

**North Powder Budget Committee Meeting
May 24, 2021
6PM Wolf Creek Grange**

Attendance: Mayor Mike Wisdom, Councilors Logan McCrae, Vicki Townsend, Justin Wright, Mike Morse (arrived late), City Recorder Beth Wendt, Budget Officer Jason Bingham, Committee Members Sue DeHaas, Roger Townsend, Casey Townsend, David "Shorty" Schewhr, and Jeff Neilsen. Councilors Joyce Lawyer and Jeff Grende and Committee member Carolyn Flynn were absent.

Mayor Mike called the meeting to order and the Pledge of Allegiance was said. Self-introductions were made.

Mayor Mike asked for nominations for Committee Chair/President. Roger nominated Casey who respectfully declined. Sue nominated Shorty and Vicki nominated Roger. Shorty was elected.

Beth reviewed the meeting schedule. She noted that if the Committee was okay with the proposed budget it could be approved and the next meeting would be a Special Meeting of the City Council to receive the approved budget for adoption. The schedule will be reviewed at the end of the meeting to set a date for the next meeting.

Jason presented the budget message. The proposed budget is a balanced budget with the use of carryover cash. As normal, the City spent less than we budgeted for in 2020-2021 which will result in carryovers. There are some significant increases in chemicals, water testing, utilities that need to be considered for 2021-2022. The proposed budget includes some payroll increases that can be considered by the Council. The City has applied for and been approved for various grants to cover playground, streets, and Covid issues. We will also apply for additional grants that are covered in the proposed budget. Jason proposed considering an increase in sewer rates to help cover additional costs for chemicals and testing. We don't have to do it, but we will talk about it.

Jason reviewed the proposed budget beginning with the summary and cash analysis for 2021-2022. Estimated revenue in the General Fund was about \$280,000 which included estimated revenue sharing, franchise fees, interest income, property taxes, and misc. grants and donations. Payroll expenses were estimated at about \$74,000 and other expenses were \$216,000. The City proposed to overspend by approximately \$9800. Jason reiterated that we normally don't spend everything we budget and we have enough cash carry over to cover the shortage. We budgeted to overspend by \$9000 in 2020-2021 but predictions are that we will actually underspend by about \$3800.

Jason noted that he factored in a 2% wage increase plus a minimum wage increase. We paid out quite a bit of overtime in Public Works this year which makes the payroll really tight. We added a second public works extra person at 10 hours per week. Health Insurance and PERS increases were also calculated in. Logan asked if there was leeway for the Council to approve more than a 2% raise. Jason said we could actually go up to 4% without a problem. Anything more than that would go over budget. He reiterated that the budget committee only provides the opportunity for increases and it is up to the Council to actually approve them but they are tied, based on the budget.

The budget spreadsheets provided the actual numbers from 2018-2019, 2019-2020, where we stand so far in 2020-2021 and expected remaining, and the proposed budget for 2020-2022.

The beginning cash in the General Fund is proposed to be \$14,534. Proposed revenue included \$94,000 from an ARPA Grant from the federal government. Jason noted that the funds have been approved but as yet we don't know exactly how we can spend it, but we have a line item for it. Total revenue for the

General Fund is \$234,000. Ordinance enforcement was higher than it has been in the past. So was the Community Enhancement. Expenses also included spending the \$94,000 from ARPA. The budget includes transfers to the Library, Streets, Fire, and General Capital Reserve.

The Library Fund brings in a lot of grants that are pretty steady every year plus the money coming in from the General Fund. There are not a lot of operating expenses other than payroll and computer services. There is some carry over from some grants as well as new grants. There is a contingency of \$1705 that can be used for unforeseen expenses.

