



## BUDGET MESSAGE FISCAL YEAR 2026-2027

**DATE: April 25, 2026**

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 FY2026-2027 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 2026-2031 Strategic Plan.

This report is divided into sections. Budget Highlights are a quick summary of what is affecting the budget document the most for the upcoming budget year. It's followed by graphs showing the overall revenues and expenses. The next section is a summary statement in relation to the entire budget, followed by the management analysis for each fund. At the end of this document, you'll find instructions on how to understand municipal budget documents, and fund accounting in the State of Oregon.

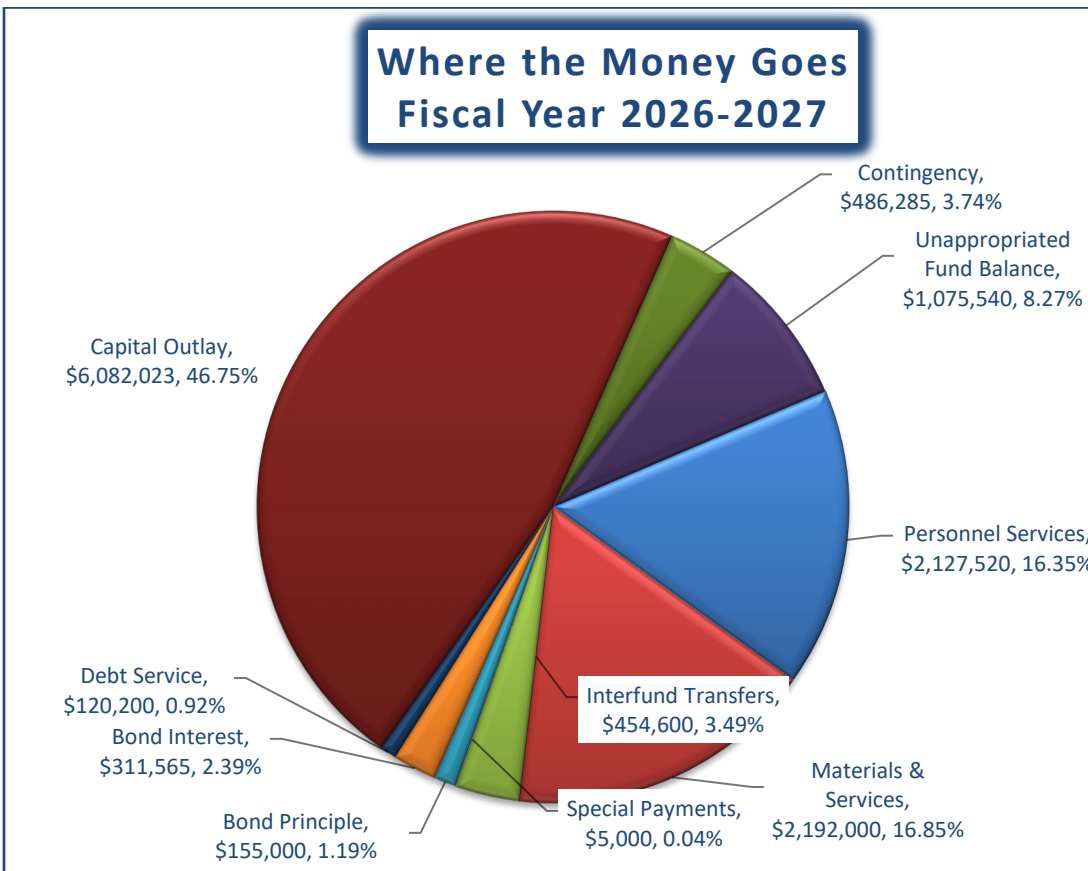
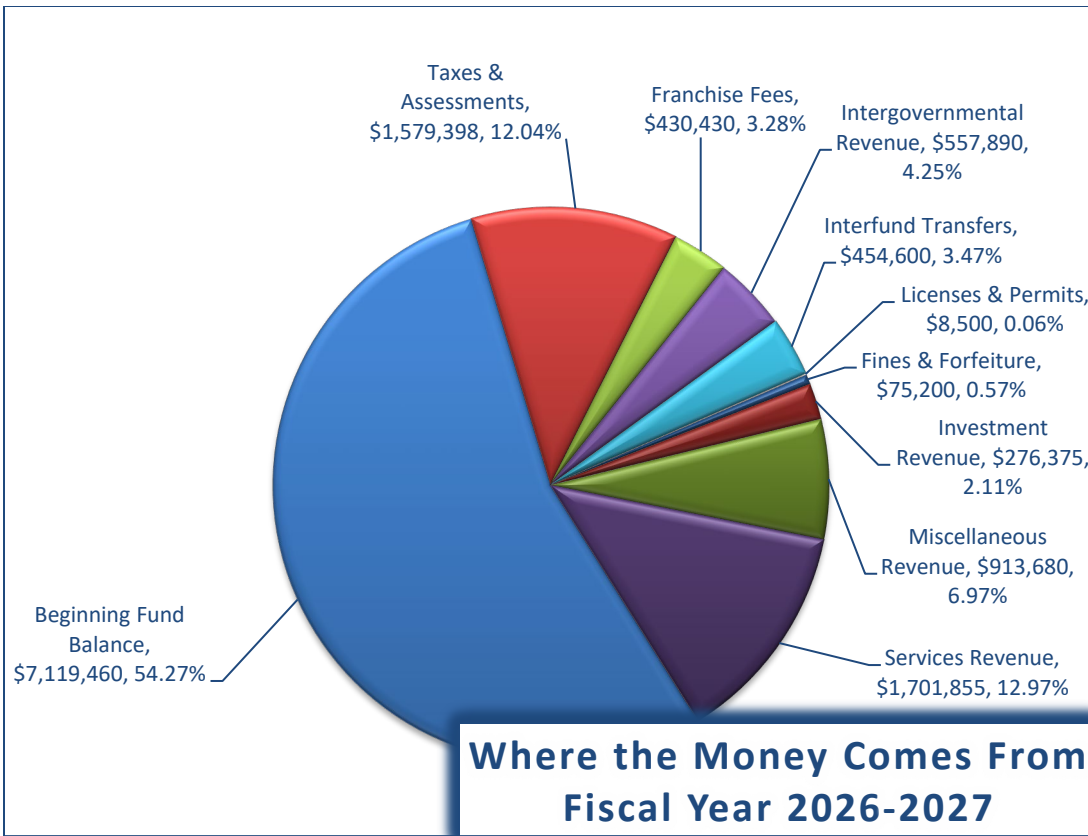
### Budget Highlights for Fiscal Year 2026-2027

