BUDGET MESSAGE
FISCAL YEAR 2023-2024

DATE: **April 28, 2023**

Ladies and Gentlemen of the Budget Committee:

Thank you for volunteering your time, energy, and expertise to the City's budget process. I am pleased to present the proposed FY2023-24 City of Harrisburg and Harrisburg Redevelopment Agency budgets. The budgets are tools used by City Council and staff to provide a process that guides us in our future operations and capital investments. The proposed budgets are our best attempt at providing funding at a level consistent with current and projected operational service needs while incorporating strategies and goals requested by the City Council in the 2023-2028 Strategic Plan.

The coming fiscal year continues to present unique budget challenges in the light of state and national economic downturn, and resultant inflation that is higher than it has been in decades. We can reasonably predict that some city revenues will continue to see reductions, which has been corroborated by the League of Oregon Cities; however, we are pleased that interest rates that apply to our State Investment Pool investments have been slowly, but steadily climbing. The proposed budget sees some increases in franchise fees, and reductions in intergovernmental revenue. ARPA (American Relief Program Act) funds have been fully integrated into the City's funds, and in particular, to the Community and Economic Development Fund, and the Water Fund. Property tax collections have increased, which are due to the high cost of housing at this time, while the beginning fund balance has steadily increased over the last few years.

Overall, the resources in the general fund are increasing slightly, in each resource area, except for where the ARPA funds were moved to specific funds in the City budget. The City is cautiously optimistic on the trends we are seeing, but Staff will continue to keep a very close eye on all our resources and expenditures, in case the new fiscal year turns more negative than is planned in these proposed budgets. The City always budgets conservatively, meaning that we always budget lower revenues than expected, and higher expenditures than needed. We also budget expenditures from a grant that we hope to have approved, but no money is expended on any of the projects until we are actually approved.

In our Enterprise Funds (Water, Sewer & Storm Funds) prices continue to go up for most commodities, especially in chemicals and gas, however, we are happy that we could limit utility rates to a low 2% cost-of-living amount, so that rates will stay somewhat current, and our citizens don't get as impacted by high increases in the future.

Funding the water bond project remains a challenge for the City. The 2nd bid the City received on the project was $2.7 million over budget. This was due to inflated prices on steel, PVC and electronics. About the same time that the 2nd bid was placed, the City discovered that the Harrisburg Redevelopment Agency (HRA) had a little over $2 million in its fund that was available to use. The City has now spent the last 8 months, and $38,000 undergoing the 6th Substantial Amendment to the HRA Plan. This process added the properties that will have the water bond project infrastructure (two tanks, and two filtration systems) into the boundaries of the HRA. When the City decides the time is optimal to bid the 3rd time around on the project, it will have the ability to use most of the $2 million that is in the fund for this purpose, if prices should remain inflated. In addition, the maximum indebtedness has not yet been reached in the HRA, and the City would be able to issue new bonds in order to tap into that if needed.

The City continues to hope that we won't need to take money out of the HRA, because we prefer that those funds are used for their intended purposes; however it does give us another option in the future if needed. The City has also held off on spending approximately $400,000 in ARPA funds, that are now located in the Community & Economic Development Fund, and in the Water Fund. These funds can be utilized for the gap in funding if needed. The City has also filed capital requests with the Oregon Legislature, for the water bond project, the Eagle Park Phase 1 project, and the 4th St./Rail Improvement Project. If other funding is obtained for the water bond project, the City and HRA would then be able to use the funding that has been set aside for Economic Development, for the original uses that had been planned. If prices continue to be entirely too much for the water bond project, then the City Council will need to decide it if wishes to apply other options to the funding gap. That could mean splitting up the project, and taking slightly longer to improve the aesthetic quality of the water, or splitting up the types of infrastructure so that the City can apply for a low interest loan from the federal government, or from the State of Oregon.

As you read through the proposed budgets, the reader will notice that the costs of running a City continue to rise. Retirement costs continue to increase exponentially and are expected to trend in this direction for the next several years. Other personnel costs, like wages and health care weren't as high as they were in the past. The City has finally had a chance to replace two staff members in the Public Works crew. One person is no longer with us, and the other was added in during last year's budget process. You'll see that along with the increase in employee wages in water and sewer, that there is a comparative increase in insurance and PERS. The City also has money set aside for contracted assistance, and some funds to hire a part-time employee if needed, due to an increase in building permits in the future.

In order to stay competitive in our region, every three to four years, the City has a competitive wage analysis completed. In the years in-between the wage studies, we keep up with wages with cost-of-living increases based roughly on the CPI-W (Consumer Price Index) for our region. The CPI-W for our region was definitely impacted by inflation over the last year, and the Personnel Committee determined to apply a 6.5% cost-of-living increase for planning purposes, with a bottom range down to 4.5%, if the budget wasn't able to support the 6.5% increase. The budget was able to support the 6.5%, mainly due to the increase in property taxes. The actual cost of living was a 7.95% figure based on the CPI-W for our region.

