BUDGET MESSAGE
FISCAL YEAR 2022-2023

DATE: April 29, 2022

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 FY2022-23 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 while incorporating strategies and goals requested by the City Council in the 2022-2027 Strategic Plan.

The coming fiscal year continues to present unique budget challenges in the light of the state and national economic slowdown, and resultant inflation caused by the pandemic. We can reasonably predict that some city revenues will continue to see substantial reductions, which has been corroborated by the League of Oregon Cities. This includes a continuing trend of extremely low interest rates that apply to our State Investment Pools. The proposed budget assumes significant reductions in state revenue sharing and other revenue streams; regardless of showing projected actuals that are $32,000 more than what was budgeted in intergovernmental revenues.

Last year, we did not anticipate large reductions in property tax collections, and most of the franchise fees. This was a wise projection, as our projected tax actuals show $38,000 more than what was planned; while franchise fee actuals are 31,000 more than what was budgeted. Liquor taxes are likely to rise further in the coming fiscal year as well. 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.

In the last fiscal year, the City also received the first tranche payment of funds of $432,790, which was almost $36,000 more than anticipated when budgeted last year. (A tranche is the federal governments terminology for the payments of the ARPA (American Relief Program Act)) The City is scheduled to receive the second tranche payment of $432,790 in this next fiscal year. The City chose to apply some of the ARPA funds to cover the Enterprise Funds so that utility rates were not increased. However, at this time, things seem to be calming down somewhat, therefore the decision was made to raise utility fees by a low 2% cost-of-living amount, so that rates would stay current, and wouldn't impact our customers in 2023/2024, when the City would need to adjust for artificially lower rates. The City put out bids for the water storage tanks and water filtration plants late last year. However, due to extremely inflated prices on steel, PVC and electronics, which were $1.5 million over budget, the City chose to re-bid for the water bond project. The 2nd bid is in closing at the time of this report, and we are hopeful that prices might have lowered somewhat. While ARPA funds are being transferred into the accounts where the City proposes they would be most useful, such as for Economic Development, no expenditures are being made until we determine if the bids are still in excess of the projected amounts that we received when we sold the General Obligation Bonds. If inflated prices persist, then we will determine next steps needed in order to control costs. The Water Bond Project will not be completed until FY 2024/2025.

The City Council had been presented with some ways in which to pay for or reduce the costs that are projected, while determining how to meet the voters expectations. When projections were made in 2017-2019, it certainly didn't take into account a world-wide pandemic and the subsequent changes that our nation is currently seeing.

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 exponentially 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 in the past, as well as outside contracting services. There are still some savings in relation to wages being paid to current staff, in comparison to those who were promoted, or changed employers in the past.

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 a cost-of-living increases based roughly on the CPI-W (Consumer Price Index) for our region. The CPI-W for our region was impacted by inflation, and the Personnel Committee determined to apply a 4.5% cost-of-living increase for planning purposes. The Budget supports the CPI increase. Most of our contracted amounts have also increased, due to the cost-of-living and resulting inflation.

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 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. Tough decisions will likely continue as the 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 2022-23 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

Object Classification | **Expenditure Detail**

Historical Data				REQUIREMENTS FOR:	Budget for FY 2021-2022	
Actual		Adopted Budget	Projected			
Second Preceding Year 2018-2019	First Preceding Year 2019-2020	This Year FY 2020-2021	Actuals 2020-2021	ADMINISTRATION	Proposed by Budget Officer	Approved By Budget Committee
				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**

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 2022, 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 2022-27 that relate to or are impacted by the FY22/23 Budget.

Table 1: Council Priorities in the 2022-2027 Strategic Plan

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

The budgets have been prepared with these Council priorities in mind. To achieve Objectives 5.a & c., 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 is more than halfway completed; therefore, you will note a $10,000 expenditure in Fund 61 as what remains as a city match to the OPRD planning grant. Objective 3 does not require much budget at this time, as it's more policy related, and is 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 three years of budget cycles. We continue to be able to meet this important goal.

Objective 10 does not cost the City any money, other than materials for open houses and for workshops, and the labor to provide outreach to the community. Objective 14 is budgeted through Community & Economic Development. Objective 21 has become more important to the City as improving the Capital Improvement Plan and resultant SDC's encourage development and improve our ability to reach Economic Development objectives.

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 2023. A new Public Works employee will be hired this summer due to increased regulatory requirements.

