



# ***BUDGET MESSAGE***

## ***Fiscal Year 2017-2018***

TO: Budget Committee  
FROM: Brian Latta, City Administrator  
DATE: April 26, 2017  
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, 2017 through June 30, 2018. 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 presented to the Budget Committee explaining the budget document, describing proposed financial policies, highlighting important features of the budget, explaining significant changes to the budget, and identifying major changes in financial or accounting policy and practice. The Finance Officer and City staff has prepared a proposed budget. It is your responsibility to review it and make changes 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. These funds include 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 2017-2017 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, Inter-fund 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: 2016-2017						
General Fund (10) ← FUND						
BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY						
GENERAL FUND (10): REQUIREMENTS						
2 yrs ago Actual 13-14	Prior year Actual 14-15	Current Budget 15-16	REQUIREMENTS FOR: ADMINISTRATION	Proposed Budget 16-17	Approved Budget 16-17	Adopted Budget 16-17
PERSONNEL SERVICES ← OBJECT CLASSIFICATION						
163,225	170,349	224,921	ADMINISTRATION WAGES	227,296	0	0
2,047	287	5,500	ADMIN OFFICE ASSISTANCE	5,500	← EXPENDITURE DETAIL	
15,300	15,300	15,300	JUDGE SALARY	15,300		
6,651	3,449	0	MUSEUM SALARY	0		

Diagram 1

### City's Strategic Plan:

The City Council annually reviews and adopts a 5-year Strategic Plan for the City. The Strategic Plan lays out the Council goals and priorities for the upcoming fiscal year. The following are the Council priorities for FY 2017-18:

Table 1: Council Priorities

Objective / Action #	Description
10	<p><b>Objective: Provide safe and accessible streets and sidewalks for the entire community, by seeking temporary and permanent funding opportunities.</b></p> <p><i>Actions: Create and implement budget policies that increase the street maintenance fund. Seek alternative permanent street funding options.</i></p>
11	<p><b>Objective: Work with the Railroad to repair and improve 4<sup>th</sup> Street from LaSalle Street to Smith Street.</b></p> <p><i>Actions: Design and construct a long-term rail/roadway solution with the railroad. Determine how to fund this project.</i></p>

14	<p><b>Objective: Develop plans and remodel the Justice Center building for needed civic and community services.</b></p> <p><i>Action: By June 2018, the Justice Center building will be remodeled to best accommodate the civic and community needs of the City.</i></p>
20	<p><b>Objective 20: Effectively and efficiently design, build and operate any conventional Water Treatment Facilities that Harrisburg's citizens need, want, and are willing to support to provide the highest quality drinking water.</b></p> <p><i>Actions: Initiate and implement the direction the community wants to pursue.</i></p>

The budget has been prepared with these Council priorities in mind. For example, staff proposes a \$110,000 transfer from the Water fund to the Water Reserve fund in preparation for water infrastructure projects related to improving the city's drinking water. Another example is staff proposing \$225,000 in the General fund capital outlay line for the remodel of the Justice Center. Other priorities may not be reflected in the budget, but are being worked on. For example, the City Council will be deciding how to fund street maintenance and repair on an ongoing basis. The Council's decision on this topic will likely have impacts to future City budgets.

#### **Changes to the Budget:**

There are no major changes to the structure of the City or HRA budget documents. All actively used funds are still being used, and no new funds have been added.

#### **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. Residential construction activity in Harrisburg is still relatively slow, however we have seen some commercial and industrial construction activity. This trend keeps projected revenues from building permit fees, land use application fees and systems development charges lower than historical averages.
3. The law enforcement contract has become too expensive, and the Council has reduced the number of monthly hours and overall cost of the contract. To off-set the reduction in hours, the City has hired a full-time code enforcement/court clerk employee.
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.
5. In 2017, the City has or is under contract to sell two pieces of property. As shown in the budget, \$88,000 will go the Water fund and \$200,000 will go to the General fund.
6. The Water and Sewer funds are able to transfer \$110,000 and \$150,000 respectively, to the Water Reserve and Sewer System Reserve funds.
7. The Redevelopment Agency has spent down most of its reserve money on the Moore Street project. The Agency is working with a bonding company to explore

options to secure additional financing to complete additional projects identified in the Plan.