Many of the City's projects are quite expensive, and are ones 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 a single year's budget. The City and Budget Committee made some tough decisions a few years ago, and reorganized City Departments as well as other cost reductions in order to provide larger funds in relation to street maintenance than most cities do; this is a choice that the City Council made because the streets are so visible to citizens and can make a difference in valuations in those neighborhoods. The City was happy this year that we were able to schedule and pay for the 9th St. Improvement project, for the extension from the bottom of the Max Hammer Subdivision, to Sommerville Loop. This was a great project to add, as it was next on the capital improvement project list, and will allow for property on either side of the road to be further developed. While each property will have to work through storm water impacts, we are extremely happy that there are no wetlands that will further slow down the development. Tough decisions will likely continue as the rate of inflation, cost-of-living increases, and supply costs continue to have double digit increases.

Please 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.
- The beginning fund balance in each fund is used to cover the first four months of city operations each fiscal year, until tax revenues, and other resources are paid to the City.

You have been provided a copy of the proposed City budget and the HRA budget. At the beginning of each fund, there is a chart and table that summarily 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 2023-24 and future budget years.

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 broad categories of types of expenses within a particular fund, 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, and (sometimes) an Ending Fund Balance. 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 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, for that Fund.

Projected actuals from the current year budget are shown in the budgeted document. These forecasts will assist the Budget Committee with understanding some of the changes that staff have made in producing this budget. This column is only for planning purposes and will not be shown on the final adopted budget.

Diagram 1 below shows the difference between a Fund, Object Classification, Expenditure Detail, and shows the location of the projected actuals column.

Diagram 1

CITY OF HARRISBURG

General Fund (10) ← **Fund**

BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY

GENERAL FUND (10): REQUIREMENTS

Historical Data				REQUIREMENTS FOR: ADMINISTRATION	Budget for FY 2021-2022	
Actual		Adopted Budget This Year FY 2020-2021	Projected Actuals 2020-2021		Proposed by Budget Officer	Approved By Budget Committee
Second Preceding Year 2018-2019	First Preceding Year 2019-2020					
				PERSONNEL SERVICES		
260,894	257,250	295,970	255,000	ADMINISTRATION WAGES	243,100	0
0	0	5,500	0	ADMIN OFFICE ASSISTANCE	5,500	0
4,800	4,800	7,200	4,800	COURT WAGES	4,800	0
274	265	305	280	ADMIN UNEMPLOYMENT TAXES	250	0
20,955	20,282	23,298	21,100	ADMIN SOCIAL SECURITY TAXES	19,100	0
88,853	67,696	66,750	68,700	ADMIN MEDICAL INSURANCE	85,500	0
55,788	49,070	88,950	70,650	ADMIN PERS	65,100	0
1,074	1,745	1,225	2,400	ADMIN LIFE & DISABILITY INS	650	0
5,440	2,893	2,770	3,100	ADMIN PAY & LONGEVITY	4,400	0
84	63	151	75	ADMIN WORK COMP QUARTERLY	135	0
2,855	1,882	3,000	2,850	ADMIN WORK COMP PREMIUM	3,000	0
2,400	0	2,400	2,400	PERSONNEL SERVICES-MARINE BD	2,400	0
79	38	200	0	MEALS - TRAINING	200	0
300	150	300	300	CELLULAR PHONE	300	0
443,795	**406,136**	**498,019**	**431,655**	**TOTAL PERSONNEL SERVICES**	**434,435**	**0**
3.0	**3.0**	**3.5**		**Total Full-Time Equivalent (FTE)**	**3.5**	**3.5**

Object Classification → *PERSONNEL SERVICES*

Expenditure Detail

Projected Actuals

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. In 2023, the City Council adopted several goals and objectives, six of which have direct and indirect fiscal impacts in this year's budgets. Table 1 is a list of the Council's priorities for FY 2023-28 that relate to or are impacted by the FY23/24 Budget.

Table 1: Council Priorities in the 2023-2028 Strategic Plan

Objective/Action #	Description
#3	**Create & Advocate for a Wide Range of Housing Opportunities while Preserving and Improving Existing Affordable Housing.**
#5	**Develop, Maintain and Improve Total City Park Land Inventory;**
#7	**Make Regular and Substantive Improvements to City streets.**
#9	**Bring Community Awareness to Crime Issues in our City and Work to Create Solutions to Reduce and Prevent Crime**
#10	**Design, Build, and Operate a Conventional Water Treatment Plant**
#13	**Enhance Outreach to Existing Businesses; Work with Regional Partnerships to Promote Harrisburg Businesses and Economic Development**
#20	**Update Capital Improvement Program (CIP) and Verify SDC's and other Fee Structures are Still Competitive**

The budgets in this document have been prepared with these Council priorities in mind. To achieve Objectives No. 5., for example, the City applied for an Oregon Parks and Recreation Department (OPRD) grant fund of $40,000 to develop a revised City Parks Master Plan. This will include revising City Parks SDC requirements as well as a more detailed plan for parks development, including a conceptual design plan for the new 132-acre park and future parklands. This project was completed in 2022. The City is now applying for another OPRD grant, in the amount of $75,000; therefore, you will note a $20,000 expenditure in Fund 61 as what remains as a city match to the OPRD Local Government Small grant. Objectives 3, 9, 10 and 13 do not require much budget at this time, as they are more policy related, and are tied into the new Land Use Development Ordinance.

