

North Powder City Budget Committee Meeting
May 23, 2022
6:30PM New City Hall Building (340E Street)

Attendance: Councilors Mike Morse, Justin Wright, Joyce Lawyer, Jeff Grende, and Vicki Townsend, City Recorder Beth Wendt, Jason Bingham, Dave Hoene, Mike Wisdom, Mary Jones, & Casey Townsend. Mayor John Frieboes and Councilor Logan McCrae were absent along with Committee members David Schwehr and Brian Kotter.

Council President Mike Morse called the meeting to order. He asked for nominations for a Budget Committee President. Joyce nominated Mike Wisdom. Mike W. nominated Dave Hoene. Dave noted it was his first time at the table. Mike Wisdom was voted in as Committee President. He turned the meeting over to Jason Bingham.

Jason began with a review of the budget calendar. If the budget is not resolved at this meeting, another meeting is scheduled for June 6th. If we don't need it, we will skip to the June 20th Special Council meeting. This is the meeting that we get into detail.

Jason gave the budget message. First, we spent more than we budgeted and we are flirting with a budget violation, mostly due to inflation and overtime in payroll. We need to figure ways to cut costs for the next month. There are considerable increases in the costs of chemicals, utilities and testing. The proposed budget includes a possible 5% increase in payroll, but that is up to the Council to decide whether or not use it. We received a \$2million grant for the wastewater project and have budgeted for numerous other grants for the playground, streets, library, etc. We have money set aside for remodeling the old fire station. Jason noted that we need to talk seriously about substantial increases in water and sewer rates. The proposed budget balances, but only with the use of carryover cash. We hope we have budgeted for the worst case scenario, but the City's income is not increasing at the same rate as expenses.

Jason summarized the 2021-2022 budget. Our projected income, not including water and sewer which are separate, is just over \$182,000. Our projected expenses, including payroll, is \$193,000. So, we will be almost \$11,000 over. Usually, we don't spend everything that we budgeted, but this year we did.

The 2022-2023 summary predicts an even bigger negative number of \$22,000. Payroll is up about \$5,000 and operating expenses are expected to be up at least \$7,000. Our income is not expected to increase enough to cover the difference. Joyce noted that we have another full time employee that we didn't fully budget for this year. Jason stated that we'll need to do some budget resolutions to move contingency money into payroll expenses. Dave remarked that the biggest increase appeared to be in operating expenses. Jason said it is a little bit skewed because of the Library grants but they are covered in the income.

Payroll calculations include the possibility of 5% increases but it doesn't include enough to cover a lot of overtime. Jeff wondered if there would be advantages to paying salaries as opposed to hourly wages. Jason thought it would depend on the employee and the work they do. The payroll costs also include health insurance for full-time employees and PERS, which is about 19%, for qualified employees. Payroll is disbursed throughout the funds. Public Works is 10% general fund, 30% water, 30% sewer and 30% streets. The City Recorder is 35% general, 30% water, 30% sewer, and 5% streets.

We have estimated that we will receive about \$157,000 in General Fund income. It mainly comes from franchise taxes, property taxes, and Cigarette & Liquor taxes. Dave wondered about increasing property taxes. Beth explained that by law we can't do that. We are already at our maximum. We can lower taxes but we can't raise them. Any increases are due to tax assessments and not tax rates. Jason pointed out the General Fund portion of employee health insurance will increase by about \$1000 over 2021-2022. Utilities are a lot higher than previous years. Beth noted that part of that increase was due to having to pay utilities at the old fire station since it was purchased last July. Hopefully, once we get moved, that will drop again. Jason reiterated that we have to budget for spending any grants we might receive. If we don't budget for the

expenses, we can't spend grant funds. We included extra for ordinance enforcement, auditing and accounting, insurance, and maintenance. The General Fund will transfer money to the Library, Street, and Fire Funds. The Library does well at collecting grants but we still budgeted to transfer \$25,000 from the General Fund for operating and payroll expenses. There are a lot of grants included in the Library Fund. Some have carryover balances and others are expected new grants.

We have budgeted to transfer \$16,000 from the General Fund into the Street Fund. Other incomes are from State Revenue Sharing, ODOT, and misc. grants for streets, parks and sidewalks. Beth noted that we have two open SCA grants from ODOT. One for \$70,000 that will finish this summer and another for \$75,000 that we have until 2024 to spend. Resurfacing part of 5th Street that was done last summer was paid for from the City's reserve fund, not a grant. An additional \$200,000 is included just in case we get more grants for streets, parks, or sidewalks. Beth added that the money we receive from ODOT and the State Revenue Sharing all goes into the Street Fund. Jason pointed out that fuel and utility costs are up considerably. Beth explained that a big part of the utility cost for streets comes from the street lights. Dave wondered if the City ever considered having some of them turned off. Jeff thought that might be a potential liability. Jason noted that the City has \$26,300, in the bank, which can be used for Streets. We also have \$18,000 carryover from the Safe Routes to School project that can be used for sidewalks. We budgeted for \$300,000 in grants.