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 has slowed down somewhat in 2026. This is due to the extremely high infrastructure and supply costs. Butterfly Gardens Subdivision is selling their vacant lots due to extremely high supply costs, and financing issues. Castleberry Crossings Subdivision has asked for an extension to modify their original subdivision plan. This will result in smaller lots, and smaller homes, but will still provide 44 homes when built out. Sommerville Meadows Subdivision has decided to reverse course. The owner will now actively pursue minor partitions on an annual basis, so they are able to avoid the excessive cost of installing a street. This works better with what the City originally envisioned on the lot located on the east side of S. 9<sup>th</sup> St.
3. Interest revenue has been reconfigured by the Finance Director based on current interest rates over the last fiscal year, and to reflect the changes due to spending down the water bond reserves.
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 will continue to provide revenue sharing with the other taxing agencies until the program sunsets. Revenue sharing payments are made by the county tax assessor based on the revenues provided to those taxing districts.
  6. The City is applying a 2.9% cost of living increase to personnel wages. We have 5 employees that will continue to increase in steps due to end of probation, and annual wage increases. Judge Blake also requested a slight increase in his pay, based on the increasing numbers of attendance during Municipal Court sessions. This results in an increase of \$2,400 represented by \$200 per month.
  7. General Liability Rates dropped 2.4% this year, and property liability rates dropped by 12%. Auto rates also dropped. Unfortunately, the City's valuations schedule increased due to capital improvements. Cyber Coverage Insurance also increased by 2%.
  8. Medical Insurance for pooled cities under 100 employees increased 13.6%, due to a sharp increase in claims. Dental & Vision insurance increased only 2%. Basic Life Insurance increased by 3%, as did Supplemental Life, which is paid for by employees who opt for additional insurance amounts.
  9. 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. The City anticipates that these funds will be available in 2027 for actual economic development, under the program developed previously; but Staff remains cautious in using them.
  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 rate increase this year will be 7% for water, 4% for sewer, and will include a \$2 increase to the base rate for storm water rates. 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 there are high increases every few years. For a standard utility user with 4 units, the increases together would add \$5.64 per month to their utility bill. (The approximate cost of one coffee at any drive-up kiosk).
  11. The City has beginning fund balances of \$5,237,930, enabling the City to cover our monthly expenditures for a period of 5.7 months, without any incoming revenues. All funds achieved the goal of having more than 10% of their total appropriations covered in beginning fund balances.
  12. Unallocated funds across all funds is \$1,282,500. This represents funds saved for cash flow in the following fiscal year, although it can be accessed in a declared emergency.



