BUDGET MESSAGE
FISCAL YEAR 2024-2025

DATE: **April 26, 2024**

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 FY2024-25 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 2024-2029 Strategic Plan.

The coming fiscal year continues to present unique budget challenges in the light of state regulations, national economic downturn, and resultant inflation that remains 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 steadily climbing. The proposed budget sees some increases in franchise fees, and reductions in intergovernmental revenue. ARPA (American Relief Program Act) funds allocated to the Community and Economic Development Fund, and the Water Fund, are generally not being expended, until we know where the 3rd bid for the Water Bond Project lands. Property tax collections continue to increase, due to the high cost of housing. In general, most of the beginning balances have increased for the majority of City funds, as has the total resources and requirements for the City.

In the General Fund, the resources and requirements have increased, but the beginning balances have decreased. This is due to cessation of federal funds, such as the ARPA funds, which have now all been allocated. 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 consistently 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, gas, and power. We have kept rate increases to a general 3%, with the exception of the sewer fund, which due to lower user rate revenues, needs to be increased to 4% to cover current year expenditures. It is better for a municipality to operate their funds in the same manner as a business, because smaller increases on a consistent basis are far better than large increases every few years.

This will be the last year in which the water bond project is still waiting to undergo construction. This has been a continued challenge for the City. The 2nd bid the City received on the project in 2022 was $2.7 million over budget. This was due to inflated prices on steel, PVC and electronics. The City spent 8 months, and $38,000 undergoing the 6th Substantial Amendment to the HRA (Harrisburg Redevelopment Agency) Plan, in order to obtain another $2 million in funds. 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. The $5.3M in water bond revenues is still in the state's investment pools. We are happy to say that with careful spending, that another $1,588,000 in funds has been provided in the Water Fund Capital Outlay line. The City hopes that these two funds will be sufficient for the 3rd bid, once it is received. However, we have been advised that if we need funds, we can apply for the States Special Public Works Fund. Because we don't have contamination, or problems with distribution and/or capacity, there aren't any grants, or loan forgiveness that will be applicable to the project. However, the loan will be at a very low amount of interest, especially with the City's A+ credit rating. The money provided by the Federal Government that went into Oregon's Infrastructure in early 2024, was mostly used to increase the SPWF funds; no new grants for these purposes were created. Finally, the maximum indebtedness amount in the HRA hasn't yet been reached; if necessary, the City can also utilize a loan using this system.

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 in Economic Development. However it does give us another option in the future if needed. The City has also held off on spending approximately $355,000 in ARPA funds, that are now located in the Community & Economic Development Fund and the Water Fund. These funds can be utilized for the gap in funding if needed. The City also requested capital funds from the State of Oregon during the short session this year, but unfortunately, those were not provided to us, despite support from Representative Jami Cate and Senator Cedric Hayden.

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, but are still a factor we must consider. The City has finally had a chance to replace two staff members in the Public Works crew, as well as an administrative staff member. You'll see that along with the increase in employee wages in water and sewer, 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, and retain employees, every three to four years, the City has a competitive wage analysis completed. In between the wage studies, we apply cost-of-living increases based roughly on the CPI-W (Consumer Price Index) for our region. We are thankful that the CPI-W for our region has been reduced from the previous year high of 7.95% to 3.92%, with the federal COLA between 3% and 3.5%. The Personnel Committee and City Council approved a COLI of 3% to 3.5%. The budget was ultimately able to support 3.5% this year compared to the 6.5% that was approved in the previous year.

Many of the City's projects are quite expensive, and therefore funding can't 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 streets are so visible to citizens as well as making a difference in valuations in those neighborhoods.