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). The column showing projected actuals is also new as of last year and shows what the City expects to spend by the end of this fiscal year. The projected actuals aren't shown on the final budget document and is only used for our planning purposes.

Budget Highlights:
1. Net assessed property values for our City have continued to increase; the City currently has an increase of approximately 5% in our property tax revenues in this fiscal year. However, due to the Coronavirus impact, we still are planning for a lower collection rate of 95%, rather than the usual 96+%.
2. Construction activity so far in 2022 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. There should be two subdivisions under construction this summer.
3. Interest rates in the state investment pools, and elsewhere, dropped by more than five points last year but are slowly starting to increase. This has greatly impacted some of our larger funds.
4. The Harrisburg Redevelopment Agency has $24,247 in grant funds still available to continue with property improvement grants. HRA loan repayments will continue to improve the funds available, but at a very low percentage. While we can't infuse more money into this program at this time, the City is working to provide Community & Economic Development funding, that has the possibility of being more flexible than HRA funds.
5. 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. In March 2022, that was 8.9%. Inflation is also increasing; it takes roughly $170 to buy $100 worth of goods on a comparative scale. As such, the Personnel Committee instructed staff to budget at 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.
6. In this last fiscal year, City County Insurance Services (CIS) has stopped providing their own workers compensation services and contracted with SAIF. Unfortunately, we have not yet received the figures we need to finalize the budget. The Finance Officer has used last year's figures to budget with. Our Insurance Broker, Jeff Curran at Hagan Hamilton, believes that our costs might decrease slightly as a larger workers compensation payout should finally be past the timeframe in which it counts against the City.
7. The City collected $432,790 in the last fiscal year in American Rescue Plan Act (ARPA) funding. We will again, receive the same amount that will apply to the

projected budget that you are now reviewing. Some of the money is disbursed to our enterprise funds to help offset losses in revenue, but the remaining funds are planned for our Community and Economic Development Fund, with a portion of the funds being held in reserve. This gives us a flexible alternative to the HRA Grant Funding, used for the same purposes. However, the City will not be using any of these funds, other than those going to the enterprise funds until we know the status of the 2nd bid opening for the water storage and treatment facilities. If the bid is extremely overpriced again, then there is a chance that we will need to apply these funds to the water bond project, instead of community and economic development.

8. The Water, Sewer, and Storm Drain Funds are all Enterprise Funds. The City's policy is to increase the rates on a regular basis, according to policy. The cost-of-living increases are generally 2% to 4% on an annual basis. Although the City plans on applying some ARPA budget to the enterprise funds, we have determined that we should return to a small cost-of-living increase for rates. It is important to keep up on the rates that we charge to our customers, so that they don't get an abnormally large rate increase after the ARPA funds are expended.

GENERAL FUND (GF)

The estimated beginning fund balance in comparison to last year is up $222,785 to $1,080,000 this year. That is representative of slightly more than 4 months of operations that are covered before tax revenues start arriving. Our unappropriated fund balance represents a 3-month cash reserve, which puts the City in a good cash flow position.

Franchise Fees and Property Taxes are both projected at more than they have been over the last three years respectively. However, the League of Oregon Cities has cautioned city's that State Revenue Sharing is down, and has advised the City to drop to $37,000, even though current year projections are at $49,300. Fines and forfeitures are also projected high at $57,000 in this fiscal year; we have conservatively planned for $44,500 in this fund line.

On the expenditure side, personnel services are increased from last year's costs by $89,415. This is due to a sizeable increase in PERS costs, as well as the normal higher amount in medical insurance. As noted at the start of this report, the CPI-W in our region shows an 8.9% increase in March alone. The Personnel Committee allowed for an increase of 4.5% COLI if it was supported by the budget. We are still budgeting for employees at a lower amount than in previous years, due to newer employees having been hired. 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.

In addition, this year, Judge Larry Blake has asked for an increase in pay. Judge Blake started for the City in 2016, and was initially hired to cover code enforcement, and old Justice Court cases. He has since been paid at only $400 a month for the services he provides to the City. He has asked to be paid at double this amount, if possible, because he has since taken on both traffic and crime, with no increase until almost 4 years later. The City is happy to compensate him at a higher amount, and staff notes that he is still charging us less than the previous Judge. In line with this amount, is what we have budgeted for legal fees, both for the city, and for our court related attorney fees.