Regarding Objective 7: The City Council has a goal to annually budget $250,000 in Street Maintenance funds. This goal is tied to funding recommendations contained in the 2016 Street Conditions Report prepared by the City's Public Works Department. This past year, the City was able to budget $150,000 in Street Maintenance through a General Fund transfer that was made possible by staffing reductions and other savings outlined in the last four years of budget cycles. We continue to be able to meet this important goal.

Objectives 13 and 20, don't cost the City much in terms of budgeted amounts, other than those needed for providing public information, and holding open houses to citizen. Quite obviously, Objective No. 10 has returned to the strategic plan, since the City is now planning on eventually going out for Bid No. 3 on the water bond project.

The City continues to be careful with staffing levels; we complete a significant amount of work with less employees than many other similar sized cities. Although we've had the funding in this current year's budget, as well as in this budget proposal to hire a part-time staff member to work on building permits, the City will hold off on hiring until staff sees a significant increase in permits activity. With two new subdivisions in the final stages of meeting administrative requirements, we might need to hire someone to start in January 2024. The City can partially control personnel expenses in the Water & Sewer funds, due to limiting the number of seasonal hires that the City brings in every summer. Like most employers, the City is finding that it is becoming harder to fill even full-time benefited positions.

Changes to the Budget Format:
All actively used funds are still being used, including our two newest funds: the Building Permit Fund (25) and Electrical Permit Fund (26). Those funds are also doing much better than before. The column showing projected actuals shows what the City expects to spend by the end of this fiscal year. This column isn't shown on the final budget document and is only used for our planning purposes.

Budget Highlights:
1. Property tax revenues in this fiscal year are similar to what they were in the prior fiscal year. We have returned to the usual 96% collection rate that was present before the pandemic.
2. Construction activity so far in 2023 remains consistent, and Harrisburg is seeing its share of remodels. As of the writing of this budget it is hard to estimate whether that will continue throughout the coming fiscal year. If the housing market continues as it has been, we will remain optimistic that construction will be active. One subdivision is almost ready to submit building permits, and the other will have a relatively short period of time in which to develop it's simple infrastructure, and will likely be built this summer as well.

3. Interest rates in the state investment pools, and elsewhere, are slowly starting to increase. This has impacted and improved some of our larger funds.
4. The Harrisburg Redevelopment Agency has $50,000 in grant funds still available to continue with property improvement grants this year. HRA loan repayments will continue to improve the funds available, but at a very low percentage.
5. The HRA now must provide for revenue sharing with the other taxing agencies due to the completion of Substantial Amendment No. 6. The amendment will allow the City to use the funds available in the HRA for the water bond project, if it is needed after Bid No. 3.
6. The City, like all other governmental bodies and many employers, are trying to stay competitive with our wages. In years in which we are not asking for a wage analysis, we look to the CPI-W Pacific Size Class (Consumer Price Index- Western States) for our cost-of-living increases. The scale showed almost an 8% cost of living increase. As such, the Personnel Committee instructed staff to budget at 6.5% down to a bottom rate of 4.5% for COLI, dependent upon whether the budget can support this. Staff is pleased that we are able to absorb the increase at this time.
7. The City has been able to finally hire in two new Public Works Employees, which has increased the costs in personnel wages, benefits and PERS. The City can help control costs in the enterprise funds depending upon how many seasonal staff they are able to hire this year.
8. Workers Comp charges are similar to what they used to be underneath the previous insurers' coverage. However, property insurance has increased by 23% this year. The impact of this increase is mostly showing in the water and sewer funds, as property values for infrastructure are extremely high.
9. The City has approximately $400,000 in former ARPA funds that have been distributed into the water fund, and the community & economic development fund. If not needed for the water bond project funding gap, we will be able to use it as a more flexible grant fund for businesses outside of the HRA boundaries.
10. The Water, Sewer, and Storm Drain Funds are all Enterprise Funds. The City increases the rates on a regular basis, according to policy. The cost-of-living increase this year is planned at a more affordable 2% in order to keep up with costs. This helps control rates, so they are not calculated as high as they would be if the City tried to avoid raising rates this year.

