

City of Roseburg, Oregon

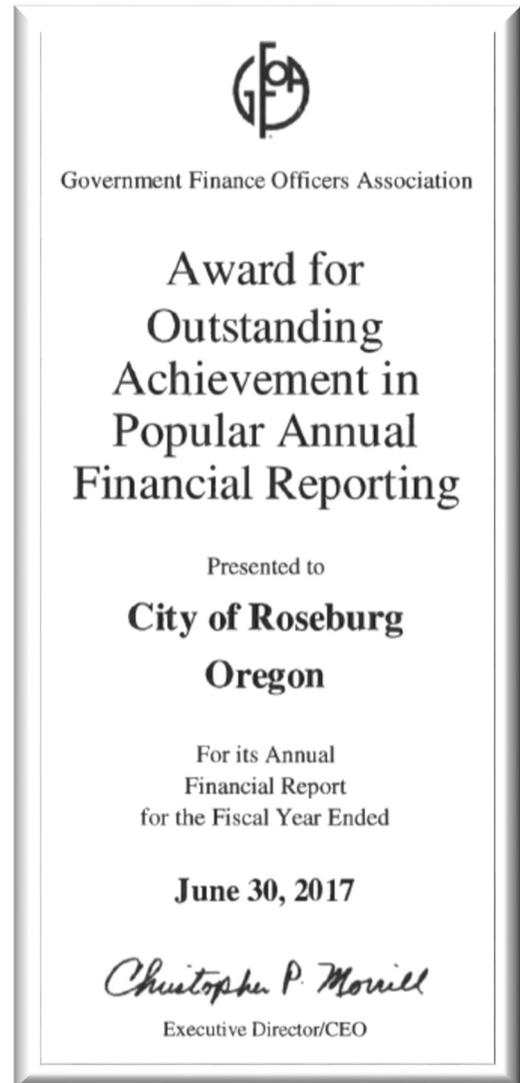


POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



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The information in this report is drawn from the City of Roseburg Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 and is consistent with GAAP. Please review the CAFR online, or email Finance Director Ron Harker at finance@cityofroseburg.org to request a copy or with any questions about this report.

Overview of Financial Results

The following summary highlights are taken directly from the Management's Discussion and Analysis section of the fiscal year 2018 Comprehensive Annual Financial Report (CAFR); all figures are **reported in thousands**; net position is the difference between the total assets and deferred outflows and the total liabilities and deferred inflows:

- The assets of the City of Roseburg exceeded its liabilities at June 30, 2018 by \$210,665 (*net position*). Of this amount, \$7,201 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position at June 30, 2018 increased by \$5,375 from June 30, 2017. The increase of total net position is largely a result of booking a \$3,917 adjustment to recognize a \$18,296 net pension liability per the requirements of GASB 68.
- The City's total liabilities decreased by \$3,853 from \$36,255 to \$32,401 in the current year. Regular debt service payments were made as scheduled. Per the provisions of GASB 68, the City's net pension liability decreased \$3,917 to \$18,296.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$15,966, a decrease of \$136 from the prior year.
- At June 30, 2018, the City's business-type activities reported combined ending net position of \$83,414 an increase of \$612 over the prior year. Unrestricted net position increased by \$1,132 to \$8,846.
- At June 30, 2018, the unassigned fund balance for the General fund was \$7,251 or 33.8 percent of total General Fund expenditures and other financing uses.





Roseburg Leadership

Roseburg operates under the Council-Manager form of Government. The City Council has eight members elected by ward to four-year terms, with one Council position in each of four wards elected every two years. The Mayor, who presides at the Council meetings, is elected for a two-year term. Council adopts legislation and policies to direct the City and appoints a City Manager to administer all City operations and personnel except the Municipal Judge.

The City's administration is committed to professionalism and efficiency. The City provides a full range of municipal services including, police, fire, emergency medical services, municipal court, community development, parks, recreational and cultural activities, airport, water, storm water management, general public works, central services, administration and other services associated with a full-service city.

Elected Officials



Mayor Rich

Term 12/31/18



**Councilor Eggers
Ward 1**

Term 12/31/18



**Councilor Fisher-Fowler
Ward 1**

Term 12/31/20



**Councilor Zielinski
Ward 2**

Term 12/31/20



**Councilor Ryan
Ward 2**

Term 12/31/18



**Councilor Prawitz
Ward 3**

Term 12/31/20



**Councilor McDonald
Ward 3**

Term 12/31/18



**Councilor Kaser
Ward 4**

Term 12/31/18



**Counselor Hicks
Ward 4**

Term 12/31/20

Appointed Officials

- Lance Colley, City Manager
- Ken Madison, Municipal Court Judge

Letter from the City Manager

Dear Citizens of Roseburg,

I am pleased to present the City's fourth annual Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2018. This report is designed to provide transparency and accountability of City financial information, which is a key organizational goal.

The City of Roseburg is proud to have received the Government Finance Officers Association (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* for the past twenty-five consecutive years and now the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for a third consecutive year.

It is our belief that participation in GFOA award programs enhances our citizens' understanding of Roseburg finances. Attaining these awards demonstrates our belief that sharing financial information in formats consistent with the highest standards in governmental financial reporting is the best way to achieve financial transparency.

The PAFR is designed to provide a summary view of financial activities of the City. It is a high-level report for citizens who wish to learn more about Roseburg finances. All information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City.

Throughout the year, the Finance Department works on budgets, audits, financial policies, financial forecasts, and financial management. As always, the City of Roseburg invites citizens to share their thoughts and opinions with us.

Being good stewards of the taxpayers' monies is a main focus of the Finance Department, but that alone is not enough. We strive to develop healthy partnerships with the community; we strive to be transparent with the City's finances; and we always look for efficiencies in City operations.

If you have any questions about this document, please email Finance Director, Ron Harker, at finance@cityofroseburg.org.

