



# BUDGET MESSAGE

## FISCAL YEAR 2025-2026

**DATE: April 21, 2025**

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 FY2025-2026 City of Harrisburg and Harrisburg Redevelopment Agency budgets. The budgets are tools used by City Council and staff to guide 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 2025-2030 Strategic Plan.

The coming fiscal year continues to present unique budget challenges in the light of increased state regulations, national economic downturn, and resultant inflation that remains high. We can reasonably predict that some city revenues will continue to see reductions, which has been corroborated by the League of Oregon Cities; however, the trend is currently flat. Interest rates are returning to normal as well. The proposed budget sees some increases in franchise fees, and reductions in intergovernmental revenue. Property tax collections continue to increase, due to the high cost of housing. The City is poised well for cash flow; it would be able to operate for 5.9 months, even if no other revenue was being received. The general best practices are to maintain a 10% beginning fund balance in each fund, and the city exceeds that in most funds. However, it should be noted that due to larger capital expenditures, and increased debt, there are 8 funds with decreased beginning fund balances compared to the previous year adopted budget.

In the General Fund, the resources and requirements have increased slightly; this is mostly due to the presence of a larger grant that the City is applying for. The beginning balances have increased slightly. 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 informed of approval.

In our Enterprise Funds (Water, Sewer & Storm Funds) prices continue to go up throughout all materials and services. This year, we are scheduling a 5% rate increase in water, sewer, and storm. 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. In the water fund, the increase is due to the \$3.5M loan that the City will need to obtain to finish the water bond project. The rate increase in the water fund is still lower than that projected when the City was marketing the water bond

project. With both sewer and water increasing by 5%, it makes fiscal sense to increase storm as well. In particular, the City will be taking on increased costs due to storm detention facilities in the future. In addition, the DEQ is increasing regulations in relation to removal of solids and other materials deemed harmful to the Willamette River.

Now that we are in full construction mode on the water bond project, we are rapidly expending the large amount of funds needed for this infrastructure. Even though we are spending \$4.6M on the project in this fiscal year, we have another \$5,000,000 that we've budgeted in the water fund construction project line. This explains why we have both a 5% increase, as well as a \$3.5M Special Public Works Fund Loan. We are in the middle of the process of applying for this loan, which comes technically from BizOregon. Rates should be between 4% and 4.5%. The length of time for the loan will likely be between 30 and 40 years.

We have lowered the amount of money we need from the HRA for the water bond project, 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. In particular, the HRA Board does have the ability to obtain debt in the HRA funds up the level of maximum indebtedness. The City has also requested capital funds from the State of Oregon during the long session this year, with support from Representative Jami Cate and Senator Cedric Hayden. If the \$2.3M is granted for the water bond project, then the City would be able to lower the amount of debt it is asking for in the SPFW loan.

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 trend upwards, but for the most part, medical insurance isn't as high as in the past. The City is now two people short on the Public Works crew; we are in the process of hiring. In addition, Staff has applied for a RARE (Resource Assistance for Rural Environments) person; there isn't much confidence in the economy, and we'd rather avoid hiring a part-time person, and then have to lay them off. You'll see that along with the increase in employee wages in all funds, there is a comparative increase in insurance and PERS. The City also has money set aside for contracted assistance in planning. With heavier workloads, it's likely that we will be turning to consultants more often.

City policy is to process a wage and compensation analysis every three to four years. This helps the City to remain competitive, as well as to retain valuable employees. Staff will continue to provide the analysis in-house, rather than contracting out in the future, as it saved the City \$10,000. The analysis showed that even with granting the percentage of increase indicated for positions showing disparities, that it was still saving the City \$94,198 over last year's personnel expenses. 4 employees expensed to water, sewer, and street funds had increases averaging 4.4%, and the General Fund had 3 employees with increases averaging 10%. The City prefers to not lower wages for a classification which shows a percentage higher than the median/average, (within reason) therefore, there are 5 employees who received a 2.5% cost of living increase. (2 in the library fund, and 3 charged to public works funds). These are important to provide, because employees at Wage Step 8, wouldn't otherwise receive any other kind of increase. Two positions technically didn't have wage increases. The Public Works Foreman position was being paid higher than average, and the administrative assistant is a new line, and also showed no disparities.

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

infrastructure 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.