GENERAL FUND (GF)

The estimated beginning fund balance is very comparative to last year. That is representative of approximately 5 months of operations that are covered before tax revenues start arriving. Our unappropriated fund balance should represent a minimum of a 3-month cash reserve, which puts the City in a good cash flow position.

Property Taxes are projected to be roughly the same as last year. Franchise fees are up slightly. The League of Oregon Cities has advised cities that State Revenue Sharing is down, and the City has forecasted $6,000 less than last year, even though projections show a $10,000 increase through the end of the current fiscal year. Fines and forfeitures are flat, and ARPA funds have been expended to the water fund during the last fiscal year.

On the expenditure side, personnel services have increased from last year's costs by $102,400. This is due to an increase in PERS costs, as well as medical insurance. It also includes $3,340 in OFPLA (Oregon Family Paid Leave Act) tax. As noted at the start of this report, the CPI-W in our region shows an almost 8% increase for 2022. The Personnel Committee allowed for an increase of 6.5% COLI if it was supported by the budget, otherwise, a bottom line of 4.5% would be used. City property taxes and revenue structure supports the cost of living increase. The City also budgeted for but did not hire a part-time administrative employee to assist with utility billing, cash receipting, and building permits; we are planning for the same this year. The City will only be hiring a staff member if the workload and building fund construction is substantially increased.

Contract services are budgeted the same as last year, as the City will likely need additional planning services this year, as well as additional engineering/wetlands work in Eagle Park. Legal services are still being budgeted high because the City is using more frequent legal services due to the negotiations with BNSF, and as we work through the changes required by legislative amendments, especially those having to do with objectively reasonable time, place and manner restrictions against camping. In addition, attorney fees for Municipal Court are increasing due to more criminal arraignments. Our Government Services have also increased slightly, as the LCSO contract increased by roughly 4% from the last fiscal year, while the fees for our Traffic Enforcement remain the same until 2024. There is also shown here a $7,500 amount that has been budgeted for the Lobbyist that we have hired through our partnership in the Small Municipality Advocacy Coalition.

The HMC/Council Upgrade is budgeted for another $5,000 in order to continue with our technological upgrades for Council meetings. Travel is similar to last year, but a slight increase has been put into room and board, as travel to other locations has become more cost prohibitive. Some digital classes are still being offered, but there has been a big return to in person education. The Parks Master Plan & SDC update is now completed. As discussed in last year's budget committee meeting, the HART Center is receiving $15,000 in budget. They have worked on reducing their expenditures, and the former Executive Director is now a board member, while they operate the services in the center on a volunteer basis. In transfer's out, the Budget Committee can see that the former ARPA funds have been transferred to the Water Fund.

STREET FUND:
Revenues for street funds were affected by the completion of the 9th St. extension, which partially reduced the beginning fund balance by $91,032. Gas Tax revenues are up due to the increase in gas prices, and of course, the City is continuing to apply for grants. The SRTS (Safe Routes to School) grant will be applied for again, as will the SCA (Small City Allotment) grant. The TGM (Transportation Growth Management) grant was approved, but ODOT is behind on processing the grant. A contractor has been chosen, but the Statement of Work and IGA have not yet been provided to the City by the ODOT representative.

Due to the additional employees in Public Works, personnel fees are up slightly. In miscellaneous expenditures, you will see a CDL License Training Fee has been added. New employees hired by the City will need to be trained under the new CDL licensing requirement, which is cost prohibitive. There are limited trainers in this program, and it also requires substantial time away from work. In capital outlay, the $250,000 to provide street maintenance is present, but other construction projects shows the money that would be expended on those projects, if the grants are successful, or in the case of the TGM, if the city is able to proceed as planned.

BIKE PATH RESERVE FUND: The beginning fund balance and capital outlay lines have increased slightly, due to the increase in gas tax revenues, which is where this funds revenues are derived from. This fund will likely play a future role in developing a trail to link S. 6th street with Eagle Park. This will be addressed further in the Transportation System Plan that the TGM Grant is paying for.

COMMUNITY & ECONOMIC DEVELOPMENT FUND

The beginning fund balance in this fund has increased, due to the transfer from former ARPA funds. The $197,000 shown in the economic development grant program, is not being expended at this time, until after the 3rd bid is completed for the water bond project. If it is not needed, then it will be used for property improvement grants for commercial businesses outside of the HRA boundaries. The city also plans on spending additional funds to allow for business advertising in the newsletter. This will be based on the revenues from the business license program. The REAL line is set aside for the Rural Economic Alliance, and the City's likely share in running the program, including support for a possible RARE (Resource Assistance for Rural Environments) program student. If the grant written in REAL, and the Application for a RARE person is accepted by the University of Oregon, the RARE student will be under the Harrisburg's City Administrator's supervision. As per an addendum to the Memorandum of Understanding that will be set up between the nine small city's that are part of this program, Harrisburg will receive some additional services from this person towards our own economic development program, outside of the plans for REAL.

