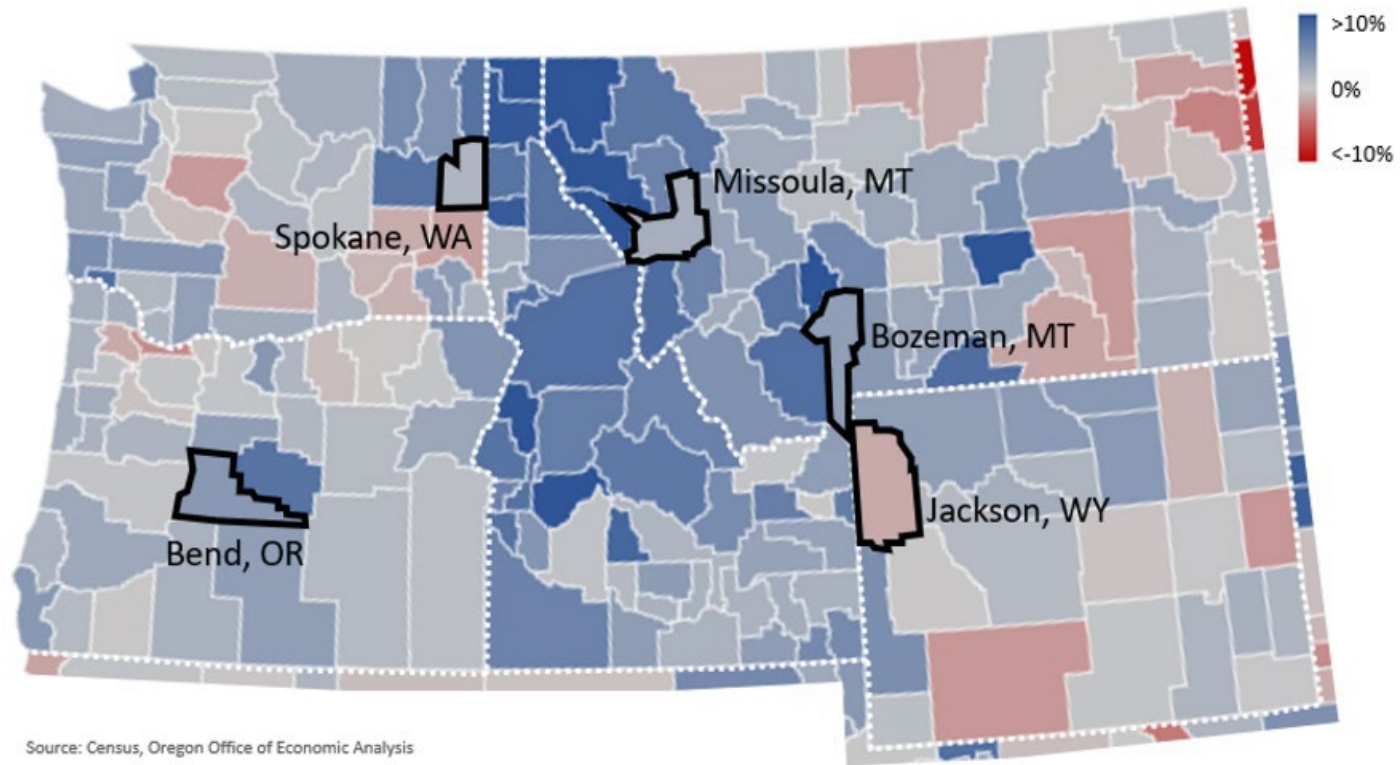
- Oregon's economic performance is middle of the pack compared to other states
- Employment trends are a bit below average
- Income trends are a bit above average
- GDP growth is the 11th strongest across the country