Sincerely,

C. Lance Colley
City Manager





About Roseburg

The City of Roseburg, timber capital of the nation, was incorporated in 1872. From its founding to present day, the area's greatest wealth has been its forests. Douglas County contains the largest stand of old growth timber in the world. Roseburg is situated at the heart of the Hundred Valleys of the Umpqua in scenic Southwestern Oregon. Adjacent to Interstate 5, it is 123 miles north of the California state line and approximately 70 miles south of Eugene, the state's second largest city. Roseburg is approximately 80 miles inland from the Pacific Ocean and 80 miles west of Diamond Lake at the summit of the Oregon Cascades. It is less than 100 miles from Crater Lake National Park.

Roseburg is the largest city in Douglas County and the 22nd largest city in Oregon. The City, the county seat of Douglas County, is the center of government and commerce for the county.

The City is a proud recipient of the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officers Association (GFOA) for its FY 2017 CAFR. This certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of financial reports.

The City also received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA for its FY 2017 Popular Annual Financial Report. This prestigious national award recognizes conformance with the highest standards for preparation of local government popular annual reports.

FY 2018 Fact	Figure
Date of Incorporation	1872
Form of Government	Council/Manager
Area in square miles	10.6
City Property Tax Rate:	\$8.48/\$1,000 TAV
City Bonded Debt Tax Rate:	\$0.00/\$1,000 TAV
Total Property Tax Rate:	\$15.26/\$1,000 TAV
City Share of Total:	56%
Total Operating Budget:	\$50.87 million
Population:	24,015
Employees:	163.6
Outstanding Debt:	\$5.969 million
Bond Rating:	Aa3



FY 2018 Fact	Figure
Parks and Open Space:	428 acres
City Maintained Roads:	120 miles
Water Lines Maintained:	197 miles
Daily Average Water Production	4.52 million gallons
Number of Calls for Service - Police	34,779
Emergency Responses - Fire	6,156
Regional Airport Runway Length	5,000 feet
Airport Hangars	98

City Council Priorities

In early 2017, Council concluded its current goal setting process and adopted a resolution outlining goals for our organization for the **next two years**. The purpose of goal setting was, and is, to provide a priority framework for financial and human resource allocation to meet the needs of our community as outlined by our elected governing body. Resolution 2017-09 included four goals which are listed below along with current action items developed to comply with the goals:

1. Support and adopt policy development and implementation to enhance housing and community development.
 - Initiate a housing needs analysis and buildable lands inventory to determine current needs and Urban Growth Boundary expansion needs.
 - Evaluate and implement a strategy to annex contiguous areas that are cost effective from a service/resource standpoint.
 - Update the Urban Growth Management agreement with Douglas County and urban services agreement.
 - Update dangerous/derelict building and municipal code requirements to provide opportunities for redevelopment and accountability.
 - Review and implement infill zoning and development standards to encourage affordable development.
 - Provide incentive programs like the façade program to generate private investment in upgrading properties.
2. Develop and implement transportation funding policies to meet identified community needs.
 - Update the Transportation System Plan and incorporate the TSP into our policy documents.
 - Provide for a community poll related to a local gas tax and place a gas tax on the May ballot that would allow the City to maintain or enhance its current Pavement Condition Index of 72.
 - Complete the ADA transition plan and incorporate priority projects in next CIP.
 - Work with ODOT on interchange area management plans and the I-5 capacity analysis.
 - Evaluate and implement a new Urban Renewal Plan area to support infrastructure funding.
 - Utilize TGM grants and processes to identify opportunities and obstacles to infrastructure development to serve targeted land use areas.
 - Evaluate opportunities through the Bicycle Friendly Community program to provide funding opportunities for multi-modal transportation improvements.
3. Take proactive role in community economic development and revitalization.
 - Identify targeted commercial community needs and possible incentives to attract development.
 - Evaluate cooperative tourism programs with the Visitor Center (Chamber), The Partnership and the private sector to enhance our area as a tourism hub.
 - Support efforts of the Partnership and IDB related to MedEd, Data Center recruitment, Boutique Hotel and other prime target manufacturing.
 - Support Travel Oregon Bicycle and Agra Tourism Studio work and implement priority opportunities including wayfinding and cooperative tourism programming.
 - Update policies on vacant/zombie homes to provide additional housing stock and enhanced neighborhood viability.
 - Support efforts by Umpqua Community College related to targeted work force development opportunities that benefit the City and the community.
4. Develop programs and policies to enhance community livability and public safety.
 - Update policies on vacant/zombie homes to provide additional housing stock and enhanced neighborhood viability (duplicate from prior goal).
 - Add a community oriented policing position in the PD to proactively work on targeted criminal activities that disrupt business and neighborhood activities.
 - Consider safety and security measures like video security cameras in targeted areas that experience significant criminal activity.
 - Expand coordinated compliance and nuisance abatement programs to enhance neighborhood livability.
 - Work with the Local Public Safety Coordinating Council and other partners on safe, appropriate transitional and short term housing for post incarceration housing/lodging needs.
 - Work with the legislature to develop more local control over certain provisions of statute related to the OLCC for authorization of new licenses and alcohol related criminal activities.

While the goals are in no particular order, each speaks to important issues in our community and each will be dependent on strong leadership and sound financial planning.



Balance Sheet

The *Statement of Net Position* reflects a healthy financial condition as of June 30, 2018. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources by \$210.7 million at the close of fiscal year 2018.

This balance sheet is presented as a high-level summary overview of the City's financial position. For greater detail, see the City's *Comprehensive Annual Financial Report*, available online at www.cityofroseburg.org/departments/finance/annual-financial-report.