Included in planned expenditures is money for the Main Street Program, and the Summer Concerts. The new expense line that is entitled Community Assistance Grant, is planned for covering possible expenses in relation to people who need help in the community, by providing vehicle repairs, or transportation to where resource services are available. This amount will not be advertised. The money in Capital Outlay is planned for a new boat ramp in Eagle Park, and for other amenities in this park, if the OPRD grant is not successful. (Although Parks SDC's will also be used for this park.)

LIBRARY FUND

The beginning fund balance for the Library is up slightly, but the amount transferred into this fund remains the same as the previous year. Personnel Services have increased, again, because of the 6.5% increase in COLI, and PERS. Most of the expenditures are comparative to the previous year. The Library is holding more programs than the majority of Libraries our size, a fact that we are rather proud of. There has been a slight increase in book funds as well. With a new employee being hired in the Library, training has been increased slightly too. The computer reserve account has also been increased again, because the City only replaced half of the computers in the Library last year. Those computers that weren't replaced last year are now the oldest computers in the City's computer 'fleet' and are now 7 years old.

STORM DRAIN RESERVE FUND

The Storm Drain Fund is used to pay for public storm water improvements. There is not much change from the last fiscal year. The beginning fund balance is up by almost $6,600. Capital Outlay has also increased slightly. This fund will be used for storm line replacements in several different street projects that are on the construction schedule.

BUILDING PERMIT FUND

The Building Permit Fund is new as of 2021 and is tied into the City's decision to 'assume' our own building permit program. We contract with Junction City for our building official, which includes plan review and inspection services. We are receiving a higher percentage of revenue from both plan review and building permit services, than what was received in prior years from Linn County. (35% of all permit revenue.) The Budget Committee can see that there is an increase in both revenues and expenditures in this line. Staff had thought that both subdivisions would be in the process of construction over the last fiscal year, but both the Shadowood and Butterfly Garden Subdivisions, together consisting of

40 lots, were held up slightly. Butterfly Gardens took longer to complete their infrastructure, but should be able to file building permits this summer, while Shadowood has limited infrastructure, and will likely be able to sell lots as of the month of May, after they record their final plat. Like most of our funds, we are very conservative, and budget as though only six homes will be under construction, even though there is a potential of 40 lots, along with another two from a minor partition that was completed on S. 9th St. This is the same formula we use with the SDC funds.

ELECTRICAL PERMIT FUND

The State of Oregon requires that the building permit program, and electrical permit programs are separate from each other. This is another change the City has made to its benefit. Assuming our own program means that we do issue electrical permits, and the same percentage of revenue as the building permit program is received by the City. This is a very small fund for the City, with only $14,145 of requirements/revenue.

DEBT SERVICES FUND

This fund is used to repay debts the City has collected, primarily interest and principal for the Water System bond issue in 2019. The beginning fund balance has increased by almost $30,000, and taxes are levied at $430,065, which represents a 96% collection rate. The principal payment on the water improvement bond has also increased $15,000 this year and will continue to increase in the years ahead.

OFFICE EQUIPMENT RESERVE FUND

This fund receives revenue solely from the interfund transfers from the general, water and sewer funds. Similar to the Equipment Reserve Fund, it allows the city to save money for larger purchases, such as the replacement of computers and servers, as well as reserves for the copier, which is a very expensive piece of equipment. The servers were updated in the last fiscal year, which you can see in the reduction of expenses, which are now being built back up. Several computers in the office also need to be replaced as the warranties have now run out, and they are six years old. Both the server and copier funds are provided with $2,000 a year and are expended when they needed. The City works with Cobalt Computers as our IT company; they do a terrific job in keeping the system updated. The City has also budgeted for allowing for some more ergonomic improvements for workspaces for employees; none of these will be purchased prior to tax revenues being received by the City. This fund also pays for the software that the city uses for most of the administrative accounts, and the general ledger we work with.

EQUIPMENT RESERVE FUND

This fund is used to build a reserve to replace the City's heavy industrial public works vehicles and equipment. The beginning fund balance has increased by $56,985, while transfers from the water, sewer, and street funds remain the same. The City finally received a new vehicle, which took almost a year to arrive. Because this is a vehicle used for responding to emergencies, some specialized equipment was purchased for it, including a new FCC radio system. The Public Works Director also purchased a new attachment for the Bobcat. Because these are all expensive pieces of equipment, the annual increases are somewhat substantial. An example is the street sweeper reserve fund, which increases by $30,000 per year, while vehicle reserves are increased by $20,000.

WATER FUND

The Water Bond Project is planned for out of this fund. The 2% increase in water use charges shows here, and the increase in interest rates have improved the investment revenue line. The transfer from the General Fund also shows in interfund transfers. The

City has already replaced 9,450' of waterline and has purchased a large part of the electrical components and membranes needed for the water filtration plants. These purchases reduced the beginning fund balance by about $730,190. The City made the decision to raise utility rates by a cost-of-living increase of 2%. With the cost of living and inflation being so high, it is important for the City to keep up with rates, so that customers aren't as impacted by higher rate increases in the future.

