



# Budget Message | FY 2020-2021

April 29<sup>th</sup>, 2020

## General Notes



Budget Season 2020 is upon us! Welcome. I want to thank you for serving as a member of the Budget Committee. The City appreciates your time and effort on this most important of tasks. Financial information can be dry and, some may find the information, challenging to grasp. I also know that the City requires members to review a lot of background information to have a deeper understanding of Council direction and to provide you with all important context.

This document, the budget message, discusses underlying budgeting mechanics, shares general assumptions used for the calculation of the budget, reviews pertinent historical decisions that have led to items included in the budget, and outlines projects included in the budget for this fiscal year. I will provide a presentation of this document that will include a review of local budget law requirements as well.

The annual Organizational Prospectus document is important to review. It will help you better understand the context of the organization's goals and objectives. The *Prospectus* includes three components: 1) the *Summary Report Card*, which reviews and grades nearly all City services, 2) the current *Council Goals* which were recently completed by Council, and 3) a *Master List* of projects and objectives that are based on the current annual budget. The Prospectus is the most important document to review in preparation for the budget committee meetings. It will provide you with the most complete picture of City responsibilities.



I also complete a monthly *City Administrator Report* for Council meeting which you may choose to review. These reports are available on-line and they detail current accomplishments, challenges and future projects, but really articulate the month-to-month happenings of Council. If anyone should want to review any other supporting documentation, please let me know. I have placed information, including the above-mentioned Prospectus, pertaining specifically to the budget on the website for your convenience. To access the on-line files, use the following address: <https://www.ci.brownsville.or.us/bc-budget>. You will also find the Oregon Department of Revenues (ODR) rules and guidelines for budgeting.

The City will face some major policy shifts over the next few years due to Federal and State policies that will be promulgated and enforced. I believe these changes will significantly impact the way the City provides essential services. Unfunded mandates and continued pre-emption of local control by the State will bring an end to an era of self-governance and Home Rule in Oregon unless there is a wide-scale movement to re-establish local control. The League of Oregon Cities is doing their part and Council has enlisted the help of the Cascade West Council of Governments to advocate on a variety of issues that are important for the survival of local governments.

Many goods and services continue to increase at percentage rates higher than the City collects in tax revenue. The cost of maintaining assets the City owns is ever growing. The City will never have enough resources to meet all the expectations from the many civic groups and citizens, and that must be remembered. The budget and Council goals are carefully considered. Council faces too many challenges and, ultimately, must make difficult policy choices on what the City will accomplish



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over a two-year period. While these goals are not “cast in stone,” Council tries it’s best to stay on task. The City has capital infrastructure challenges that are nearly insurmountable given the levels of available resources and, to this end, Council has employed several strategies and tactics to assist in addressing important needs and priorities. It is vitally important to remember that City priorities found in the Capital Improvements Plan (CIP), the Water Master Plan and the Parks Master Plan provide the guide to saying no to other special interest or agenda driven projects.

Bonds are a great financial tool. However, they are limited to voter approval and there is a concern about over saturation of the tax base. The Central Linn School District continues to find solutions for building maintenance issues. Council created the Facilities Review Committee (FRC) to review all structures in Pioneer Park and the Central Linn Recreation Center. The FRC made a recommendation to Council after a series of meetings that led to the creation of an ad hoc joint committee to discuss the future of the Central Linn Rec Center. Discussions will continue over the course of the next year. A strategic plan will be formulated. The City also has a major Water Treatment Plant expansion looming within the next six years.

Based on policies and trends over three decades, covering basic municipal functions is increasingly difficult due to limited resources coupled with unreasonable expectations placed on cities by other levels of our government. Cities will be asking tough questions to their citizenry as aging infrastructure needs become paramount. Either citizens will accept major changes and shifts in the livability of their communities or citizens will decide to pay for major systems and services that need improvement.



The only part of the local funding equation that can change is Council influence. I do think it is time for Council to actively engage elected representatives at the Federal and State level to tell the Brownsville story. Elected and appointed officials can share the Brownsville story with friends and neighbors. Officials can work to garner regional support to raise awareness of the resulting affect these policies and mandates have on local citizens. Messaging is critically important for these issues to be properly recognized by the broader community. In most cases, people just don’t know.



## Statement of Preparation



The proposed budget for fiscal year (FY) 2020-2021 for the City of Brownsville was prepared in accordance with the laws of the State of Oregon, with the general guidance of the Oregon Department of Revenue (ODR), using figures from the FY 2017-2018 and FY 2018-2019 audits prepared and provided by Boldt, Carlisle & Smith LLC. The City utilized the internal financial expenditure & revenue reports for FY ending 2018-2019, current financial expenditure & revenue reports from FY 2019-2020 through March. I have gathered information from the Linn County Treasurer and the Linn County Assessor’s Office, the Council, the Library Advisory Board, the Parks & Open Space Advisory Board and Staff.