Statement of Net Position

	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015	As of June 30, 2014
Assets					
Current assets	\$ 31,207,037	\$ 30,443,434	\$ 27,625,458	\$ 30,326,108	\$ 33,862,993
Capital and other	205,242,933	199,811,626	200,539,112	206,753,606	204,932,386
Total assets	<u>236,449,970</u>	<u>230,255,060</u>	<u>228,164,570</u>	<u>237,079,714</u>	<u>238,795,379</u>
Deferred Outflow of Resources					
Pension	8,326,155	13,972,578	5,257,993	5,479,406	-
Other Postemployment Benefits	52,515	-	-	-	-
Total Deferred Outflow	<u>8,378,670</u>	<u>13,972,578</u>	<u>5,257,993</u>	<u>5,479,406</u>	<u>-</u>
Liabilities					
Current liabilities	2,988,845	1,948,852	11,211,501	2,715,315	1,700,457
Long-term liabilities	29,411,810	34,305,651	12,240,163	14,954,728	17,280,312
Total Liabilities	<u>32,400,655</u>	<u>36,254,503</u>	<u>23,451,664</u>	<u>17,670,043</u>	<u>18,980,769</u>
Deferred Inflow of Resources					
Pension	1,741,477	1,206,666	2,284,420	7,272,069	-
Other Postemployment Benefits	21,035	-	-	-	-
Total Deferred Inflow	<u>1,762,512</u>	<u>1,206,666</u>	<u>2,284,420</u>	<u>7,272,069</u>	<u>-</u>
Net Position	<u>\$ 210,665,473</u>	<u>\$ 206,766,469</u>	<u>\$ 207,686,479</u>	<u>\$ 217,617,008</u>	<u>\$ 219,814,610</u>



Income Statement

The *Statement of Activities* reports all financial activity for the fiscal year ended June 30, 2017.

This statement presents high-level summary information about how the City's net assets changed during the fiscal year as a result of all financial activity (i.e. revenues and expenses). Total expenses decreased \$5.7 million primarily due to \$5.1 million reduction of pension expense per the requirements of GASB 68. For greater detail, see the City's *Comprehensive Annual Financial Report*, available online at www.cityofroseburg.org/departments/finance/annual-financial-report.

Statement of Activities					
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Revenues	\$ 46,817,583	\$ 41,552,278	\$ 38,028,600	\$ 38,092,684	\$ 39,694,059
Expenses	(41,442,094)	(42,277,992)	(47,959,129)	(33,530,125)	(37,469,163)
Increase in net position	5,375,489	(725,714)	(9,930,529)	4,562,559	2,224,896
Net position - beginning	206,766,469	207,686,479	217,617,008	219,814,610	217,660,406
Restatement	(1,476,485) ‡	(194,296) ^m	-	(6,760,161) *	(70,692) †
Net position - ending	\$ 210,665,473	\$ 206,766,469	\$ 207,686,479	\$ 217,617,008	\$ 219,814,610

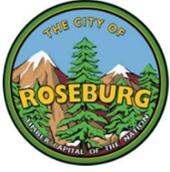
‡ Restatement required to recognize OPEB Liability for RHIA as required by GASB 75 and to correct booking of Line-of-Credit in 2017

^m Restatement required to recognize OPEB Liability for HIC as required by GASB 75

* Restatement required to recognize pension related expenses as required by GASB 68

† Restatement required to recognize debt issuance costs as required by GASB 65





Budget

The Citizen's Budget Committee approved the FY 2018 budget which was then adopted by the City Council on June 12, 2017. To best illustrate trends, below are the fiscal year budget amounts for the last five fiscal years for comparison.

	Budget Information				
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
City Budget:					
Personnel Services	\$ 19,471,626	\$ 18,080,163	\$ 17,365,472	\$ 16,938,290	\$ 16,779,023
Materials & Services	9,419,164	9,135,938	9,023,050	8,386,868	8,632,150
Debt Service	1,597,297	2,603,381	3,463,148	3,309,653	3,468,063
Transfers	5,191,837	1,192,455	1,152,449	1,112,080	1,510,730
Other	5,000	50,000	50,000	50,000	4,810,891
Annual Operating Budget	35,684,924	31,061,937	31,054,119	29,796,891	35,200,857
Capital Outlay	7,593,603	5,253,935	3,512,367	4,756,446	7,736,651
Reserves	26,443,893	24,276,868	23,824,391	23,043,581	21,982,007
Total City Budget	\$ 69,722,420	\$ 60,592,740	\$ 58,390,877	\$ 57,596,918	\$ 64,919,515



Financial Policies

The City of Roseburg is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of Fiscal Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition. These policies are adopted by the City Council as the basic framework for overall financial management of the City, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. To provide for quality basic City services.
2. To establish a financial base sufficient to maintain or enhance City assets required to support community service demand.
3. To respond to changes in the needs, desires and service requirements of Roseburg.
4. To follow prudent and professional financial management practices to assure residents of Roseburg and the financial community that our City government is well managed and in sound fiscal condition.
5. To cooperate with other government entities to provide cost effective services to citizens.
6. To have an adequate capital improvement program that maintains and enhances the public's assets.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves, and internal controls. These policies are reviewed by management and City Council and amended as necessary.

To review all financial policies for the City of Roseburg, please see page 6 of the Roseburg Adopted Budget for 2017-2018, available online at www.cityofroseburg.org/departments/finance/budget.



Revenue Overview

The City maintains 24 distinct funds in which to account for government services. The financial statements of the City are divided into two categories – governmental activities and business-type activities. Governmental activities include the basic services provided by the city including public safety, parks and recreation, public works, community development, and general administration. Property taxes, public service taxes, franchise fees, charges for services, and state and federal grants fund most of these activities.

Business-type activities include water, storm drainage, off street parking, and airport services. The City charges fees to customers to help cover the costs of these services. Along with the adoption of the budget, rate increases for water, storm drainage and airport services are approved by the City Council following the support and recommendation of the Public Works Commission.

Major Revenue Types

Property Taxes – The City of Roseburg’s permanent tax rate is \$8.48 per \$1,000 of taxable assessed value.

Intergovernmental – Grants or shared revenues received from other governments (state, federal, etc.).

Fees & Charges – Fees received for services, including water, storm drainage, rental properties, etc.

Licenses, Permits, & Fines – Revenue generated from selling licenses and permits and collecting on fines.

Franchise Fees – The revenue received as per agreements with public and private utilities for use of the City right-of-ways.

Other – Revenues that do not fall into the above categories.

