CITY OF SILVERTON

FIVE-YEAR FORECAST

FISCAL YEARS ENDING 2009-2014

City of Silverton

5-Year Forecast
Fiscal Years Ending 2009-2014

INTRODUCTION

This 5-year forecast is provided to the City Council and Budget Committee to assist with future operational and financial planning decisions. It is important to note up front that this forecast is built on several assumptions, which are spelled out in detail below.

Factors that could change the outcome of this model are: 1) population growth, which could affect staffing levels and the demand for services; 2) debt required for capital purchases or projects; 3) unforeseen reductions in revenue, i.e. reductions in franchise fees or reductions in state shared revenues, and; 4) unfunded federal, state or county mandates.

The forecast should be viewed as a look into the future using present day data. It should not be viewed as a self-fulfilling prophesy. The forecast is updated annually to include the best information available, and a copy is provided to the Budget Committee in advance of each subsequent year's budget deliberation. The primary value of the forecast is tied to its ability to forewarn key decision makers about future financial issues so today's decisions are made with tomorrow in mind.

The data prepared and used in this forecast is based on prior years' actual data with changes in law or policies and the economic environment taken into consideration. Again, expenditure projections reflect present day staffing levels, except as amended through the annual budget process. The forecast focuses on the city's major operating funds: General Fund, Street Fund, Sewer Fund and Water Fund. It also provides an analysis of the city's debt load.

The City Council has adopted policies and programs to help encourage investment in the historic downtown, and the currently under-utilized Silverton Industrial Park. The establishment of the Silverton Urban Renewal Agency will allow key investments to be made over the next 10-15 years that focus on improving existing assets and creating incentives to attract key industries to the city.

The authorization of the Commercial Façade Improvement Program is another program that seeks to increase the value of existing assets and keep the commercial heart of Silverton viable into the future. The Façade program is not funded from General Fund proceeds, but utilizes funds the City received from prior year community development block grants that can now be used in this manner. Silverton residents have a strong emotional connection to the historic downtown. The City Council has consistently adopted policies that seek to maintain focus on existing commercial areas, and not allow commercial sprawl. From a financial standpoint, especially over the long haul, it is far more cost-effective to encourage investment into existing infrastructure than it is to encourage new infrastructure to serve new development. In addition, focusing attention on creating new jobs in the existing industrial park, adding new businesses to existing buildings in the downtown area and strengthening existing commercial areas has significantly less impact on existing operations.

During the 2004-2005 fiscal year budget process the Budget Committee authorized the creation of several new funds. The Major Equipment and Fleet Replacement Funds, which allow the city to set aside money annually to replace major equipment and vehicles on an as needed basis. Every major piece of equipment and all of the city's rolling stock are put on a replacement schedule, and each year the city transfers in a portion of the replacement cost until the full replacement value is achieved. Once the replacement value is realized, the City can purchase the piece of equipment or vehicle without having to finance the purchase, which in turn eliminates the need to finance major equipment and fleet. It is important to note that, just because a major piece of equipment or vehicle is on a replacement schedule does not mean the city will replace the item at that time. If a vehicle is still in good shape at the end of its useful life, the City will continue to use it, but transfers for the vehicle will be reduced to cover an estimated inflation factor until a new vehicle has been purchased.

The city also created an Abatement Fund to deal with nuisance properties. This fund receives all of its revenues from liens on property or court fines and assessments related to property abatement. In the past, property abatement was funded through the City's General Fund. It is now a stand-alone special revenue fund, which removes the burden from the City's primary operating fund.

The creation of the Extended Leave Fund allows the City to accumulate resources to cover temporary personnel costs in the event an employee is out on an extended leave. This maintains the current staffing level when the fund or department is unable to absorb the additional workload and the fund is unable to handle additional costs to hire temporary help for the duration of the leave. This allows the City to plan for unexpected employee absences without having a major impact on the various operating funds. The resources received are transfers in from funds that have personnel costs. The level of funding the City tries to maintain is 10% of the sick leave liability value. If this level is achieved the City has chosen to transfer a minimal amount to cover cost of living increases.

The economy for the City of Silverton as well as its citizens has slowed significantly. The housing market has decreased in activity, fuel costs continue to rise and the job market has been drastically reduced as many businesses have been down sizing or closing their doors. The increased fuel cost has also increased costs for other products and services the City utilizes. One of the top ten largest taxpayers for the Silverton taxing district closed their doors in 2008. The tax impact will not affect the City until the 2009-2010 fiscal- year.

DEMOGRAPHICS

The current population estimate per Portland State University for 2008 is 9,540. This is an increase of 2,126 people over the 2000 Census. Here are a few additional facts about the City of Silverton from the 2000 U.S. Census Report:

Population Statistics, Census 2000

Silverton's population in 2000 was surveyed at 7,414. The male-female ratio is 47:53. The 2004 population as provided by Portland State University's (PSU) Center for Population and Research is 7,991. The PSU population estimate for 2008 was 9,540.

<u>AGE:</u> Citizens between the ages of 0-19 make up 37.7% of the population, those between the ages of 20-44 make up 31.8%, those between the ages of 45-64 make up 20.3%, and those over age 65 make up 13.4%.

<u>RACE:</u> The different races can be broken down to 89.3% reported themselves to be white; .2% Black or African-American; 1.1% Native American or Alaskan; and .4% Asian. 11.6% reported themselves to be Hispanic or Latino, regardless of race.

<u>HOMES:</u> With the regards to housing, 60.7% of the occupied housing units are owned, while 39.3% are rented.

<u>THE WORK FORCE:</u> There was 63.7% of the population reported as being part of the civilian work force. Of these, 5.1% were reported unemployed, while 2.4% worked at home. One-tenth of one percent of the overall labor force were reported as members of the armed forces. Of the civilian work force, 30.7% work in management or professional occupations; 24.4% in sales and office occupations; 18.7% in service occupations; 14.6% in production and transport; 10.6% in construction, extraction, and maintenance trades; and one percent in farming, fishing and forestry.