Administrative Assistant Tammi Morrow and I attended the annual ODR training offered at Lane Community College in Eugene, Oregon in March 2020. The message delivered by ODR Staff was nearly identical to the previous year. ODR representatives continued their conversation concerning “allocated” and “non-allocated” classifications for a sixth year. ODR representatives expressed no concern over people choosing to not show these categories in their budgets. The City allocates all funds based on the area or fund to which expenditures pertain as required by State law.



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The Coronavirus Pandemic Emergency caused a lot of theoretical problems that may have to be addressed during the budget year. It is impossible to predict the impacts of the national and world economy being shut down. I took a conservative approach in keeping with the course the Budget Committee and Council have established over the last several years. Council may have to make modifications during the fiscal year if estimates are too high. We are in “uncharted waters” on this one. I just hope we don’t need a bigger boat!



## Tax Rate, Bonds, Personnel & Projections



### Tax Rate

The proposed tax rate for FY 2020-2021 is the full permanent rate limit of \$6.9597 per \$1,000 of property valuation of Assessed Value (AV) or Real Market Value (RMV) as determined by the Linn County Assessor’s Office. The result of levying the full permanent rate will yield approximately \$759,264. City revenues for FY 2020-2021 have been projected in accordance with traditional historical data, trends and practices, however, many of the entries were completed using the zero-based budgeting method and my experience over the last thirteen years preparing the City’s budget; based on the City’s financial environment with the added nuance of the pandemic. The revenues have been estimated based on many economic indicators including information from the State of Oregon, the League of Oregon Cities and the Oregon City-County Managers Association (OCCMA). Projections are based on the Social Security Administration data, trends in the housing market and overall economic conditions of the area and other general indexes that impact the actual amounts of revenue that may be collected during the year. The true market conditions after the pandemic emergency are unpredictable. The infusion of \$2.2 T dollars could have a dramatic negative impact by causing inflation and devaluing the dollar. Time will tell.



Estimates for actual tax yield and overall property valuation were provided by both the Linn County Treasurer’s Office and the Linn County Assessor’s Office. The City’s revenue projections are calculated low to prevent deficits which can lead to overspending and unwanted shortfalls. The intent of calculating revenue projections conservatively is the hope that actual collected revenue will be higher, leading to a strong carry over balance for the next fiscal year. The carry over balance makes up nearly 50% of the City’s budget from one fiscal year to the next. The State Legislature continues to cut revenues going to cities such as the State Revenue Sharing. As these and other sources of revenue dwindle due to legislative cuts, the carry over balances will become more important to protect.

Property valuation made a significant jump this year. In 2019 the City’s valuation was \$109,143,109 and this year the City’s valuation is \$115,078,388; an increase of just over 5.4%. Several factors go into this increase including higher property values and new development; due, of course, to the strong economic conditions in Oregon and the mid-valley until the pandemic. Again, the impact will mostly be felt in the valuation next year and perhaps the following year.

### Bonds

General obligation bonds are not counted toward the full permanent rate of \$6.9597 because general obligations bonds are voter approved and, thereby, exempt by law. Council successfully



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refinanced all general obligation bonds in September 2016. The City received an A- rating from Standard & Poor's which made this refinancing possible. This year the City's rating was improved from A+ to AA- in August 2019.

Significant changes were made in calculating the bonded debt three years ago due to the refinancing. The bonded debt was combined. I used a factor to determine which portion of the debt should be paid from water and which portion should be paid from sewer. The ratio is 0.1419305 for water and 0.8580695 for sewer. These figures were based on the previous percentages and calculations used by the City.

The Water Bond is levied as a lump sum amount. The total annual debt service payment for this fiscal year is \$351,852. The water portion of the payment is \$46,802. The actual amount levied is \$49,236 due to uncollectable taxes. The projection used for this calculation was provided by Linn County Assessor's Office.



The Sewer Bond is levied as a lump sum amount also. The total annual payment is \$351,852. The actual amount levied for sewer is \$41,922 to yield \$39,850. The total amount necessary to meet the obligation includes the accumulation of the monthly Debt Service Fee (\$125,000) that appears on customer bills as a \$15 Debt Service Fee, along with additional funds that have accrued over previous fiscal years that become part of the fund such as interest and uncollectable taxes. The City continues to try to narrow the gap of carry over monies collected for the bonds as shown by BCS.

