

2023-2024 REQUESTED BUDGET MESSAGE



April 20, 2023

TO: Budget Committee Members

FROM: Scott McClure, City Administrator and Budget Officer

Overview

Municipal Corporations have a very structured process for finance, including budget adoption. By July 1st, the City must have an approved budget and have its tax request submitted to the County seat. This requires that a City begin budget adoption sometime in March/April to meet all the notice, hearing and time frame issues required under the law.

The April 27th meeting will initiate our process, with a follow up meeting on May 11th, if needed. The Budget Committee will then finish its process by voting to recommend a budget for approval by the City Council.

Please find below my Budget Message for the Annual Budget for Fiscal Year 2023-2024, beginning July 1, 2023, as per the provisions of Oregon Budget Law (ORS 294.403):

BUDGET FORMAT AND ORGANIZATION

The FY 2023-24 City of Turner Budget for all funds and accounts totals \$13,973,550. This is similar to the 2022-23 Budget.

The Budget document is organized into 22 funds which are broadly organized into six categories: General Fund, Enterprise Funds, Special Revenue Funds, Capital Project Funds, Internal Service and Debt Service Funds.

Certain funds (General, Parks, Economic Development, Street, Sewer, Water, Stormwater) are operating funds that provide for ongoing services and have a variety of revenues and expenditures. Other funds are more focused, featuring very specific revenues, expenditures and purposes. These funds include the SDC funds, Capital funds, Housing Rehabilitation and the Debt Service Fund (Sewer & Water).

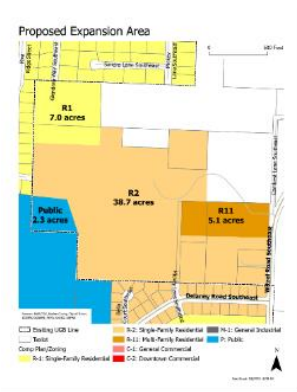
The City also manages Urban Renewal funds, which are treated as a separate budget.

The format of the finance document for the coming fiscal year (the large spreadsheet style packet) is set by Oregon law. It shows the past two years of actual expenditures, the current budget, one year of estimated expenditures for the current fiscal year and then what has been requested for next year.

Following is a review of 2022-23 organization highlights, current year overview, note on financial climate, 2023-24 highlights and a fund transfer table. The requested budget represents a wise use of resources. It maintains current services and provides funding for major capital initiatives. Please feel free to contact me before the meeting with questions or requests for additional information.

2021-2022 Accomplishments

Accomplishments for the current fiscal year include:



- New Poolhouse building installed.
- Ball Brothers Building is nearing completion.
- City’s urban growth boundary expansion is complete.
- Water pump station is under construction, with engineering completed for the water pipeline.
- City Hall Alley repaving project ready for construction.



Current Year Overview

The following table, which is shown each year, gives a summary of the major Funds (expense centers), including core functions, major revenue streams and major expenses. There are a variety of smaller funds but most of those relate to special projects and do not have associated personnel costs.

Operations Area	General Fund	Street Fund	Water Fund	Sewer Fund	Parks Fund
Core Functions	Administration Police Planning Community Development	Lights Maintenance Development	Storage Distribution Finance	Collection Finance	Maintenance Development
Major Revenue Streams	Property Taxes Franchise Fees State Funds	State Gas Tax Franchise Fees	Water Bills Development SDC's Interest	Sewer Bills Development SDC's	Park Leases Parking Fees State Revenue
Highest Cost Sectors	58% Payroll 5% Events 4% Dispatch	32% Payroll 15% Maint. 11% Lights	45% Payroll 24% Supply 4% Repairs	38% Treatmnt 32% Debt 18% Payroll	36% Payroll 21% Contracts 11% Ops

Financial Climate

The City's overall financial position is stable. Most revenues are flat as we are in a slow to no growth phase. Given normal inflation levels over the last years, this would be put us in a very good position. Alas, inflation is still very high by recent historical standards, which has had a direct impact on the City's budget.

In addition to increases for almost anything we purchase, our new labor contract (soon to be approved) features a very large first year wage increase and possible high increases in future years. Absorbing this increase has put a lot of pressure on City funds. Most operating funds are barely breaking even or slightly dipping into reserves.