<u>INCOME:</u> In 1999, 11.7% of Silverton households earned less than $10,000. 4.6% earned $10,000-$14,999; 13.2% earned $15,000-$24,999; 15.4% earned $25,000-$34,999; 18% earned $35,000-$49,999; 22% earned $50,000-$74,999; 9% earned $75,000-$99,999; 3.7% earned $100,000-$149,999, and 2.5% earned $150,000 or more. The median salary for a male full-time, year-round worker is $34,707 while the median for a female is $24,479.*

<u>EDUCATION:</u> Of the population 25 years of age and older, 7.1% possessed a graduate or professional degree. 15.3% held a bachelor's degree; 5.2% held an associate degree; and 28% had some college education but no degree. 28.8% had graduated from high school or its equivalent but had not received any college education. 15.6% had not completed high school.*

**Information in starred paragraphs is based on a sample. For information on sampling and nonsampling error, visit the <u>U.S. Census Bureau</u> at <u>http://factfinder.census.gov/home/en/datanotes/expsf3.htm</u>.*

GENERAL FUND

The General Fund accounts for revenues and expenditures that are not legally required to be recorded in one of the other fund types used by governmental agencies. The primary revenue source for the General Fund is from property taxes. The second largest revenue source is from transfers from other city funds that cover the costs paid from the General Fund for services provided for accounts payable, utility billing, payroll and general administration related to the other funds.

Property tax levies are approved by the Budget Committee, adopted by the City Council and then submitted to the County Assessor to be levied and collected from property owners who live within the city limits. Due to the passage of Measure 5 and Measure 50, property taxes are now collected based on a fixed rate and the assessed value (AV) is limited to a 3 percent annual growth, rather than the previous levy-method that was tied to a dollar value and limited to a 6 percent growth in AV.

The 3 percent increase in AV may be greater if there are annexations or new construction that increase the assessed value of property located within the city limits. During the last several years, the City of Silverton has experienced an above average growth in AV due to new construction and annexations. The growth rate in AV is anticipated to slow dramatically over the next three years, as new housing starts diminish. The growth for fiscal year ending in 2008 changed by 6 percent as compared to prior year changes of 9 percent or greater.

It should be noted that residential growth is a double-edged sword. The city depends on some growth to increase the AV to help keep up with ever-increasing operational costs. In addition, new residential growth helps lower the burden of existing and future bonded debt by spreading the burden over a wider tax base. However, as the city grows so will the demand for additional services. This is especially true where residential growth is concerned. More housing means more people which places more pressure on the City to provide additional police services, additional parks, street maintenance, and water and sewer utility workers to help maintain the infrastructure associated with new subdivisions.

The property tax rate per $1,000 of assessed value for the City of Silverton is a fixed rate of $3.6678. This rate does not include taxes levied for General Obligation Bond (G.O.) debt payments passed by the voters. For the fiscal year end of June 30, 2008, the City levied $2,397,497 in property taxes. The actual amount collected for the fiscal year ending June 30, 2008 was $2,231,050 or 93.06% of the amount levied. The total collected was $2,297,876, which includes prior year delinquent tax collections.

The following table shows the real market value and the Measure 50 assessed value[1] for fiscal years 2001 through 2008:

Tax Year	Real Market Value	M50 Assessed Value
2008-2009	$1,138,857,784	$ 574,360,307
2007- 2008	1,042,769,243	523,744,339
2006 - 2007	875,549,360	482,368,286
2005 - 2006	740,580,195	432,206,756
2004 - 2005	657,008,940	393,705,368
2003 - 2004	573,043,134	352,635,782
2002 - 2003	547,631,158	326,709,042
2001 - 2002	496,473,272	306,834,251
2000 - 2001	479,945,597	290,794,481

The City can assess above the fixed rate for G.O. Bonds approved by Silverton voters. This type of tax revenue and expenditure is accounted for in the City's General Obligation Debt Service Fund and is restricted to pay the principal and interest of the debt issued.

The City may also assess taxes for voter approved special levies to fund operations, which must meet the requirements of certain tax laws as set by the State of Oregon. Serial levies are passed in either 3-year or 5-year increments. The City of Silverton does not assess any serial levies.

Another primary source of revenue for the General Fund is franchise fees, which are received from utilities providing services to residents within the city limits and have been granted a franchise agreement with the city. The City receives franchise fees from Portland General Electric, Northwest Natural, Charter Communications, Verizon and United Disposal. This revenue source has become slightly unstable, especially revenues related to communications and cable. These revenues are not growing at the same rate as housing is increasing due to the increased cell phone usage, and competition from dish services and wireless networks. Revenue from franchise fees overall is expected to plateau with as growth levels off. There are some services, such as natural gas, where there is only one provider for the service.

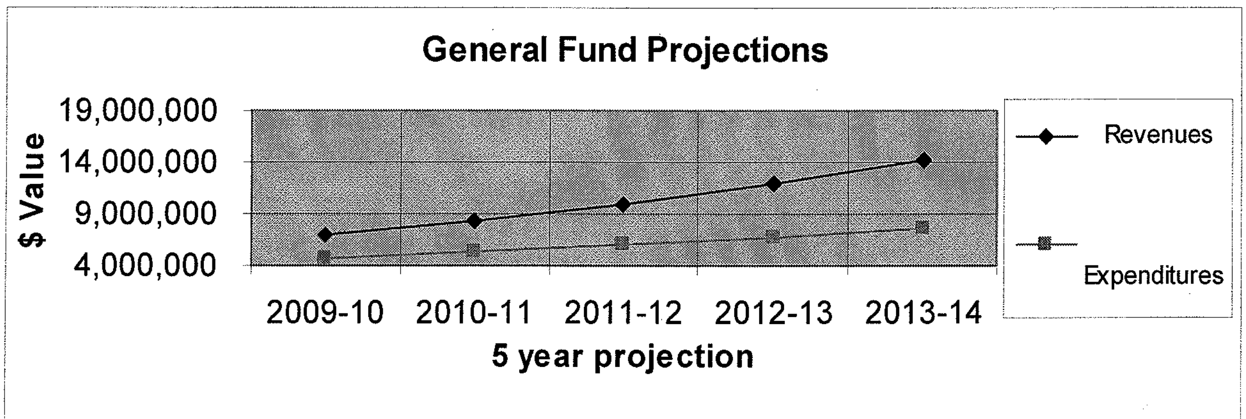
General Fund	2009-10 Projected	2010-11 Projected	2011-12 Projected	2012-13 Projected	2013-14 Projected	Average Change
Primary Revenue						
Property Taxes	1,891,129	2,061,142	2,246,438	2,448,393	2,668,504	8.99%
Franchise Fees	539,596	594,149	654,218	720,359	720,359	10.11%
Intergovernmental	248,844	294,109	347,608	410,837	485,569	18.19%
Revenues	6,968,688	8,321,310	9,936,476	11,865,146	14,168,171	19.41%
Expenditures	4,680,911	5,303,004	6,007,773	6,806,206	7,710,750	13.29%

[1] Information from Marion County Assessor's office.