The City is also very happy that the Butterfly Gardens Subdivision is now in actual construction of the 1st 4-plex, with two more structures pending. Shadowood Subdivision is finishing their infrastructure, and Hayden Homes is purchasing this subdivision from the original developer. Hayden Homes was also approved for the Castleberry Crossings Subdivision, located on the south side of Sommerville Loop. That subdivision does have wetlands, so it will take longer for the infrastructure to be allowed to start construction. This is the first year that we have had development actively taking place, other than a few in-fill lots in town. The City does feel that 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.

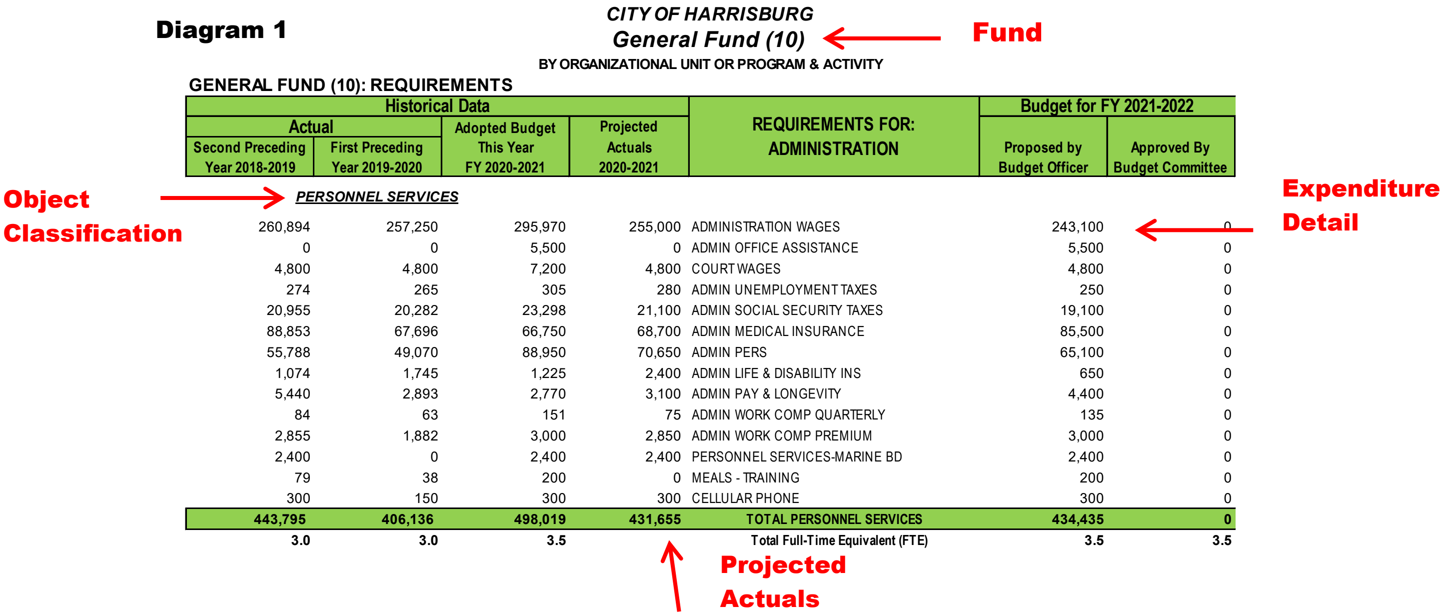
You have been provided a copy of the proposed City budget and the HRA budget. At the beginning of each fund, there is a chart and table that summarily describe the proposed revenues and expenditures for the fund. These tools also give a historical comparison of the last three years financial position to help determine the needs for fiscal year 2024-25 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)
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**

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 2024-29 that relate to or are impacted by the FY24/25 Budget.