**North Water Reservoir Under Construction 1**



## Budget Summary for 2026-2027

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. While the League of Oregon Cities (LOC) says that State Revenue Sharing is low, Staff sees it flat across the board. That amount has been lowered slightly, based on their recommendations. Interest revenue rates have been reconfigured by the Finance Director. This is due to the State investment pool changes, now that most of the funds for the water bond project have been paid out. The proposed budget sees some increases in franchise fees, particularly in BNSF, due to the ongoing negotiations with them. Property tax collections have fluctuated over the last few years due to home sales and refinancing in 2025-2026, and also due to the tax assessor returning the HRA urban renewal deduction to its former numbers.

The City is poised well for cash flow; it would be able to operate for 5.7 months, even if no other revenue was being received. General best practice is to maintain a 10% beginning fund balance in each fund, and the City exceeds that in all funds. Last year, 8 funds had decreased beginning fund balances, and this year, that's improved to 5 funds. The funds showing decreases are due to capital outlay, such as the water bond project, and increased debt. The City's general operating budget will continue to decrease, due to expenditure on the water bond project. Technically, the City's operating expenses, when not being inflated by general obligation bonds, are \$8M to \$9M. The water bond project with the General Obligation Bond, water fund savings, and HRA payments, plus resulting loan of \$3.5M have driven that as high as \$18M over the last several years. In 2024-2025, the City showed \$18,201,850 in requirements, and in 2025-2026, the City had \$16,771,738. This year will result in total requirements of \$13,117,368.

In the General Fund, resources and requirements have decreased slightly; this is mostly due to removing the funding from the Large LGGP Grant. The beginning balances have decreased slightly. Throughout all funds, the City always budgets conservatively, meaning that revenues are budgeted lower than expected, and expenditures are budgeted higher than needed. Grants are budgeted in both revenues and expenditures, but the City must be careful not to spend any of the funds unless it is provided with a notice to proceed. The City is continuing negotiations with BNSF, which might result in increased revenues in the General Fund. It is more conservative for the City to not include this potential revenue increase.

In Enterprise Funds (Water, Sewer & Storm Funds) prices continue to go up throughout all materials and services, including increases in power, gas and chemicals. This year, Staff are scheduling a 7% rate increase in water, a 4% increase in sewer rates, and a base rate increase of \$2 in storm rates. The water rate increase is due to the pending operation of the water treatment plants in 2027; that also includes finishing construction on Well No. 9 in 2026-2027. Additionally, the City will now start paying back the SPWF loan from the State of Oregon. The City is currently paying a 3.37% interest rate for a 36-month period but will have municipal bonds sold to provide permanent financing for a 30-year loan through the Oregon Bond Bank. The current projected rate is 4% to 4.5%.

It is important 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. The rate increase in the water fund is still lower than that projected when the

City was marketing the water bond project. Storm rates have increased due to the addition of storm detention facilities in the future, including systems in both Butterfly Gardens, and in Castleberry Crossings. In addition, the DEQ is increasing regulations in relation to removal of solids, mercury, and other materials deemed harmful to the Willamette River. The sewer fund includes increases in capital outlay for continued maintenance, which includes reserving money for work for the erosion problem on the northern bank of the Willamette River, and increasing security in this area, per the American Water infrastructure Act. The sewer reserve fund also shows a much higher budget for construction reserve, which also contributes to this project.

As you review the proposed budgets, and as anticipated, the costs of running a City continue to rise. Retirement costs continue to trend upwards, as does medical insurance, due to higher claims paid by our insurance provider. (City/County Insurance Services is self-insured, and the City is pooled with other small cities (under 100 employees) in Oregon.) The City has saved funding due to when we hired Public Works employees during the last budget cycle. There is a need to hire one more employee. As noted above, 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. As the wage analysis was applied to last year's fiscal budget, the City is now operating on a cost-of-living increase of 2.9% across all funds with personnel services. Because we have new people in Public Works, some of the increase in wages is due to step increases at the end of probation and increases every year on an annual basis until they obtain Step No. 8. There are currently five employees who are employed by the City who are not at the top step of their wage scale. The Library is also showing a slight change, as due to staffing issues, we are increasing the hours for the main Librarian; this results in insurance being applied; PERS had already applied in previous years.