The City of Silverton appropriation authority method used for the General Fund spending uses a program based appropriation authority level. This means that when the Budget Committee approves and City Council adopts the budget they grant spending authority based on programs such as City Council, City Management, Finance, Police, Community Development, etc, rather than the categories used by the enterprise funds such as personnel, materials and services, etc. This type of budgeting allows tighter management of program expenditures and makes Department Heads more responsible for their program's total expenditures, rather than having the ability of one program to over-expend in one category, and make up for it by under-expending on another program's category.

The Police Program is the largest program in the General Fund. For the fiscal year end of June 30, 2008, General Fund expenditures totaled $4,074,505 and of this total $1,826,340 were for the Police Program. This represents 45 percent of the total General Fund expenditures.

The second largest General Fund expenditure category is for the Facilities Maintenance Program. The total for this program for fiscal year 2007-08 was $304,159 or 7 percent of total General Fund expenditures. Of the $304,159, $77,330 was for the library siding replacement.



As mentioned previously, the projected revenue and expenditures are based on percentage changes in the prior years' actual data. The above graph shows total revenues are projected to increase over the next five years. The average increase in revenues over the last two years, excluding beginning fund balance, has been about 11.84 percent. However, one thing to be aware of is that property tax revenues for the last year only increased 6 percent and will probably increase by less than that for the next few years until the economy and job market stabilize.

This graph demonstrates a different outlook from the previous five-year forecast since the prior projection was for a level increase in both revenues and expenditures. This graph shows a larger increase in revenues over expenditures based on prior actual. It will be important for the City to monitor both revenues and expenditures and look for ways to control costs in order to maintain a healthy General Fund with the current economic climate. Due to the change in the economy and the housing market, the increase in property taxes will begin to level off and may even hold level with the loss of Redmond Homes.

To keep the General Fund healthy the City must continue to look at the cost of fee-based services as compared to the fee charged for services. The City is in a position many would like to have in that drastic alternative reductions or other revenue resources are not required at the current time. However, staffing levels will need to be kept to a minimum over the next 2-3 years, and new programs will need to be thoroughly vetted to insure sustainability.

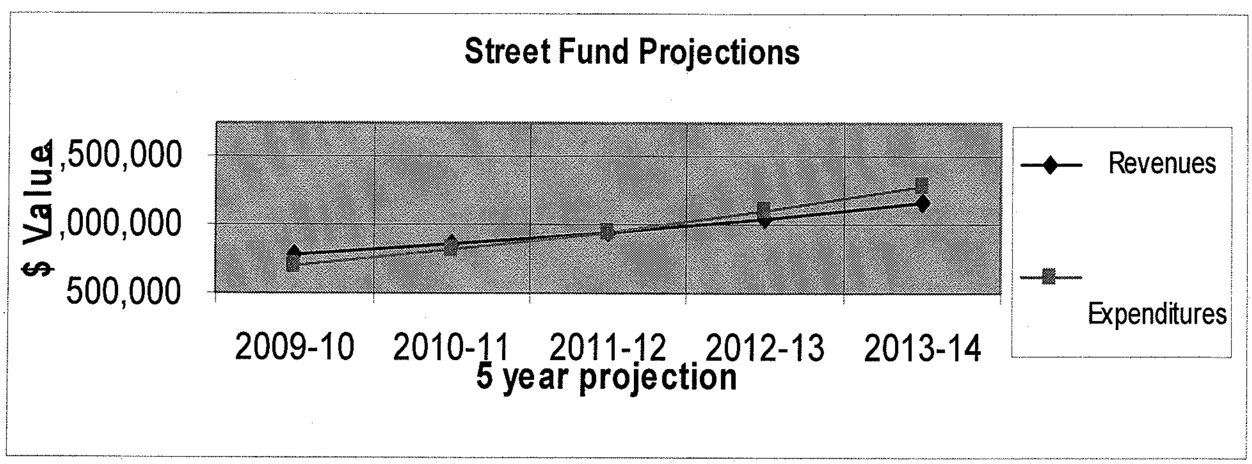
STREET FUND

The Street Fund is a Special Revenue Fund, and revenues from this fund pay for street operations and repairs. The primary revenue source for the Street Fund is state highway apportionment revenue, or gas tax dollars. The State of Oregon uses the population of the city as determined by the State Board of Higher Education's Center for Population Research & Census to allocate out revenues to the various entities.

For fiscal year 2007-2008, the Street Fund received $394,080 from State Highway Apportionment proceeds, which represents roughly 57 percent of the total fund revenue, including the beginning fund balance. Total revenues for the Street Fund have declined an average of 10 percent over the last two years. Of this, the apportionment revenue increased about 3 percent; other intergovernmental revenues from the ODOT Fund Exchange fluctuated drastically based on projects. On a positive note, the beginning balance increased 33 percent.

The major expenditures for the street fund relate to personnel and capital costs. Some of the capital costs are direct expenditures charged to the Street Fund and other capital costs are in the form of a transfer to either a capital project fund or an Internal Service Fund. Costs for personnel were $174,006 and those related to capital projects was $122,876 for fiscal year 2007-2008.