Both the Butterfly Gardens Subdivision and Shadowood Subdivision are under construction; Shadowood is almost built out. We remain hopeful that Castleberry Crossings Subdivision on the south side of Sommerville Loop will continue to be developed. They are in the middle of the Joint Permit Process at this time, with both DSL (Department of State Lands) and the Army Corp of Engineers. That subdivision does have wetlands, so it will take longer for the infrastructure to be allowed to start construction. Sommerville Meadows is a 11-lot subdivision located on the east side of S. 9<sup>th</sup> St.

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 2025-26 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							
Actual		Historical Data		REQUIREMENTS FOR: ADMINISTRATION	Budget for FY 2021-2022		
Second Preceding	First Preceding	Adopted Budget	Projected		Proposed by	Approved By	
Year 2018-2019	Year 2019-2020	This Year FY 2020-2021	Actuals 2020-2021		Budget Officer	Budget Committee	
<u>PERSONNEL SERVICES</u>							
260,894	257,250	295,970	255,000	ADMINISTRATION WAGES	243,100	0	
0	0	5,500	0	ADMIN OFFICE ASSISTANCE	5,500	0	
4,800	4,800	7,200	4,800	COURT WAGES	4,800	0	
274	265	305	280	ADMIN UNEMPLOYMENT TAXES	250	0	
20,955	20,282	23,298	21,100	ADMIN SOCIAL SECURITY TAXES	19,100	0	
88,853	67,696	66,750	68,700	ADMIN MEDICAL INSURANCE	85,500	0	
55,788	49,070	88,950	70,650	ADMIN PERS	65,100	0	
1,074	1,745	1,225	2,400	ADMIN LIFE & DISABILITY INS	650	0	
5,440	2,893	2,770	3,100	ADMIN PAY & LONGEVITY	4,400	0	
84	63	151	75	ADMIN WORK COMP QUARTERLY	135	0	
2,855	1,882	3,000	2,850	ADMIN WORK COMP PREMIUM	3,000	0	
2,400	0	2,400	2,400	PERSONNEL SERVICES-MARINE BD	2,400	0	
79	38	200	0	MEALS - TRAINING	200	0	
300	150	300	300	CELLULAR PHONE	300	0	
443,795	406,136	498,019	431,655	TOTAL PERSONNEL SERVICES	434,435	0	
3.0	3.0	3.5		Total Full-Time Equivalent (FTE)	3.5	3.5	

Object Classification

→

PERSONNEL SERVICES

←

Expenditure Detail

Projected Actuals

**City's Strategic Plan:**

The City Council annually reviews and adopts a 5-year Strategic Plan for the City. The Strategic Plan lays out the Council goals and priorities for the upcoming fiscal year. In 2025, the City Council adopted several goals and objectives, six of which have direct and indirect fiscal impacts on this year's budgets. Table 1 is a list of the Council's priorities for FY 2025-26 that relate to or are impacted by the proposed Budget.

**Table 1: Council Priorities in the 2025-2030 Strategic Plan**

Description
<p style="text-align: center;"><b><u>The City's Top Priority for 2025-2026</u></b></p> <p style="text-align: center;"><b>Design, Build, and Operate a Conventional Water Treatment Plant</b></p> <p style="text-align: center;"><b>(Objective No. 9)</b></p>
<p style="text-align: center;"><b>Create &amp; Advocate for a Wide Range of Housing Opportunities while Preserving and Improving Existing Affordable Housing (Objective No. 3)</b></p>
<p style="text-align: center;"><b>Develop, Maintain and Improve Total City Park Land Inventory (Objective No. 4)</b></p>
<p style="text-align: center;"><b>Make Regular and Substantive Improvements to City streets (Objective No. 6)</b></p>
<p style="text-align: center;"><b>Bring Community Awareness to Crime Issues in our City and Work to Create Solutions to Reduce and Prevent Crime (Objective No. 8)</b></p>
<p style="text-align: center;"><b>Enhance Outreach to Existing Businesses; Work with Regional Partnerships to Promote Harrisburg Businesses and Economic Development (Objective No. 13)</b></p>

The budget funds in this document have been prepared with these Council priorities in mind. To achieve Objective No. 4, for example, the City has successfully applied for and received two grants from the Oregon Parks and Recreation Department (OPRD). The Recreational Trails Program (RTP) Grant, which is managed by OPRD, is 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 they are approved, and the City receives a notice to proceed. 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 13 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 six years of budget cycles. We continue to be able to meet this important goal. The SRTS Grant is substantial, but the City hasn't yet been able to get this awarded, even though we've applied 3 times. This next grant attempt will likely be in 2026 for awarding in the following fiscal year.