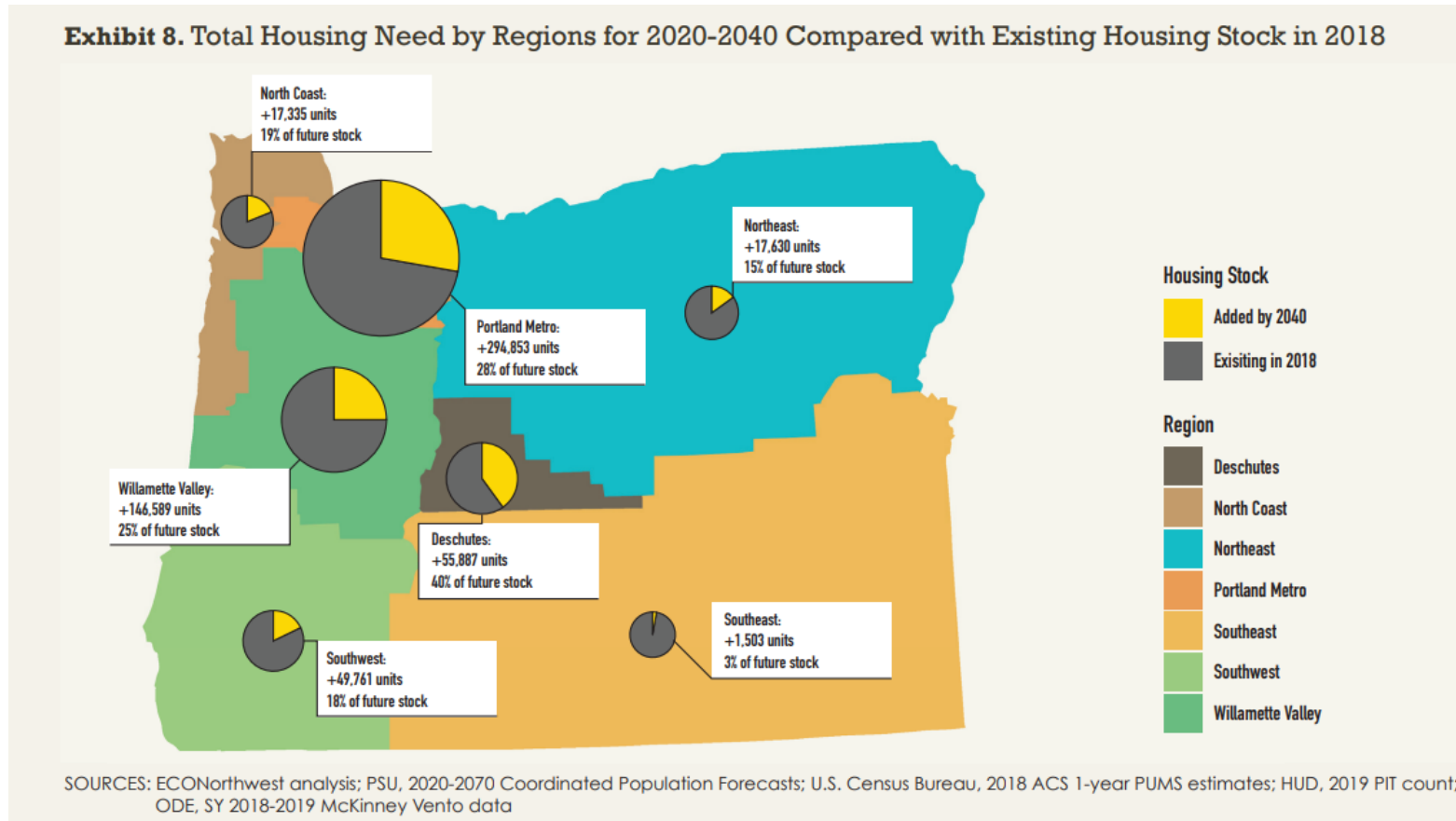
# State Economic Trends

## Zoom Towns' Cascading Migration

*Domestic migration rate, 2020 to 2022*



# Housing Need By Region

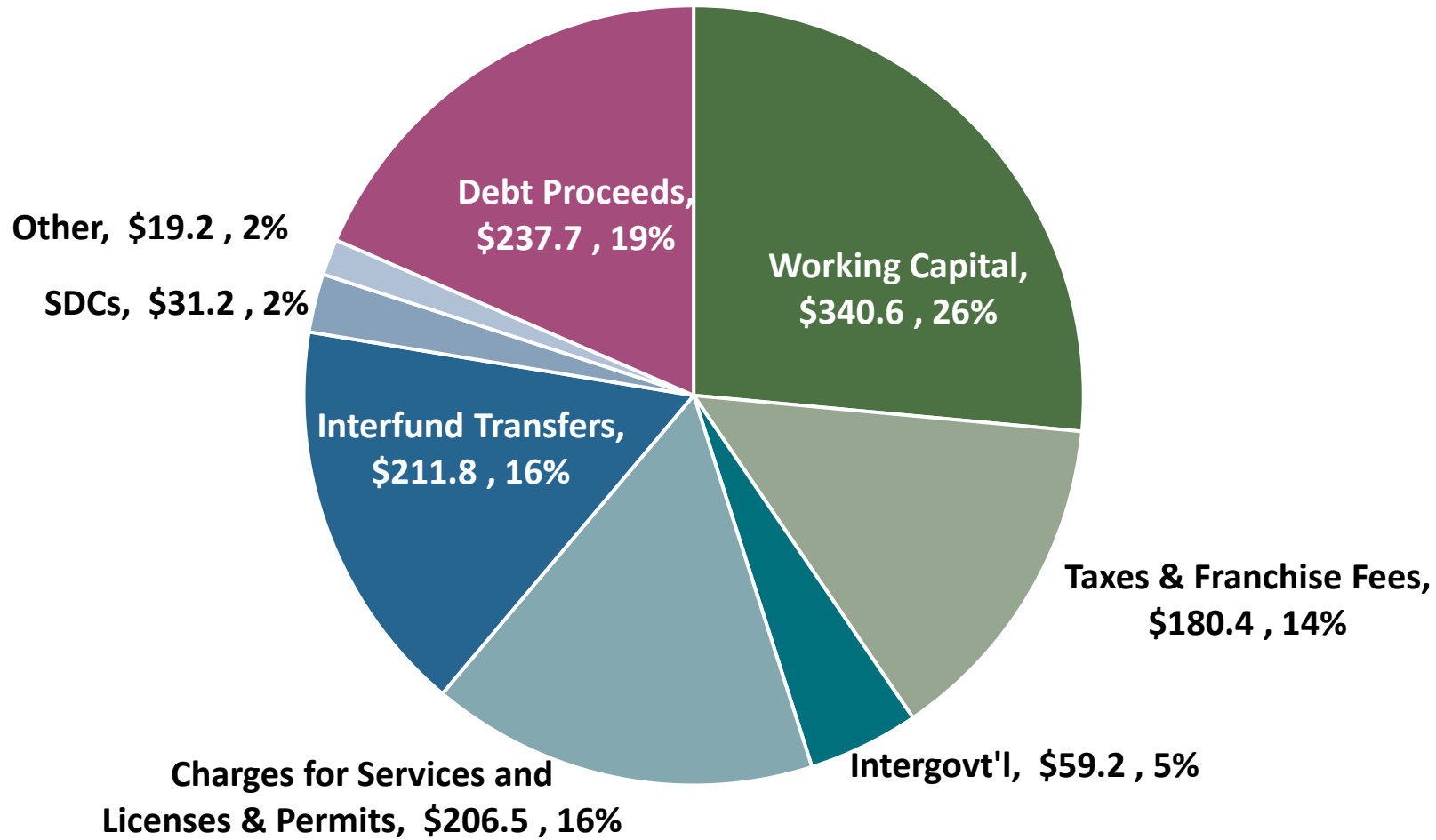


# Resources

# 2023-2025 Proposed Resources

Total Resources \$1.3 Billion

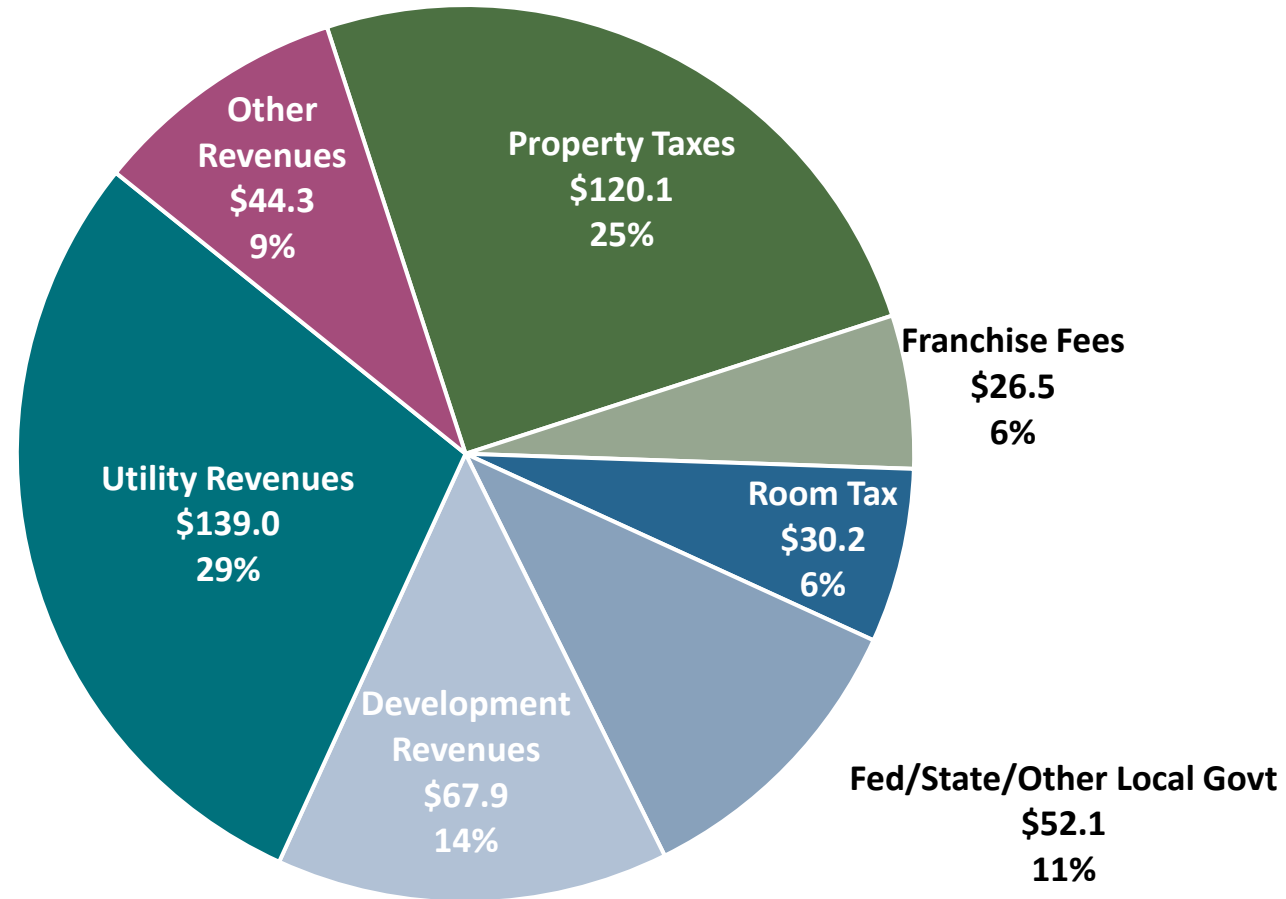
(in Millions)



# 2023-2025 Proposed Operating Revenues

Total Operating Revenues \$480.1 Million

(in Millions)



# Property Tax Revenue Assumptions

	FY 2023-24 Proposed	FY 2024-25 Proposed
Tax Assessed Value (TAV) Increase	5.0%	
City Permanent Rate Levy (per \$1,000 Taxable Assessed Value)	\$2.8035	
City – Fire Local Option Levy (per \$1,000 Taxable Assessed Value)	\$0.20	\$0.76
City – General Obligation Bond Levy for 2011 GO Bond	\$1,825,800	
City – General Obligation Bond Levy for 2020 GO Bond	\$2,489,000	\$7,731,300
BURA – Urban Renewal/Tax Increment Financing (TIF) District Levies Proposed	Full Division of Tax Levy	



# Room Tax Revenue Assumptions

	FY 2023-24 Proposed	FY 2024-25 Proposed
Annual Increases in Room Tax Activity	0%	5%

# Franchise Fee Revenue Assumptions

	2023-2025 Proposed Allocation of Revenues
Telecom, Electric, Gas, & Cable Franchise Fees	100% to General Fund
Garbage Franchise Fees	100% to Streets & Operations
Water & Sewer Franchise Fees	25% to Accessibility Construction 75% to Transportation Construction



# State Shared Revenue Assumptions

	2023-2025 Proposed Allocation of Revenues
State Shared (Cigarette, Liquor and Marijuana Taxes)	100% to General Fund
Highway Apportionment (Gas Tax)	100% to Street Maintenance

# System Development Charge (SDC) Revenue Assumptions

	2023-2025 Estimated Annual Activity Increases	2023-2025 Annual ENR* Rate Increase in the Budget	May 2023 ENR
Water, Sewer & Transportation SDCs	0% / 2.3%	3.0%	2.2%

\* ENR is the Engineering News-Record’s Construction Cost Index. Proposed Budget is based on the March 2023 ENR of 3.0%. Annual SDC increases included in the Fee Resolution are based on the May ENR.

# Development Revenue Assumptions

	2023-2025 Estimated Annual Activity Increase	2023-2025 Proposed Annual Fee Increase *
Building	0% / 2.3%	12% / TBD
Planning		20% / TBD
Private Development Engineering		10% / TBD
Long Range Planning		0% / 0%
Commercial Industrial Construction Tax (% of valuation)	0% / 0%	.87% / 0%

\* The proposed budget document reflects annual fee increases for Building, Planning, Private Development Engineering and Long Range Planning that are higher than those reflected in the table above. Current discussions are taking place with a group of stakeholders to phase in the increases over time and eliminate the increase of the Long Range Planning Surcharge.

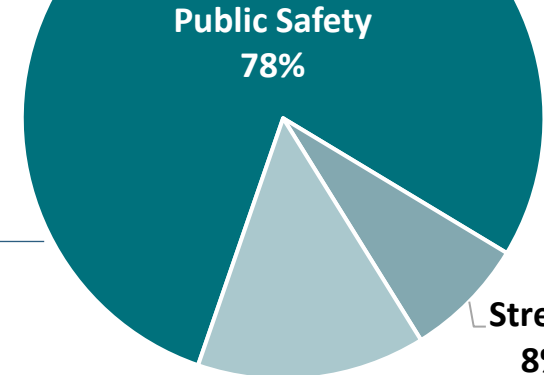
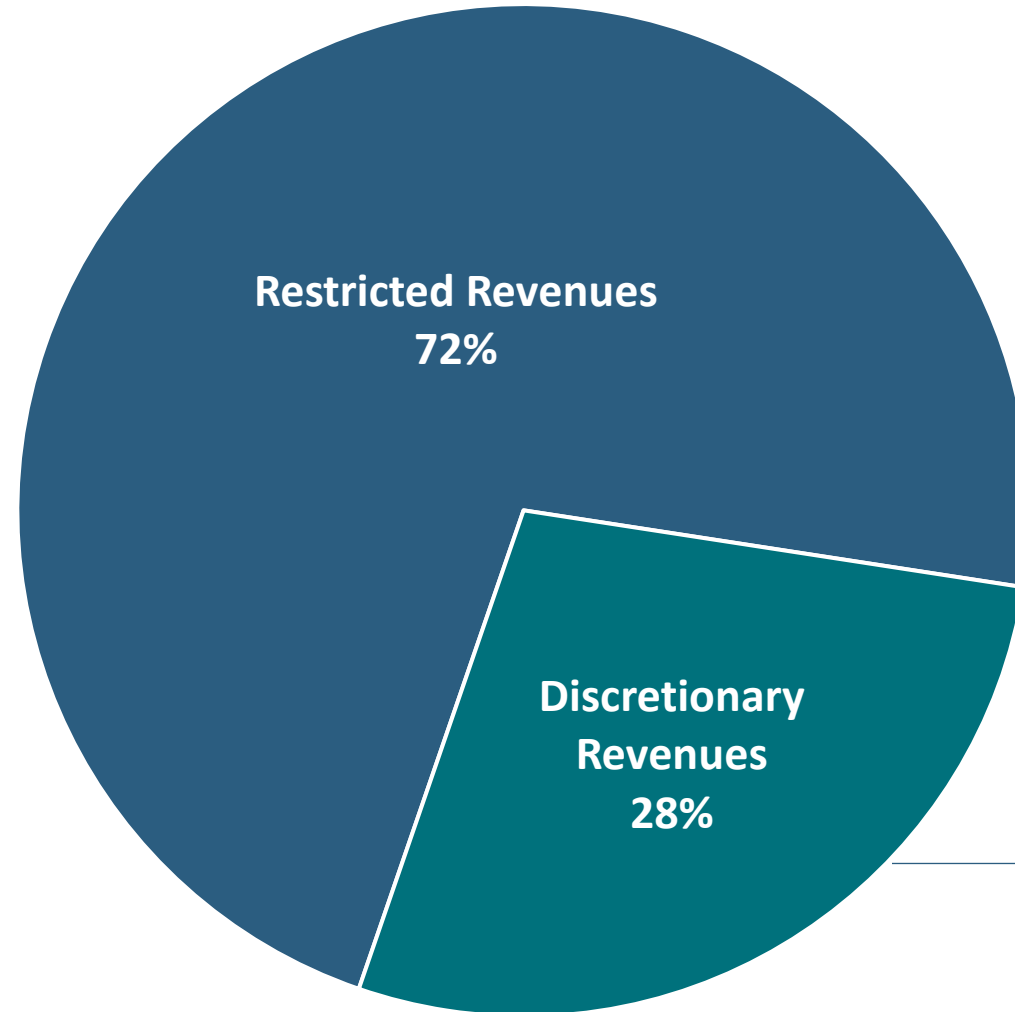