The graph reflects a negative picture for the Street Fund with revenues projected to lag behind expenditures over the next five years. The average increase for expenditures during the last five years was 16 percent. The negative outlook may require the City to delay projects in order to perform regular road maintenance and to maintain a minimum contingency. The graph below anticipates that by the fiscal year 2011-2012 the expenditures and revenues will equal each other. The expenditures do not reflect a contingency; however, the revenues do include the beginning fund balance. It would be prudent for the Street Fund to only concentrate on maintenance type projects and to discontinue any support for new streets or major projects if, at all possible, until the contingency can be maintained at an amount either 10 percent to 15 percent of the overall fund balance. The percentage change for State Highway Apportionment Funds from fiscal year ended June 30, 2007, to fiscal year ended June 30, 2008. was a negative 1.6 percent.



There are four other funds set up to accumulate resources that can be used for capital street expenditures. Three of the four funds account for system development charges (SDC's) collected when property is developed. The first is for street improvement SDC's, the second is for street reimbursement SDC's and the third is for storm water improvement SDC's. The remaining account is a special revenue account dedicated for street light improvements. The resources and expenditures in these funds are not part of those used to provide the Street Fund projection.

Another method used to handle street improvements can also be done by creating a local improvement district. This allows property owners who reside on an unimproved street to share the costs to improve the street and pay for the improvement over time. Once the street is improved, it becomes the responsibility of the City to maintain. The recently adopted Transportation System Plan recommends that the City consider a Street Utility Fee to maintain existing streets and help fill the significant gap between maintenance needs and revenue available for such projects. The poor economy required the city to shelve the Street Utility Fee for this fiscal year, but additional revenue will need to be brought into the Street Fund in the near future to address the existing revenue gap.

SEWER FUND

This is an enterprise fund and is accounted for much like a business operation in that charges for services must cover the operations and capital replacement costs for the sewer system. Customers receiving sewer services are charged a fee based on their service classification, i.e., residential, industrial or commercial. Other types of revenue sources include permit fees, rental revenue, interest earnings and miscellaneous revenue.

As of December 2008, there were 2,919 sewer customers, and of this total, 2,650 were residential customers, 223 were commercial customers and two were industrial customers. This is an increase in total customers from December 2004 of 492 customers, all of which were residential.

December	Customers	Change
2008	2,919	49
2007	2,870	102
2006	2,768	221
2005	2,547	53
2004	2,494	67
Total change		492

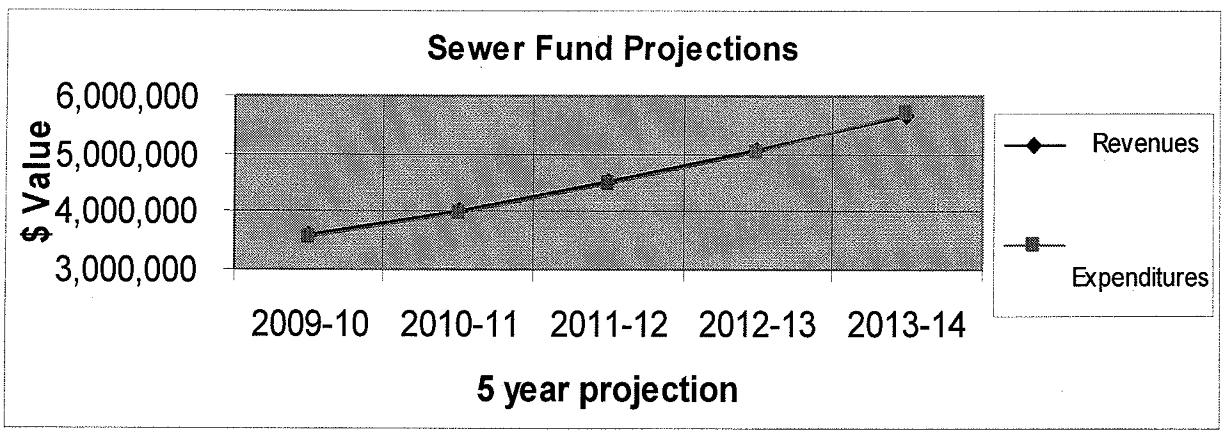
Residential sewer rates are calculated based on average water usage during the months of November, December, January and February. New customers who have not been connected to sewer services during the November through February months pay a rate based on actual water used up to a maximum charge. The maximum charge is based on a citywide average water consumption for the period mentioned above. The current residential sewer rate, effective February 1, 2009, is derived using the average four months water usage and is made up of two parts, a base fee of $7.25 and $5.38 per 100 cubic feet of water usage based on class. The current citywide average is $43.35, which is $7.25, plus 671 (average citywide usage) cubic feet divided by 100 then multiplied times $5.38. Council adopted the current rates June 2, 2008, and the rates went into effect July 1, 2008.

Commercial sewer rates are broken down into four classifications. The commercial sewer charge is based on each month's actual water usage. The charge is calculated by multiplying the classification rate by the actual usage plus a base fee. The base fee is the same, $7.25, for all classifications of commercial customers. The current sewer rate, effective July 1, 2008, for Commercial I is $5.38 per 100 cubic feet; Commercial II is $6.53 per 100 cubic feet; Commercial III is $8.71 per 100 cubic feet and; Commercial IV & Industrial is $0.127/25mg of BOD + $0.148/25mg of SS.

Sewer usage revenue for fiscal year 2007-2008 was $2,194,849 or 69 percent of the total fund revenue, including the beginning fund balance. This source of revenue has increased by an average of 8.04 percent from fiscal year end (fye) 2004 to fye 2008. However, the sewer usage revenue decreased by 6.3 percent from fye 2007 to fye 2008. The total Sewer Fund revenue increased by an average of 11.94 percent for fye 2004 to fye 2008. The largest revenue increase was related to rental receipts. Sewer usage revenues were previously only shown when a payment was received from the customer to pay for the service. Beginning with the 2004-2005 fiscal year, revenues are now recorded when the service has been provided and billed to the customer. Any amount not paid for utility services is a lien on the property and is only sent to a collection agency when the lien is not an option.