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. Staff are thankful that we can still transfer a \$150,000 amount to the street fund, to sustain the \$250,000 scheduled for street maintenance. We would normally be applying for a SCA (Small City Allotment) grant through ODOT in 2026. However, the City's main focus is to complete the RRFB (Rectangular Rapid Flash Beacon) crossing on 3<sup>rd</sup> St. An SCA grant doesn't apply to the crossing as it's on a state funded highway. The Other Construction Projects in streets has also been increased by \$230,770 in order to cover this project, as well as for other needs.

Development in town has slowed, due to the excessive costs of infrastructure. Butterfly Gardens will be selling the remaining vacant lots in the subdivision to a different development company who can finish building out the remaining four buildings. (Which will be a mix of 4-plex and 3-plex structures, unless they choose to replat.) Castleberry Crossings will be applying for a modification of their current subdivision plan to allow for smaller lots, and smaller homes. In addition, Sommerville Meadows has decided to discontinue the subdivision, but will still be built; only more slowly. They will continue with preliminary plats on an annual basis. On the other hand, Staff is hopeful that SBG will

continue with the projected 125-lot subdivision on the 40-acre Poulblon Property east of the high school.

## 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 2026, the City Council adopted several goals and objectives, seven 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 2026-31 that relate to or are impacted by the proposed Budget.

**Table 1: Council Priorities in the 2026-2031 Strategic Plan**

<b>Description</b>
<b>Design, Build, and Operate a Conventional Water Treatment Plant</b>
<b>Create &amp; Advocate for a Wide Range of Housing Opportunities while Preserving and Improving Existing Affordable Housing</b>
<b>Develop, Maintain and Improve Total City Park Land Inventory</b>
<b>Make Regular and Substantive Improvements to City streets</b>
<b>Bring Community Awareness to Crime Issues in our City and Work to Create Solutions to Reduce and Prevent Crime</b>
<b>Enhance Outreach to Existing Businesses; Work with Regional Partnerships to Promote Harrisburg Businesses and Economic Development</b>
<b>Protect the Waste Water Treatment Plant from Willamette River Bank Erosion</b>

The budget funds in this document have been prepared with these Council priorities in mind. To achieve 'Develop, Maintain & Improve Total City Park Land Inventory', 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 this grant can be found in Parks SDC funds. The City will be actively building trails in Eagle Park this year.

The City must be careful when applying for grants, as funds may not be expended unless they are approved, and the City receives a notice to proceed. The City must also make certain that it doesn't apply for grants unless funds are available to apply as a match. Some City's have needed to return grant funds, because they overextended, and weren't prepared to apply for a short-term loan to fund the match.

In relation to City street improvements, 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 seven years of budget cycles. The City continues to be able to meet this important goal; although Staff notes that infrastructure costs have increased. Unfortunately, due to funding woes with ODOT,

the SRTS (Safe Routes To School) Construction Grant has been discontinued for the next two years. The City will reapply for this grant when it becomes available again.

The City continues to be careful with staffing levels; City Staff complete a significant amount of work with less employees than many other similar sized cities. However, it's important to carefully monitor 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. However, it should be noted that City Staff have a tough time finding people willing to work in seasonal positions, as well as those in full-time benefited positions.

## Management Analysis by fund for the 2026-2027 Budget Year

### **HRA BUDGET:**

The HRA Budget is 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 less than the previous year, mostly due to paying out \$1,445,000 for the water bond project during this current fiscal 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.

Debt service payments for HRA debts are made directly out of the HRA funds, and the debt services line shows 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, which 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 remaining funds of \$1,183,900 will be applied towards the remaining project on the HRA approved plan. A small amount of this fund is needed for a conceptual design process, to add a future Community Center/Library next to City Hall. A conceptual design will help determine costs in order to fuel future grant requests and determine if the HRA wants to use any of the remaining funds that remain before Maximum Indebtedness is reached. A new structure like this could jump start more traffic to the traditional downtown core in Harrisburg and attract new businesses.

