

## **The Linking Letter**

A City Briefing by Anne Scheck to Neighbors in Independence, Oregon  
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### ***Preface:***

In early June, the Independence City Council passed a budget that allows the Valley Concrete Site to move forward as an urban renewal project; provides for a Capital Improvement Plan; assists in replenishing several city funds that required subsidies this year; and aids in meeting the legal obligations of debt service, most prominently that of MINET, which failed to reach its projected earnings. In addition, the council also imposed the permanent tax rate for the coming fiscal year, which allows an increase at the legally allowable 3% of property value, based on the maximum assessed value.

### **QUESTION: Does the New City Budget Show Fiscal Health for Independence?**

The financial status of Independence doesn't seem as sound as that of its two closest counterparts: Our next-door neighbor, Monmouth, and Stayton, another "river city" with about the same population that's also in the *Salem Metropolitan Statistical Area*.

However, Independence seems to have made a significant improvement over its own track record of the past several years. The General Fund, sometimes referred to as its "cash reserves," is estimated to be about six-hundred-thousand dollars (\$593,919) by the close of this year. The city's debt service schedule is approximately \$32.6 million. Under ordinary circumstances, a city debt obligation is relatively unrelated to its fund balance -- the debt payment typically is a fairly unchanging portion of its budget, and thus an anticipated cost. But not with Independence, due to MINET.

As it was originally designed, MINET was supposed to service its own debt, from revenues it collected above and beyond its own operating costs. This hasn't happened. However, for the first time, it is meeting all of its operating expenses -- and it's no longer in need of bailouts from the city to secure

enough money for running the system.

Nonetheless, MINET is a long way from being able to use profits from the fiberoptic operation to make substantial payments on the debt incurred to build MINET.

Fortifying this year's city income, there has been new and anticipated revenue from "system development charges" (SDCs), which are collected as permits are issued. The city expects a relatively high yield of SDC funds to continue this year, due to new construction and re-development, notably the *RiverPlace* project and housing starts at *Sunset Meadows*, on land around 7th Street. As a result, the City Council approved a supplemental budget that accelerates payments to existing internal (interfund) loans, which were made by shifting money within the city to meet unexpected expenses as they occurred this year.

And, by formally making the Valley Concrete Site an urban renewal project, the city has more leeway on addressing plans for this area. The city is hiring the *Leland Consulting Group* and *Partnership Hospitality Services*, both of Portland, to attract buyers, investors and builders in what is hoped to be a development that includes a hotel by the riverfront with 50 rooms -- and perhaps more.

In another turn of events, the old city hall -- which was presumed to have been fully purchased from the city -- isn't providing the revenue as expected, which may force the city into a situation similar to the events that occurred during the lack of progress on the former Independence Station project. -  
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