# Utility Revenue Assumptions

	2023-2025 Proposed Annual Activity Increase	2023-2025 Proposed Annual Rate Increase
Water Revenue Increase	2.1%	3.8%
Water Reclamation (Sewer) Revenue Increase	2.06%	2.5%
Stormwater Revenue Increase	2.33%	7.0%

# General Fund and Citywide Operating Revenues

**Total Operating Revenue  
2023-2025 Biennium  
\$480.1 Million**



**General Fund  
\$134 Million  
28%**

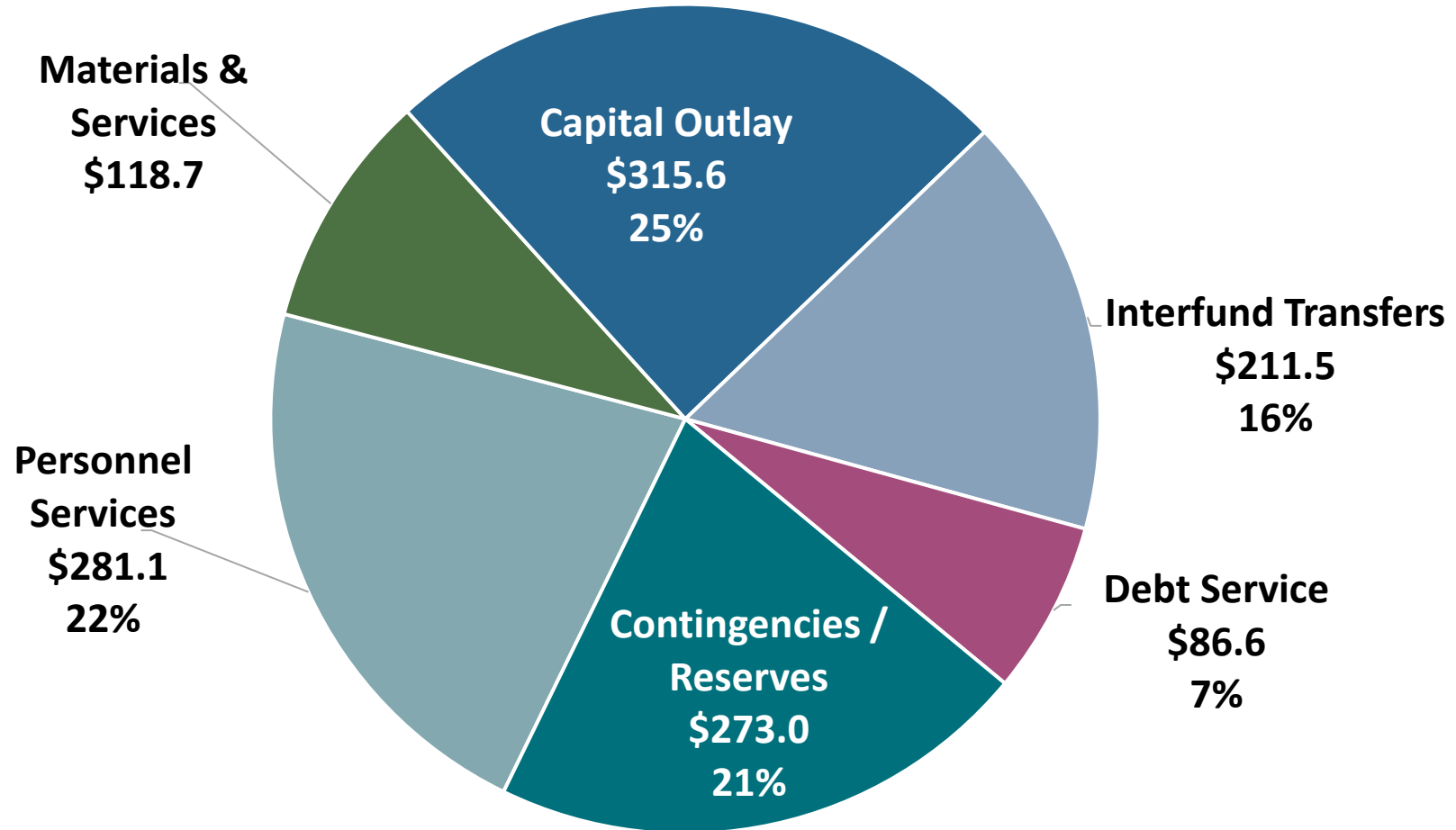


# Requirements

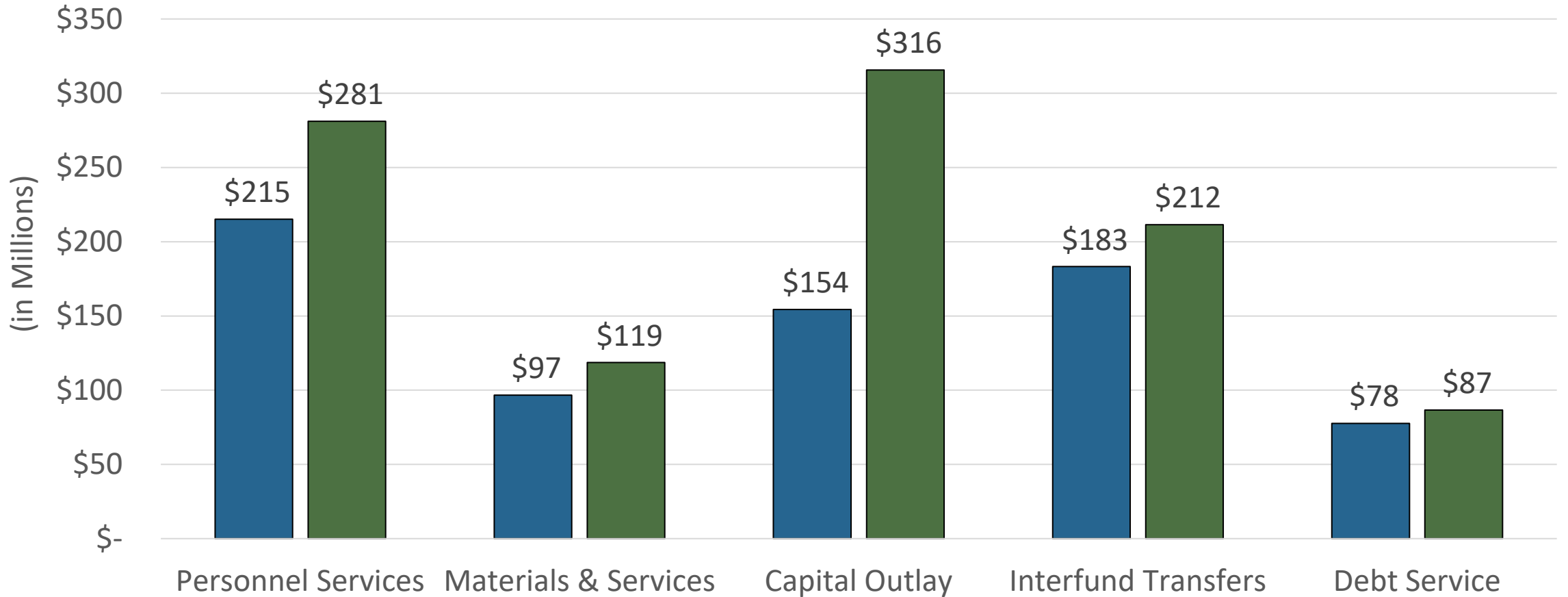
# 2023-2025 Proposed Requirements

Total Requirements \$1.3 Billion

(in Millions)