The City was also able to fund \$50,000 for the Property Improvement Grant Program again this year; \$88,670 is currently dedicated to three outstanding grants that were given by the HRA Board, for a combined total of \$138,670. The HRA has served as an invaluable resource for the City having 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., multiple buildings in downtown Harrisburg, and of course, helped the City with supply cost expenditure increases on the water bond project. Property on Moore & 3<sup>rd</sup> St. is showing a huge improvement to what had been a seriously blighted building. That property is still under construction. 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.

## **CITY BUDGET:**

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

As noted above, beginning fund balances allow the City to remain in a good cash flow position. Property taxes have fluctuated over the last three years, due to market sales and refinancing, which generate assessments out of the normal property tax cycle. The tax assessor also updated and changed how the HRA is reflected and configured in relation to property tax assessments. Franchise fees remain flat, while State Revenue Sharing remains down. The City continues to be conservative by planning on franchise fees being down, although with increases in Pacific Power and Gas rates, there is the potential for more earnings. The City continues negotiations with BNSF currently as well.

On the expenditure side, total Personnel Services have increased from last year's costs; the cost-of-living increase was 2.9%, but the increase in medical insurance and PERS combined to bring us to a 5.9% increase overall in Personnel Services. This is still less than last year's 7%, and as you can see, savings are reflected in the projected actuals. Staff continues to budget for a part-time position, but this remains a cushion for the time being. The RARE (Resource Assistance for Rural Environments) AmeriCorps program through U of O, has been discontinued as well, due to the loss of federal funding.

Professional Services have increased slightly, mostly due to engineering and contract services. As you can see from projected actuals, the City doesn't use consultants unless truly needed due to workloads. In Legal Services, we continue to need expertise from the City's attorney; due to larger numbers in court, the court-related attorney fees has been increased. There have been three trials scheduled this year; the City hasn't had those since Municipal Court was established.

Increases shown in law enforcement are based upon the 3-year contracts at this current time. In addition, our lobbyist/SMAC amounts remain the same. Based on current year utility actuals, the City has trended down slightly in this classification. Buildings and Grounds are budgeted slightly down, as less has been spent than planned in the previous year; the \$150,000 scheduled here is based upon the RTP Grant. After obtaining the \$3.5M loan from the SPWF loan program, City Staff decided to help cover the General Fund by eliminating the transfer to the water fund this year. As such, total requirements have been lowered in the General Fund to less than was budgeted over the last 3 years.

### **STREET FUND:**

Projected Actuals in the Street Fund have helped to increase the beginning fund balance in revenues. This is fueled slightly by the increase in gas tax revenue, and by savings in personnel costs in this fiscal year. Wages and insurance for just 1 FTE scheduled here comes to 8.7% for Personnel Services.

Motor Vehicles Expenses have been adjusted based on prices for gas, and higher maintenance fees for the sweeper. Street Maintenance continues at \$250,000 per year, and Other Construction Projects was also increased, as the City will be paying for the RRFB on the Highway. Along with the signals here, there is an additional streetlight that has also been added. The SRTS Grant has been discontinued, likely for another year. The SCA Grant is not allowed to be applied to a project that is located on a state highway.

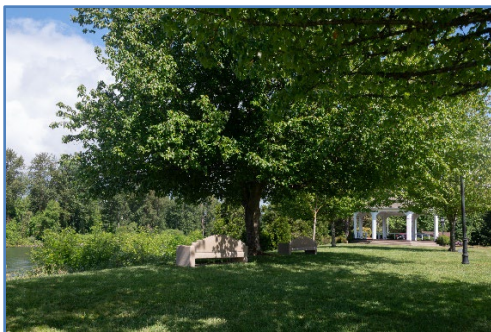
**BIKE PATH RESERVE FUND:**

The beginning fund balance and Capital Outlay lines have increased slightly; the funds here come from 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. The TSP (Transportation System Plan) has suggested multiple places in which bike lanes should be added. 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 for the time being.

**COMMUNITY & ECONOMIC DEVELOPMENT FUND:**

The beginning fund balance has increased slightly, otherwise, most resources are planned flat. The City was able to able to maintain \$80,000 for Miscellaneous Expenses, even though \$22,100 was expended this year for the Veterans Memorial project, (\$10,787 was paid out of the \$15,000 project this year) and for the Business Inserts, sent in the utility bills. The City continues to schedule funds for the Sister City Expenses, while the ongoing Veterans Project line will be used to beautify and expand the area next to the Gazebo. Summer Concerts (Actually Events) includes the amounts paid to HC4JA and HHFA for the 4<sup>th</sup> of July and Harvest Festival, plus funding for National Night Out, new no parking signs, and a cushion of \$1,000 for an additional event, if one is planned in the future.