Expenditures accounted for within this fund are related to the operations of the sewer treatment plant, sewer line repair and replacements, debt service payments, capital expenditures and transfers related to sewer operations. The primary expenditure from this fund goes to repay debt that was incurred to cover capital costs related to sewer facilities. Debt repayments for fiscal year 2007-2008 were $705,773 or 26 percent of the total expenditures. The Sewer Fund must also maintain a debt reserve in the amount of one year's debt requirement for some of the debt, this is $565,263. The amount currently funded is $389,725. The next largest expenditure is related to direct personnel costs of $648,149 or 24.1 percent of the total expenditures. Total expenditures for this fund have increased an average of 12.65 percent over the last four years. However, the increase over the last two years has been 14.27 percent and has been primarily related to capital costs.

Rising healthcare costs hit the city hard, with double-digit increases the past several years. Employees have also been hit hard by the rising insurance costs as many share in the payment of the premiums. The city participates in the City County Insurance Service's pool to try to keep rates as low as possible for the City and its employees. During the 2007-2008 fiscal year the City incurred double-digit increases in healthcare costs.



The projection for the next five years is that revenues will now keep pace with expenditures. In the prior 5-year forecast, expenditures were out pacing revenues. The graph does show that for the upcoming budget year it will be a tough decision year as the difference between projected revenues and projected expenditures is not significant. The 2013-2014 reflects a small difference between revenues and expenditures with expenditures exceeding revenues. This will require the City to closely monitor expenditures and future capital costs. Using the graph as a tool can help management work with staff to look at cost effective procedures and processes to reduce the negative difference between revenues and expenditures.

It is important again to note that no additional personnel have been projected and debt service commitments have been projected to increase some with the addition of new debt incurred and the obligation to begin repaying the deferred debt.

The sewer fund currently has six debt obligations as of June 30, 2008 listed below.

Debt Owed To	Payment(s) Made	Payment Amount	Unpaid Balance	Years remaining	Interest Rate
OEDD	December 1	Varies	$ 698,379	7	5.14%
OEDD	December 1	$ 30,124	$ 228,302	7	6.00%
Rural Utilities	June 28	$ 118,560	$1,845,955	32	5.13%
USDA	June 28	$ 306,164	$4,910,231	32	4.88%
USDA	June	$ 18,501	$ 336,490	36	4.38%
OEDD (OGF)	December 1	Varies	$ 395,647	9	4.75%

The City needs to address its current debt load and examine the years remaining on the current debt. Some of the debt cannot be repaid during the next several years without incurring a penalty, or what is called 'paying a premium on the debt'. Refinancing of some of the debt may be an option if lower rates can be achieved. In addition, the City should continue to use sewer and water System Development Charge (SDC) revenues to help reduce the debt load for both the sewer and water funds. Further information related to the city's debt load is included at the end of this document for Budget Committee review.

One of the debts paid by the Sewer Fund is shown as a transfer to the Debt Service Fund and is related to paying the bonded debt that was incurred for the un-funded liability with PERS and is not included in the schedule above. The OEDD (OGF) debt is also a transfer to the Debt Service Fund and paid from that fund.

WATER FUND

The Water Fund is another Enterprise Fund and is accounted for in the same manner as the sewer fund. Customers receiving water services are charged a fee based on their classification of service (residential or commercial). Other types of revenue sources include delinquent charges, permit fees, interest earnings and other miscellaneous revenue.

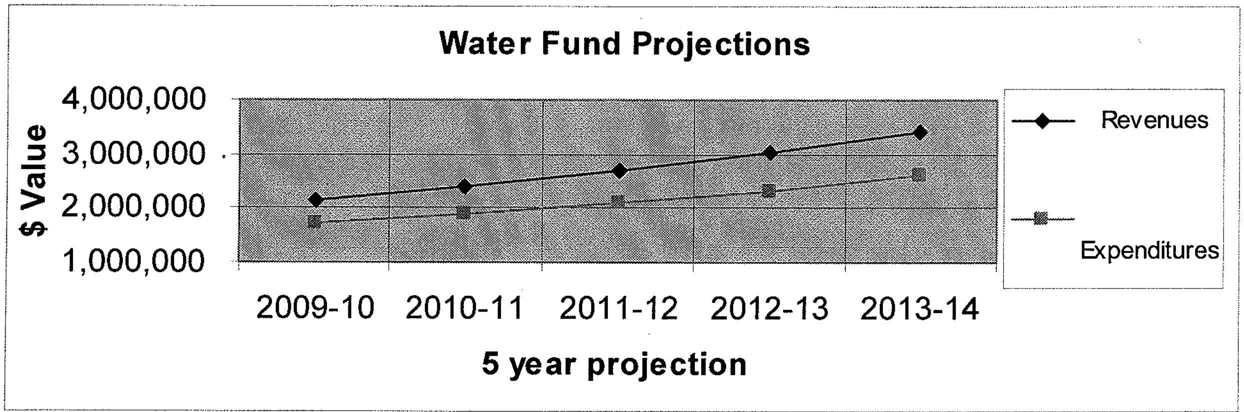
As of December 2008, there were 3,218 water customers, and of this total, 2,838 were residential customers and 251 were commercial customers. Customers requesting water services pay a $75 deposit per account and a $10 administration fee. The deposit requirement is waived if the customer has established good credit with the city and that information is still available in the City's records. The deposit is applied to the account when the customer has either established good credit or leaves the service area.

December	Customers	Change
2008	3,218	33
2007	3,185	96
2006	3,089	113
2005	2,976	194
2004	2,730	246
Total change		682

The billing charge to the customer is made up of two components: a base charge and a usage charge per 100 cubic feet of water. Until July 1, 2008, the base charge was based on meter size. When the new rates were adopted by City Council March 3, 2008, and effective July 1, 2008, a change was made in that all customers whether they are residential or commercial pay the same base rate. The water rates as of July 1, 2008, are $1.69 per 100 cubic feet used and the base rate is $9.19. During the summer months of June through September, residential customers pay $0.845 per 100 cubic feet for water usage above 1,000 cubic feet.