The Street Fund is expected to have a beginning cash balance carryover of \$113,376. The reason for the carryover is that we have been socking away funds for street repairs. Income includes money from ODOT, \$200,000 for playground grants, \$70,000 for an already approved SCA Grant plus another \$100,000 that we will apply for in 2021-2022, and \$10,000 transferred from the General Fund. We have \$85,000 cash in Capital Outlay that is ready and can be spent on street repairs. If preferred, some of that could be transferred to be spent elsewhere. We also have \$18,000 that can be used for sidewalks. Jason reiterated that we have already been approved for \$70,000 for an SCA Grant. We also have been approved for some playground grants. Logan wondered if any of the grants, including the SCA \$70,000 were “use them or lose them”. Beth said yes, but we already have plans to use them. The \$70,000 is for a two year project that will start in August. The other \$100,000 SCA grant is one we will apply for in July. Roger wondered what it would cost to redo a city block. Beth said it depends on what is done. The \$70,000 grant will cover filling in potholes this summer on 3rd & 4th Streets from Center to G and F & D Streets from 2nd to 4th, and then next summer they will be re-surfaced. We had an estimate from the Union Co. Road Department of about \$100,000 to re-do 5th Street. Beth had already mentioned to the Council that we consider filling potholes on 5th. Casey asked if we were going to add sidewalks. Beth said that hasn’t been a part of the conversation yet. She thought the next SCA Grant might be to re-do 5th Street from the bed up. She thought it would probably at least 2 years before we will be approved for another SCA grant. In the meantime, maybe we can use some of the City’s money to fill some of the worst potholes on 5th. It will be a Council decision.

The Fire Fund includes 4 payments for contracted services. We don’t know if it will happen, but a 3% increase was included. Beth noted that our contract expires in June.

Fund 52 is the savings account for the General Fund. It has been steadily building and we will start with a beginning balance of over \$261,000 and propose to add \$25,000, bringing the total to \$288,000 that can be spent for Capital Outlay. Proposed spending included \$90,000 for the purchase of the fire station, \$70,000 for remodel/repair of the building, and \$50,000 for equipment purchases. That leaves \$78,000 for future use. Jason reminded that this is a one-time shot and once the money is spent, it is gone. Roger asked what type of equipment we are considering purchasing. Beth noted that we have talked about a truck for a snowplow, dump trailer, locator and a hydro-excavator. Jason clarified that \$50,000 would come out of Streets, \$25,000 would come from water and \$25,000 from sewer. We don’t have to spend the funds, but they are available if need be. Also included in Fund 52 are the possibilities for receiving grants or a loan for the remodel of the building for up to \$1million plus \$500,000 for ARPA funds that might come from the County. Beth reiterated that the County has to figure out how they can spend that money before they can a lot any of it to the City.

Fund 55 is the Water and Sewer Savings. The beginning balance is about \$342,000 and we are proposing to transfer in about \$45,000 from water and \$35,500 from sewer. This money can be used for Capital needs for water and sewer only. The City could use some of this money toward the remodel of the fire station for City Hall because it houses and facilitates water and sewer needs. Jason didn’t really recommend doing this, but it could be done. Roger wondered if the Wastewater project was almost complete. Beth explained that we haven’t even started with the construction phase. We are hoping to receive a grant for \$2million to cover 100% of the construction.

Fund 65 includes paying off our DEQ loan. When we received the loan, we were collecting over 2% in interest. Now we are only getting .6% which is less than we are paying. Beth noted the last 2 payments are due in September 2021 and March of 2022 so it would be paid off this year anyway.

Jason reminded that water and sewer are their own enterprise funds and must sustain themselves. Even with payroll increases and additional costs for chemicals and testing, Jason thought we could get by without a rate increase in water rates this year. We have a good beginning cash balance of \$22,000 due to income from a new water line to the Rural Fire Department. Jason reviewed the expected income, which included water rates. He pointed out that in the current year we have overspent payroll for the Public Works Director due to overtime. Big Mike asked if we ever plan for overtime. Jason tries to put safeguards in. Beth added that one of the reasons for the PW Director overtime was due to the PW extra shortage. Jason noted that engineering and testing was more than past years. Beth said we have some big tests coming up this next year. Jason noted that we propose to transfer \$45,000 to savings. The reason it is so much more is due to revenue from the water line at the RFD. Even though we are proposing to be about \$2900 short, Jason didn't feel it was enough to justify a rate increase this year. It just means that we won't be putting aside as much as we should for depreciation. Beth wondered if the revenue from the RFD water line was because we bought the supplies last year but didn't get paid for it until this year. Jason thought the funds came out of Capital Outlay anyway and we are just putting it back. Roger asked if there were any big water or sewer issues coming up. Beth said other than the existing wastewater project no. We have a couple of sewer issues that we are hoping will be covered with the construction grant. But if not, we may be able to use the \$94,000 ARAP money. Jason added that a \$1 rate increase would balance the water fund.