The City contracts with the Rural Fire Department for emergency services. We budgeted a 5% increase in case the City agrees to it. Beth was concerned that City isn't going to be able handle an annual increase for long. The General Capital reserve account has \$216,000. This fund is the collect all for grant income for everything except water and sewer. We are budgeting to transfer about \$17,000 into savings and we budgeted money for additional remodel for the fire station.

Jason reiterated that the total expenses for the general fund accounts is expected to exceed the income by about \$22,000. Mary asked if the City received any of the money from the federal government. Beth thought that was ARPA (American Relief Plan Act) money. So far we've received \$51,000 and are supposed to get another \$51,000. The catch is there are limitations on how it can be spent. Jason added that we included \$750,000 from ARPA but we can only spend what we get. Mike M. wondered what we can do about the \$22,000 shortage. Jason said we can use our beginning cash or just watch what we spend. Dave wondered if we set aside money for Street repairs. Beth reiterated that we put money from ODOT and State Revenue Sharing into the Street fund. The only grant funds we spent last year was for pothole repairs.

Jason stressed that water and sewer are enterprise funds that have to stand on their own. They get money from assessed fees that should pay for the system. They can pay a portion of the general operating expenses, such as utilities and payroll, but they can't take money from other accounts. The water fund is projected to start with \$13,000 beginning cash. We are projecting to take in about \$126,000 in water collections. In order to truly balance the fund, we need a \$5 per month increase. If we don't, we won't be able to put money into the reserves. Besides increased wage expenses, there are considerable increases in fuel, chemicals, insurance, and testing. The bottom line is, it will take a \$5 per month increase to balance the fund and transfer \$28,000 for depreciation into the reserve. Without an increase we will be about \$15,000 in the hole. A \$2 increase would leave us with a \$10,000 negative balance. Beth noted the current water rate is \$38.50 per month for 10,000 gallons and sewer is \$38.25 per month. Joyce suggested increasing late fees. Dave wondered if there is a limit on how much the City can increase rates at one time. Beth will check. Jason reiterated that without a rate hike we won't be able to put money into a reserve.

Jason noted that it will take a \$10 increase to balance the sewer fund. Joyce thought there were at least 3 households that are not paying enough water and sewer. Beth pointed out that water is paid according to the meter size. Even so, that is not enough to make up the shortage. Vicki wondered if a \$5 increase would help. Jason noted that \$5 would help but it would still leave us about \$14,000 in the hole. If we do nothing, we are budgeting to be \$27,000 in the hole. Expenses are up substantially. Beth remarked that if we can get the Wastewater Project done, some of those expenses should drop considerably. Jason reviewed the expenses. Total operating expenses are budgeted to be about \$71,000 as opposed to \$53,000 in 2021-2022. He strongly

advised some rate increase. Beth reiterated that the budget only allows for the possibility of a rate increase and it will be up to the City Council to decide if and how much.

The Water/Sewer Capital Improvement fund has a beginning balance of about \$400,000. This is the "savings account" for water and sewer funds. We have budgeted for the \$1.9 million grant that we already have for the wastewater project along with extra in case we need to get more grants or loans to finish the project. We also budgeted to use some of the ARPA money for water or sewer. Beth reiterated that even though we budgeted \$750,000, we have only received \$51,000 and are scheduled to get another \$51,000. We budgeted to transfer in \$38,000 from water and \$35,000 from sewer. If we can make a transfer at the end of this year, we should start with about \$35,000 available in Capital Outlay.

The Water/Sewer Improvement fund is for making loan payments. Currently we have no outstanding loans. Joyce clarified that if we have to take out a loan, we're covered to make payments without a budget violation or adjustment.

In summary, Jason reiterated that we've budgeted to over spend but we have also budgeted heavily to cover expenses that we can hopefully cut. We have beginning cash to cover, just in case. However, we still need to be mindful of expenses, particularly overtime.

Beth asked if there were any questions or concerns regarding the proposed budget. If not, the committee can approve the budget at this meeting. If there are questions or changes, we need to schedule another meeting. Jason explained that budgeting is a three step process. First is the proposed budget that he and Beth presented. Second is the committee approved budget which is presented to the council. And last is the adopted budget by the City Council. Mary Jones made a motion to approve the budget and present it to the City Council. Dave Hoene seconded. All were in favor.

Beth noted the next step will be to publish the budget before it is presented to the City Council on June 20th. Once the budget has been adopted by the Council, it will be up to them to approve any pay raises or rate increases. Dave agreed that we need to make some substantial increases but first we need to see what is legal. Jeff wondered if Jason would do a summary of his recommendations. Jason commented that he doesn't like being in the negative. Unfortunately, our base is not growing fast enough to cover increased costs. Jeff suggested an increase in overage rates. Beth didn't think that would make a big difference, but it would help.

Jeff moved to adjourn the meeting. Justin seconded.

Meeting adjourned at 8:05PM.

Respectfully submitted,

Attest:

Beth Wendt
City Recorder