ARPA funds are being transferred to Community & Economic Development, as well as enterprise funds. However, most of this amount remains in this program, and along with the funds being transferred, are being reserved until we can determine where we are with the water bond project re-bid. In addition to the transfers, approximately $26,000 will be saved for the reader board replacement. The figure for the reader boards is approximately $45,000 but will drop to $26,000 after the insurance reimbursement and restitution are paid to the City.

Materials and services expenses are similar to last year in most lines. The HMC/Council Upgrade will receive another $5,000 in order to set up a better system that is more compatible for electronic meetings. Travel is similar to last year, but in truth, many of our classes are still being offered in electronic format. Depending upon the locations and staff's schedule, chances are that some will still be facilitated electronically. Our law enforcement contracts are both being re-negotiated, as they end on June 30th this year. The figures that are currently budgeted are based upon initial estimates of a proposed increase of 10%. In reality, neither agency will be charging us at the rates the City first estimated. The City Council will determine how they will want to proceed in the near future.

The H.A.R.T. Resource Community Center has asked for $20,000 again this year. Unfortunately, their request did not arrive before the 1st budget draft; therefore, we have initially budgeted $15,000. Staff have asked the Board to provide documentation showing what the $20,000 was used for in the previous year, as well as providing a 2022/2023 budget to include in the Budget Committee agenda. The H.A.R.T. Resource Community Center needs board members, and in particular, volunteers who can keep their website and social media accounts up to date. They will be at the Budget Committee meeting in order to request the increase of $5,000 to a total contribution request of $20,000.

STREET FUND:
Revenues for street funds are decreasing from the previous year, but that is based upon projects being completed. The TGM Grant has been awarded to the City but won't be funded until the next fiscal year. The SRTS (Safe Routes to School) Grant is also planned for the next fiscal year. Projected actual expenditures show almost all of Capital Outlay as being paid out. The Monroe St. project should mostly be complete by the end of this fiscal year, and the City paid out engineering fees for the 9th St. Extension project. The amount budgeted in capital outlay in 2022/2023 will cover the SRTS grant, if the City is successful in being awarded that, and $100,000 is budgeted in relation to the TGM (Transportation Growth Management) grant.

BIKE PATH RESERVE FUND: No significant changes from the previous year. This fund may play a future role in developing a trail to link S. 6th street with the new 132-acre park. This will be addressed 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 ARPA funds. That accounts for the increase in the beginning fund balance. Investment Revenue is interest earnings from the money in this fund and is a good example of the drop in interest rates, and how much it has affected the City.

If the funds aren't needed for the water bond projects, then the City will have $197,000 to use for property improvement grants for commercial businesses. Included in planned expenditures is money for the Main Street Program, RAIN (Rural Accelerator/Innovation Network) the Summer Concerts, and the Rural Economic Alliance (REAL). REAL is the partnership between nine small cities in our region, in which we combine our resources to improve regional assets. The money in Capital Outlay is planned tentatively for a new boat ramp in the 132-acre park, and $15,000 has been set aside for a grass roots effort to start the nature trail.

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 4.5% 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. The computer reserve account has been increased by $3,000, because those are now the oldest computers in the City's computer 'fleet'. All the computers in the Library were bought through a grant in 2016; all of those warranties ended in 2019. Even though they are good quality computers, it's past time to replace them.

STORM DRAIN RESERVE FUND

The Storm Drain Fund is used to pay for public storm water improvements. The beginning fund balance is up by almost $6,500. Capital Outlay has also increased slightly. This fund will be used for several different street projects that are on the construction schedule.

BUILDING PERMIT FUND

The building permit fund is new as of last year 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 will receive a higher percentage of revenue from both plan review and building permit services, than what was received in prior years. (35% of all permit revenue.) Unfortunately, there has not been much construction this last year, so you will see a smaller beginning fund balance and general revenue. There are a lot of small remodeling projects being undertaken in town, with just a few new homes being added to vacant lots. Both the Shadowood and Butterfly Garden Subdivisions should be in construction this summer, providing us with a potential of 40 residential lots. Like most of our funds, we are very conservative, and budget as though only three homes will be under construction. 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. Previously, Linn County issued the electrical permits, while the contract cities weren't allowed to handle them. The City didn't receive any revenue from the issuance of electrical permits in Harrisburg. 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 $11,100 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 $11,465, and taxes are levied at $439,739, which represents a 95% collection rate. The principal payment on the water improvement bond has also increased $10,000 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 fund. Similar to the Equipment Reserve Fund, it allows the city to save money for larger purchases, such as the replacement of computers. The servers are in the process of being replaced this fiscal year, at an expense of approximately $21,000. Several computers in the office also need to be replaced as the warranties have now run out, and they are five 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. This fund also pays for the software that the city uses for most of the administrative accounts we work with.