The water consumption revenue for fiscal year 2007-2008 was $1,491,075 or 76.1 percent of total revenue, including the beginning fund balance. This source of revenue has increased by an average of 11.5 percent. The total fund revenue increased by an average of 12.36 percent. Revenues were previously only shown when a payment was received from the customer to pay for the service. Beginning with the 2004-2005 fiscal year, revenues are now recorded when the service has been provided and billed to the customer. Charges for utility services are a lien on the property and are only sent to a collection agency when the lien is not an option. The new water meter connection line item was created during the 2005-2006 fiscal year so resources received for new customer meters could be tracked better.

Expenditures accounted for within this fund are related to the operations of the water system, water line repair and replacements, debt service payments, capital expenditures and transfers related to the sewer operations. The primary expenditure from this fund is related to personnel costs. The second largest expenditure is for transfers out in the amount of $443,059 or 31.68 percent of total expenditures. The Water Fund currently has one debt owed to USDA for bonds issued in 1997. The repayment for fiscal year 2007-2008 was $121,856 or 8.71 percent of total expenditures. The Water Fund must also maintain a debt reserve in the amount of one year's debt requirement, which is $121,856. This amount is currently fully funded. Total expenditures for this fund have increased an average of 11.08 percent over the last four years.



The next five years projections for the water fund also has improved from the previous 5-year forecast. This year's forecast reflects a positive position for all five projected years with an increasing positive spread between revenues and expenditures. The 2009-10 and 2010-11 fiscal year's show a small difference between projected revenues and expenditure so it continue to be important for the City to watch expenditures as compared to revenue projections to assure the City is staying in line with the projections.

The Water Fund currently has one debt obligation as of June 30, 2008 listed below.

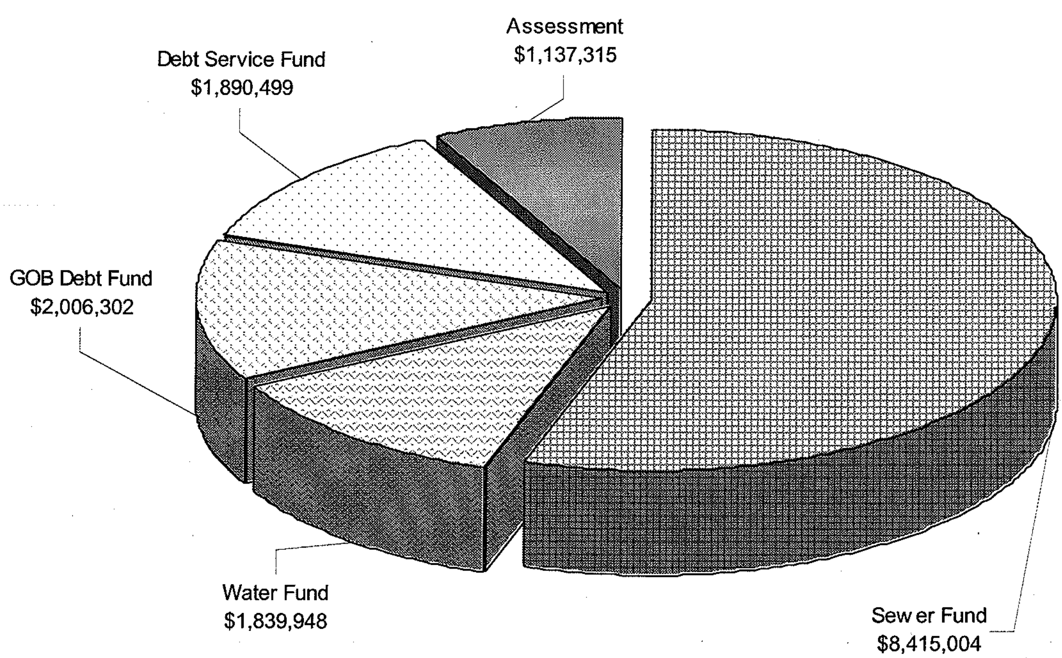
Debt Owed To	Payment(s) Made	Payment Amount	Unpaid Balance	Years remaining	Interest Rate
USDA	May 31	$ 121,856	$ 1,839,948	28	4.88%

DEBT ANALYSIS

The City of Silverton has several types of debt it is currently required to account for and to budget repayments for. This includes general obligation bonded debt, general debt, revenue bonded debt, and assessment debt. The following chart shows the breakdown of principal owed by the fund responsible to repay the debt. The Sewer Fund shoulders the largest debt burden with over 50 percent of the total debt load; the balance of the debt is evenly disbursed among the remaining funds, except the Assessment Fund debt, which is 8.46% of the total principal debt.

	Principal	Total with Interest	% of Total
Sewer Fund	$ 8,415,004	$ 15,957,986	57.17%
Water Fund	1,839,948	3,410,434	12.22%
GOB Debt Fund	2,006,302	2,585,515	9.26%
Debt Service Fund	1,890,499	4,189,048	15.01%
Assessment	1,137,315	1,771,553	6.35%
	$ 15,289,068	$ 27,914,534	

City of Silverton Debt Principal



The following table reflects the total debt requirements for the City of Silverton by year. The first nineteen years are individually listed and debt requirements extending beyond the first nineteen years have been combined in the remaining category. The table reflects the total debt owed by the city as $27,914,534, of which $15,289,068 is principal and $12,625,466 is interest.

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	$ 495,458	$ 767,314	$ 1,262,772
2010	531,408	746,600	1,278,008
2011	554,763	727,529	1,282,292
2012	591,022	710,003	1,301,025
2013	620,105	688,696	1,308,800
2014	481,889	668,950	1,150,839
2015	496,542	651,890	1,148,432
2016	523,812	636,898	1,160,709
2017	404,599	617,898	1,022,497
2018	420,057	608,801	1,028,858
2019	392,265	599,447	991,712
remaining	9,777,149	5,201,440	14,978,590
Total	$ 15,289,068	$ 12,625,466	$ 27,914,534

LEGAL DEBT LIMIT

The City of Silverton, per ORS 287.004, is limited in the amount of bonded debt it may incur. The limitation is 3 percent of the total Real Market Value of all property within the city's corporate boundary. Based on the 2008-2009 Real Market Value figure provided by Marion County, the limitation for the city is $34,165,733.