The sewer fund is proposed to be short by \$4100 even with a \$2 rate increase. A \$3 increase would bring the fund to zero and if we do nothing, it will leave a negative balance of almost \$10,000.

Engineering and testing increased by \$10,000. Sue wondered if that was going to be an on-going expense. Beth explained that we have been doing an injection treatment at the lagoons to try to break up some of the solids so that we can maybe avoid having to dredge the ponds. Jason noted that chemicals are also up from previous years. Beth added that if the injections work the way we are hoping, that may drop another year. Jason reiterated that even with a \$2 rate increase, we are still short \$4100. Again, a negative balance means we won't be putting aside as much as we should for depreciation. Roger clarified that the Council has to make that decision. Jason noted that we budgeted to put \$35,000 into savings this year but we are only able to transfer \$31,000. It is not the end of the world if we can't transfer \$35,000, but eventually it may catch up with us.

Jason summarized that we have funds available for the building project and we could pull some from water and sewer if need be. We also have funds available for streets. Vicki thought the main thing was to work on the sewer account. Jason agreed. We need to drop expenses. One way would be to consider re-allocating payroll for Public Works. Beth didn't think we dared do that but we could shift a little bit on City Recorder. Roger felt pretty good about the proposed budget. Big Mike wondered why there were two lines for Leo Adler in the Library fund. Beth explained that one is for grant carryover and the other is for new grants that will be applied for. Roger noted that they are for specific things. Jason commented that the Library wanted to include \$200,000 for building grants. That is included in the \$1million grants in General Fund Capital Outlay. Big Mike asked about money the Library receives from the La Grande Libraries. Beth explained that is actual grant money given to the Library. Vicki asked if we needed to have a \$2 or \$3 sewer rate increase to bring the budget into balance. Jason remarked that \$2 would cover the expenses and most of the transfer to savings. The Committee doesn't approve the rate increase. That is up to the Council. We just include it in the budget so that the Council can approve it if they want to. If they chose not to do a rate increase, we just won't be able to transfer as much into savings. We just need to be aware that if we don't increase rates, it will keep following us. Justin wondered when we last increased rates. Beth said we did a \$2 increase in both water and sewer last

year. The year before was a little more than that. Justin thought we were still lower than a lot of places. Logan felt it was fair to say we are still playing catch up. He thought it would be an annual thing until we get it to a maintenance level. Mayor Mike added that is part of the reason the chemicals and testing was out of whack. Beth commented that we are hoping the injections at the lagoons will help drop the levels of solids by at least 1 foot per year so we won't have to dredge. Logan wondered if there would be a problem if we overspent from one line item in Capital Outlay. For example what happens if we spent \$95,000 on the building purchase instead of \$90,000? Jason noted that the total amount of the funds is set in stone, but not the allocation. Beth clarified that the \$4000 shortage in the sewer fund was only from income vs. expenses and had nothing to do with Capital Improvements. Jason thought we would probably have to address a water rate increase next year, but could get by without this year.

Roger made a motion to approve the budget as written for 2021-2022. Sue seconded. All were in favor.

The next meeting will be June 7th at 6:30PM prior to the regular Council meeting. Jason noted that it will be an actual Council meeting instead of a Committee meeting. It will be for the Council to adopt the approved budget. He will get the budget notice information to Beth so it can be published on Thursday.

Meeting adjourned at 7:30PM.

Respectfully submitted,

Attest:

Beth Wendt
City Recorder