On the better side of the fence, we have received a lot of funding for capital projects, some which will happen in 2023-24. Managing these projects is a challenge as grants were awarded before inflation set in, sometimes leaving projects over budget before they start.

2023-24 Budget Highlights

For expenses, most operational costs have been held very steady. This year's budget includes larger than normal increases in salaries and benefits.

A major element in the 2023-24 Budget is grant-funded projects. The City has seen a major infusion of grants, some which also require a City match. A special COVID Relief Fund now

accounts for funds provided by the Federal Government to help stimulate the economy, but isn't being tapped for specific projects for the 2023-24 fiscal year.

Cash reserves are projected to increase as some grant-funded projects were moved to FY 2023-24. The city is budgeting \$3,479,865 in reserves for this budget.

The following budget assumptions were used to develop the 2023-2024 Budget:

<u>General Financial Changes</u>	
<u>Franchise Fees:</u>	Flat
<u>Prop/Liability Insurance</u>	+16%
<u>911/Dispatch Fee</u>	Flat
<u>Property Tax Revenue:</u>	+3%
<u>New Home Construction:</u>	5 new homes
<u>Salem Utility Rate Changes</u>	
Water	+5%
Sewer	+5%
<u>Personnel Costs:</u>	
Wages	+8%
Medical	3%
Worker's Compensation	0%

Staffing Changes

The 2023-24 Budget increases the hours of the City Clerk/Executive Assistant from 32 to 40 hours a week. The Development Clerk hours were adjusted from roughly 24 hours a week to 20 hours a week.

General Fund

The General Fund is running about break even. There are no significant changes to services within this fund.

This is the second year of having three Police Officers. Previously, the City Council had agreed to increase the *Police Services Fee* from \$1.00 per month to \$3.00 per month, but did not implement this change as a third officer had not been hired. The increase to \$3.00 is included in this budget.

Event planning is now being done in house. The budget was adjusted to reflect this and to lower the budget for the 4th of July event.

Parks Funds

The Parks Fund planning project contractor to help fund features



includes a grant to do a second phase for Turner Lake Park and utilizing a with grounds maintenance. The Parks SDC improvements to David Sawyer Park.

Economic Development



The Economic Development Fund continues ongoing program activities.

Urban Renewal

The Urban Renewal District has seen some growth in assessed value and commensurate revenue. This should position the fund to be in a better position to complete projects. No specific projects are budgeted for 2023-24.

Street Funds

Gas tax revenue has rebounded from previous declines and now seems stable. Existing funds only allow for minimal maintenance of our streets. A project to install a crosswalk at 3rd and Delaney is included in the Street Capital Fund.

Flood Management

No specific projects are noted in the Flood Management Fund. Findings from the almost complete Bypass and Levee Study will need to be analyzed, with possible funding included in a future budget.

Sewer Funds

A rate increase was included in the current year budget to correct a very large imbalance in this fund. It, however, was not enough to balance the fund moving forward. A 15% rate increase is budgeted to balance this fund. Additionally, a transfer from the Rate Stabilization Fund is included to help maintain a proper contingency.

Water Funds

The Water Fund is in good shape and able to absorb a Salem rate increase for Water Supply. Major funds are included in the Water Capital Project Fund for the pump station and pipeline projects.

Stormwater Fund

The Stormwater Fund has historically been unable to cover its expenses and has required a subsidy. For FY 2023-24, an increase of the Stormwater Utility Fee from \$1.00 per month to \$2.00 per month allows the fund to cover its basic operating expenses. The major project in this fund is a stormwater line/outfall project in the downtown area.



Riverbend Fund

The Riverbend Fund will transfer funds to support the following projects:

- A loan to the Urban Renewal Fund to support a possible project
- Stormwater Fund for downtown stormwater project

Burkland Pool



Only routine operational costs are included for this fund.

TRANSFER TABLE

The following table shows the major inter-fund transfers that are anticipated during the year:

Transfer To:	Transfer From:				
	Sewer	Water	Rate Stabilization	Riverbend	Streets
General					
Parks Fund					
Economic Development					
Urban Renewal				\$150,000	
Street Capital Fund					
Sewer			\$40,000		
Rate Stabilization Fund					
Debt Service Fund	\$320,000	\$25,000			
Flood Management					
Water Capital					
Stormwater				\$150,000	
Riverbend					
Burkland Pool					