# Expenditure Comparisons

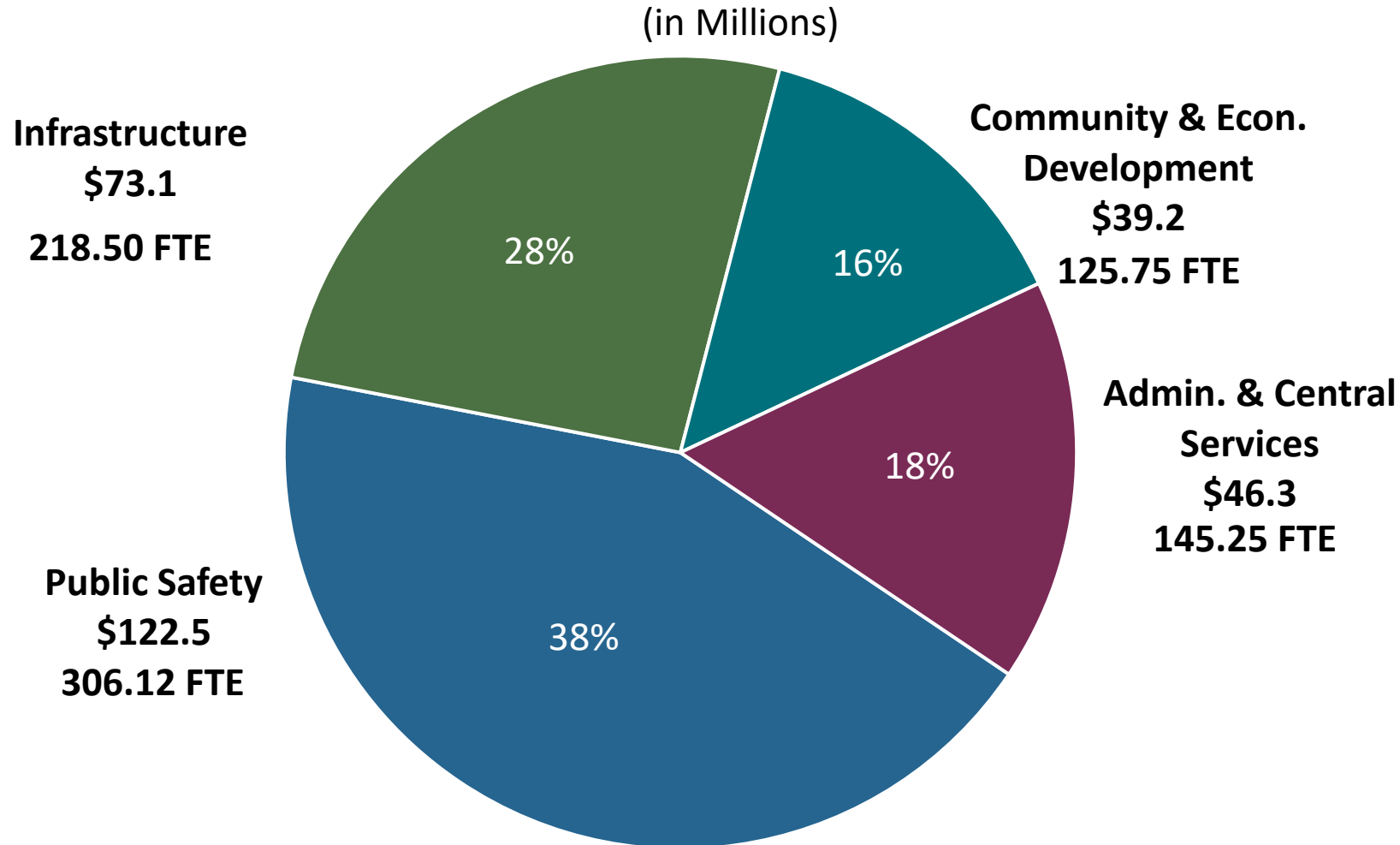


■ 2021-2023 Estimate\*   ■ 2023-2025 Proposed

\* 2021-2023 Estimate reflects the 2021-22 Actuals + 2022-23 Estimate

# 2023-2025 Personnel Services by Service Area

Total Personnel Services \$281.1M 795.62 FTE\*



# FTE Additions

Service Area	FY 2023-24	FY 2024-25	Department
Public Safety	4	9	4 Police 9 Fire
Infrastructure	7	-	4 Utilities 2 Engineering 1 Parking & Mobility
Community & Economic Development	2	-	1 CDD Admin 1 Housing
Admin & Central Services	6	-	4 Admin & Financial Services 1 Insurance & Risk Management 1 Fleet Management
<b>TOTAL</b>	<b>19</b>	<b>9</b>	

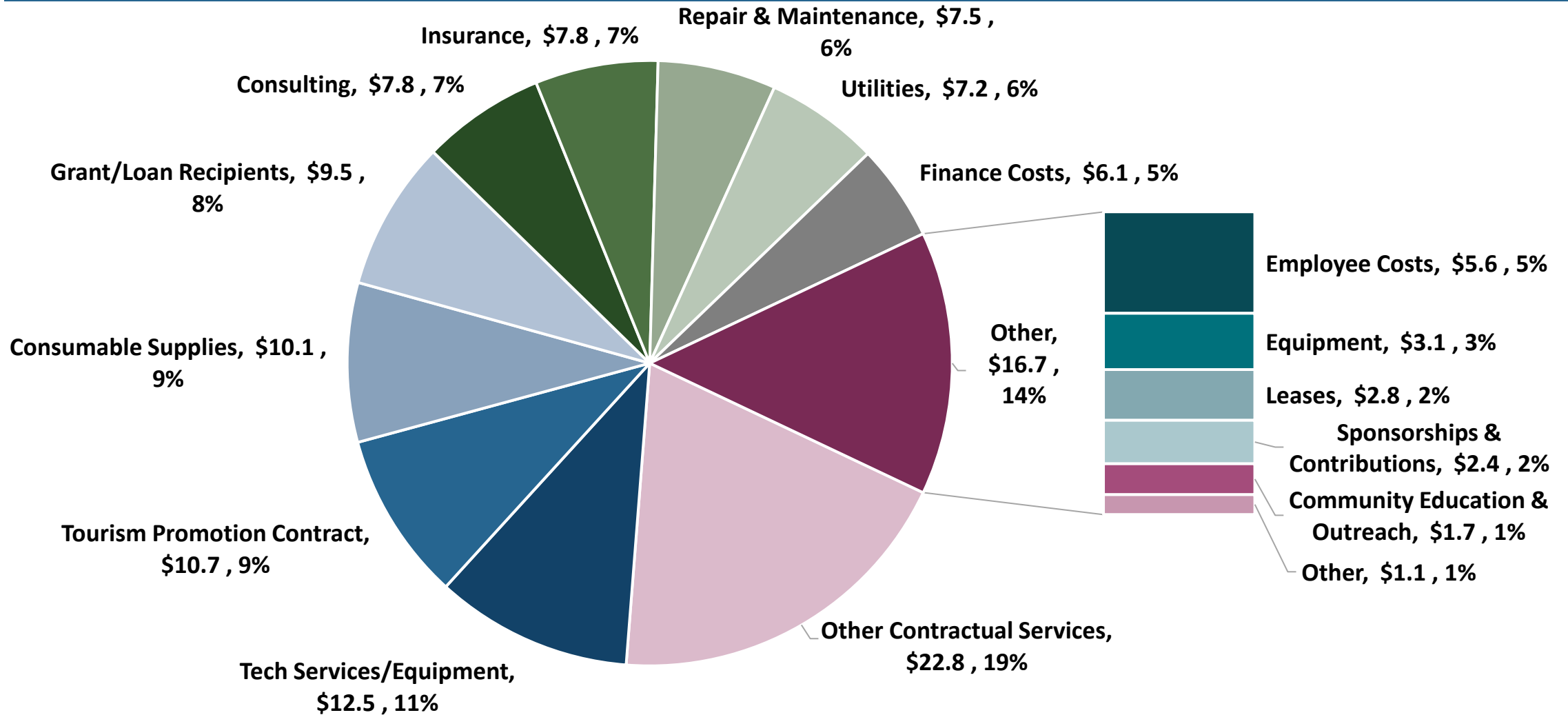
# Personnel Costs Drivers

	FY 2022-23	FY 2023-24 Proposed	FY 2024-25 Proposed
FTEs (approved)	767.62	786.62	795.62
COLA (cost of living adjustment)	5%	4%	4%
Annual Health Premium (City portion for family coverage)	\$16,449 5% Change in Premiums	\$18,094 10% Change in Premiums	\$19,904 10% Change in Premiums
PERS Rate (combined % of payroll)	21%	22%	22%
Other Post Employment Benefits (OPEB) annual cost	\$1.0M	\$1.6M	\$1.6M