Douglas County assesses property taxes on behalf of the county, schools, special districts, and the City of Roseburg on a consolidated property tax bill. Of this tax bill, 55.57 percent of the total is allocated to the City of Roseburg. Of every dollar, \$0.56 goes to the City:

\$0.56
City of
Roseburg



\$0.07
Douglas
County



\$0.37
Roseburg
School
District

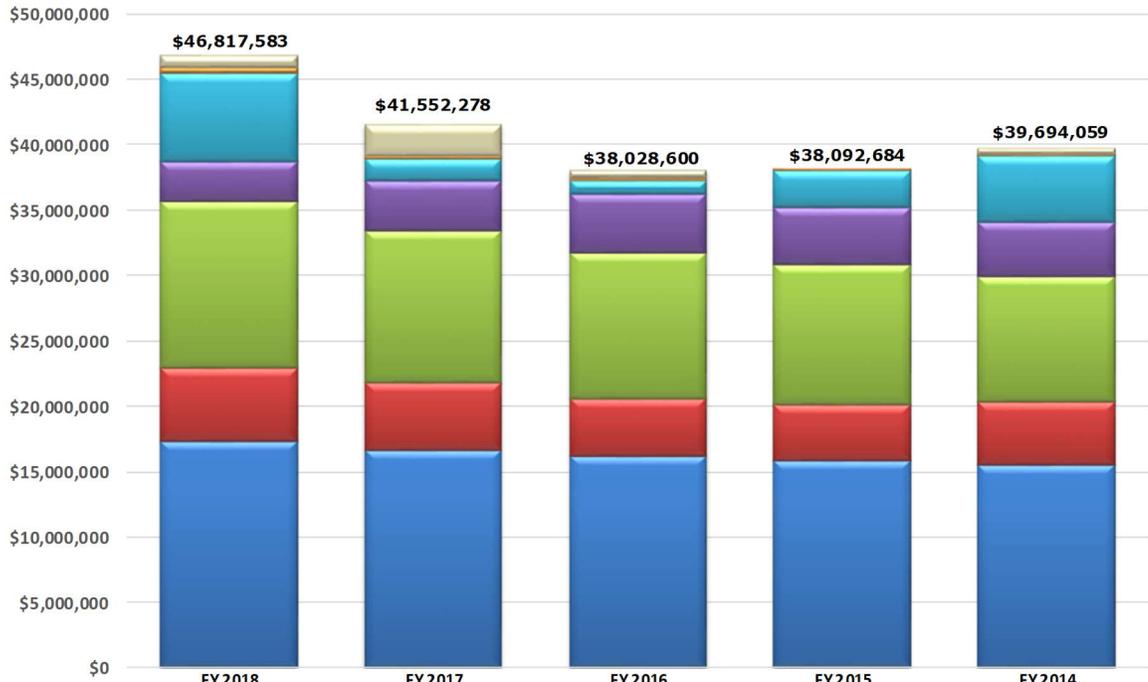


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4H
Extension
Service

“Capital Grants” Revenues increased year-over-year \$5.03 million primarily due to the transfer of the Library building to the City at a value of \$4.25 million.

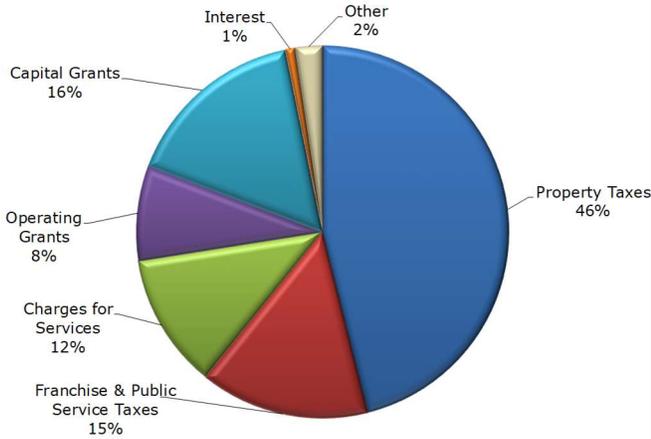
More About Revenues

City Wide 5 YR Revenue Trend by Type

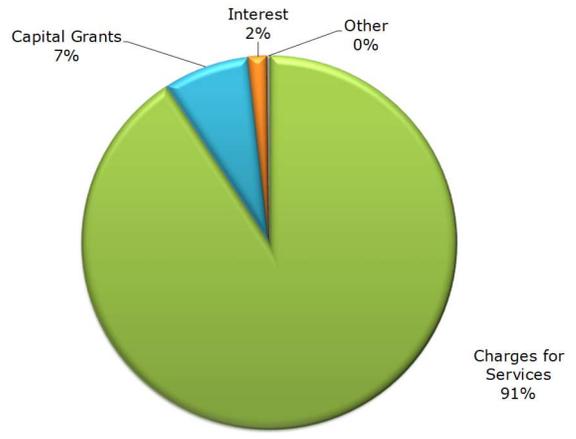


	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Other	913,919	2,351,220	563,106	(75,401)	418,546
Interest & Investment	463,572	298,422	174,019	147,197	149,707
Capital Grants	6,713,005	1,682,663	1,071,305	2,851,362	5,015,535
Operating Grants	3,109,489	3,822,946	4,481,256	4,299,408	4,190,383
Charges for Services	12,708,650	11,624,850	11,120,542	10,715,632	9,619,386
Franchise & Public Service Taxes	5,549,481	5,181,645	4,480,949	4,335,939	4,782,836
Property Taxes	17,359,467	16,590,532	16,137,423	15,818,547	15,517,666

Governmental Revenues for FY 2018 by Type



Business-Type Revenues for FY 2018 by Type





Expenses Overview

The City of Roseburg plans for expenses using several short and long-range planning tools. A six-year financial forecast for the general fund guides short-term governmental spending. A five-year financial forecast for the water utility guides short-term water utility spending. The multi-year forecasting models anticipate projected increases and decreases in revenues and expenses.