As noted previously, personnel services in all funds are affected by the 6.5% COLI increase, PERS, medical benefit increases, and the cost of OFPLA. Public Works also replaced the one open position that they had, as well as the one that was added in last year's budget. With more projects being completed, capital outlay is also decreasing. Overall, materials and services are comparative to last year. Water systems maintenances and repairs, as well as chemical costs are still high.

SEWER FUND

The beginning fund balance for the Sewer Fund is budgeted at slightly more (about $14,000) than the previous year, as are sewer use charges. As noted in the water fund, the City is raising rates by 2%, so that utility rates are not overly increased in the future.

Public Works personnel services are split between the water and sewer funds, (with a little bit charged to the street fund) so the same issues affecting the water fund, affect the sewer fund. Materials and services have increased slightly, while capital outlay has decreased due to the projects completed last year, as has the budget that had been present in the sewer fund miscellaneous equipment and projects. The debt services line has increased by about $5,000, for the Sewer Revenue Bond.

WATER RESERVE FUND

This fund is designated for major purchases and projects for the city's water system. There are no significant changes proposed for 2023/24 FY. There is a small increase to the Capital Outlay classification.

SEWER RESERVE FUND

This fund is designated for major purchases and projects for the City's sewer system. Transfers from the Sewer Fund are the primary source of revenue. The beginning fund balance has dropped due to expenses used in capital outlay this past year. The wastewater construction reserve line was responsible for this extra expenditure, due to the critical sanitary sewer crossing project.

SYSTEM DEVELOPMENT CHARGES (SDCs)

There are five distinct SDC Funds: Transportation, Parks, Storm, Water, and Sewer. System Development Charges may only be used for new public improvements, master planning, or expansions to the infrastructure. These funds cannot be used for maintenance for any part of the infrastructure systems. Revenues for these funds are collected through development permits. Rates are tied to the city's master plans and capital improvement plans.

There are two significant, SDC funded expenditures planned for FY 23/24. The first is an expenditure of $120,000 in Transportation SDCs as a match for the City's proposed 'Safe Routes to School' ODOT grant to make improvements on the west side of 9th Street between Territorial and Diamond Hill. The City was not successful in obtaining this year's grant and will continue to try to obtain this on an annual basis until successful. The Transportation Growth Management grant has also been awarded to the City, but the match for the TGM grant is found in the Street Fund itself in Capital Outlay as noted in discussion previously. Capital Outlay in the Transportation SDC's show the amount which was reduced and used for some of the S. 9th St. extension project.

The City is now applying for a new OPRD Grant, called the LGGP (Local Government Grant Program) Small Grant. If successful, it will allow the City to build the dog park, and the first trail system in Eagle Park. The LGGP Grant is for $75,000, and the City's match to that grant is $15,000. The Storm Drain SDC's fund was used for the S. 9th St. project, as was the Water and Sewer Systems SDC's. As a reminder, only a portion of these SDC's can be used for the water bond projects, because most of the improvements are benefiting current citizens. Capital Outlay in the SDC funds can be used for major projects related to growth in the future.