Table 1: Council Priorities in the 2024-2029 Strategic Plan

Description
The City's Top Priority for 2024-2025 **Design, Build, and Operate a Conventional Water Treatment Plant (Objective No. 9)**
Create & Advocate for a Wide Range of Housing Opportunities while Preserving and Improving Existing Affordable Housing (Objective No. 3)
Develop, Maintain and Improve Total City Park Land Inventory (Objective No. 4)
Make Regular and Substantive Improvements to City streets (Objective No. 6)

Bring Community Awareness to Crime Issues in our City and Work to Create Solutions to Reduce and Prevent Crime (Objective No. 8)
Enhance Outreach to Existing Businesses; Work with Regional Partnerships to Promote Harrisburg Businesses and Economic Development (Objective No. 12)

The budget funds in this document have been prepared with these Council priorities in mind. To achieve Objective No. 4, for example, the City applied for an Oregon Parks and Recreation Department (OPRD), Small Local Government Grant of $75,000 to develop the first phase of Eagle Park. The dog park and final upper park trail construction will start this summer. The City also applied for a Recreational Trails Program (RTP) Grant, which is managed by OPRD, although the funds are provided by the federal government. This grant was just approved this April for the full amount of $196,367, of which the City's match is $46,700. The revenue in the General Fund is the amount that the City will be reimbursed for, at $149,670. The match amounts for both grants can be found in the Parks SDC funds.

The City must be careful when applying for grants, as we can't expend any funds for them unless we are notified of the approval for them, and must also receive a notice to proceed before expenditures of any funds, or for any work to begin. We must also make certain that we don't apply for grants unless we have the funds to apply as a match. Otherwise, a City might need to return grant funds, if they are not prepared to apply for a short-term loan to fund the match. Objectives 3, 8, and 12 do not require much budget at this time, as they are more policy related.

In relation to Objective 6 and the Street Fund; 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. The City transfers $150,000 from the General Fund to the Street Fund made possible by staffing reductions and other savings outlined in the last five years of budget cycles. We continue to be able to meet this important goal. The SRTS Grant is being submitted to ODOT in 2024, but if the grant is successful, it will be active in the following fiscal year of 2025-2026.

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. There is a possibility that the City might have three subdivisions under construction in this fiscal year, and that might require that we hire someone to help with the additional workload. The City can also partially control personnel expenses in the Water & Sewer funds, due to limiting the number of seasonal hires that the City brings in every summer. The City continues to find that it is harder to fill even full-time benefited positions.

Changes to the Budget Format:

There are no changes to the Budget Format in 2024-2025.

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 98% collection rate that was present before the pandemic. Our permanent tax rate remains the same.

2. Construction activity so far in 2024 is starting to increase. Butterfly Gardens Subdivision is actively submitting building permits, while Shadowood Subdivision is finishing their infrastructure; Hayden Homes is in the process of purchasing those lots and will be the builder. In addition, Castleberry Crossing is in the process of completing the requirements of the conditions the City has placed on the infrastructure. In addition, there are wetlands that must be mitigated. Hayden Homes also owns this subdivision. They are motivated to complete the steps required by the development code.
3. Interest rates in the state investment pools, and elsewhere, have also increased. This has impacted and improved some of our larger funds, especially the Water Fund. Due to the increase in interest rates, and the $5.3M in the state investment pool, you will see an increase of $137,080 over the 2023-2024 budgeted amount. This positively impacts the beginning balance of the 2024-2025 Water Fund.
4. The Harrisburg Redevelopment Agency (HRA) 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 this year, plus the federal COLI resulted in approval of COLI between 3% and 3.5%. Staff is pleased that we are able to absorb the increase of a 3.5% COLI 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. We've also replaced an administrative position in City Hall that was already budgeted.
8. Workers Comp charges are similar to what they used to be underneath the previous insurers' coverage. Property insurance increased by 23% last year, so we are pleased that it dropped to 16.5% this year (13.5% plus 3% inflation). The impact of this increase is mostly showing in the water and sewer funds, as property values for infrastructure are extremely high. Medical benefits are seeing a 9.4% increase, with vision and dental being around 5%. Liability and auto are also in this same range.
9. The City has approximately $355,000 remaining 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 the funds in Community & Economic Development 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 will be 3% for the Water and Storm Drain Funds. However, the Sewer Fund will be at 4%. It's important for the City to raise rates on a regular incremental basis, and to keep them fairly steady. There is not as much of an impact on citizens as when we have high increases every few years.
11. The City has beginning fund balances of $10,781,480. This is important, because the City's main revenues arrive in the fall. Technically, the funds should cover the

first 3 months of expenses for all funds. Last year we had 5 months of expenses covered; and this year, we now have 8 months of expenses covered. This puts us in an excellent cash position, especially if there is a delay in other revenue sources.

