



BUDGET MESSAGE

FISCAL YEAR 2020-2021

DATE: May 20, 2020

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 FY2020-21 City of Harrisburg and Harrisburg Redevelopment Agency budgets. The budgets are tools used by City Council and staff to provide a roadmap for 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 and incorporate strategies and goals requested by the City Council in the 2020-2025 Strategic Plan.

The coming fiscal year presents some unique budget challenges in the light of the state and national economic slowdown as a result of the coronavirus pandemic. We can reasonably predict that some city revenues will see substantial reductions, such as Transient Occupancy Taxes, state shared gasoline taxes and others. The proposed budget assumes significant reductions in these and other revenue streams. I do not, however anticipate large reductions in property tax collections and most franchise fees. Indeed, liquor taxes are likely to rise. While much debate could surround which revenue streams will see reductions, and how much these reductions might be, it seems prudent to budget for somewhat modest reductions in the confidence that the city can move very quickly to reduce expenditures in case the new fiscal year turns more negative than is planned in these proposed budgets.

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 continue to increase and are expected to trend in this direction for the next several years. Other personnel costs, like wages and health care are also on the rise. The city has adapted to these challenges by reducing staffing and outside contracting services. We are prepared to do more, if as discussed above, the coronavirus reduces city revenue streams more than planned.

The City's Budget Committee 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 a single year's budget. The proposed budget includes some tough decisions that were made to address the street maintenance issue. The Budget Committee and City

Council will need to continue to make tough decisions on how to best use the public's money.

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 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 2020-21 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. See diagram 1 below which shows the difference between a Fund, Object Classification, and Expenditure Detail.

Diagram 1

CITY OF HARRISBURG
General Fund (10) ← Fund
BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY

GENERAL FUND (10): REQUIREMENTS			Budget for Next Year FY 2019-2020			
Historical Data			REQUIREMENTS FOR: ADMINISTRATION	Proposed by Budget Officer	Approved By Budget Committee	Adopted By Governing Body
Actual Second Preceding Year 2016-2017	First Preceding Year 2017-2018	Adopted Budget This Year FY 2018-2019				
PERSONNEL SERVICES						
229,833	256,591	267,225	ADMINISTRATION WAGES	270,545	0	0
0	0	5,500	ADMIN OFFICE ASSISTANCE	5,500	0	0
4,800	4,800	7,200	COURT WAGES	7,200	0	0
237	268	279	ADMIN UNEMPLOYMENT TAXES	281	0	0
18,148	20,543	21,311	ADMIN SOCIAL SECURITY TAXES	21,493	0	0
69,610	84,092	91,710	ADMIN MEDICAL INSURANCE	91,710	0	0
41,190	54,691	57,531	ADMIN PERS	70,505	12,974	0
1,047	1,167	1,225	ADMIN LIFE & DISABILITY INS	1,225	0	0
2,250	4,388	5,550	ADMIN PAY & LONGEVITY	4,600	0	0
84	92	185	ADMIN WORK COMP QUARTERLY	185	0	0
7,343	5,058	9,000	ADMIN WORK COMP PREMIUM	9,000	0	0
0	2,400	2,400	PERSONNEL SERVICES-MARINE BD	2,400	0	0
54	45	200	MEALS - TRAINING	200	0	0
300	300	300	CELLULAR PHONE	300	0	0
374,896	434,435	469,616	TOTAL PERSONNEL SERVICES	485,144	12,974	0
3.0	3.0	3.0	Total Full-Time Equivalent (FTE)	4.0	4.0	4.0

Object Classification → (points to PERSONNEL SERVICES)
Expenditure Detail ← (points to ADMINISTRATION WAGES)

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 2020, the City Council adopted several goals and objectives, seven of which have direct

fiscal impacts in this year’s budgets. Table 1 is a list of the Council’s priorities for FY 2020-21 that relate to or are impacted by the FY20/21 Budget.