The City of Roseburg also relies on master planning documents including the Transportation System Plan, Water Master Plan, Storm Drainage Master Plan, Park Master Plan, Regional Airport Financial and Development Plan, and others. These master plan documents provide long-range planning for necessary capital improvements and investments in the City's infrastructure. The City's expenses related to services provided are tracked by distinct funds, and can also be displayed by type of service provided. There are seven main service categories in which expenses can be attributed:

General Government – Expenses include those incurred by the City Council, City Manager's Office, Finance, Human Resources, and Information Technology.

Public Safety – Includes expenses from the Police, Fire and Municipal Court Departments.

Public Works – Expenses related to the provisions of Engineering, Streets and Lighting, and Facilities.

Culture & Recreation – Expenses include those incurred by the Parks & Recreation departments and the newly created City Library.

Community Development – Expenses related to land use planning, permit services, economic development, code enforcement, and redevelopment projects.

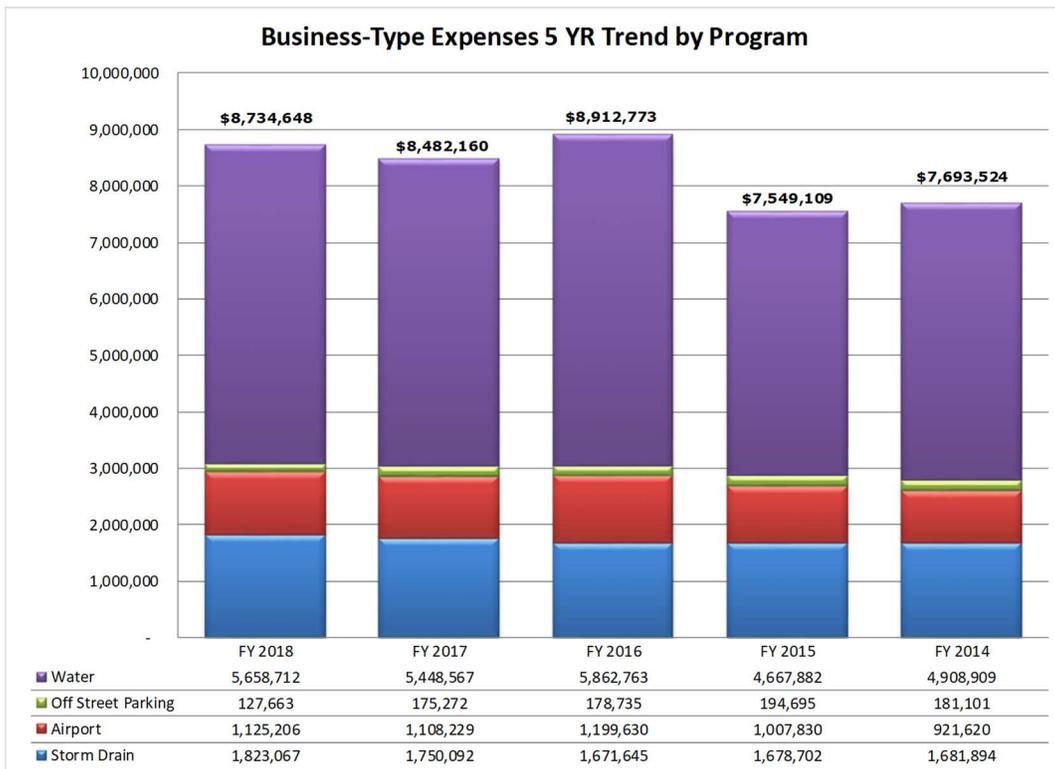
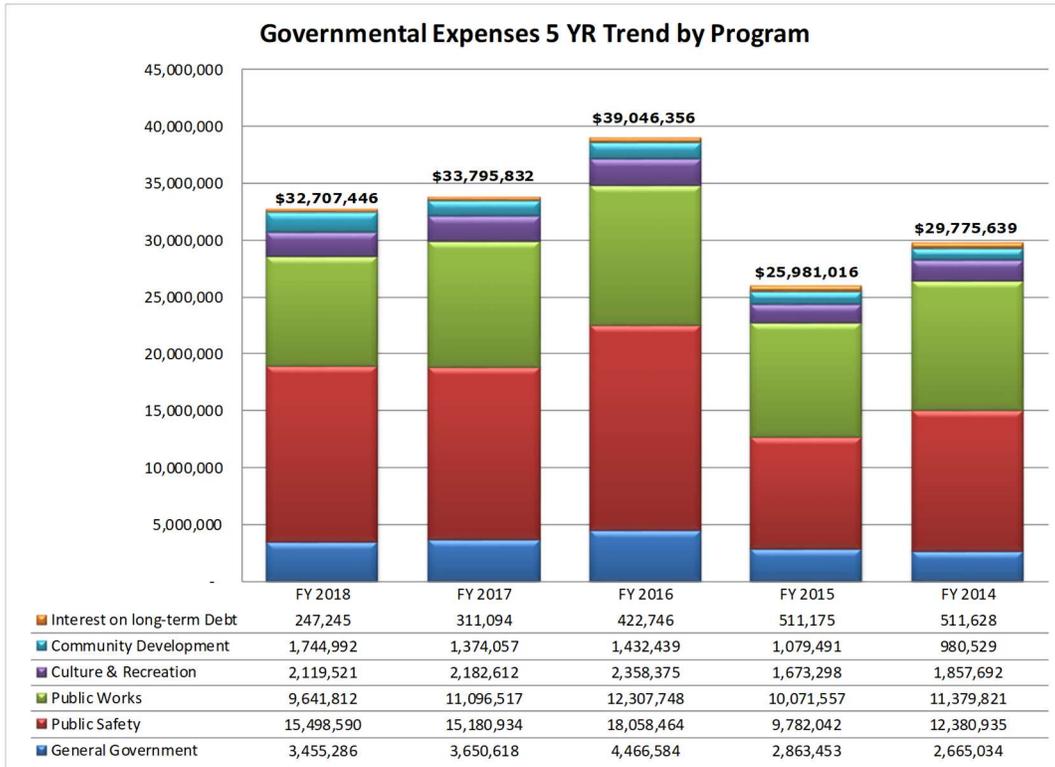
Debt Service – Interest Expenses related to debt retirement.