# 2023-2025 Materials and Services (in Millions)

Total Materials & Services \$118.7M

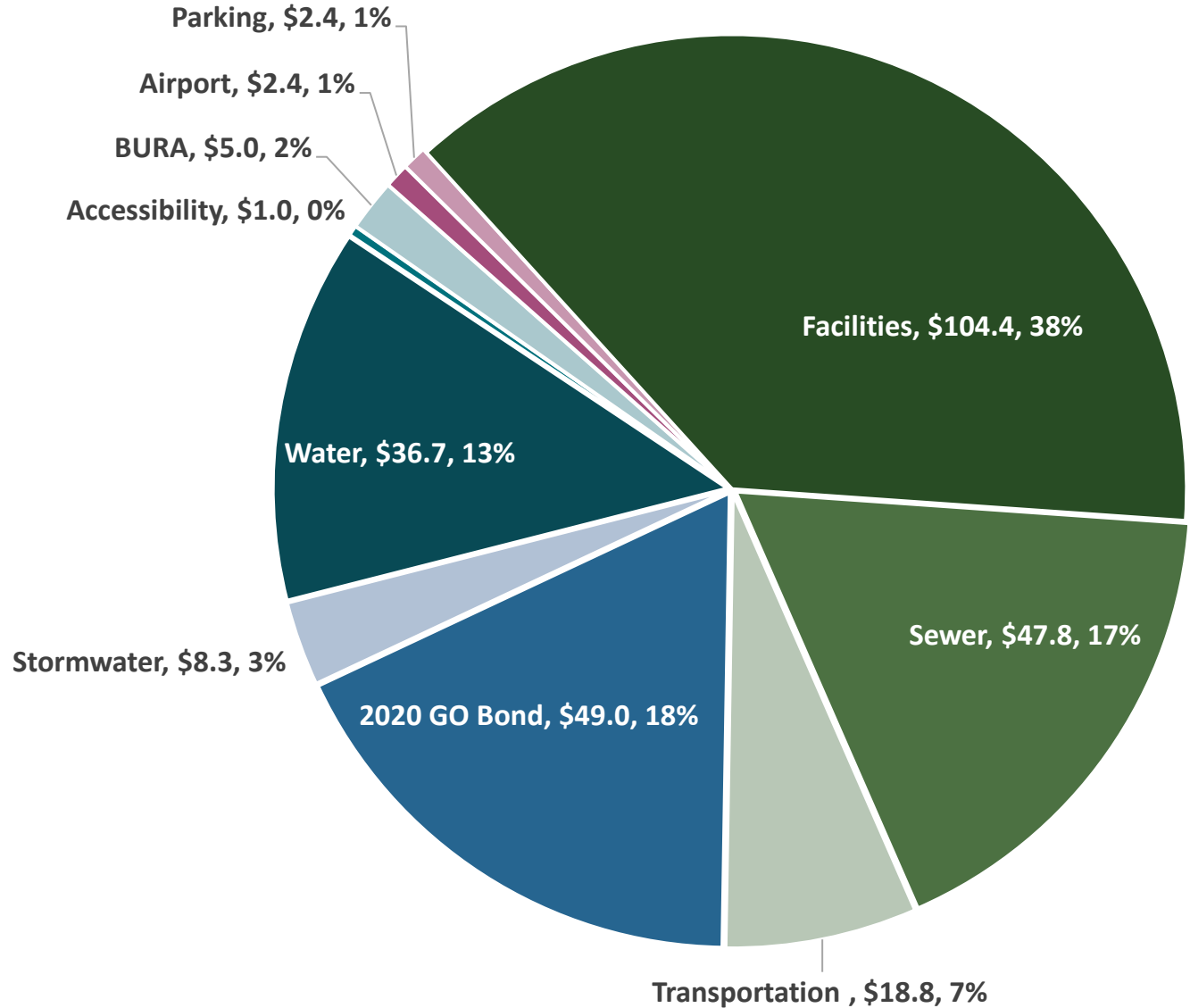


# 2023-2025 Capital Outlay (in Millions)

**Total Capital Outlay \$315.6M**

**2023-2025 Capital Improvement Program, \$275.8M**

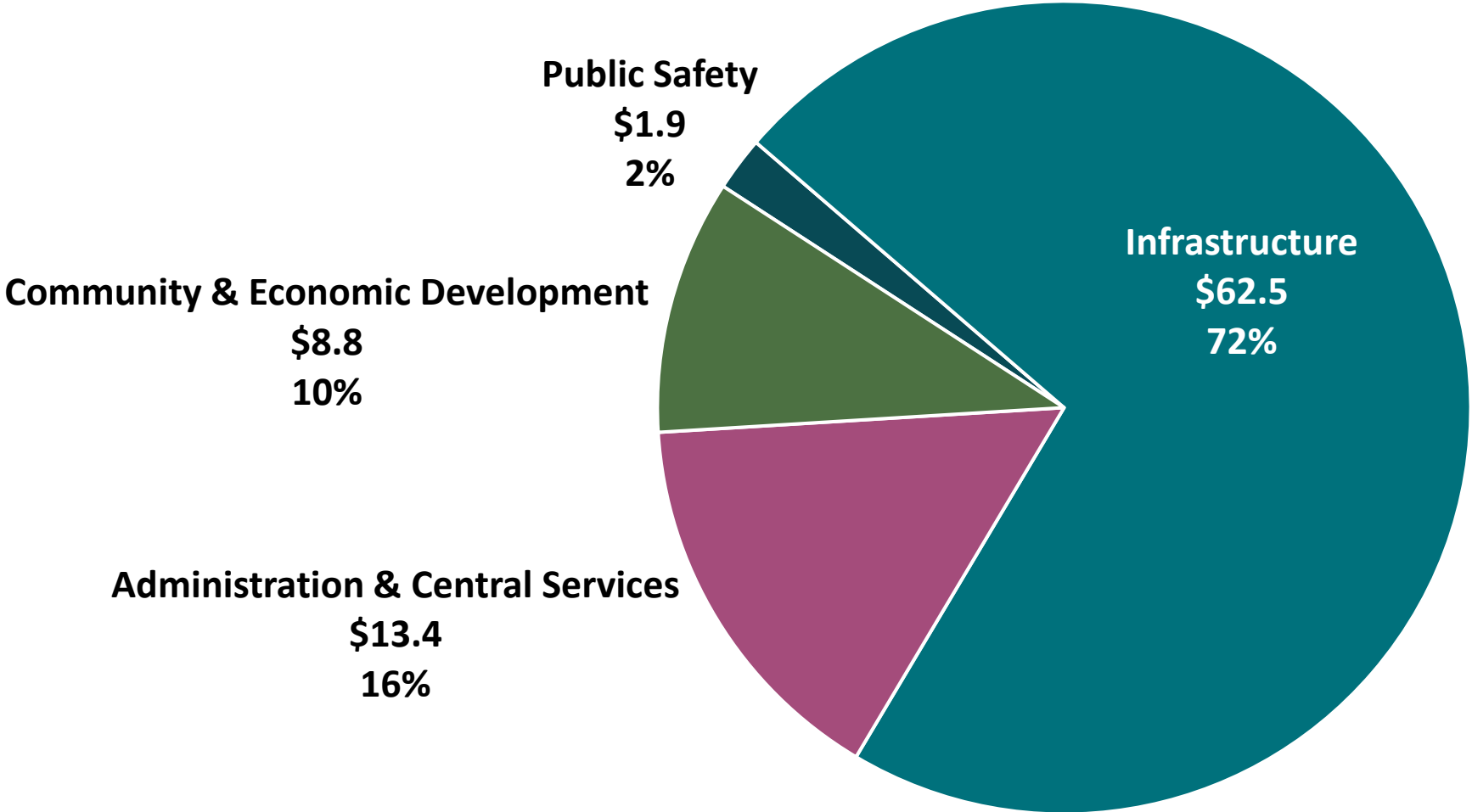
Capital Outlay Category	2023-2025 Biennial Budget Amount
Capital Improvement Program	\$275.8M
Repair & Replacement	\$24.5M
Vehicles, Equipment & Software	\$15.3M
<b>Total Capital Outlay</b>	<b>\$315.6M</b>





# 2023-2025 Debt Service by Service Area (in Millions)

Total Debt Service \$86.6M



# 2023-2025 Proposed Debt

(in millions)	Balance on June 20, 2023	New Debt Proposed	Principal Payments	Balance on June 30, 2025
Water	\$41.8	\$ -	(\$4.5)	\$37.3
Water Reclamation *	206.9	7.0	(18.8)	195.1
Stormwater *	15.0	7.2	(1.0)	21.2
Transportation (Street Ops & Constr.)	56.2	14.7	(5.0)	65.9
Accessibility	0.5	-	(0.3)	0.2
2011 GO Bond	12.5	-	(2.3)	10.2
2020 GO Bond	32.0	64.0	(4.6)	91.4
Cemetery	0.01	-	(0.01)	-
<b>Total - Infrastructure</b>	<b>\$364.9</b>	<b>\$92.9</b>	<b>(\$36.5)</b>	<b>\$421.3</b>

\* Water Reclamation & Stormwater loans from the DEQ are drawn down on a reimbursement basis. The outstanding balances as of 6/30/23 shown above reflect the maximum amounts eligible to be drawn, and therefore already include the water reclamation and stormwater draw downs anticipated this biennium that are reflected as debt proceeds in the budget.



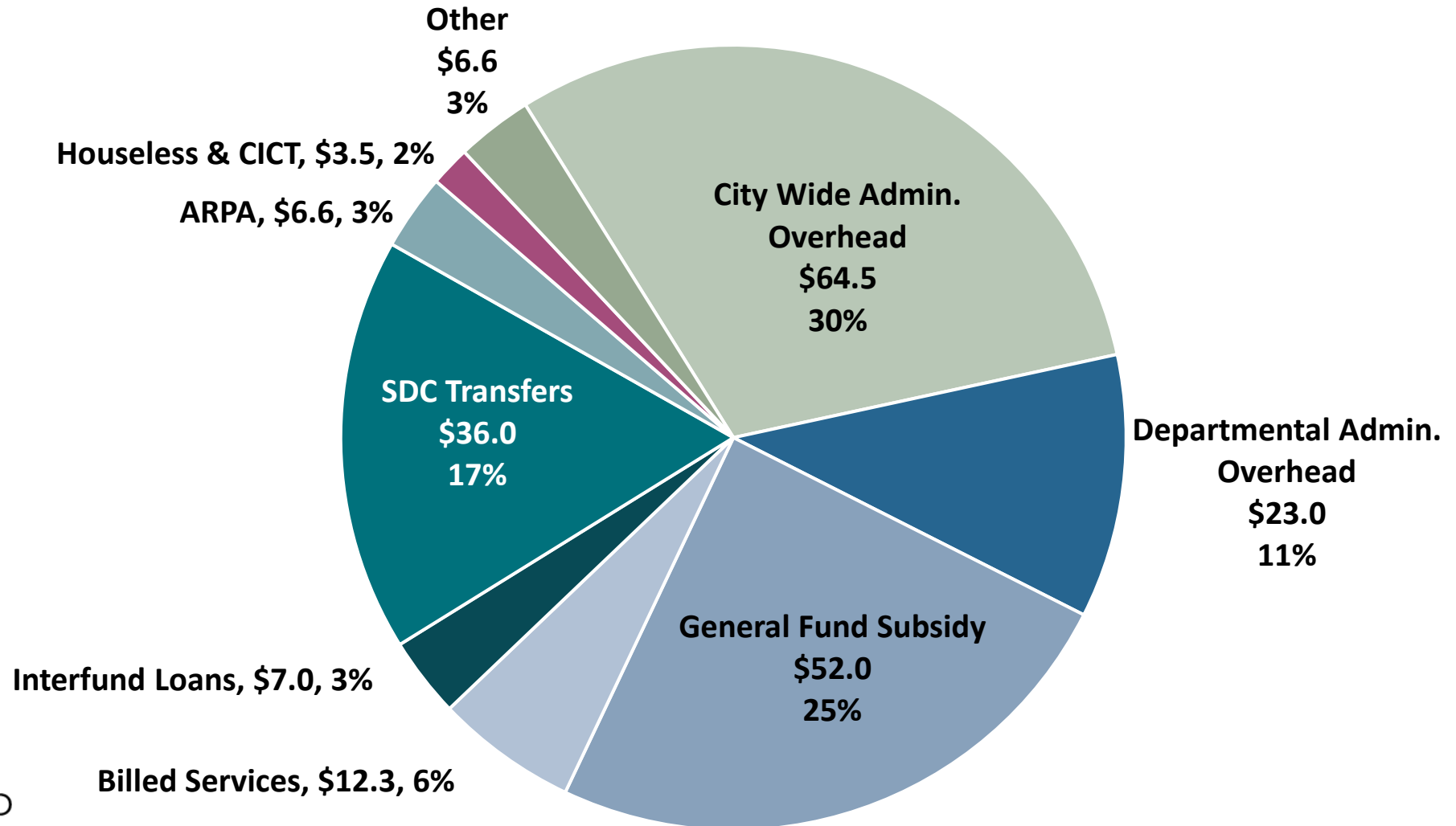
# 2023-2025 Proposed Debt (Continued)

(in millions)	Balance on June 30, 2023	New Debt Proposed	Principal Payments	Balance on June 30, 2025
Fire	\$5.6	\$ 3.5	(\$1.5)	\$7.6
Urban Renewal	6.4	7.3	(1.6)	12.1
Airport	0.5	-	(0.1)	0.4
Technology & Software	8.0	-	(2.4)	5.6
Facilities, incl. Parking	24.3	120.2	(3.1)	141.4
PERS Bonds	6.7	-	(2.6)	4.1
<b>Total-Other</b>	<b>\$51.5</b>	<b>\$131.0</b>	<b>(\$11.3)</b>	<b>\$171.2</b>
<b>Total City &amp; BURA</b>	<b>\$416.4</b>	<b>\$223.9</b>	<b>(\$47.8)</b>	<b>\$592.5</b>



# 2023-2025 Interfund Transfers

Total Interfund Transfers \$211.5M



# Central Services and the Cost Allocation Plan

# Why Do We Have Centralized Services?

## Efficient delivery of services

- Avoid duplication of administrative staff across the City.
- A smaller staff centralized staff can provide services to multiple funds/functions.