Table 1: Council Priorities in the 2020-2025 Strategic Plan

Objective / Action #	Description
Objective 4. b.	Apply for and acquire grants to develop existing and future parklands.
Objective 4. c.	Update Parks Master Plan by means of an OPRD Planning grant and possible RARE Intern
Objective 4. d.	Enhance development and facilities plan for 100 acres park
Objective 5	Obtain TGM grant to update cities Transportation System Plan and Transportation SDCs
Objective 6	Increase funds available for Street Maintenance to target goal of an additional \$250,000
Objective 7	Repair and Upgrade major city streets to at least a ‘C’ standard
Objective 11	Design, construct and operate new water treatment system and other water system upgrades indicated in city’s 2019 Water Master Plan

The budgets have been prepared with these Council priorities in mind. To achieve Objectives 4.b.c.& d., for example, the City has applied for an Oregon Parks and Recreation Department grant fund of \$40,000 to develop a revised City Parks Master Plan that will include revising City Parks SDC requirements as well as a more detailed plan for parks development (including the new 132 acre Knife River acquisition) and future parklands. You will note a \$30,000 expenditure in Fund 61 as a city match to the OPRD planning grant

Regarding Objectives 5 & 6. & 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 \$130,000 in Street Maintenance through a General Fund transfer that was made possible by staffing reductions and other savings outlined in the 2019/2020 budget.

This year’s budget does not envision any new, significant cost reductions. This is due to the following: 1. In my view city staffing is already at a bare minimum level. 2. The prior reductions in staff training/education and related travel have been mostly restored. It simply isn’t a viable long-term strategy to eliminate (or nearly eliminate) staff training.

Nevertheless, there is a proposed \$150,000 transfer from the General Fund to the Street Fund with the Strategic Plan goal (#6) of having at least \$250,000 available for Street Maintenance. (See Street Fund discussion, below).

Objective 11 is to design and construct the City's water system in accordance with the General Obligation Bond of \$8,300,000 sold in 2019. The Water Fund budget includes spending \$7,882,500 in "Water Fund Construction Project". However, since this project will not be complete until FY 2024/25, only about \$2,500,000 of water bond project funds will likely be spent in FY 20/21.

Changes to the Budget Format:

All actively used funds are still being used, and no new funds have been added. This budget continues the practice, begun in FY2019/20 of reserving at least some fund resources as "Unappropriated Ending Fund Balance" in most funds.

Budget Highlights:

1. The good news is that net assessed property values for our City increased by 5.1% in 2019, the most in some years. However, due to the Coronavirus impact, as discussed above, this budget anticipates a 90% collection rate, down from the usual 96+%.
2. Construction activity so far in 2020 remains fairly strong. As of the writing of this budget it is hard to estimate whether that will continue throughout the coming fiscal year.
3. The Harrisburg Redevelopment Agency has some grant funds still available to continue with property improvement grants. In addition, we plan on using HRA loan repayments that occur during the 2020-21 FY as additional money to include with the Property Grant Program approved by the HRA Board. We don't plan on issuing any more HRA loans during the coming fiscal year.
4. Propose no water rate increase. While a 2+% annual increase is typical (and in line with the most recent inflation numbers), the current economic distress would militate against a rate increase.
5. Propose no sewer rate increase. While a 2% - 4% annual increase has been typical, the current economic distress would militate against a rate increase.

GENERAL FUND (GF)

The estimated beginning fund balance is down \$124,661 to \$682,300 this year. This represents a beginning of the fiscal year General Fund Reserve of over 59% of the General Fund (FY20/21) organizational and program requirements, or a 7- month operational reserve. A strong cash reserve position for a city of Harrisburg's size.

Fines and forfeitures are climbing a bit, due to increases in municipal court activities. It is expected this line will continue to rise as the City has processed a growing number of traffic violations.

Franchise Fees are a major component of GF revenues. Despite the current economy, I don't expect these to change much in FY20/21. The Linn County Housing Grant under GF 'Intergovernmental Revenue', which was simply a wash, has been closed out this year and will not continue into FY20/21. I do expect a new OPRD Grant of \$40,000, which is expensed (along with \$30,000 from Parks SDCs) under GF Buildings and Grounds as "City Parks Master Plan and SDC Updates"

On the expenditure side, personnel services increased by only \$4,000. A 2% cost of living wage increase is also proposed, as previously approved by the City Council, adding to the overall increase in the personnel services line. In addition, we have funded hiring a part-time administrative employee to assist with court, utility billings and the front counter. However, we will delay a possible new hire until well into the new fiscal year and only upon receiving adequate anticipated revenues.