HRA BUDGET

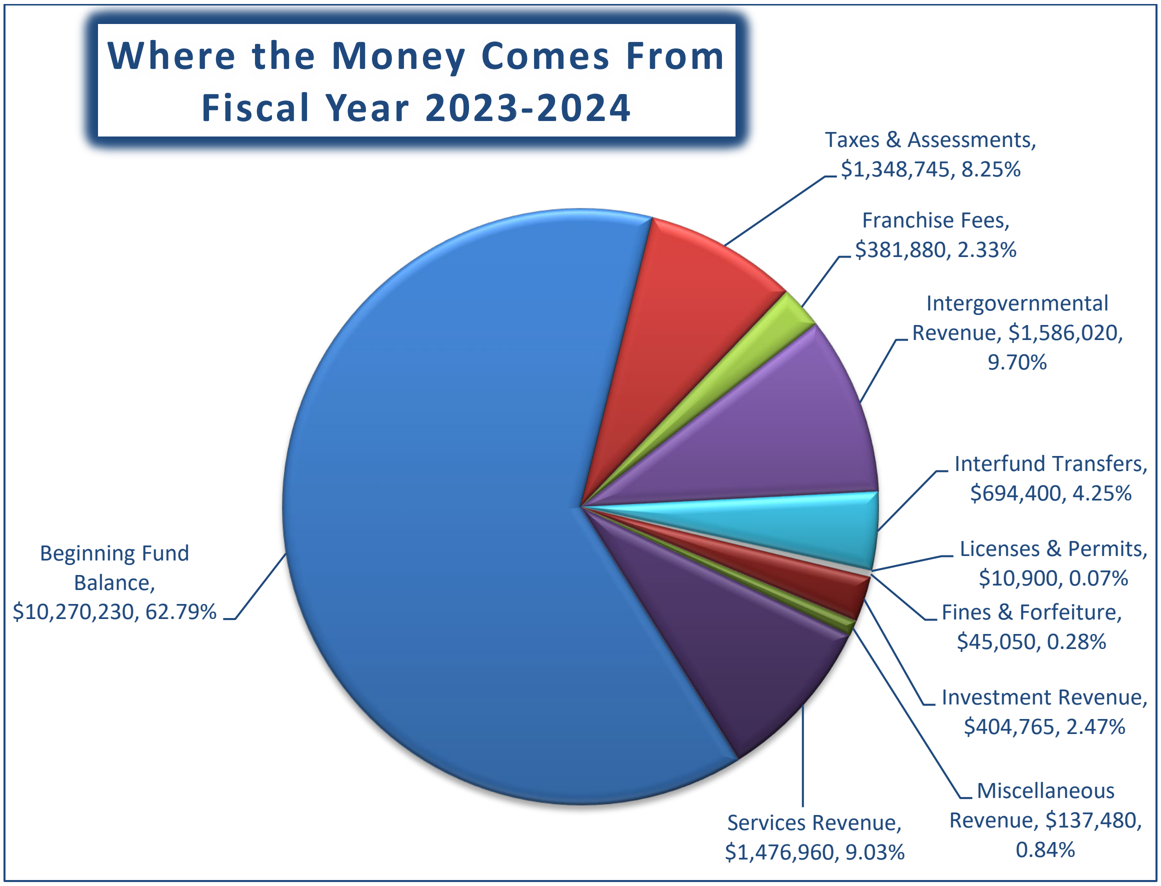
As noted at the beginning of this report, the HRA Budget had an accumulation of capital outlay funds that was a little over $2 million. This is revenue that came from the increase in property tax values for properties located in the boundaries of the HRA Plan. When City Staff were trying to determine how to bridge the funding gap for the water bond project, we looked at the funds available in the HRA as being a possible way to come up with the needed funds. After consulting with Elaine Howard Consulting, the City started the process of Substantial Amendment No. 6 to the HRA Plan. To be able to use the funds in the HRA for this project, we had to bring the properties where the new steel tanks and filtrations systems would be located into the project boundaries. During this process, which cost $38,000, and took approximately 8 months to wade through all the statutory requirements, we discovered that the City should have been paying out revenue sharing to the other taxing districts. The 2015 Amendment said that we wouldn't enter this phase until 2023, which is when we expected to start revenue sharing. Unfortunately, the City actually qualified for revenue sharing in 2018, with payments that should have started in 2019.