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. We must be careful with workloads. Therefore, contracted services are used if necessary, and if they work for staff, otherwise, the City might need to provide slower service levels, if, as an example, more building permits start coming in. 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 2025-2026.

#### **Budget Highlights:**

1. Property tax revenues in this fiscal year are similar to what they were in the prior fiscal year. Our permanent tax rate remains the same.
2. Construction activity so far in 2024-2025 is staying steady. Butterfly Gardens Subdivision is actively submitting building permits, and Shadowood Subdivision is almost built out. Castleberry Crossing is in the process of working through regulatory compliance issues; but we hope that those will be completed in time for the construction season to start in 2025. Sommerville Meadows is an 11-lot subdivision, located to the east from the 9<sup>th</sup> St. extension. They are motivated to start building two new lots so they can budget the new street for the 8 lots located on the north side of the lot.
3. Interest rates are now steady, rather than rising and falling as often as they have been in the past. The Finance Director is suggesting a fairly flat amount.
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 last amendment allows the City to use the funds available in the HRA for the water bond project. Revenue sharing payments are made by the county tax assessor based on the revenues provided to those taxing districts.
  6. The City, like most governmental bodies and many employers, are trying to stay competitive with our wages. After the wage and compensation analysis was completed, the City found that we could grant the increases as shown in the study, with a 2.5% cost-of-living increases available for employees who didn't have discrepancies. This actually saved the City funds from the previous fiscal year. Technically, Personnel Services are 11.22% of the City's expenditures in 2025-2026.
  7. Workers Comp charges are similar to what they used to be underneath the previous insurers' coverage, and are limited changes at .1% for SAIF. General Liability is 4%, while auto liability has decreased by 11%, offset by auto physical at 4.3%. Property rates only increased to 5.6%. Medical rates increased by 9%, with 6% for vision services. Dental was 5%, or 7% for employees on Willamette Dental. Life, AD&D, and other life insurances had no changes.
  8. There is \$155,000 in the Community & Economic Development fund set aside for properties outside of the HRA boundaries, but that are located inside the commercial zone. We are still limiting usage of this fund currently, due to the water bond project. It is, however, still available for important economic projects if the City Council chooses to expend it.
  9. The Water, Sewer, and Storm Drain Funds are all Enterprise Funds. The City increases the rates on a regular basis, according to policy. The rate increase this year will be 5% across all 3 funds. 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.
  10. The City has beginning fund balances of \$7,669,225 compared to \$12,554,455 last year. This trend is due to the large expenditures for the water bond project, park development, and street funding. It's important to carry beginning fund balances that are at least 10% of each fund, if possible. This provides revenue when the City's main revenues arrive in late fall. The Beginning Fund Balances account for 45.91% of our revenue structure. Technically, the funds should cover the first 3 months of expenses for all funds. Last year we had 8 months of expenses covered; but this year, we return to the 5.9 months we typically have.
  11. Unappropriated Fund Balance is currently at \$1,261,918.

#### **HRA BUDGET:**

The HRA Budget is based on a separate taxing district from the City of Harrisburg. It's managed by the Harrisburg Redevelopment Agency Board. (Technically, the City Council). The beginning balance is slightly less than the previous year. The biggest change in this fund is in relation to the Main Street Revitalization Grant. The Freeman's are redeveloping the large Quonset hut on the north side of Smith St. This grant was applied for, and if it is approved, the HRA will serve as a fiduciary agent. This means that the funds will pass through the City to the Freeman's. The Freeman's are responsible for covering match requirements. Only HRA Staff time will be used.

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 for the water bond project 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 there is still a consultant cost line item, as the HRA 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 in the future if needed. The SPWF loan will allow us to decrease this usage somewhat, which would allow the HRA to build those reserves back up for the next project.

