

FISCAL YEAR 2018-2019 BUDGET MESSAGE

April 17, 2018

Melissa Ince, Deputy City Manager

We are continuing our collaborative approach with the Budget Committee for the consideration and adoption of the FY 2018-2019 Budget. This approach, I believe, assures a budget that addresses the full spectrum of community needs as expressed through the City Council, Department Heads, and individual Budget Committee members.

GENERAL FUND

The General Fund has seen continuous growth over the past few years. Property tax collections are growing exponentially as a result of the consumable property at the data centers that have passed the three year abatement period. We have also received over \$325,000 in community service fees over the past two years that we have set aside for use as matching funds for one time projects. You will find those funds lumped into the General Fund operating contingency. This means we have not allocated them for a specific purpose but could access them during the year if desired.

Franchise fees and fines generated through the Port of Entry will continue to be major contributors to General Fund programs. State of Oregon revenue sharing programs also contribute to our General Fund departments and projects. Cigarette taxes continue to decline, which is ultimately a good thing. Alcohol taxes show some increase as well as state Revenue Sharing dollars.

All of these funds continue to support overall administration of the City, municipal parks, the court system, code enforcement, community development and the police department.

Overall, the General Fund budget is healthy. We will most likely see some stabilization in this area for the next year and then begin to see growth in the property tax base and collections. There is very good reason to feel that our future is bright and that we will be able to offer more programs and infrastructure to our citizens that will greatly enhance our quality of life and our appeal as a community where people will want to settle and raise families.

Some expense line items have been moved around to accurately reflect the department they belong to. The Downtown Revitalization Grant has been moved from Administration into Community Development and has increased this year from \$10,000 to \$25,000 to encourage more local businesses to improve their storefronts. Neighborhood Cleanups and Code Enforcement/Abatement has been moved into the new Code Enforcement section. In the Parks and Recreation budget we have created line items for Recreation Programs (ex: Movies in the Park) and Tree Maintenance/Programs (Arbor Day/Tree City USA requirements).

The General Fund is also where you will find several items discussed at our last workshop. The Dispatch Fees paid to Umatilla County have been increased to \$63,880 as the final part of a three year tiered increase. The Community Development budget has a line item for Engineering/Consultants. This \$85,000 covers the cost of a buildable lands inventory, initial architect work on a possible City Hall remodel and the Old Post Office building renovation, and Umatilla Downtown Corridor and Gateways study that will be a follow up to the PSU students' project. The City recently issued an RFP for IT Services. In the past, each department has had its own computer support line item. We have moved all computer support into the Capital Reserve Fund (as we previously did with building maintenance). It is our desire moving forward to

enter into a set rate contract that allows us to have IT assistance a set amount of hours every week that can be shared among departments.

WATER FUND

As we discussed at our last meeting, the Water Fund is not in great shape. Rates have not been able to keep up with rising costs and allow for large enough transfers into reserves. With aging infrastructure, we are spending our reserves faster than we can save them. The City Council will be considering a 3% water rate increase at their next meeting. This increase will allow us to pay for the mandatory upgrade to our water meter system and increase our transfer from \$75,000 to \$100,000 per year into reserves.

SEWER FUND

The Sewer Fund is in better shape but we are trying to look several years into the future. In November 2016 the City Council approved a 7 year loan from IFA for \$403,000 to complete the final design and construction bid documents for the reuse pipeline that will enable us to separate industrial wastewater from the data centers and reuse that water for irrigation purposes. The first loan payment of approximately \$61,000 is due in December. The next phase is the actual construction of the pipeline. To fund this, the City Council approved the execution of a \$2.3 million loan from the DEQ Clean Water State Revolving Fund with a 30 year repayment term. In this budget cycle we will have one interest payment of approximately \$12,000, one annual loan fee payment of approximately \$10,000 and have set aside the required loan reserve of \$49,064. These fees will be paid through separate reuse user fees which you will see as a new income line item. These funds were previously lumped in with our regular sewer user fees. By separating them out, we have reduced the amount of income that has previously been used to cover our normal sewer operating expenses. As a result, the City Council will be considering a 3% sewer rate increase at their next meeting. The last sewer increase was 2% in July 2016. This increase will allow for continued transfers to reserves of \$200,000.

STATE TAX STREET FUND

This fund has been developed to handle major maintenance projects on local streets. Due to the passage of the transportation package, HB 2017, during the 2017 legislative session, the Highway fund sharing is set to increase resulting in an increased apportionment of approximately \$56,000. This comes at great timing given the City's required match on the 6th Street Project (\$650,000) and need for overlay projects. I have allocated \$250,000 into operating contingency for a possible overlay on Columbia Street but am hesitant to use the funds before we have had a few years to rebuild the fund from the 6th Street project. That project would reduce our beginning fund balance to below \$100,000 and would be cutting the next budget cycle very tight to over personnel and operating costs.

CAPITAL RESERVE FUND

There is not much change in the Capital Reserve Fund for the upcoming budget cycle. You will find many of the high dollar capital expenditures discussed at our last meeting in this fund. Examples include the mobile notebook upgrade for the police department, dump truck and pickup for the street department, compact tractor/backhoe, zero turn mower and pickup for the parks department and Tahoe replacement vehicle. We have also increased the emphasis on park expansion/improvements and have budgeted funds for a redesign of the Kiwanis Falls intersection.

LIBRARY FUND

Our library budget remains much as it has been, with a reduced general fund contribution of \$20,000. There is a slight projected increase in the level of funding from the Umatilla County Special Library District.

REFUSE FUND

Sanitary Disposal rates increased by 7.5% effective July 1, 2016. There will be no change this year as that was designed to cover their costs of operation through 2018.

BUILDING DEPARTMENT FUND

Our building department continues to generate considerable revenue, largely due to data center construction. Many of our employees have been spending more time working on building department tasks, so their salary allocations have been adjusted to reflect the amount of time they are actually spending. The increase in personnel costs is a result of these increased allocations. In the last fiscal year, the City signed an amended agreement with the City of Hermiston which allows them to retain 50% of the plan review costs in addition to their hourly rate. This change is reflected in the increased inspector line items. A large portion of the ending fund balance was put into operating contingency to aid in the renovation of the old post office building that could house the Community Development Department.

DEBT SERVICE FUND

The last payment on our water bond will be in December 2018, at which time we will be debt free in property tax funded debt. Due to the previous reserve we will not need to levy any additional taxes to pay the loan off in this budget cycle.

TRANSIENT ROOM TAX FUND

We have seen some strength return to this fund. In the 2017-18 fiscal year, the Chamber funding method was changed so that they would receive 50% of transient room tax collected. 30% is available for City projects and 20% remains available for grant requests. The City has also transferred \$21,000 from the General Fund to provide additional Chamber support.

BUILDING RESERVE FUND

This fund is our primary debt service fund for City Hall and is financed through annual payments from Calpine as part of a tax abatement program. We have been setting extra money aside every year so that we can pay off the loan early in the final year of the Calpine payments.

WATER AND SEWER RESERVES

If the City Council approves the 3% water and sewer rate increases we will be able to transfer \$100k into water reserves and \$200k into sewer reserves. Another benefit to increased industrial development is that our SDC revenue has increased which can be a source of funding for aging infrastructure repairs. The sewer reserve fund shows a huge increase in other revenue that will be offset by the construction costs of the central park reuse and industrial reuse pipeline construction.