The Economic Development Grant Program has continued; it was created for properties outside of the HRA boundaries, and will hopefully be able to be used in 2027 for the uses intended. The Building and Property Reserve accounts increased slightly, and the 'Community Assistance Grant' line, 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 funds transferred into the Library Fund have been slightly increased. Personnel Services have increased, mostly due to increasing hours, and providing benefits to the Librarian due to recent unanticipated staffing changes. We continue to have an on-call employee here who helps with events, and to cover the Librarian. Most of the expenditure is comparative to the previous year. However, Library Programs has been reduced slightly, as has Books, to help cover staffing costs, and based on the previous year's actuals.

**STORM DRAIN RESERVE FUND:**

The Storm Drain Fund is used to pay for public storm water improvements. The beginning fund balance has dropped substantially, due to expenditures last year, and total requirements have also been lowered. The storm water rates have been updated this year to reflect a \$2 increase in base rates, resulting in an increase of \$29,448 in rate revenues. It's crucial that we start preparing for higher costs in relation to one of the

biggest concerns that citizens have due to the lack of elevation changes in the City. This also corresponds to recent statutory changes requiring that stormwater is 'treated' on-site. (Treated can refer to water in a stormwater detention pond, or in a swale, which is allowed to 'filter' and settle, and then eventually returns to the stormwater lines in the City.)

There have been a lot of expenses related to storm water this year, including storm line repairs on several streets, such as Smith St, when a hazard tree was removed, or where we've found lines that needed to be improved and moved to integrate with the City's stormwater system. The City is also in the process of developing the Storm Water Master Plan, which is a crucial step to obtaining more project funding in the future. This requires more engineering expenses, which also contributed to the projected actuals from the current fiscal year.

The rate increase will help to cover additional maintenance expenses for stormwater detention ponds that have been planned in the City, as well as expected program expenditures anticipated from the DEQ. This includes major increased regulatory standards for Storm Water and TMDL requirements. The Willamette River is a huge asset for the City, but unfortunately, increased regulatory requirements in relation to it makes it somewhat of a burden as well.

#### **BUILDING PERMIT FUND:**

The Building Permit Fund has now been operating for five years, and is doing well, with an increase in the beginning fund balance, as well as unallocated fees. The City contracts 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. We are continuing to limit the number of homes used in our forecast to only 11; however, there is a potential for more homes to be constructed this year, depending upon current developments. Over this next year, Staff will start looking at statutes to determine if we are allowed to access the funding that is now being reserved in this fund.

#### **ELECTRICAL PERMIT FUND:**

The State of Oregon requires that the building permit programs and electrical permit programs are separate from each other. This is another change the City has made to its benefit. This is still an exceedingly small fund for the City.

#### **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 the amortization schedule. The Debt Services Fund reflects taxes that were generated and raised by the full-faith and credit taxing power of the City, as approved by the voters.

#### **OFFICE EQUIPMENT RESERVE FUND:**

This fund receives revenue solely from the interfund transfers from the General, Water and Sewer funds; the beginning fund balance has increased slightly due to controlled spending in this account. Similar to the Equipment Reserve Fund, this fund allows the City to save money for larger purchases, such as the replacement of computers and servers, including a reserve account for the copier, which is an expensive piece of equipment. The City replaces 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 firewall for the server will likely be added this year, and the office server itself is capped at \$15,000.

**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 slightly, while transfers from the water, sewer, and street funds remain the same. The City rented a backhoe this year, which accounts for some of the only projected actuals. The vehicle reserve fund is increased by \$20,000 a year, while the Hydrovactor reserve fund is budgeted to increase by a minimum of \$30,000 a year. A Hydrovactor ranges in price from \$450,000 to \$650,000 and therefore requires time to build up adequate reserves. This year the City increased the planned transfer amount to \$44,000, as the hydrovactor is important to the City and the services provided. This is why total Capital Outlay expenses have increased in this fund.