Business-Type Activities – Expenses related to the operations of the City's business enterprises including: Storm Drainage, Airport, Off Street Parking, and Water.



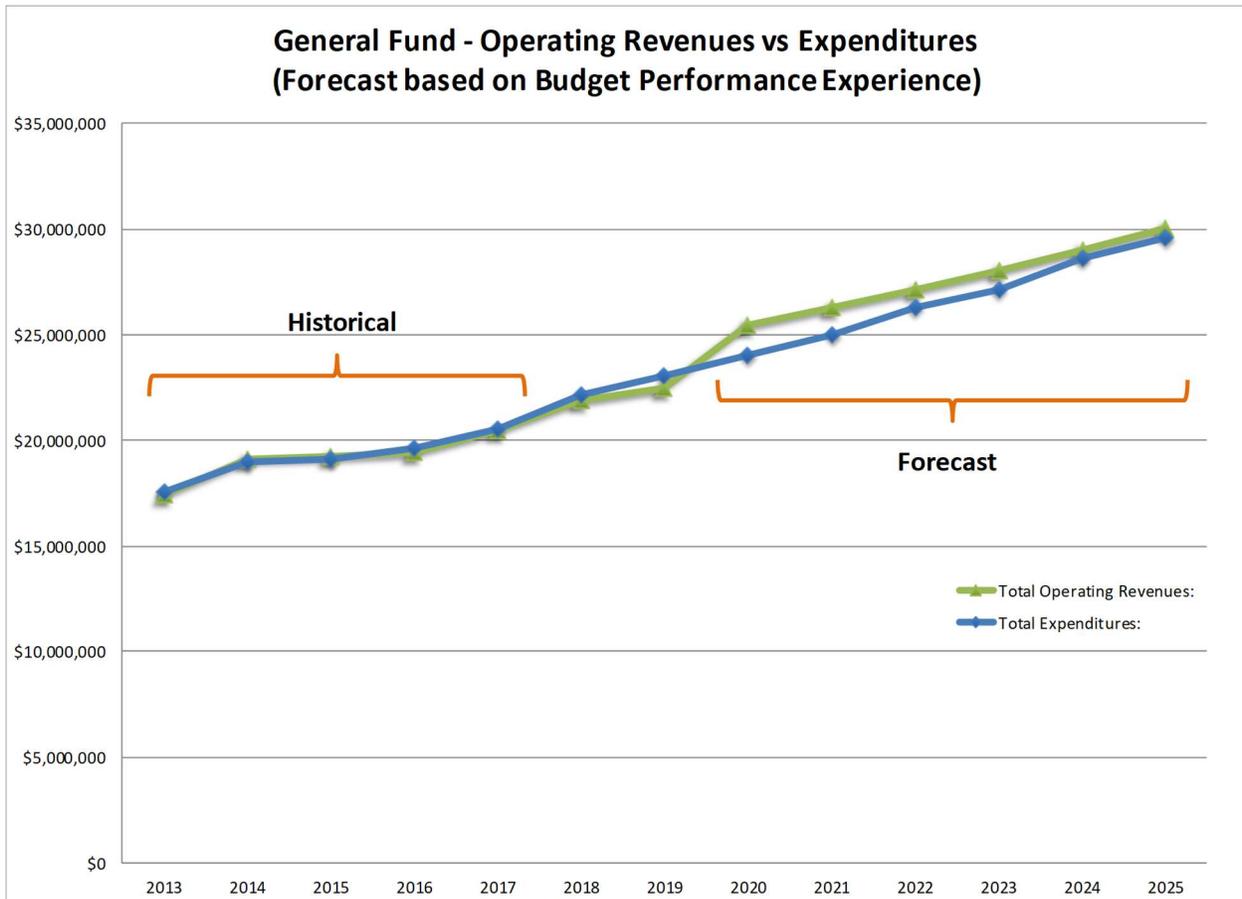
Total expenses decreased \$0.84 million in 2018 primarily due to a \$3.9 million reduction of pension expense per the requirements of GASB 68.