12. Unallocated funds in the majority of funds come to over $1,075,050.

GENERAL FUND (GF)

The estimated beginning fund balance is less than the last two years, due to the cessation of COVID funding. As noted above, our beginning fund balances allow the City to be in a good cash flow position. Property Taxes have increased slightly over those of last year; our projected actuals are $83,453 more than budgeted in 2023/2024. We've also increased our collection rate to 2% higher than the previous year. Franchise fees are up slightly. The League of Oregon Cities has advised cities that State Revenue Sharing is down, however, the City received almost $7,000 more than what was projected last year. As such, we have budgeted slightly less than what we forecasted for this year. Fines and forfeitures have increased, due to revenues from Municipal Court.

On the expenditure side, personnel services have increased from last year's costs by about 4%. This is due to an increase in PERS costs, as well as medical insurance. As noted at the start of this report, the CPI-W in our region shows a 3.92% increase for 2024/25, compared to last year's 7.95%. The Personnel Committee allowed for an increase of 3.5% COLI if it was supported by the budget, otherwise, a bottom line of 3% would be used. City property taxes and revenue structure support 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 up slightly, 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 continue to work through the changes required by legislative amendments. Due to an increase in Municipal Court Services, we have an increase of 25% compared to last year for legal expenses, which include defense attorney, as well as our own prosecutor. Our Government Services have also increased, by 10%, due to the contractual increases in the LCSO contract. We are also negotiating with the City of Coburg for Traffic Enforcement services. There is a 25% increase in costs due to their recent wage comparison process, and increased costs of doing business. We are increasing our monthly hours by a small amount, likely 2 hours a month, plus a few more hours from traffic enforcement, as we will budget slightly more for increased code enforcement services. We hope to have someone dedicated to field work in code enforcement so that our employee can focus more on the administrative part of that. We are still budgeting $7,500 for the Lobbyist that we have hired through our partnership in the Small Municipality Advocacy Coalition; that gives us the option of using him for advocation that is specific to Harrisburg.

The HMC/Council Upgrade is budgeted for another $5,000 in order to continue with our technological upgrades for Council meetings; we are making changes to media this year, including better technical digital sound equipment. In addition, there is $6,000 scheduled for the Wage Analysis planned in fall 2024. Travel is similar to last year, but we have increased the Elected Official Training this year by $500. There is an expenditure fund for the RTP (Recreational Trail Program) grant, which is offset in revenue, while the City's match of $47,000 is located in Parks SDC's. As discussed in previous budget committee meetings, the HART Center is receiving $10,000 in budget funds. The current President is working hard on finding grants, and other revenue sources in order to broaden their services to the community. This includes their plan to broaden support to help the teens in our community again, as they are now working with the Jackson Street services.

STREET FUND:

The beginning fund balance is increasing due to a variety of reasons, including being short PW Crew members over the last year. Gas Tax revenues are flat, and of course, the City is continuing to apply for grants. The SRTS (Safe Routes to School) grant will be applied for again, in 2024, for the 2025-2026 fiscal year next year. We were approved for a SCA (Small City Allotment) grant of $250,000. The TGM (Transportation Growth Management) grant changed slightly in nature this last year, as the City has paid out our match of $21,000 in 2023, and ODOT will pay the rest of the grant funds directly to our contractor.