The City was also able to fund the \$50,000 for the Property Improvement Grant Program again this year; there are two pending business applications in this current fiscal year, and the program continues to be popular. The HRA has served as an invaluable resource for the City, and has been used to extend the industrial zone on S. 2<sup>nd</sup> St., on the south side of the City, as well as the recent improvements to Smith, Moore, Macy and 2<sup>nd</sup> St.'s. There is substantial improvement of property values for the businesses who have taken advantage of obtaining the property improvement grants as well. More importantly, there is far more income that will return to all the taxing districts once the HRA sunsets, due to this investment in our community.

#### **GENERAL FUND (GF):**

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 \$76,540 more than budgeted in 2024/2025. Franchise fees are up slightly. The League of Oregon Cities has advised cities that State Revenue Sharing is down; we are forecasted to receive less than budgeted last year, therefore have reduced that budget line this year to compensate. Municipal Court fines and forfeitures are forecasted much higher than previously budgeted, by \$30,000. This helps to offset the loss of revenue in state revenue sharing.

On the expenditure side, personnel services have increased from last year's costs by about 7%. (3 employees had increases averaging 10%). The City Council approved the wage and compensation analysis that was submitted this year; City property taxes and revenue structure support the increases. Due to changes in employees, the projected actuals for the current fiscal year are 18% under budget. We continue to budget an office assistance line, which with the standard cushion we budget for annually, will cover the \$27,500 cost for a RARE (Rural Assistance for Rural Environments) employee, if the City is lucky enough to receive one. It is a competitive program. If successful, this person will help Staff develop economic development programs and help to rewrite our Continuity of Operations Plan.

Contract services are up slightly, as workloads are high. We anticipate additional planning services this year, as well as additional engineering and continued regulatory work being required 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. In Government Services we have asked for a 6% increase, due to the contractual increases in the LCSO contract.

With recent crime statistics supporting the need for law enforcement services, Staff felt it important to continue at the same hours, for at least this fiscal year. The City is also focusing more on code enforcement, therefore, we are planning on additional hours from the City of Coburg. This works well for the City as it allows our code enforcement employee to focus on administrative tasks, and customer response.

We are still budgeting \$8,000 for the Lobbyist that we have hired through our partnership in the Small Municipality Advocacy Coalition; that gives us the option of using that person for advocacy that is specific to Harrisburg. Utilities continue to have projected increases, affecting the City as much as it does our citizens. There is a 25% increase in expenditures for this, based on the projected actuals which are more than budgeted in the current year. The park grant construction fund is still \$149,670, based upon the RTP grant.

#### **STREET FUND:**

The beginning fund balance is increasing due to a variety of reasons, even though we were 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 spring 2026. If approved, it will be in the following fiscal year after the one being planned in these documents.

Personnel fees decreased from the previous year, due to how the Public Works hours are structured. The \$250,000 that the City continues to budget allows us to do more street work and upgrades than the City has done for years. The Transportation System Plan, or TSP will be completed this year, and the City will likely change some of the expenses in this fund accordingly in the next budget cycle.

#### **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. 6<sup>th</sup> street with Eagle Park. This will be addressed further in the pending new Transportation System Plan. That plan also recommends that we increase bike paths throughout town, which also works better with the SRTS plans that the school district has developed. Because the trail link to Eagle Park is such an expensive project, it will be better for the City to focus on the bike paths that are part of the TSP plans.

#### **COMMUNITY & ECONOMIC DEVELOPMENT FUND:**

The beginning fund balance has increased slightly from the previous fiscal year. The City continues to be cautious about the use of the \$155,000 shown in the economic development grant program, but it is available if a specific economic development project is being advocated. The City continues to plan on spending additional funds to allow for business advertising in the newsletter. This is based on the revenues from the business license program. The REAL line is set aside for the Rural Economic Alliance, and the City's share in running the program. The City will be approving a new IGA with the other cities for this program in the future. REAL applies for grants, so even though we plan for this expenditure, we haven't yet been required to pay into the program.

Included in materials and services are two new lines. One is for the Sister City expenses; that will help to pay for some of the intended projects in relation to the program. (Such as a street sign, and display). The Veteran's Project is another project being developed by the City. The Sister City Expense funds of \$2,500 came from the 'Community Assistance Grant' line, which is intended for dealing with campgrounds found on public property. The

funds in Capital Outlay, along with Parks SDC's are intended mostly for parks development.