Materials and services are proposed to be reduced by just over \$260,000. This is due to the closing out the Linn County Housing Rehabilitation Partnership grant program.

The capital outlay increased to \$40,000 to pay for planned improvements in the City Hall lobby. Lastly, the General Fund contingency and unappropriated fund balance are a bit above \$428,000, which is a decrease from this past year's contingency. This decrease is attributed primarily to anticipated coronavirus impacted revenue declines.

STREET FUND:

The beginning fund balance of the Street Fund is up about \$14,600 from last year. However, I expect a significant reduction in state gas tax receipts. Proposed inter-fund transfers are up about \$5,000. However, we expect two major ODOT grants that, if successful, will increase the total Street Fund Revenues by nearly \$500,000. However, if ODOT should not fund in full either or both of these grants then overall Street revenues will see a much more substantial decline.

We will apply for a Safe Routes to Schools Grant (SRS) of \$550,000 to provide sidewalks, curbing and gutters on the west side of 9th Street between Territorial and Diamond Hill. This grant would be matched by an additional \$110,000 of Transportation SDC funds for a total project cost of about \$660,000.

On the expenditure side of the Street Fund, the only significant change is for Capital Outlay. We have projected spending the City Council goal of \$250,000 for Street Maintenance (Formerly Crack Sealing and Overlay), an increase of \$75,000 from the 19/20 budget. We also assume we will receive the ODOT Small City Allotment to improve LaSalle AND the Safe Routes to Schools grant of \$550,000. This would raise total Street Fund Capital Outlays by more than \$460,000 from FY 2019/20

BIKE PATH RESERVE FUND: No significant changes from FY19/20. This fund may play a future role in developing a trail to link S. 6th street with the new 132-acre park.

COMMUNITY & ECONOMIC DEVELOPMENT FUND

The beginning fund balance in this fund continues to decline, primarily due to the HMC rehab project of last year and the decision in April of this year by the City Council to award a \$1,000 Covid Relief grant to small Harrisburg businesses. There is a fairly good chance all of these program expenditures can be recovered and thus the new revenue line of "Covid Relief Grant" of \$50,000 in the GF Miscellaneous Revenue line. There are no major expenditures expected in this fund for FY20/21.

LIBRARY FUND

The beginning fund balance for the Library is down up by about \$27,000. There are no significant changes from FY19/20 other than a small increase in Personnel costs.

STORM DRAIN RESERVE FUND

The Storm Drain Fund is used to pay for public storm water improvements. The beginning fund balance is up about \$32,000. There are no other significant changes from FY19/20

other than a possible increase in Storm Drain Capital Improvements related to the several street projects pending for this year and next.

DEBT SERVICES FUND

This fund is used to repay debts the City has collected, primarily interest and principle for the Water System bond issue in 2019. Since next year will be a full year of payments, interest payments for these are up about \$52,000.

OFFICE EQUIPMENT RESERVE FUND

The beginning fund balance is a down significantly from FY 19/20. Thus, interfund transfers from the General, Water, and Sewer Funds have been increased. Interfund transfers are the primary source of revenue for this fund. During the current fiscal year we have purchased several new computers and upgraded our software. We do expect to spend even a bit more (c. \$5,000) for these services in FY20/21

EQUIPMENT RESERVE FUND

This fund is used to build a reserve to replace the city's major public works vehicles and equipment. No major changes from FY19/20

WATER FUND

The beginning fund balance is up roughly \$7,800,000 due to selling a G.O. bond as noted above. Once again, we expect a decrease in water use collections due to the current emergency. No rate increase is proposed

FY 20/21 water fund expenses are not expected to change very much other than we do not propose any transfers to the Water Reserve Fund

SEWER FUND

The beginning fund balance for the Sewer Fund is expected to increase by over \$80,000. by the start of FY 20/21. We expect a decrease in overall sewer fee collections. Staff does not propose a rate increase.

Sewer Fund expenses are little changed other than a proposed \$30,000 transfer to the Sewer System Reserve fund.

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 the 2020/21 FY.