Due to the additional employees in Public Works, personnel fees are up slightly. In miscellaneous expenditures, you will see that the CDL License Training Fee has been reduced, as our Public Works Director has found a location who can provide a more economical training program. New employees hired by the City will need to be trained under the new CDL licensing requirement, which is still somewhat cost prohibitive. In capital outlay, the $250,000 to provide street maintenance is present; although other construction projects has declined. The City will use these funds to work on the 6th St. improvement project.

BIKE PATH RESERVE FUND: The beginning fund balance and capital outlay lines have increased slightly; the funds here are 1% of gas tax revenues. 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 continues to pay for.

COMMUNITY & ECONOMIC DEVELOPMENT FUND

The beginning fund balance in this fund has decreased slightly from the previous fiscal year. The City allowed a $40,000 expenditure this last year for a business owner who badly needed assistance to replace a roof, for her business located slightly outside of the urban renewal boundaries. The remaining $155,000 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 for that purpose, then it will be used for property improvement grants for commercial businesses outside of the HRA boundaries. The City also continues to plan 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.

Included in planned expenditures is money for the Main Street Program, and the Summer Concerts. The newer 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 'program' will not be advertised. The money in Capital Outlay is again planned for a new boat ramp in Eagle Park, and for other amenities in this park; although Parks SDC's will also be used for development of Eagle 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 3.5% increase in COLI, and PERS increases. 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 is also another slight increase in book funds as well. Our Library Staff are continuing to apply for grants, and are doing a great job.

STORM DRAIN RESERVE FUND

The Storm Drain Fund is used to pay for public storm water improvements. There is again, not much change from the last fiscal year. The beginning fund balance is up by almost $91,000, which has allowed for a higher increase in capital improvements. This fund will be used for storm line replacements in street projects that are on the construction schedule.

BUILDING PERMIT FUND

The Building Permit Fund has now been operating for three years, and we are able to more constructively plan for this fund. We contract with Junction City for our building official, which includes plan review and inspection services. The City receives 35% of all permit revenue, which is more than what we received through Linn County. The Budget Committee can see that there is an increase in both revenues and expenditures in this line, and the expense savings in the last year resulted in a higher beginning fund balance this year. We plan on a total of 11 lots to be constructed this year. Like most of our funds, we are very conservative, and budget at 11 lots even though there is a potential of 33 lots, plus more from another possible subdivision that could be going through plan review later this year. We use these same numbers to calculate the SDC's revenues.

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. This is still a very small fund for the City. With more construction of homes this year, it will likely increase for the following year.

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 $441,215, which represents a 98% collection rate. The principal payment on the water improvement bond has also increased by $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 an expensive piece of equipment. We replace at least 3 computers per year, as the computer 'fleet' needs to be updated as warranty's drop, and technical improvements are made. Both the server and copier funds are provided with $2,000 a year and are expended when they are needed. The City has contracted 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. We have increased the software fund in order to be more prepared for efficiencies in the resources available to us.

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 almost $73,000, while transfers from the water, sewer, and street funds remain the same. The City hopes to purchase another truck fairly soon. Because these are all expensive pieces of equipment, the annual increases are somewhat substantial. An example is the Hydrovactor reserve fund, which increases by $30,000 per year, while vehicle reserves are increased by $20,000.

WATER FUND

The Water Bond Project is expended out of this fund and is the highest priority in the City once again this year. It's hopeful that we will have a bid that is not out of control. The 3% increase in water use charges shows here, and the increase in interest rates have improved the investment revenue line by $137,080 in this fiscal year. The interest is due to the $5.3M in funding that has been in the state's investment pool. The ARPA funds transfer from the General Fund also shows in interfund transfers for this fiscal year. Those both have contributed to the increase of $1,745,310 in beginning fund balance, along with careful spending this last year, as well as attrition in employees. The City made the decision to raise utility rates by a cost-of-living increase of 3% this year. With the cost of living and inflation being 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.