## Consistency of policies/processes

- Able to develop processes and policies that are applied consistently across the City.
- Mitigates risk and liability and allows for synergies and coordination across various City departments.

## Reliable, consistent services across the City



# What Is Included In Central Services?

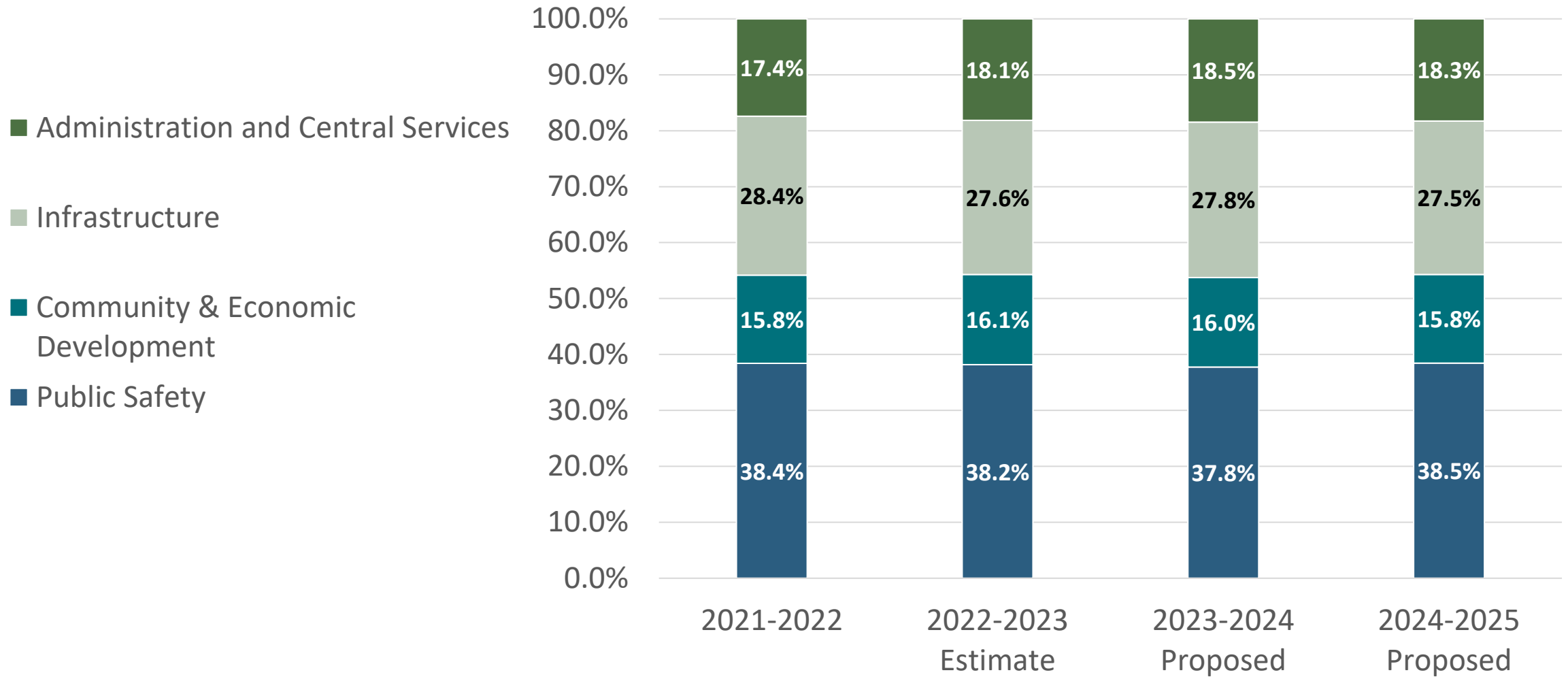
Department	Driver
Insurance & Risk Mgmt	Vehicle book value, Property, FTE, and spending
Facility Management	Time spent and square footage
City Attorney	Estimated workload
Human Resources	FTE and number of represented employees
Information Technology	# of PCs and # of FTE
Project Management	# of FTE and IT-assets tied to specific users
Financial Services & Procurement	Personnel, Materials & Services, and Capital Outlay
Performance Mgmt	Estimated Workload
City Manager's Office	FTE and spending
General Government	Actual expenditures and estimated workload

# What Is Included In Central Services?

Department	Driver
Engineer. & Infr. Planning	Estimated workload
Fleet Management	Labor hours, fuel usage, historical parts
Utility Laboratory	Actual cost of service across Utility funds
CEDD Administration	Proportional cost of support