EQUIPMENT RESERVE FUND

This fund is used to build a reserve to replace the City's major public works vehicles and equipment. The beginning fund balance has increased by $29,240, while transfers from the water, sewer, and street funds remain the same. The City purchased a new vehicle, which took almost a year to receive, and we are again saving funds for the next purchase. The street sweeper, in contrast, as a more expensive item, is budgeted with an increase of $30,000 per year. The City will also be in the market for a Vac Truck for utility work. These are also expensive pieces of equipment.

WATER FUND

The Water Bond Project is of course, in full project mode, with over 9,450' of waterline having been replaced by the end of last year. That, and the purchase for a large part of the electrical components for the water filtration plants have reduced the beginning fund balance by $2,490,930, compared to the previous year. Service revenues have increased over the last year due to the City returning to the regular standards in terms of charging for late water bills and shutoffs for non-payment of accounts. While the City transferred $42,000 into this account over the last two years from the ARPA funds, 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. The enterprise funds typically have larger investments being made, and this account with the water bond was impacted by the loss of interest income at $34,005.

As noted previously, personnel services in all funds are affected by the 4.5% COLI increase, PERS, and Medical benefits. The City also made the decision to fill the open Utility I position in the new fiscal year, so funds are being saved in the current one. With more projects being completed, capital outlay is decreasing. Overall, materials and services are comparative to last year. Water systems maintenances and repairs, as well as chemical costs are still high. Contingency was affected by the reduction in revenue, by roughly the same amount as our investment revenue was affected.

SEWER FUND

The beginning fund balance for the Sewer Fund is slightly more 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.

Personnel services are split between the water and sewer funds, so the same issues affecting the water fund, affect the sewer fund. Materials and services have seen a slight decrease, while capital outlay has increased, so that the City can better respond to needs in the sewer fund. A larger amount was also left in the unappropriated fund balance in the sewer fund. If the bid for the water filtration plants and storage tanks is over budget, the City will look for a variety of ways to cover that difference. That can include taking inter-fund loans, which is allowed as long as certain processes required by state statutes and auditing standards are followed.

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 2022/23 FY. Capital Outlay has been reduced by projects being completed over the last year, and you'll notice that no transfers are being made from the water fund.

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 of the infrastructure 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, SDC funded expenditures planned for FY 22/23. 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. This was actually budgeted for last year as well, due to ODOT having incomplete information on their grant website. 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 will be used for some of the S. 9th St. extension project.

The City's match for the Oregon Parks and Recreation Department (OPRD) grant has decreased to $10,000. The consultant for the project invoices the City on a monthly basis, so there is not much left to pay out at this time, and much of it will be paid by the grant revenue itself. Both the Sewer Systems SDC's and Water Systems SDC's have sizeable capital outlay funding. 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

The proposed HRA budget had some surprises for Staff for this budget cycle. Projected tax revenues increased by $185,740, allowing for more resources and expenditures than what was provided last year. In addition, our Finance Officer went back to the beginning of the HRA program to analyze the funding, as directed by the former City Administrator. Our auditors have reviewed those figures and have adjusted our projected actual to $2,249,316. Taxes being levied are somewhat less than what was levied the prior year, at $226,628 compared to $233,253 the year before.