Bid No. 3 of the Water Bond Project will take place this fiscal year, currently projected for release in May. A Council decision will be made in June 2024. Depending upon the costs of the bids this time around, construction will be scheduled; likely starting in July 2024. Capital Outlay has increased to $6,520,000, which is an increase of $1,588,000 over the previous year. These funds are available for the project, along with another $2M from the HRA (Harrisburg Redevelopment Agency). The City has been working hard to prepare for this year's water bid, as we need to get the water bond project under construction. The Regional Solutions Team (RST), who were appointed through the Governor's Office, have been working on our behalf, and have assured us that the best choice available for the City is to apply for a Special Public Works Fund (SPWF) loan through BizOregon, if we should need additional funds. The 3% increase in water rates will be enough to cover the costs of any loans we obtain. The City has an A+ credit rating, which ensures that we will obtain a low interest rate. Unfortunately, (or rather fortunately!), the grants and forgiveness of loans through the State of Oregon are contingent upon a City who has problems with contamination, distribution, or capacity. The City has none of these problems, as our issue is with aesthetic quality. There will not be any kind of cost savings on a loan, other than what our good credit rating provides. The $156,970 in the Water Reserve Fund may also be used for this purpose. The payments on the loan would not start until FY 2025/2026.

As noted previously, personnel services in all funds are affected by the 3.5% COLI increase, PERS, and medical benefit increases. Public Works has replaced two employees, with one of those being a PW Utility III employee. This employee is at a higher wage than the rest of the crew and is directly underneath the Public Works foreman. Chemical costs are also increasing exponentially; the City has recently changed the way that chemicals were split between sewer and water funds, as before, it was split evenly. This shows the expenditures in the fund where most of the chemicals are used. Power utilities expenditures are also planned substantially higher, as most of us are aware of; plus, we have placed more of the burden in the Water Fund, rather than the Sewer Fund this year. Otherwise, most materials and services are comparable to last year.

SEWER FUND

The beginning fund balance for the Sewer Fund is budgeted at $72,275 less than the previous fiscal year. This is mostly due to a decrease in sewer use charges. We believe that this is due to the month in which the City had to average the sewer rates for residents in 2023. That's even with a corresponding decrease in Sewer Fund wages in 2023/24. Some of that is also due to the overage in sewer fund chemicals, and is one of the reasons that we changed the previous even split between the Sewer and Water Fund chemical costs. We've had also slightly lowered our expenses here, but feel that an increase in rates in the sewer fund to 4% must be made in order to compensate. This is still only 1% more than the other two enterprise funds.

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. Otherwise, Materials and Services are almost flat.

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 2024/25 FY. There is a small increase to the Capital Outlay classification, which of course, can also be used to help cover costs for the water bond project if needed.

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 increased slightly from what was budgeted last year. The wastewater construction reserve line has also increased slightly.

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 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 24/25, both in Parks SDC Funds. The first is an expenditure of $65,000, to cover the match needed from the OPRD (Oregon Parks and Recreation Department), called the LGGP (Local Government Grant Program) Small Grant. The City will be able to build the dog park, and complete the first trail system in the northern part of Eagle Park. The LGGP Grant is for $75,000. The RTP (Recreational Trails Program) grant is also a match of $47,000. Both of these grants are shown in the revenue section of the general fund.