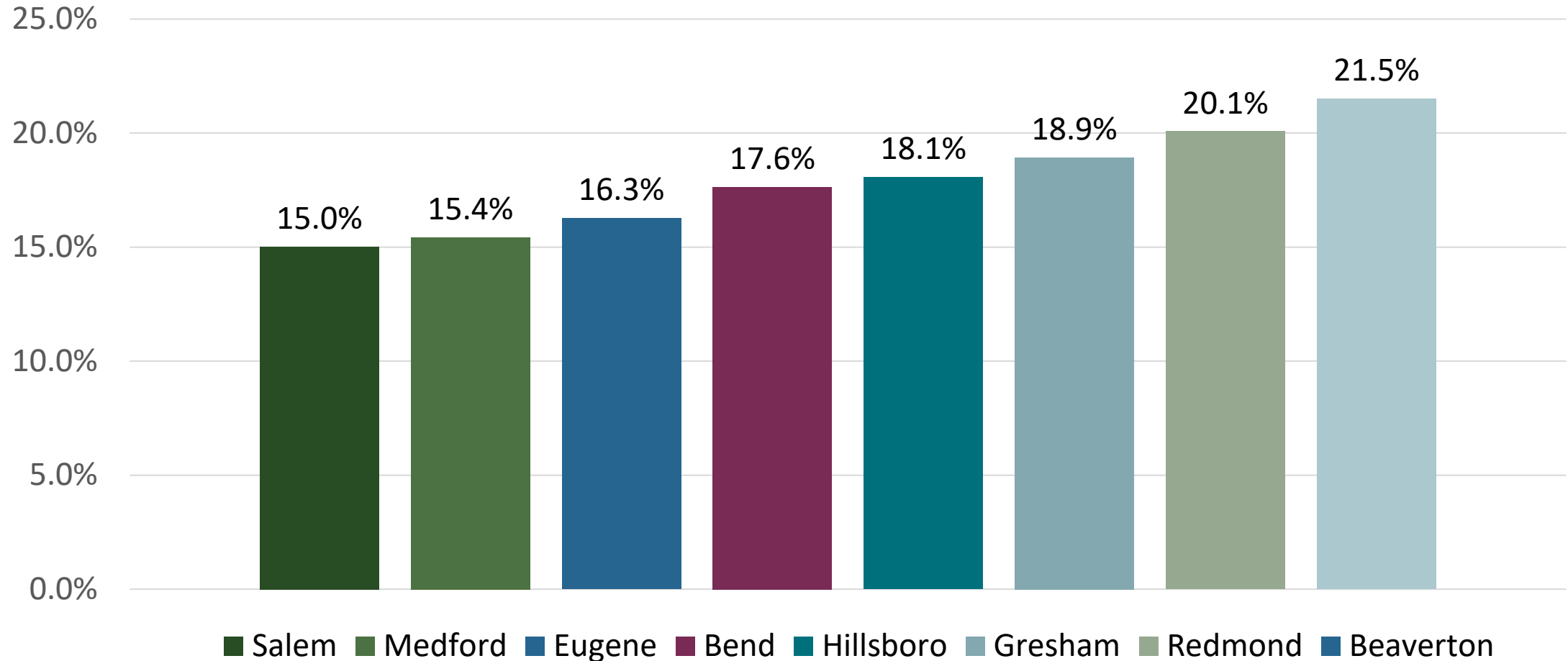


# Administration and Central Services in Proportion to Other Core Services



# Comparison to Peer Cities

## Central Services as Percent of Total FTE FY 2023

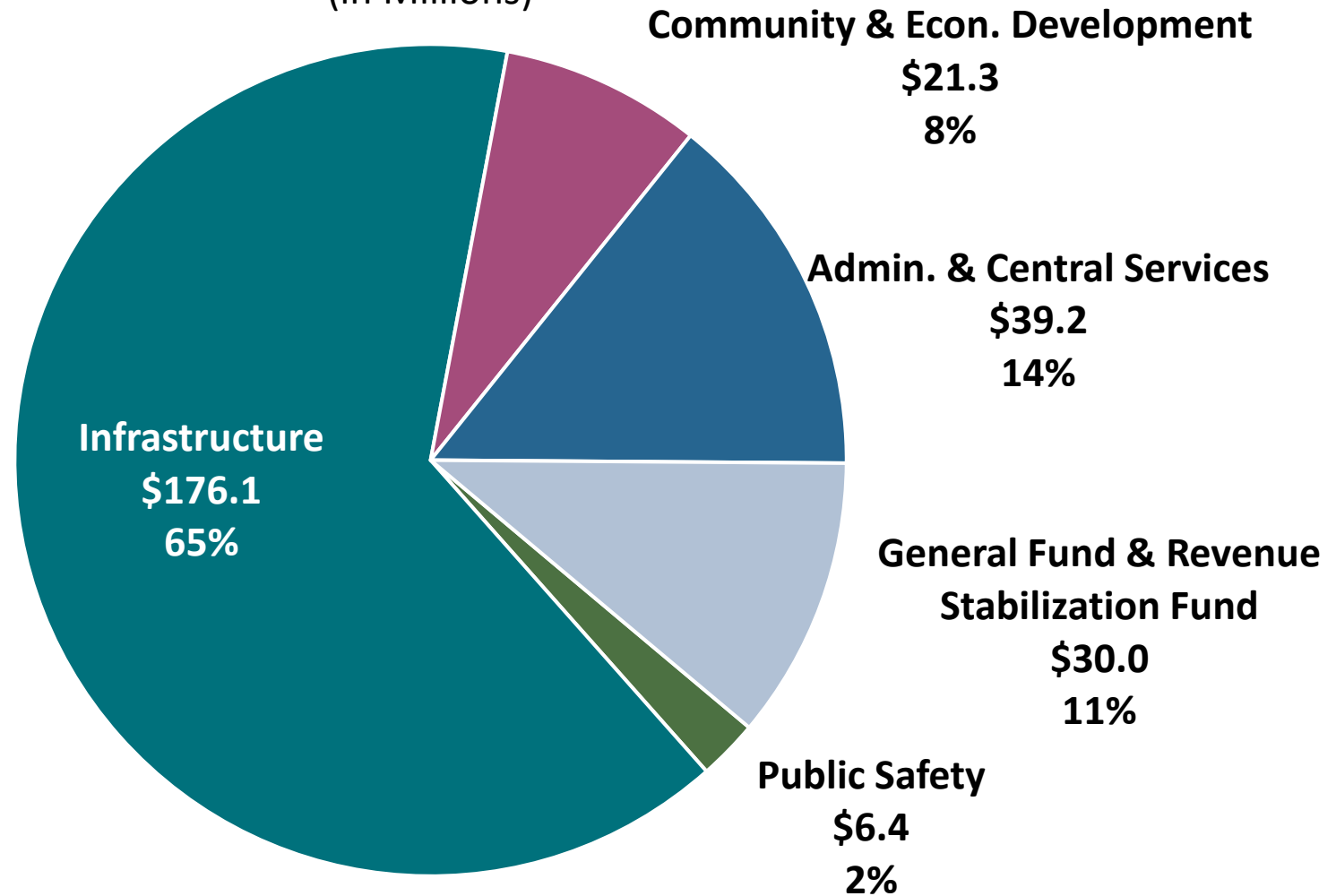


# Contingency and Reserve Requirements

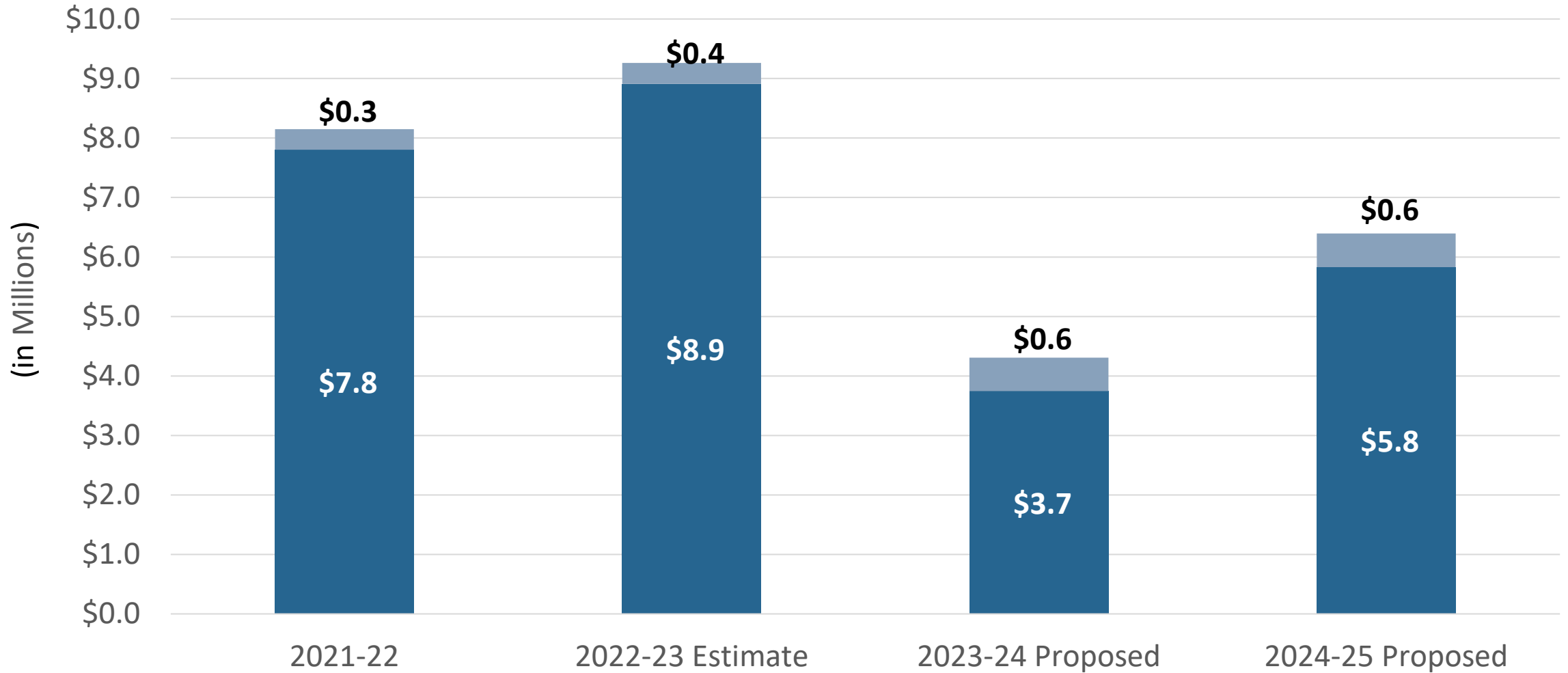
# 2023-2025 Contingencies/Reserves by Service Area

Total Contingencies and Reserves \$273.0M

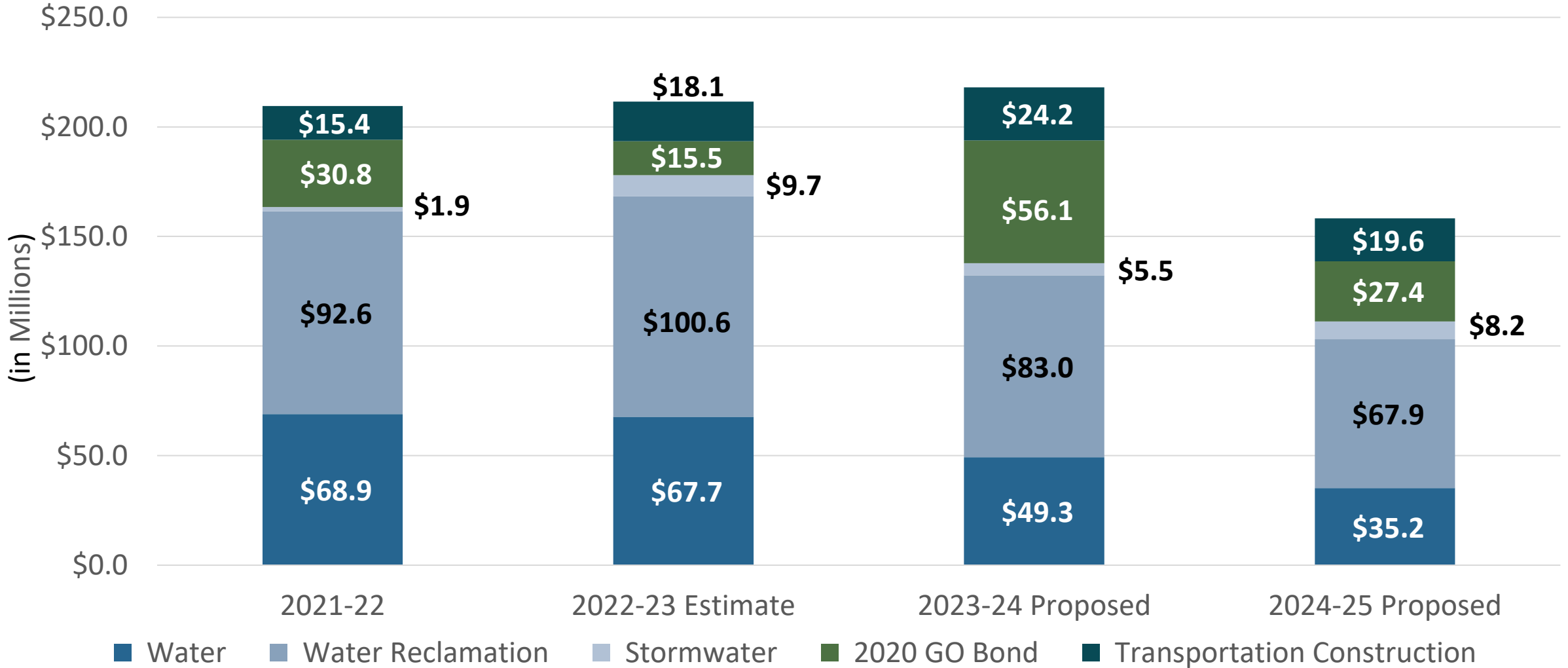
(in Millions)