**City Projects:**

1. The City completed a Water Study to identify issues and solutions to the municipal water's aesthetic and other issues. The Council will be moving forward with a public engagement process ahead of asking the citizens to support a bond measure in the fall of 2017.
2. The City may be instituting a public improvement district for the construction of the unimproved Burton Street right-of-way, east of 9<sup>th</sup> Street. The engineering work is underway.
3. The City will be remodeling the Harrisburg Justice Center to be used for municipal services.

The proposed HRA budget is relatively short and does not contain as much detail as the City budget. Projects identified through Substantial Amendment No. 5 to the HRA Plan have started, with Moore Street. Other projects will be completed as funds become available or the HRA acquires debt to do them. The fifth 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, except for debt service payments if needed.

As you read through the proposed budgets, I want to bring to light some items that do not jump off the page. The costs of running a City continue to rise. Retirement costs increased by 17% this year and similar increases are expected for the next several years. Other personnel costs, like wages and health care are also on the rise and the City needs to decide how to address these increases, while maintaining sufficient service to the public.

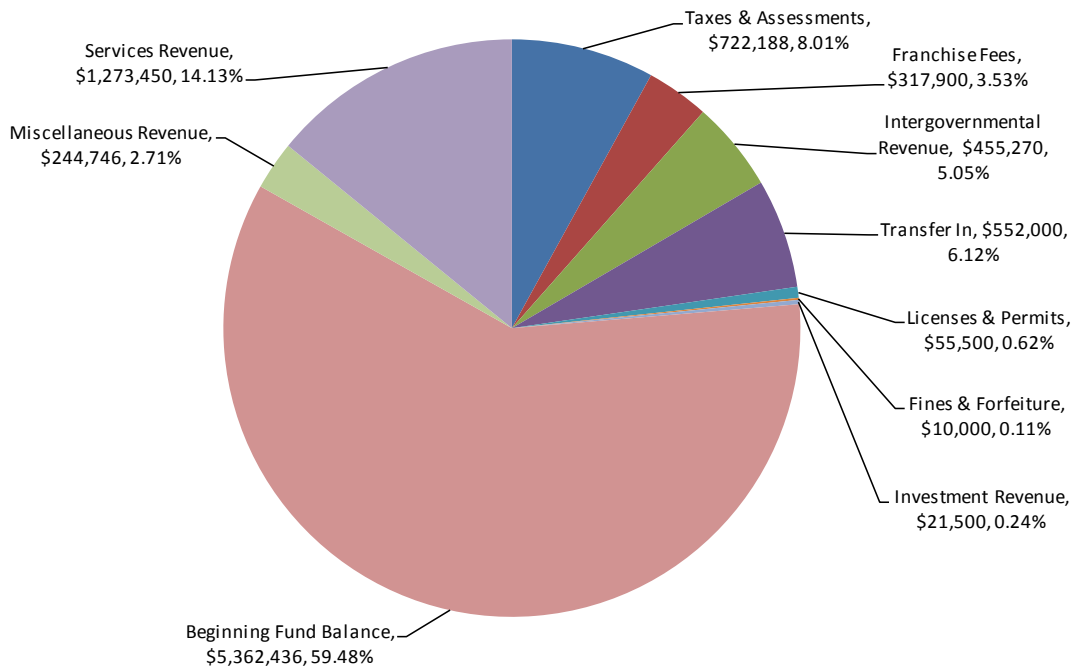
The City Council is aware there are many needs that simply will not be met in a single year's budget. Street maintenance, storm water management, and water and sewer improvements are just a few of the expensive items that will not be adequately addressed in this year's budget. While these issues should be cause for concern, we should also recognize that we have been planning and working toward solutions. A streets condition report has been created and we will be working out possible funding options, and our water study has been completed and we're moving towards a public engagement process ahead of a bond measure in the fall. In addition, we actively set aside money every year to be spent on projects of significance when needed.

It is likely we will never have sufficient resources to meet all of the wishes and desires of our citizens. In the foreseeable future, Cities will have greater financial demands and will have less ability to pay for them. As we move into this next fiscal year, we must look to that future and make the changes necessary today to continue to provide the best services we can afford.

Respectfully submitted,

Brian Latta  
City Administrator

## Where the Money Comes From



## Where the Money Goes