HRA BUDGET

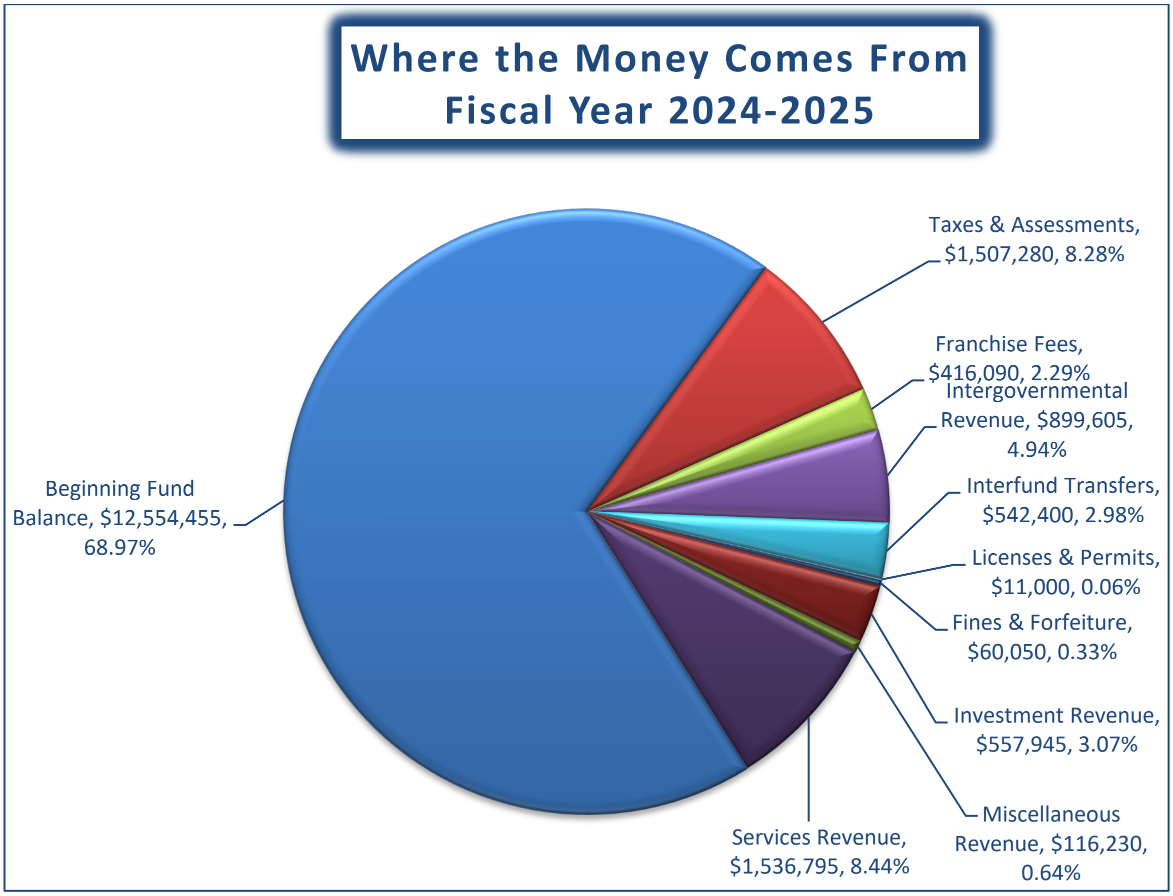
The HRA Budget has a beginning balance increase of $337,417 due to program revenue increases, while this year, Capital Outlay funds have increased by $361,724, for a total of

$2,523,145. This is revenue that came from the increase in property tax values for properties located in the boundaries of the HRA Plan. Substantial Amendment No. 6 has made the changes to the HRA Plan, which allowed for the Water Bond Project properties to be added to the plan, as well as the project amounts to be added. As discovered last year, Revenue Sharing to the other taxing districts is handled by the Linn County Tax Assessor, when the HRA under-levy's the amounts that we collect. The City may only access the capital outlay funds at a certain limit, based upon a 'proportionality rule' that must be established when we file the transaction. This is one of the reasons why you will also find a consultant cost line item, as we may need our consultant firm to look over that process.

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 two years. The City was also able to fund the $50,000 for the Property Improvement Grant Program again this year; there is an application pending for a 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 the property improvement grants as well.

Respectfully submitted,

Michele Eldridge,
City Administrator



Where the Money Comes From
Fiscal Year 2024-2025

Where the Money Goes
Fiscal Year 2024-2025