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. Unlike last year, we propose making a transfer to this fund this year in the amount of \$50,000. Otherwise there are no significant changes from FY19/20.

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 systems. These funds cannot be used for maintenance of the system. 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, new SDC funded expenditures planned for FY 20/21. The first of these is \$30,000 as a match for an OPRD applied for grant in the amount of \$40,000, as noted in the Strategic Plan discussion, above.

The other is a proposed expenditure of \$120,000 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

HRA BUDGET

The proposed HRA budget includes capital construction funds for street and infrastructure improvements in the downtown. The remaining street and infrastructure projects will be completed in fiscal year 2020/21 and include: Smith Street west of Hwy 99E, 2nd Street between Smith and Macy, and Macy Street between 2nd and Hwy 99E.

There are also funds available for HRA-offered grants to private business and property owners. This past year, the HRA Board authorized three new grants. There are roughly \$80,000 of unrestricted funds remaining in the grant and loan programs. As the three issued loans are repaid, there will be an additional funds available for these programs. As noted above, we will not be issuing any further loans in FY 20/21.

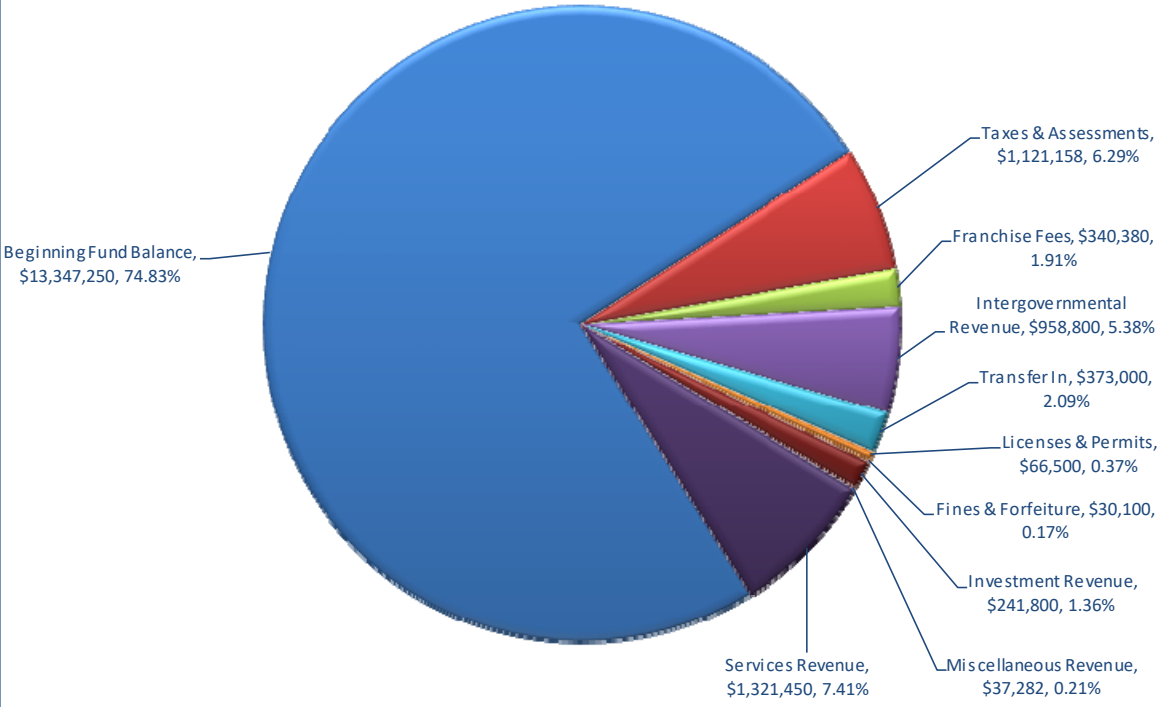
There may be an opportunity to add one or two new, smaller projects to the HRA plan depending on an accurate recalculation of the current status of HRA indebtedness and the final bid numbers for the 2nd & Smith Street project.

As noted above, debt service payments for HRA debts will be made directly out of the HRA funds.

Respectfully submitted,

John Hitt
City Administrator

Where the Money Comes From Fiscal Year 2020-2021



Where the Money Goes Fiscal Year 2020-2021