More About Expenses





Financial Planning

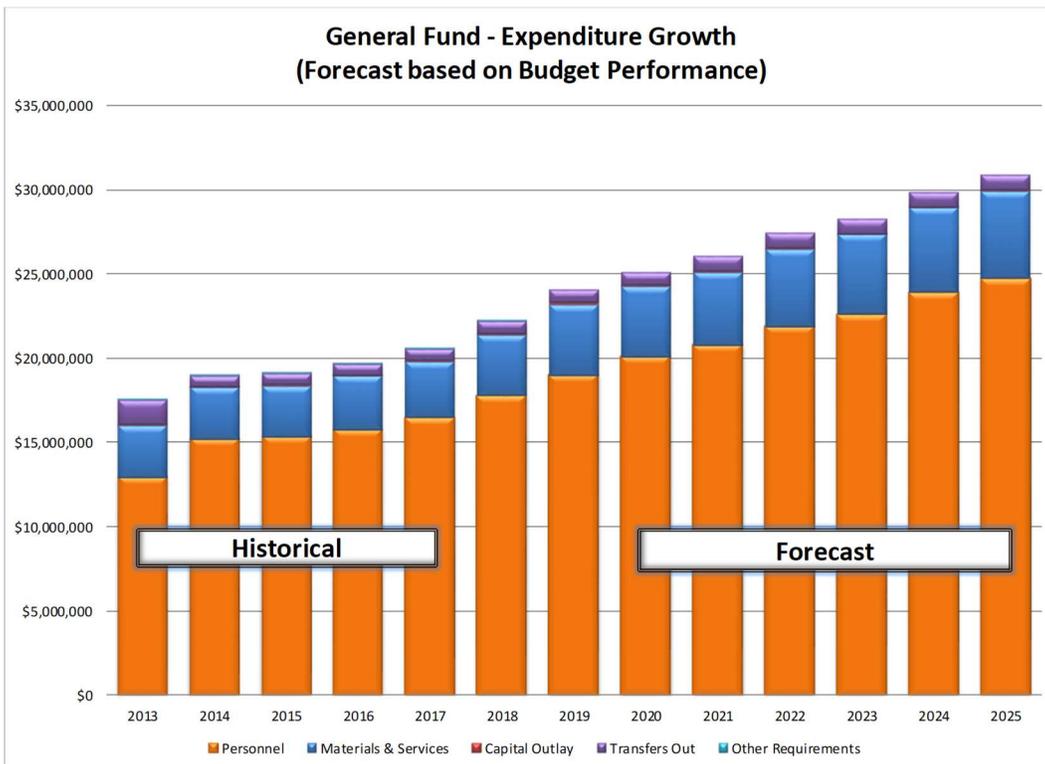
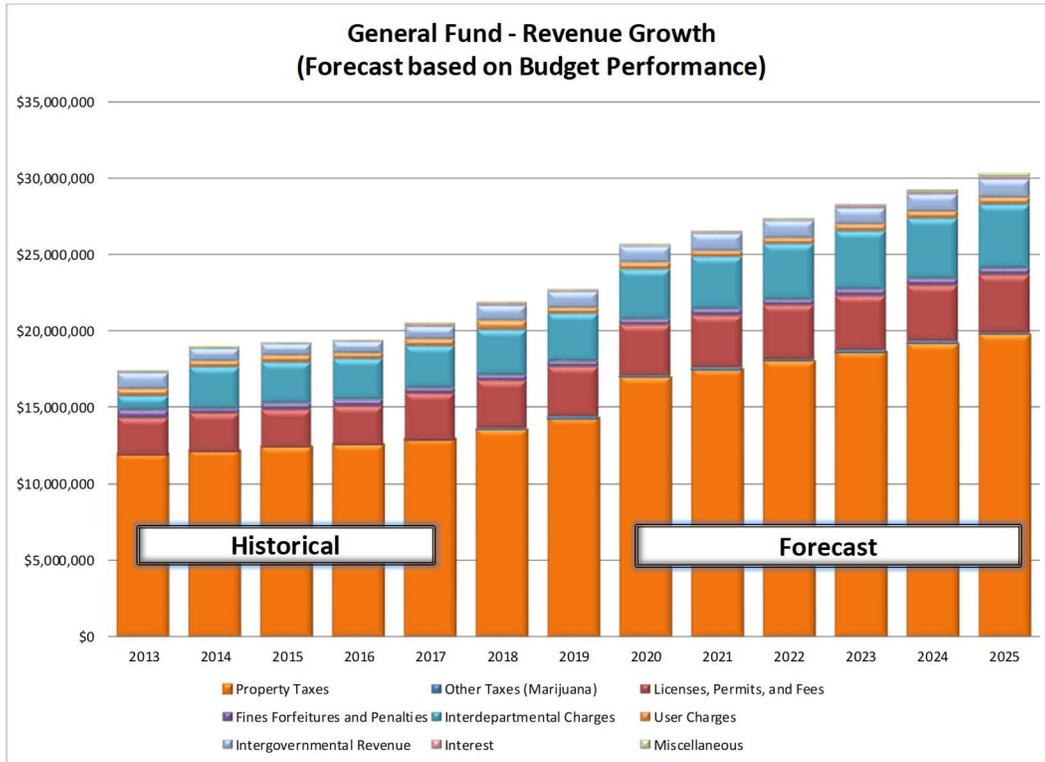


Financial Forecasting

The City of Roseburg prepared a six-year General Fund Financial Forecast prior to the development of the FY 2019 budget. The six-year model takes into account projected increases and decreases in revenues and expenditures. This information is shared during budget deliberations. Financial forecasts are key to strategizing, studying different financial outcomes, and modeling anticipated changes in revenue and expenditure streams.

Recently, the City completed a five-year financial forecast for its Water Utility which will be utilized in the development of future budgets. The City will develop financial forecasts for its other funds for future guidance.