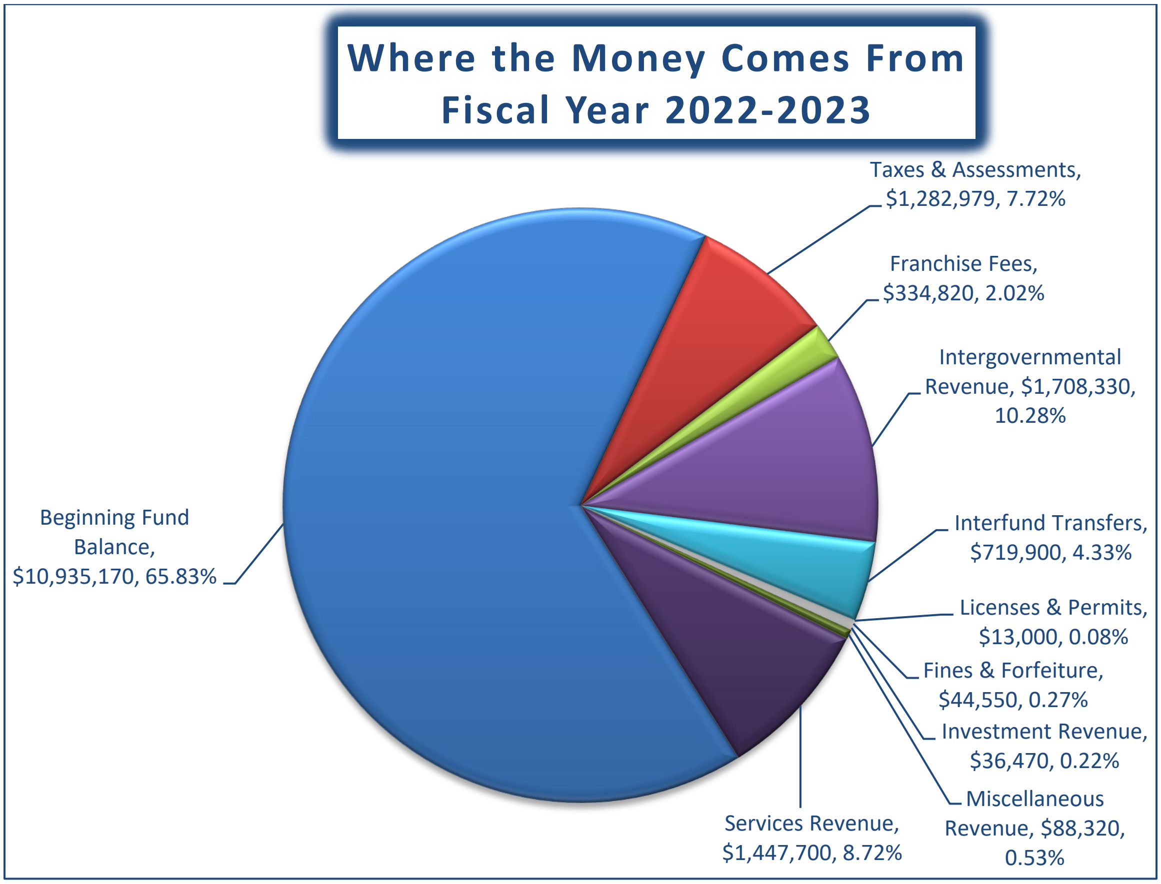
The Oregon Main Street Revitalization Grant has been closed out and had its final payout. The Property Improvement Grant was close to being paid out in full for what was planned in the 5th HRA Amendment, but we have used some of the property tax revenue to increase the property improvement grant (building façade grant) from the account balance of $19,655 to $50,000. This will at least facilitate a larger amount of funding if a property owner wants to utilize it for an improvement project in the HRA boundaries.