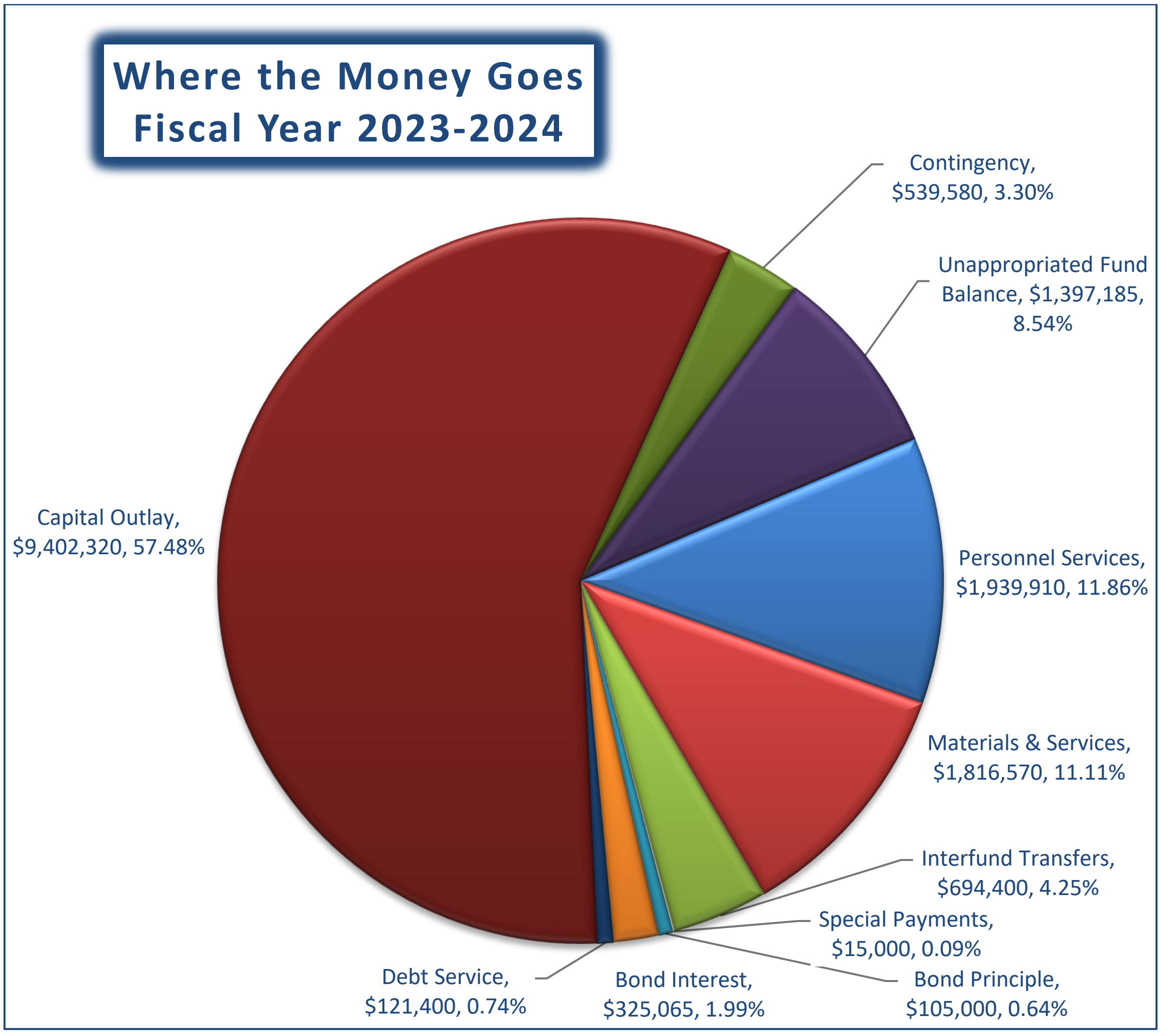
After walking through all the analysis in relation to urban renewal funds, the City met with the taxing agencies, and asked whether those agencies would allow the HRA to hold onto the back revenue sharing amounts that were owed, because we were planning on using those funds for the water bond project funding gap. The City of Harrisburg and the School District chose to allow the funds to remain in the account, but the back funds were paid out to the Harrisburg Fire/Rescue District, and to Linn County. Revenue Sharing from this point forward will now be paid out through an under-levy process, when the City files our tax documents (UR-50) after the budgets are approved. This is shown in the tax receipts line, with the projected actual amount of $450,945 in the current fiscal year, while the proposed amount remains almost the same as the previous year, at $225,056. The beginning fund balance at the top of the resources shows the amount that remains in this account that can be accessed for the water bond project, at $2,179,995. The City may only access these funds to a certain limit, based upon a 'proportionality rule' that must be established when we file the transaction.

Debt service payments for HRA debts are made directly out of the HRA funds, and the debt services line shows those amounts that are owed this year on the $2.6 million in bonds that was taken out in 2017. The HRA also has a maximum indebtedness amount, that has not yet been met. That means that the HRA can have more bonds issued, without having to go back out to the taxing districts, or to the voters, as the HRA can take out debt up to the maximum indebtedness amount. (Close to $2.6 million remains.) This is another option for the City, if the future bids for the water bond project are substantially higher than what the other bids were over the last year and a half. The City was also able to fund the $50,000 for the Property Improvement Grant Program again this year; there is an application already on file for the business who is interested in accessing these funds. The HRA has served as an invaluable resource for the City, and has been used to extend the industrial zone on S. 2nd St., on the south side of the City, as well as the recent improvements to Smith, Moore, Macy and 2nd St.'s. There is substantial improvement of property values for the businesses who have taken advantage of obtaining a property improvement grant as well.

Respectfully submitted,

Michele Eldridge,
City Administrator


Where the Money Comes From
Fiscal Year 2023-2024
Taxes & Assessments, $1,348,745, 8.25%
Franchise Fees, $381,880, 2.33%
Intergovernmental Revenue, $1,586,020, 9.70%
Interfund Transfers, $694,400, 4.25%
Licenses & Permits, $10,900, 0.07%
Fines & Forfeiture, $45,050, 0.28%
Investment Revenue, $404,765, 2.47%
Miscellaneous Revenue, $137,480, 0.84%
Services Revenue, $1,476,960, 9.03%
Beginning Fund Balance, $10,270,230, 62.79%


Where the Money Goes
Fiscal Year 2023-2024
Contingency, $539,580, 3.30%
Unappropriated Fund Balance, $1,397,185, 8.54%
Personnel Services, $1,939,910, 11.86%
Materials & Services, $1,816,570, 11.11%
Interfund Transfers, $694,400, 4.25%
Special Payments, $15,000, 0.09%
Bond Principle, $105,000, 0.64%
Bond Interest, $325,065, 1.99%
Debt Service, $121,400, 0.74%
Capital Outlay, $9,402,320, 57.48%