**LIBRARY FUND:**

The beginning fund balance for the Library is down slightly, but the amount transferred into this fund remains the same as the previous year. Personnel Services have increased, as per the compensation and wage analysis approved by the City Council. Most of the expenditures are comparative to the previous year. The Library continues to develop programs and staff do a great job with looking for and successfully writing grants. There is an additional \$1,400 planned in miscellaneous, just to provide more options to the Library Staff for program development, and other Library projects.

**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 down due to expenditure over this last year. The revenues reflect the 5% increase in rates as determined by Staff. This fund will be used for storm line replacements in street projects that are on the construction schedule. The City is also building up reserves to deal with increased regulatory standards that might be put into place over the next year.

**BUILDING PERMIT FUND:**

The Building Permit Fund has now been operating for four years, and is doing well, with an increase in the beginning fund balance. 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. Even though there could be an additional 23 lots (or more) being developed, we plan on a total of 11 lots to be constructed this year. We use this same number for our SDC projections.

**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 dropped slightly; and the principal payments will continue to increase per our amortization schedule.

**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 is considering moving to a retainer type of IT services contract in order to conserve expenses with our IT contractor. There is a new firewall planned for the City Hall and Public Works servers, accounting for the 11% increase in the maintenance and software expense line.

**EQUIPMENT RESERVE FUND:**

This fund is used to build reserves to replace the City's heavy industrial public works vehicles and equipment. The beginning fund balance has increased by only \$15,000 this year, while transfers from the water, sewer, and street funds remain the same. The City purchased some new equipment, and a new truck this year, as planned previously. The vehicle reserve fund is increased by \$20,000 a year, while the Hydrovactor reserve fund is budgeted to increase by \$30,000 a year. A Hydrovactor ranges in price from \$450,000 to \$550,000 and therefore requires time to build up adequate reserves. The City has previously made the decision to contract out for street sweeping services in the future.

**WATER FUND:**

The Water Bond Project is expended out of this fund and remains the highest priority in the City once again this year. The beginning fund balance has decreased by almost \$4,800,000; which is due to the \$4,600,000 in payments to the contractor working on the water bond project. The City has applied for a Special Public Works Fund (SPWF) Loan for \$3,500,000 this year, in order to continue construction on this project. As such, utility rates have increased by 5% 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. Our water rate increases are still lower than projected by the marketing efforts for the water bond project, which started in 2016. (A family using 4 units of water will see an increase of roughly \$3.34 per month on their utility bill.)

The City has an A+ credit rating, which ensures that we will obtain a low interest rate for the SPWF loan. The loan will likely be a 30–40-year loan, at 4%-4.5% interest. 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 (thankfully) has none of these problems, as our issue is with aesthetic quality. The City continues submitting capital requests through the Oregon Legislature, in the hopes that some of the increases in costs can be covered that way.

There has been an 11% drop in personnel service expenditures, even though a wage and compensation analysis was granted by the City Council. Some of the savings are due to employee changes, as our Public Works Foreman position was open for about six months but has now been filled. We are currently hiring two people as Public Works Utility I employees due to turnover. Some of the positions in Public Works didn't have a discrepancy in wages, and therefore, those positions received a cost-of-living increase of 2.5%. 4 employees did receive an increase averaging 4.4%. Most other expenditures in this fund are comparable to the previous year, after accounting for increases in electric utility costs.

**SEWER FUND:**

The beginning fund balance for the Sewer Fund continues to be lower than the previous fiscal year. Sewer use rate increases are projected at 5% at this time, in order to keep up with the costs of expenditures. That's with a decrease of 11% in overall personnel services. 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 was a slight drop in beginning fund balance, due to capital outlay expenditures for

repairs to pumps. Otherwise, there are no significant changes proposed for 2025/26 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 decreased from what was budgeted last year. That is due to a large sewer line project to reroute/replace the line that runs through Gheen Irrigation. The wastewater construction reserve line has also increased slightly; again, planned for the next project that the City is considering. There are several large sewer projects listed in the Strategic Plan, but they are secondary to the water bond project completion.

