



BUDGET MESSAGE

Fiscal Year 2015-2016

TO: Budget Committee
FROM: Brian Latta, City Administrator
DATE: April 27, 2015
RE: City of Harrisburg Budget &
Harrisburg Redevelopment Agency Budget

Thank you for volunteering your time, energy, and expertise to the City's budget process. You will be asked to consider the budgets for the next fiscal year for the City of Harrisburg and for the Harrisburg Redevelopment Agency (HRA). The fiscal year goes from July 1, 2015 through June 30, 2016. The HRA is a separate entity and therefore has its own budget. The Budget Committee for the City also serves as the Budget Committee for the HRA.

Per ORS 294.403, a budget message is to be presented to the Budget Committee that explains the budget document, describes proposed financial policies, highlights important features of the budget, explains significant budget changes, and major changes in financial or accounting policy and practice. The Finance Officer and city staff have prepared a proposed budget. It is your responsibility to review it and make the changes that you think are appropriate.

Keep in mind these basic municipal budgeting principles:

- The complete City budget is divided into funds.
- Some funds, called "Enterprise Funds", are required to be self supporting. This includes the Water Fund and the Sewer Fund.
- The City budget is required to be balanced. The amount of money shown on the expense side must equal the amount shown on the revenue side.
- The City cannot spend more money in a fund than is actually available.

You have been provided a copy of the proposed City budget and the HRA budget. At the beginning of each fund are a chart, table, and narrative statement that summarize describe the proposed revenues and expenditures for the fund. These tools also give a historical comparison of the last three years financial position to help determine the needs for fiscal year 2015-2016 and future budget years. As they say a picture paints a thousand words and that is the idea behind using charts, tables and the narrative summary.

In the Budget document, the revenue table headings are **BLUE** while the expenditure table headings are **GREEN**. The expenditure table is further broken down into Object Classifications and Expenditure Detail. Expenditure Details are the line item expenses or the details of the budget. Object Classifications are simply Expenditure Details arranged by organization unit or program. Examples of Object Classifications in the

City's Budget document are Personnel Services, Materials and Services, Capital Outlay, Debt Service, Interfund Transfers, and Contingency. It is worth noting that in the General, Water and Sewer Funds the Materials and Services Object Classification includes a lot of detail and therefore are broken down into several 'subcategories'. It is also important to understand when budgeting that it is acceptable, although not encouraged, for expenses to exceed the amount identified in the Expenditure Detail of a specific line, as long as the total expenditures do not exceed the amount budgeted in the Object Classification. See diagram 1 below which shows the difference between a Fund, Object Classification, and Expenditure Detail.

CITY OF HARRISBURG PROPOSED BUDGET: 2015-2016						
General Fund (10) ← Fund						
GENERAL FUND (10): Expenditures						
2 yrs ago Actual 12-13	Prior year Actual 13-14	Current Budget 14-15	Line Item Description	Proposed Budget 15-16	Approved Budget 15-16	Adopted Budget 15-16
PERSONNEL SERVICES ← Object Classification						
166,929	163,225	184,994	ADMINISTRATION WAGES ← Expenditure Detail	224,921	0	0
1,706	2,047	5,500	ADMIN OFFICE ASSISTANCE	5,500	0	0
350	703	900	ADMINISTRATIVE OVERTIME	0	0	0
15,300	15,300	15,300	JUDGE SALARY	15,300	0	0
5,265	6,651	10,000	MUSEUM SALARY	0	0	0

Diagram 1

Changes to the Budget:

There are two key changes to the budget this year, which simplify the administration and execution of expenditures by City staff. The first change affects Personnel Services. In past budgets, administrative and public works staff have been paid out of several funds including, General, C&ED, Street, Water, and Sewer. This approach required staff to try and equitably project the amount of time an administrative or public works employee would work out of each fund. Of course, the actual amount of time an employee works out of each fund depends on the work needs. To simplify Personnel Services budgeting across all funds staff propose the following:

- The General Fund support Administrative Staff
- The Water, Sewer Street funds support all Public Works and Utility Billing staff
 - Personnel Services in these funds are divided 43% - Water, 43% Sewer, and 14% Streets

The second change is primarily limited to the Water and Sewer Funds. These funds have an overabundance of detailed expenditure lines. It is good budgeting practice to have specific expenditure lines, to ensure money is being spent accordingly. However too many lines can limit and unnecessarily tie up funds if existing conditions or projects change mid-year. Therefore, staff propose to consolidate expenditure lines in both the Water and Sewer Funds to enable flexibility in expenditures, based on current and changing conditions.

Another change to the budget document is the restructuring of the Community and Economic Development Fund. The original intent of this fund was for economic development opportunities, parkland development and upgrading existing parks. Since this fund was created, the City has created System Development Charges (SDC) Funds, one of which is dedicated for Parks. Parkland purchases and development projects should come from this SDC fund. The City Council adopted Resolution 1098 on

February 11, 2015 re-establishing the Community and Economic Development Fund. The intent of the fund is now to provide resources for community and economic development initiatives, downtown revitalization efforts, and city events. Expenses for Parks have been moved to different funds, such as Parks SDC, and the General Fund. Personnel Costs from this fund have been absorbed by the General, Water, Sewer, and Streets Funds.