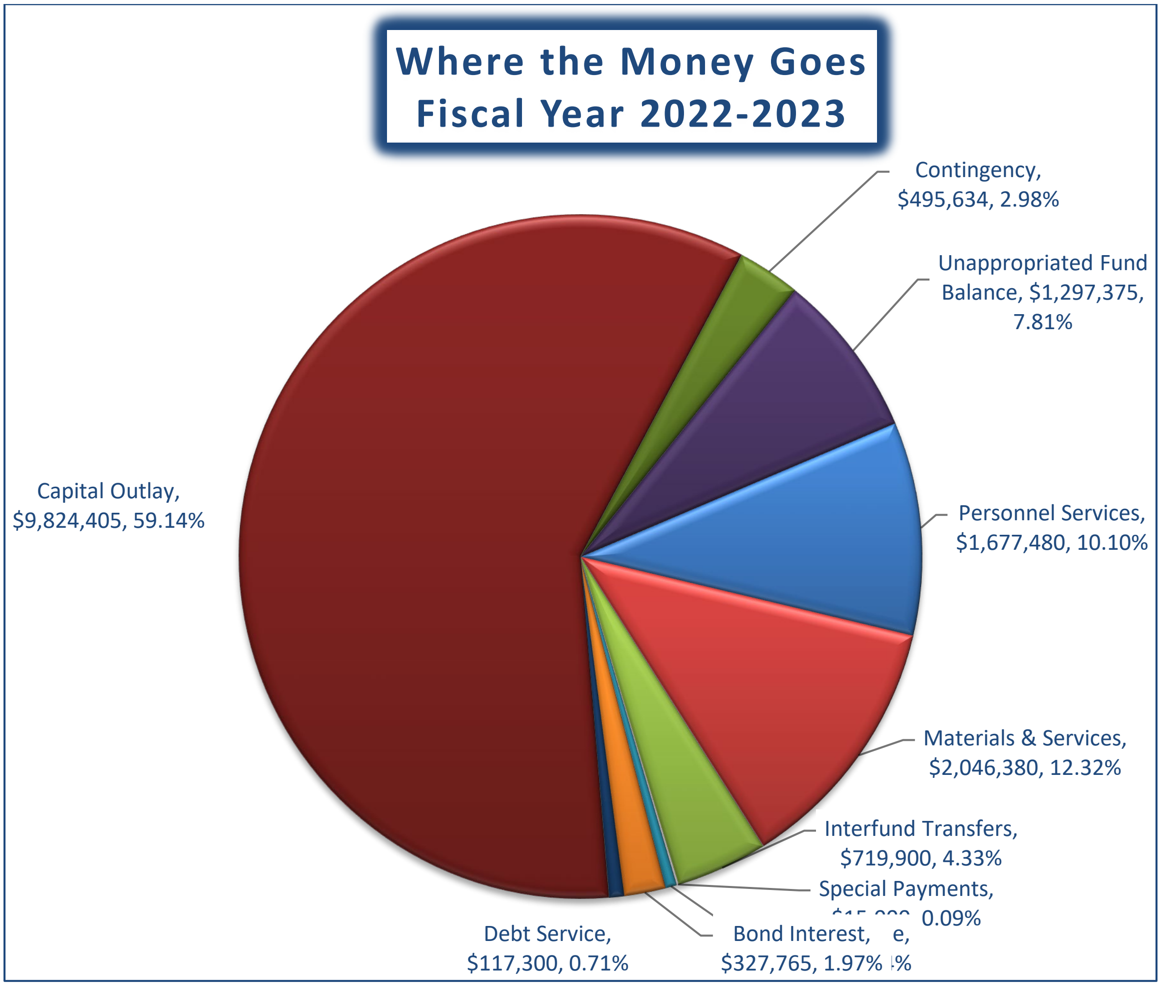
Staff have moved the additional funding as audited into the infrastructure construction line, because it gives us more flexibility as to how the funding would best benefit the Harrisburg Redevelopment Agency. As Council members know, Staff had already planned on reviewing the remaining projects that were specified when we budgeted during the 5th substantial amendment. Staff have reached out to the consultant that the City has used in the past, Elaine Howard, to answer some specific questions that we have in relation to the types of uses this funding can legally be used for. This will likely require entering into another agreement with her consulting firm, which is budgeted for underneath consultant costs in the HRA budget; for both this fiscal year, and the 2022/2023 fiscal year.

Debt service payments for HRA debts are made directly out of the HRA funds. The HRA will be making the final principal payment for the $500,000 bond that was obtained for the Property Improvement Grants program in this fiscal year. The remaining bond obtained during the 5th HRA amendment was for $2.6 million. At the end of this fiscal year, that principal is $2,405,000. As always, the HRA and City watch our debt carefully, and take advantage of any opportunities that arise.

Respectfully submitted,

Michele Eldridge
City Administrator


Where the Money Comes From
Fiscal Year 2022-2023
Taxes & Assessments, $1,282,979, 7.72%
Franchise Fees, $334,820, 2.02%
Intergovernmental Revenue, $1,708,330, 10.28%
Interfund Transfers, $719,900, 4.33%
Licenses & Permits, $13,000, 0.08%
Fines & Forfeiture, $44,550, 0.27%
Investment Revenue, $36,470, 0.22%
Miscellaneous Revenue, $88,320, 0.53%
Services Revenue, $1,447,700, 8.72%
Beginning Fund Balance, $10,935,170, 65.83%


Where the Money Goes
Fiscal Year 2022-2023
Contingency, $495,634, 2.98%
Unappropriated Fund Balance, $1,297,375, 7.81%
Personnel Services, $1,677,480, 10.10%
Materials & Services, $2,046,380, 12.32%
Interfund Transfers, $719,900, 4.33%
Special Payments,
0.09%
Bond Interest,
$327,765, 1.97%
Debt Service, $117,300, 0.71%
Capital Outlay, $9,824,405, 59.14%