*Post Note: While the Hydrovactor remains a priority, our Public Works Director has discovered that parts are no longer available for the towable generator the City owns. A new generator is quite expensive; typically around \$250,000. The City Council will be considering this at the first meeting held in May. The Budget Committee will approve the budget as it has been written. This is a good example of a type of change that would apply after the recommendation goes to the City Council.*

**WATER FUND:**

The Water Bond Project is expended out of this fund and remains the highest priority in the City once again this year; although it’s anticipated to be fully online in early 2027. The beginning fund balance has decreased by almost \$956,575 this year; based on projected actuals, which reflect payments to the contractor working on the water bond project. With the higher expenses in Buildings and Grounds, as well as Personnel Services, utility rates are projected with a 7% increase. This is still lower than projected by the marketing efforts for the water bond project.

Personnel Services has increased by a proposed \$83,995, although the PW crew is still down by one employee. This reflects increases due to the 2.9% cost-of-living increase, medical insurance and PERS. Chemicals have also taken a huge jump in cost, as has Water Fund Lab Testing and Maintenance costs. These are all due to the anticipated online operation of water capital improvements in 2027. The City has spent \$3,277,700 this fiscal year, which also reflects funds already paid out of the SPWF loan. There is \$1,200,000 remaining to be spent, with much of that needed due to construction of Well No. 9, which is a required component of the water bond project. The Debt Services in this fund reflects the principal payment and interest for the SPWF loan. SRF stands for the State Revolving Fund, which is where the SPWF loan originates from. Because this loan is solely for the water project, and revenue is generated by rates, Debt Services will remain in the water fund, rather than transferring to the Debt Services Fund.



**SEWER FUND:**

The beginning fund balance for the Sewer Fund is now increasing slightly in this fund. This is due to slightly higher than planned sewer use revenues and a decrease in spending on projected actuals. As such, the rates have been reduced to 4% in 2026-2027, from the 5% used in the current 2025-2026 year.

Personnel Services will show the same increases as that of the Water Fund; Public Works is split between water and sewer, other than a small amount allocated to the Street Fund.



Chemicals are planned the same, although Lab Testing has increased, along with Maintenance Fees for both Buildings and Grounds, and the Standby Generator.

**WATER RESERVE FUND:**

This fund is designated for major purchases and projects for the City's water system, other than the water bond project. There was an increase in the beginning fund balance. There is a standard \$3,000 a year that is set in the Wells/Pumps Reserve line, and the Capital Projects fund was

also increased.

**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, due to low expenditures this fiscal year. 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 City's existing infrastructure system. Revenues for these funds are collected through development permits. Rates are tied to the city's master plans and capital improvement plans. Calculations for SDC's in 2026-2027 are based on a projection of 11 homes being built in the next fiscal year. Staff remain hopeful that there will be more than 11 homes being built. The RTP grant (Recreational Trails Program) reflects anticipated match amounts being expended for an additional 1.8 miles of trails being added to Eagle Park, along with trail heads and waymarking efforts.

**CONCLUSION:**

Overall, the City has been served well by its continued policy of conservatism when working in the City & HRA Budgets. Department Heads do a great job in controlling expenditures, and City Staff take the time to watch trends and services being offered in other cities, with a focus on increasing revenue, improving efficiency, and adding services that are desired by Harrisburg citizens. Legislative advocacy will be focusing on protecting the relatively small budgets typical for small cities, as well as working to oppose state unfunded mandates.

Respectfully submitted,

Michele Eldridge, City Administrator

# Instructions on How to Understand the City's Budget

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 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 on funds than is actually available.
- The beginning fund balance in each fund is used to cover the first 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 2026-27 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 category 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 details 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 expenditure does 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 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				REQUIREMENTS FOR: ADMINISTRATION	Budget for FY 2021-2022	
Historical Data					Proposed by Budget Officer	Approved By Budget Committee
Actual Second Preceding Year 2018-2019	Actual First Preceding Year 2019-2020	Adopted Budget This Year FY 2020-2021	Projected Actuals 2020-2021			
<b>PERSONNEL SERVICES</b> ← <b>Object Classification</b>						
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
<b>443,795</b>	<b>406,136</b>	<b>498,019</b>	<b>431,655</b>	<b>TOTAL PERSONNEL SERVICES</b>	<b>434,435</b>	<b>0</b>
3.0	3.0	3.5	3.5	Total Full-Time Equivalent (FTE)	3.5	3.5

↑ **13 Projected Actuals**

← **Expenditures Detail**