The final substantial change to the budget this year relates to the document itself. Historically the organization of the budget followed the fund number (e.g. General Fund is number 10). For the past few years, the budget was organized to cater to the budget meetings. Staff propose the organization follow the historic layout, which follows the fund numbers.

Budget Highlights:

1. Assessed Property values for our City increased this year as per the Linn County Tax Assessor's office. This results in a property tax revenue increase from last year.
2. The H.A.R.T. Family Resource Center continues to struggle to secure sustainable financing. The State Early Learning Hubs, which replaced the Commission on Children and Families is still being organized and it is unclear whether there will be sustainable funding through the Hub, and if so what that amount will be. The City proposes to retain the \$15,000 transfer from the General Fund this year. As noted in the City's Strategic Plan, the H.A.R.T. Center is seeking to become an organization independent from the City by the end of FY 2015-16. This transition would enable greater operational flexibility for the H.A.R.T. Center, while not impacting their ability to secure available granting opportunities.
3. Construction activity in Harrisburg is still relatively slow. This trend keeps projected revenues from building permit fees, land use application fees and systems development charges lower than historical averages.
4. Public Works projects are primarily limited to maintenance and projects for which we have obtained outside funding through grants. The City will be exploring sustainable funding options this next year. Otherwise these projects will be completed as the City is able to save enough money, which can take several years between projects.

City Projects:

1. The City will be performing a Water Study to identify issues and solutions to the municipal water's aesthetic and other issues.
2. The City will be working with a consultant to complete a Park Feasibility Study for the 100-acre property the City will acquire from Knife River in 2019.
3. The City will be completing a street project for Moore Street. This project is partially funded through a grant from ODOT.
4. The City Council recently adopted Substantial Amendment No. 5 to the Harrisburg Redevelopment Agency's Plan. This plan includes several street and infrastructure projects in the downtown area. These projects will be completed over the next several years, as HRA money becomes available.

The proposed HRA budget is relatively short and does not contain as much detail as the City budget. As noted above, Substantial Amendment No. 5 to the HRA Plan was recently approved by the City Council. The amendment increased our Maximum Indebtedness to \$8,177,674.00 and extended the HRA Plan by up to 22 years. The

budget does not include any funds being transferred out of the HRA to any other entities. We will not be making any transfers out of the HRA in future years.

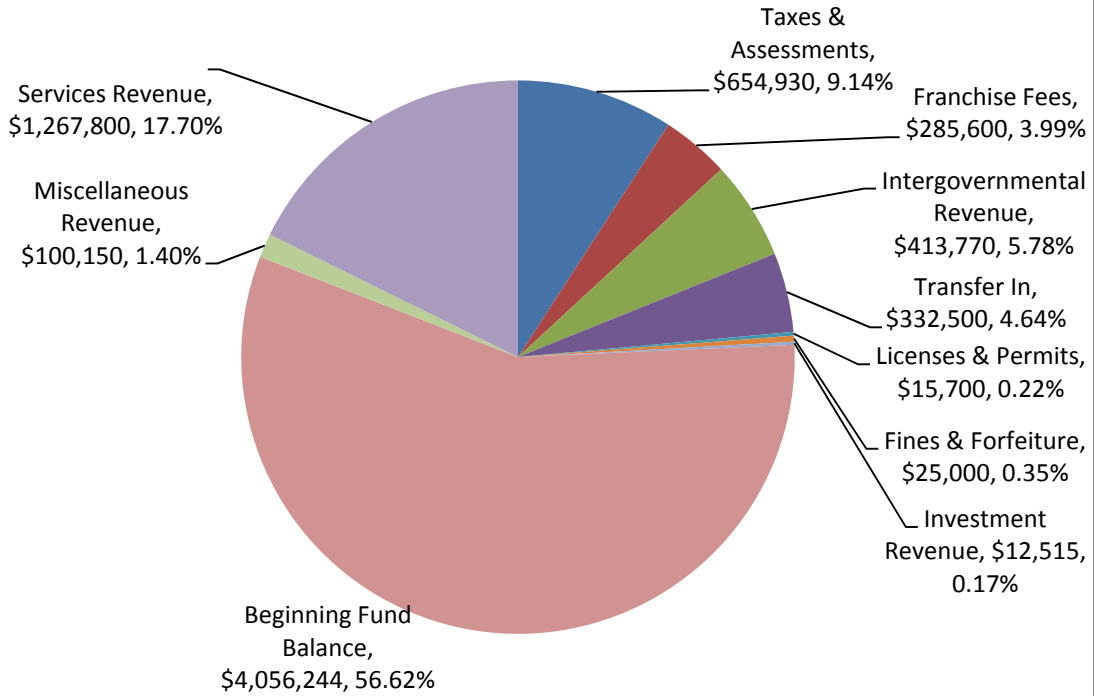
The proposed budgets for the City and the HRA are offered for your consideration and review.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Latta", written in a cursive style.

Brian Latta
City Administrator

Where the Money Comes From



Where the Money Goes