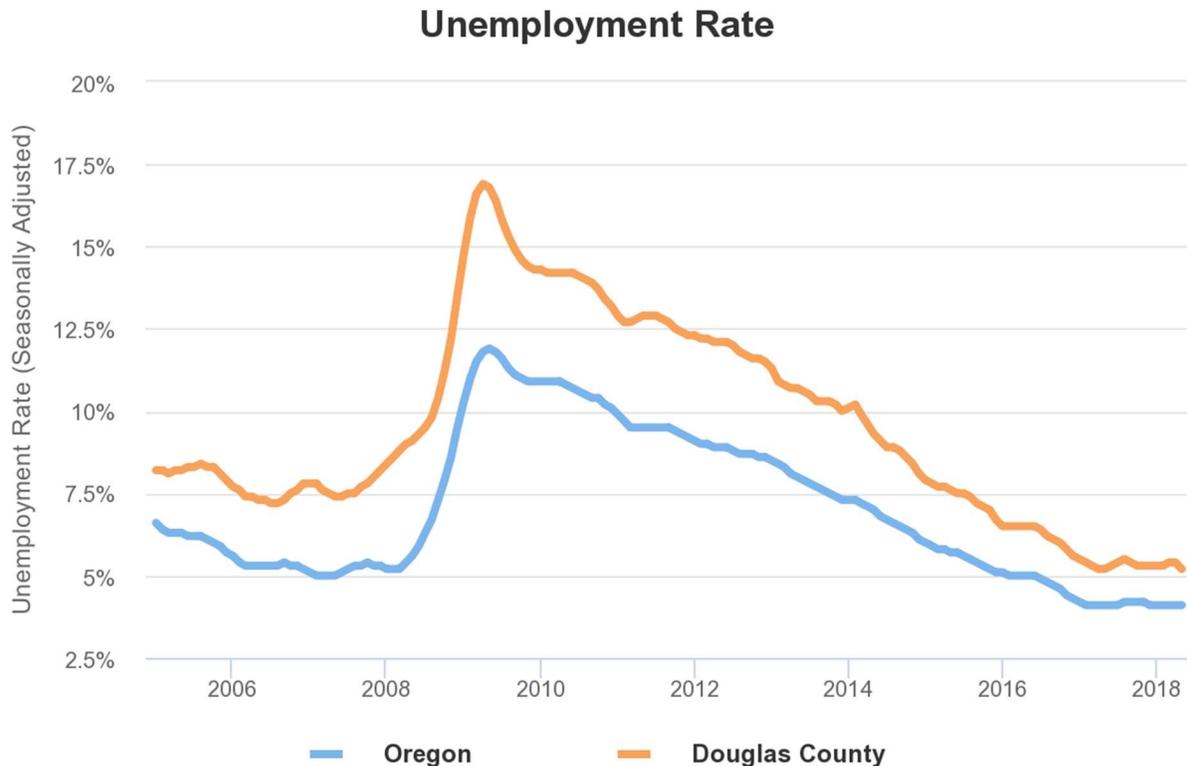
More About Financial Planning





Local Economy (as of June 2018)

The State of Oregon Employment Department reported that “Douglas County’s seasonally adjusted May unemployment rate was 5.2 percent, a slight decrease from the revised 5.4 percent in April. This month’s rate is the same as the May 2017 rate (5.2%).”



Source: Oregon Employment Department Qualityinfo.org

A review of the underlying figures to May’s unemployment rate indicate that the maintenance of the year-over-year rate is due to a mixed bag of results:

- The civilian labor force decreased by 160 year-over-year or -0.35%;
- The number of employed (or jobs) decreased by -48 year-over-year or -0.11%; and
- The number of unemployed decreased by -112 year-over-year or 5.06%.

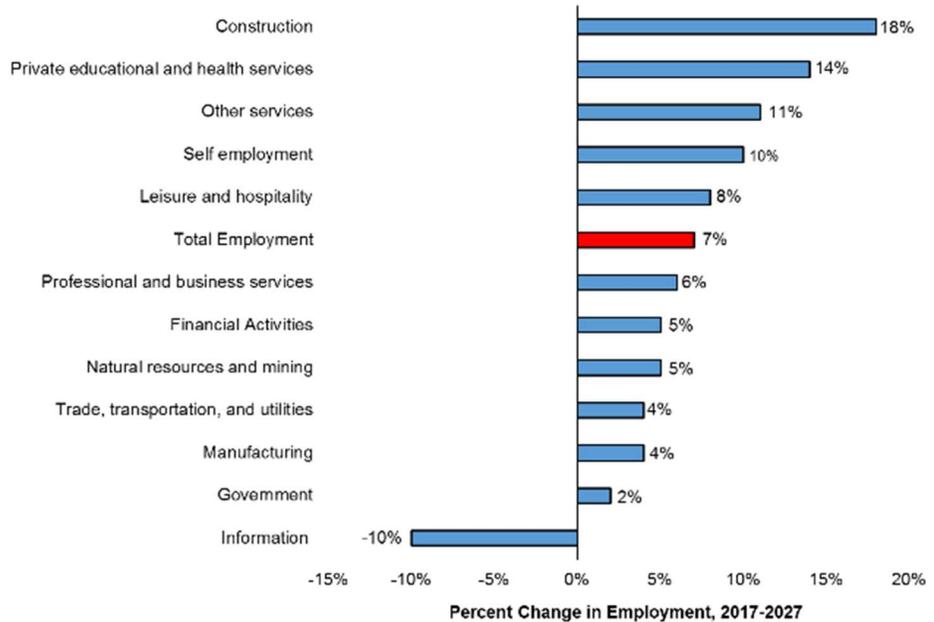
Oregon’s Employment Department recently published “Long-Term Job Outlook for Douglas, Coos, and Curry Counties Is Modest” which provides a forecast of future job growth by sector for the counties. Future job growth projections for Douglas County call for a modest 7 percent growth rate for 2017 through 2027; private payroll growth is projected to be 7 percent, government employment 2 percent, and self-employment 10%. At the same time population is expected to grow 2.3 percent between 2018 and 2025 and then 1.9% between 2025 and 2030; population growth drives the demand for goods and services as well as supplying the needed labor.

More About The Local Economy

Construction, and private education and health services are projected to lead industry growth.

Construction is forecasted to be the fastest growing industry at 18 percent over ten years to satisfy pent-up demand that dates back a decade. The largest number of jobs will be added by the larger private educational and health services sector with a 14 percent growth rate.

Construction, and Private Educational and Health Services Among the Fastest Growing Industry Sectors in SW Oregon



“Other industries showing above-regional-average growth rates include the other services and private households sector, and the leisure and hospitality. The other services sector is projected to rank third in regional industry growth . . .” at 11 percent. Leisure and hospitality is projected to grow 8 percent through 2027.

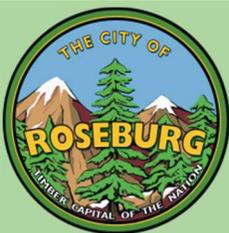
Growth rates for other major sectors are provided in the preceding graph. Of particular note, Information is the only major industry sector that is forecasted to lose jobs during this period and is projected to decline by -10 percent by 2027.

Principal Employers in 2018

Employer	Estimated No. Employees	Rank	Percentage of Total Employment	Employer	Estimated No. Employees	Rank	Percentage of Total Employment
Roseburg Forest Products	1,861	1	4.83%	Swanson Group	724	6	1.88%
VA Medical Center	1,238	2	3.21%	Douglas County	553	7	1.44%
CHI - Mercy Healthcare, Inc.	1,156	3	3.00%	TMS Call Center	403	8	1.05%
Seven Feathers Hotel & Gaming Center	902	4	2.34%	First Call Resolution	391	9	1.01%
Roseburg Public Schools	564	5	1.46%	Orengo	355	10	0.92%
				Totals:	8,147		21.14%

CITY OF ROSEBURG FINANCE DEPARTMENT

RON HARKER, MPA
FINANCE DIRECTOR
finance@cityofroseburg.org



CITY OF ROSEBURG, OREGON
POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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