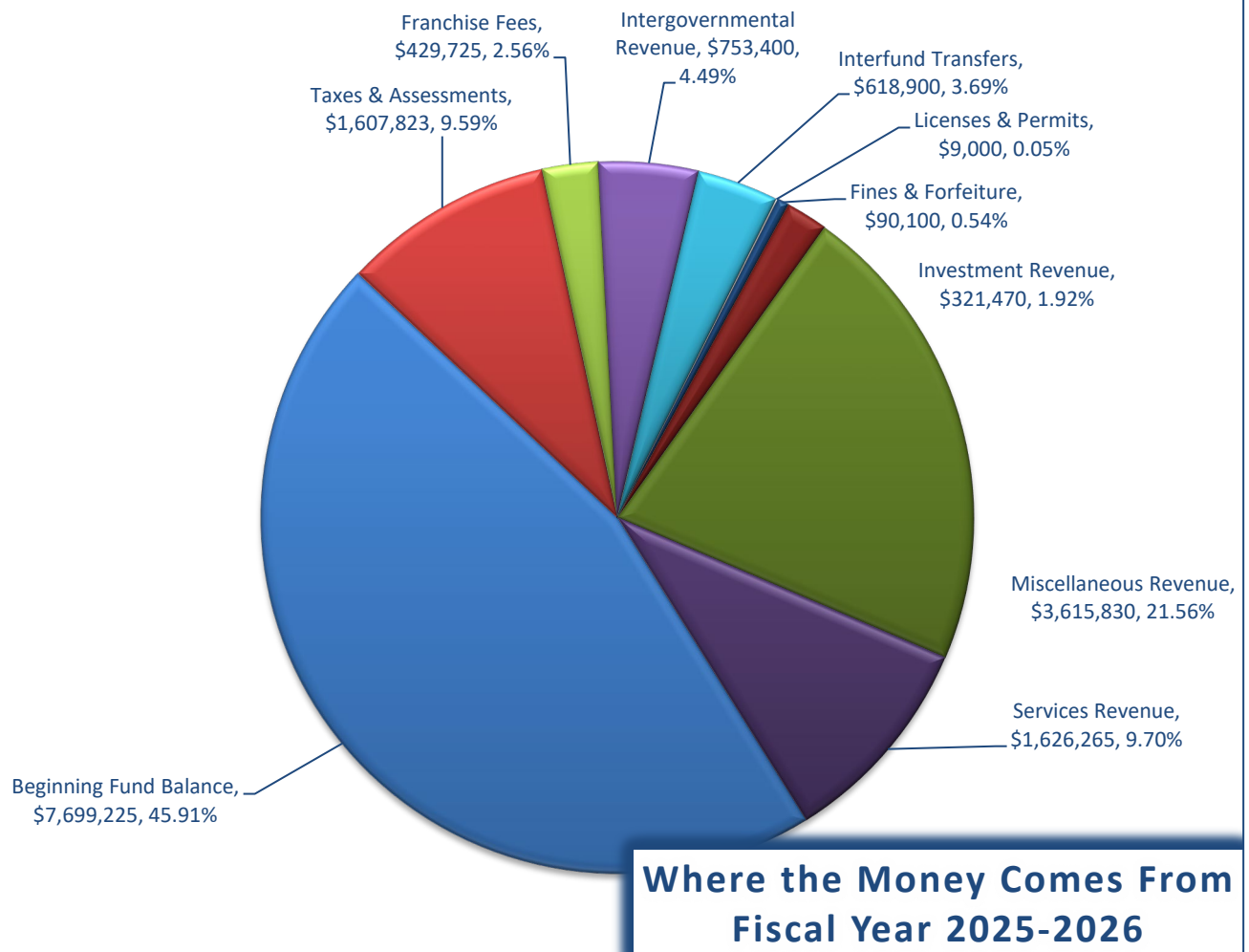
**SYSTEM DEVELOPMENT CHARGES (SDCs):**

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.

Some use of the Transportation SDC's were expended for new parking areas off of S. 6<sup>th</sup> St. There are two significant SDC funded expenditures planned for FY 25/26, both in Parks SDC Funds. The figures shown in Capital Outlay are the City's grant match requirements for those grants. Parks Development will continue in Eagles Park, on trails, and if a successful large LGGP Grant is received, a large playground will be added.

Respectfully submitted,

Michele Eldridge,  
City Administrator



## Where the Money Goes Fiscal Year 2025-2026