GENERAL OBLIGATION DEBT

The general obligation debt consists of two voter-approved bonds. The fund that accounts for the revenues and expenditures for this type of debt is the General Obligation Debt Service Fund. As of June 30, 2008, the outstanding principal balance was $2,006,302. The proceeds received to pay this debt are from property taxes levied each year based on the amount of funds needed to make the debt service payment, less interest earned, balance forward and compensating for uncollected taxes. The amount levied to pay the debt is above the amount levied based on the fixed rate. For taxes levied during the fiscal 2008-2009 year, the rate per $1,000 of assessed property value was $ .4413. The bonded rate per $1,000 of assessed value declines as property values rise, more homes are built and/or property is annexed into the city.

One of the General Obligation Bond debt repayments is made to CapMark (formerly GMAC), which was originally owed to Farmers Home Administration for a water project. The debt was entered into October 1982 with a principal amount of $2,092,000 and 5 percent interest per year. The first payment was made April 20, 1983. Payments are made in October of each year (principle only) and April of each year (principal and interest) until the obligation is satisfied. This debt is being amortized over 40 years with annual payments of $124,035. The principal balance owed as of June 30, 2008, was $1,281,302.

STATEMENT OF LOAN INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Principal Required	Interest Required	Total Required
2008-09	$ 59,695	$ 64,340	$ 124,035
2009-10	65,815	58,220	124,035
2010-11	69,105	54,930	124,035
2011-12	72,561	51,474	124,035
2012-13	76,189	47,846	124,035
2013-14	79,997	44,038	124,035
2014-15	83,997	40,038	124,035
2015-16	88,197	35,838	124,035
2016-17	92,609	31,426	124,035
2017-18	97,237	26,798	124,035
2018-2022(4.5yrs)	495,900	38,952	534,852
Total	$ 1,281,302	$ 493,900	$1,775,202

The other General Obligation Bond debt is being repaid to West Coast Bank for pool improvement bonds issued in 2003 in the amount of $1.2 million, with a 3.75 percent annual interest rate. Payments are made annually in December (interest only) and June (principal and interest) until the obligation is satisfied. The debt is amortized over 10 years and payments vary. The first payment was made December 2003 for interest only.

STATEMENT OF LOAN INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	06/01/2008	$ 125,000	$ 27,188	$ 152,188
2009-10	06/01/2009	135,000	22,500	157,500
2010-11	06/01/2010	145,000	17,438	162,438
2011-12	06/01/2011	155,000	12,000	167,000
2012-13	06/01/2012	165,000	6,187	171,187
Total		$ 725,000	$ 85,313	$ 810,313

GENERAL DEBT

The Debt Service Fund is currently repaying two debts backed by the full faith of the city. Resources to pay the two debts are from transfers in from various funds. The Public Employee Retirement System (PERS) Bonded debt payment is allocated to the funds where personnel expenditures are located. The Special Public Works Fund (SPWF) loan resources are from the Sewer Fund.

In 1998, the City of Silverton entered into a joint venture with the Oregon Garden. An agreement was reached where the Oregon Garden would repay the City of Silverton for the debt payments made, as they were the benefiting entity. The loan was entered into as of July 21, 1998, in the amount of $582,000 with an interest rate of 4.75 percent amortized over 20 years. The payments are due December 1st of each year. The principal balance as of June 30, 2008 was $395,647.

SPWF STATEMENT OF LOAN INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	12/01/2008	$ 30,290	$ 19,121	$ 49,411
2009-10	12/01/2009	35,528	17,768	53,296
2010-11	12/01/2010	35,779	16,141	51,920
2011-12	12/01/2011	36,048	14,478	50,526
2012-13	12/01/2012	36,336	12,765	49,101
2013-14	12/01/2013	41,644	11,002	52,646
2014-15	12/01/2014	41,970	8,961	50,931
2015-16	12/01/2015	42,312	6,904	49,216
2016-17	12/01/2016	47,678	4,788	52,466
2017-18	12/01/2017	48,062	2,404	50,466
Total		$ 395,647	$ 114,332	$ 509,979

In 2002, City Council decided to become part of a larger group of entities who worked with Seattle Northwest to issue bonds to pay the balance of the unfunded liability owed to PERS.

The PERS bonds were issued in March 2002 in the amount of $1,957,495 with varying interest rates from 2 percent to 7.36 percent amortized over 28 years. The payments are made in December of each year (interest only) and June (principal and interest). The bonds are non-callable, except for the last three years. The principal balance as of June 30, 2008, was $1,890,499. The City should consider setting aside funds now to repay the last three years at the earliest time possible to reduce the overall cost. By doing so, the city could save approximately $84,255 in interest costs. The total amount needed to repay the last three years is $665,000.

PERS BOND STATEMENT OF INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Interest Rate	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	6.39%	06/01/2009	$ 22,288	$ 118,680	$ 140,968
2009-10	6.63%	06/01/2010	23,469	122,499	145,968
2010-11	6.77%	06/01/2011	24,430	126,538	150,968
2011-12	6.88%	06/01/2012	27,634	133,334	160,968
2012-13	6.95%	06/01/2013	27,962	138,006	165,968
2013-14	7.00%	06/01/2014	30,290	145,678	175,968
2014-15	7.15%	06/01/2015	29,723	151,245	180,968
2015-16	7.25%	06/01/2016	30,974	159,994	190,968
2016-17	7.30%	06/01/2017	30,318	165,650	195,968
2017-18	7.31%	06/01/2018	31,307	174,661	205,968
2018-19	7.36%	06/01/2019	31,788	184,180	215,968
2019-28	various	06/01	1,580,316	678,093	2,258,409
Total			$1,890,499	$2,298,558	$4,189,057

SEWER FUND DEBT

The Sewer Fund is currently repaying five debts within the Sewer Fund and transfers funds to pay one of the General Debt Funds. The resources to repay these debts are from sewer charges to customers. The cost per customer for the fiscal year 2008-2009 is approximately $16.94 per month based on December 2008 customers of 2,870. An interesting side note is that the base fee is only $7.25 and for the December sewer billing there was 105 customers who were billed less than $16.94.