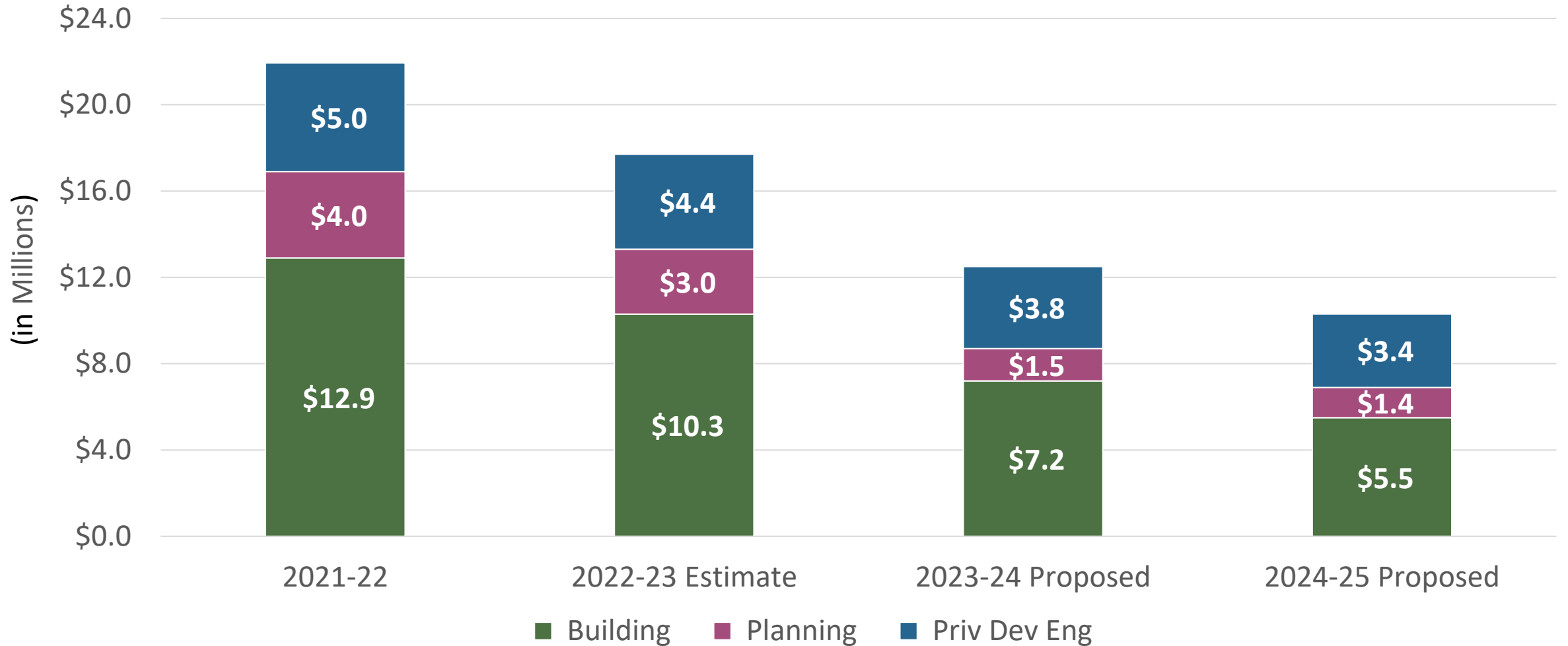
# Contingencies/Reserves Trends – Public Safety



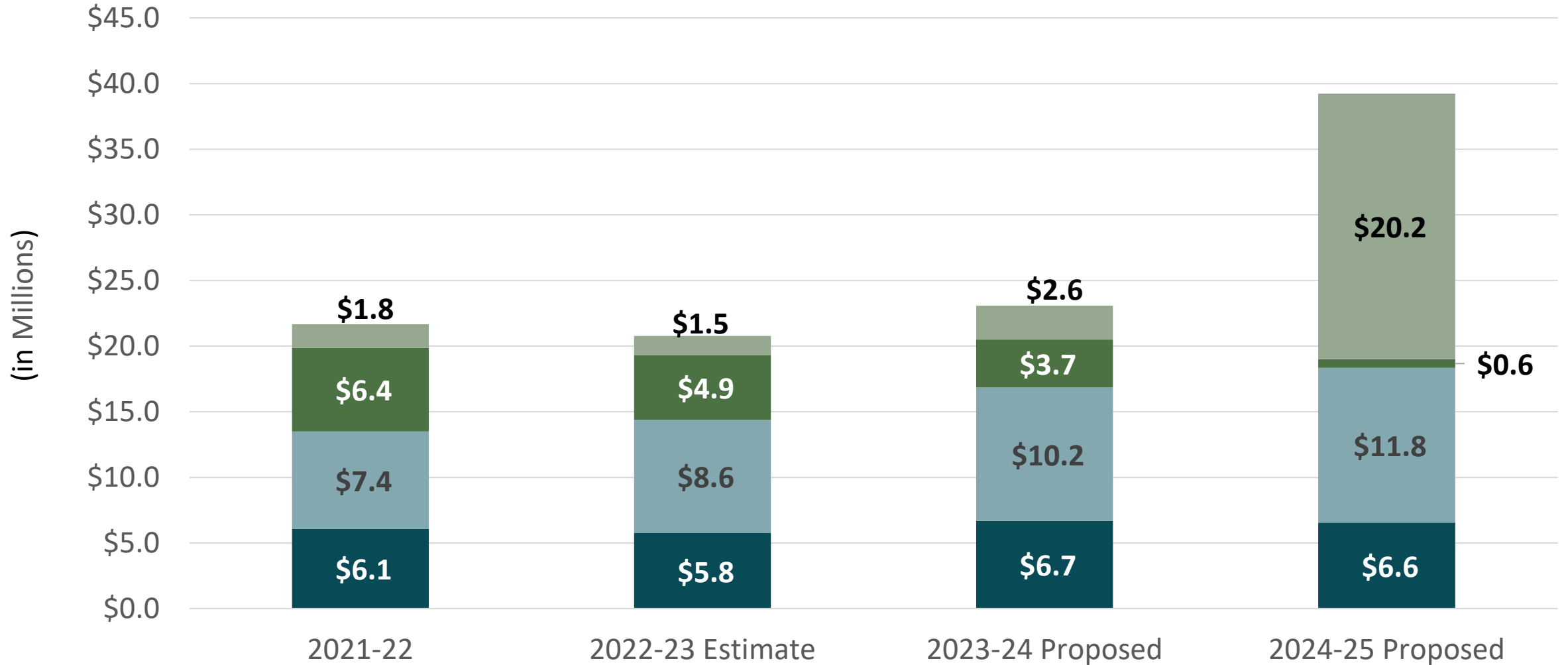
# Contingencies/Reserves Trends – Infrastructure & Utilities



# Contingencies/Reserves Trends – Community Development

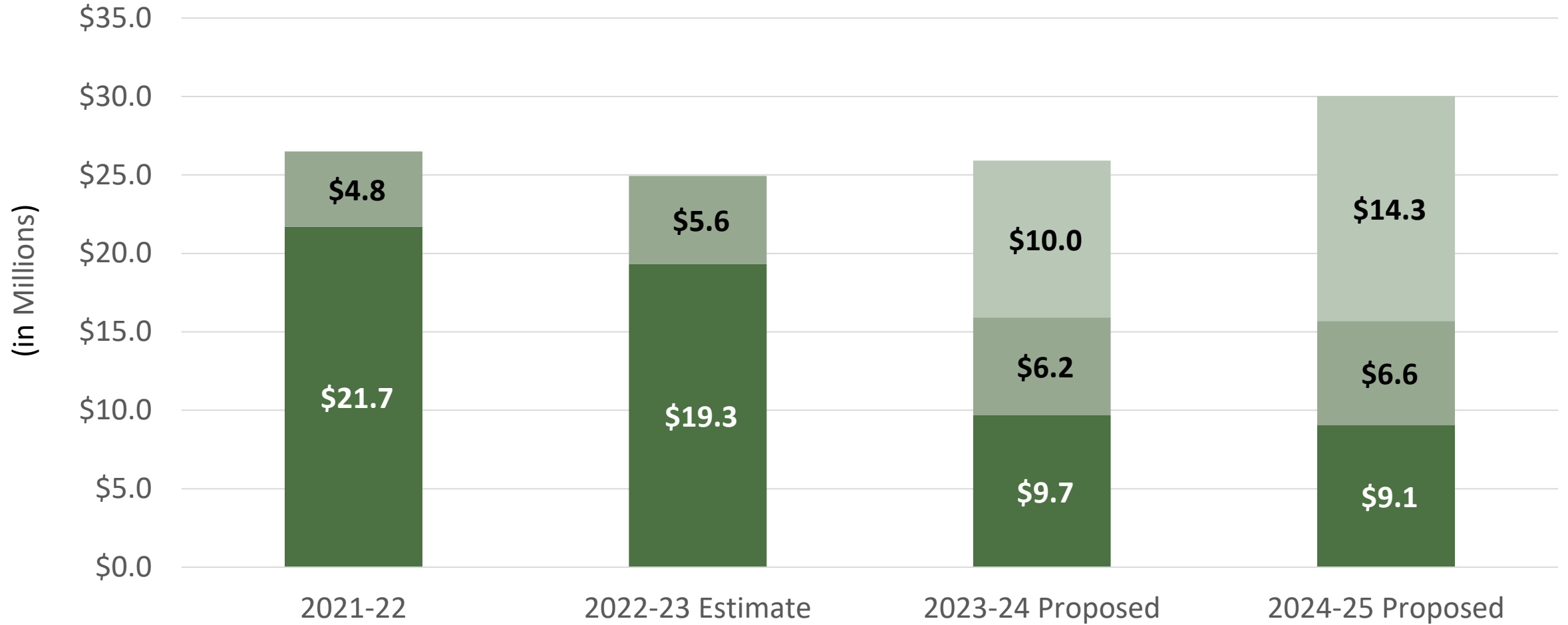


# Contingencies/Reserves Trends – Administration & Central Services





# Operating Contingencies/Reserves Trends – General Fund



# Budget Deliberation Areas of Focus

2023-2025 Proposed Budget Deliberations May 22-23, 2023

# Budget Areas of Focus

## Transportation Operations

Implementation of transportation fee or other revenue sources needed to maintain current level of service.

## Community Development

Development activity flat and historical fee increase were limited. Conducting external fee study to determine recommended fee increases.

## Houseless Operations

No General Fund revenues available to support shelter operations beyond current fiscal year. Reliant on state/federal revenues.

## General Fund (including Public Safety)

Revenue growth limited due to reliance on property taxes.



# Questions?



# Accommodation Information for People with Disabilities



To obtain this information in an alternate format such as Braille, large print, electronic formats, etc. please contact Sharon Wojda at [swojda@bendoregon.gov](mailto:swojda@bendoregon.gov) or (541) 388-5505; Relay Users Dial 7-1-1.