One of the four debts owed is to the Oregon Economic Community Development Department (OECDD). Debt payments are made annually on December 1st of each year. The original loan was for $1,349,450 and was used for improvements to the wastewater treatment plant. The loan interest rate is 5.14 percent and this loan does not have an early premium payment requirement.

OECDD STATEMENT OF LOAN INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	12/01/2008	$ 72,278	$ 37,467	$ 109,745
2009-10	12/01/2009	77,903	33,781	111,684
2010-11	12/01/2010	78,575	29,731	108,306
2011-12	12/01/2011	84,293	25,568	109,861
2012-13	12/01/2012	90,059	21,057	111,116
2013-14	12/01/2013	95,873	16,193	112,066
2014-15	12/01/2014	96,737	10,967	107,704
2015-16	12/01/2015	102,661	5,435	108,096
Total		$ 698,379	$ 180,199	$ 878,578

The deferred debt is also owed to OECDD with the first payment made as of December 1, 2006. The principal amount was $270,592 and an interest rate of 6 percent. This loan does not have a prepayment penalty.

OECDD DEFERRED STATEMENT OF LOAN INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	12/01/2008	$ 23,067	$ 13,698	$ 36,765
2009-10	12/01/2009	24,451	12,314	36,765
2010-11	12/01/2010	25,918	10,847	36,765
2011-12	12/01/2011	27,473	9,292	36,765
2012-13	12/01/2012	29,121	7,644	36,765
2013-14	12/01/2013	30,868	5,897	36,765
2014-15	12/01/2014	32,721	4,044	36,765
2015-16	12/01/2015	34,683	2,082	36,765
Total		$ 228,302	$ 65,818	$294,120

The remaining three debts are owed to Rural Utilities (RUS) for USDA bond resources received to make sewer improvements. The first of the three bonded-debts has a term of 40 years and was for $2,000,000 with an interest rate of 5.13 percent. Payments are made annually on June 1st of each year.

RUS BOND STATEMENT OF INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	06/01/2009	$ 23,955	$ 94,605	$ 118,560
2009-10	06/01/2010	25,183	93,377	118,560
2010-11	06/01/2011	26,473	92,087	118,560
2011-12	06/01/2012	27,830	90,730	118,560
2012-13	06/01/2013	29,256	89,304	118,560
2013-14	06/01/2014	30,756	87,804	118,560
2014-15	06/01/2015	32,332	86,228	118,560
2015-16	06/01/2016	33,989	84,571	118,560
2016-17	06/01/2017	35,731	82,829	118,560
2017-18	06/01/2018	37,562	80,998	118,560
2018-19	06/01/2019	39,487	79,073	118,560
2019-28	06/01	1,503,401	986,106	2,489,507
Total		$1,845,955	$1,947,712	$3,793,667

The second of the three bonded-debts has a term of 38 years and was for $5,250,597 with an interest rate of 4.875 percent. The payments are made annually on June 28th of each year.

RUS BOND STATEMENT OF INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	06/28/2009	66,790	239,374	306,164
2009-10	06/28/2010	70,046	236,118	306,164
2010-11	06/28/2011	73,461	232,703	306,164
2011-12	06/28/2012	77,042	229,122	306,164
2012-13	06/28/2013	80,798	225,366	306,164
2013-14	06/28/2014	84,737	221,427	306,164
2014-15	06/28/2015	88,868	217,296	306,164
2015-16	06/28/2016	93,200	212,964	306,164
2016-17	06/28/2017	97,744	208,420	306,164
2017-18	06/28/2018	102,509	203,655	306,164
2018-19	06/28/2019	107,506	198,658	306,164
2019-28	06/28	3,967,530	2,458,124	6,425,654
Total		$4,910,231	$4,883,227	$ 9,793,458

The third of the three bonded-debts, was for a term of 40 years and was for $350,000 with an interest rate of 4.375 percent. The payments are made annually on November 3rd of each year.

RUS BOND STATEMENT OF INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Maturity Date	Principal Required	Interest Required	Total Required
2008-09	11/03/2009	3,833	14,850	18,683
2009-10	11/03/2010	4,001	14,682	18,683
2010-11	11/03/2011	4,176	14,507	18,683
2011-12	11/03/2012	4,358	14,325	18,683
2012-13	11/03/2013	4,549	14,134	18,683
2013-14	11/03/2014	4,748	13,935	18,683
2014-15	11/03/2015	4,956	13,727	18,683
2015-16	11/03/2016	5,173	13,510	18,683
2016-17	11/03/2017	5,399	13,284	18,683
2017-18	11/03/2018	5,635	13,048	18,683
2018-19	11/03/2019	5,882	12,801	18,683
2019-28	11/03	283,780	198,891	482,671
Total		$336,490	$ 351,694	$ 688,184

WATER FUND DEBT

The resources to repay debt owed by the Water Fund are from water charges to customers. The cost per customer for fiscal year 2008-2009 is approximately $3.15 per month.

The Water Fund is currently repaying one debt to USDA Rural Development for revenue bonds sold in 1997 for $2,127,000 with an interest rate of 4.875 percent. The bonds are amortized over 40 years with annual payments due May 28th of each year. There is no early pre-payment penalty on this debt. The only requirement is that a request to make an additional principal payment be sent in 90 days before the desired early repayment date to receive approval and allow sufficient notice to bond holders.

STATEMENT OF BOND INTEREST & RETIREMENT REQUIREMENTS

Tax Year	Principal Required	Interest Required	Total Required
2008-09	$ 32,159	$ 89,697	$ 121,856
2009-10	33,726	88,130	121,856
2010-11	35,371	86,485	121,856
2011-12	37,095	84,761	121,856
2012-13	38,903	82,953	121,856
2013-14	40,800	81,056	121,856
2014-15	42,789	79,067	121,856
2015-16	44,875	76,981	121,856
2016-17	47,063	74,793	121,856
2017-18	49,357	72,499	121,856
2018-19	51,763	70,093	121,856
2019-36	1,386,047	683,970	2,070,017
Total	$1,839,948	$1,570,485	$3,410,433

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OREGON'S GARDEN CITY

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