## **Personnel**

The Bureau of Labor Statistics discontinued the Consumer Price Index (CPI) historically used by the City. Now, the Bureau uses CPI West Region data. The CPI (*inflation*) rose overall by 2.8% from January 2019 to January 2020. The City has historically used the Social Security COLA adjustment for salary projects. The Social Security COLA adjustment was 1.6% for 2019. The City adjusts the pay scale annually. Employees are also eligible for an additional increase based on performance, licensure and step adjustments.

CIS (City/County Insurance Services) coverage rates are all over the place for this fiscal year. Coverages for property and liability coverages increased by 22%. Workers Compensation is based on experience. Fortunately, the City has a good safety record which leads to low rates. Health care benefits are going up 5.5% this fiscal year which is lower than most previous years. Health insurance covers less each year and requires more out-of-pocket expenses to employees. Since the passage of the Affordable Care Act (ACA), these benefits have taken a serious cut without any measurable savings to the City.

## **Retirement**

The City provides two retirement plans for employees, 1) a 401 plan and 2) a 457 plan through International City County Management Association Retirement Corporation (ICMA-RC). The 401 plan is a standard, employer contribution retirement plan while the 457 plan is an optional plan that allows employees to contribute an additional amount of money into their own portfolio account. Currently, the City contributes 15% toward the 401 plan on behalf of each employee. Council passed a longevity clause three years ago that stated, "Employees who have served ten (10) years shall receive an additional five percent (5%) or a twenty percent (20%) City paid portion."





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Costs associated with Public Employee Retirement System (PERS) are extremely high. The City not being a PERS member can make it difficult to attract employees coming from the public sector. The cost to switch over to PERS would be extremely prohibitive. Council will need to monitor compensation closely to attract and retain quality employees.

The new minimum wage law continues to require adjustments to the pay scale.

### ***Earthquake Insurance***

The City continues added, additional coverage for this exposure. Due to grave predictions by the State Geologist, Oregon rates significantly increased causing CIS to not insure at previous levels causing cities and counties to seek additional coverage if they should choose to do so. The City added additional coverage of \$5 M which comes with an annual premium of over \$15,000.

### ***Department Review***

Over the last seven years, the City has successfully reorganized employee duties & responsibilities. The City implemented several organizational changes that have led to better cooperation & coordination of projects among all employees, while allowing everyone to have a broader understanding of Council goals and the mission of the City. Staff continues to execute their duties & responsibilities at a very high level. Individual staff members continue to attend annual training to keep up with programmatic and legal changes and to increase their knowledge base.



Public Works Superintendent Karl Frink along with Public Works Operators Josh Kometz, Andy Day and Chuck Brown work tirelessly to keep the utilities running, roads safe, the parks clean and the town looking as good as it can. Public Works performs a wide variety of tasks and services for the City. Mr. Frink uses contracts and contractors to meet vital needs of our citizenry behind the scenes. The City added a permanent Public Works Operator this past year. Chuck Brown filled the position. The City also employs Park Caretakers to assist with the mowing, maintenance, and the many rentals and events in Pioneer Park annually from May to September.

Administrative Assistant Jannea Deaver's primary focus is Utility Billing. Administrative Assistant Elizabeth Coleman's primary focus is Planning and Administrative Assistant Tammi Morrow handles Finances. All three are exceptional at the duties they perform for the City. They do anything and everything needed to meet deadlines and reach positive outcomes on a myriad of other tasks.

Librarian Sherri Lemhouse continues to operate and promote the library at a high level. She continues to develop and foster a strong volunteer workforce. Mrs. Lemhouse continues to provide exciting programming designed to retain and attract patrons. The Municipal Court is under the direction of Carol Humphreys. Mrs. Humphreys does a wonderful job operating the court and assisting City Hall with various duties. Judge Jessica Meyer has been great during her short tenure! The City continues the intergovernmental agreement with Linn County to provide court assistance for any absences and to be prepared for any future personnel transition.



Recent History, Explanations & Future Capital Improvements



Pioneer Park River Bank

The City spent most of 2011 dealing with the erosion of the river bank in Pioneer Park. The problem was so extensive that a restroom and a major water line that crossed the river, and served the entire west side of the City, were destroyed by the erosion caused by the flooding. The City hired River Design Group (RDG), Corvallis, Oregon, to evaluate options. RDG had extensive experience working specifically on the Calapooia River and had a thorough knowledge of the river’s hydraulic dynamics.

Many Federal & State agencies were involved in the review of the erosion situation. The City requested assistance from the Governor’s Regional Solutions team. The City also received help from State Senator Lee Beyer, State Representative Phil Barnhart, U.S. Senator Jeff Merkley and U.S. Representative Peter DeFazio. The outcome was that the City could spend about \$600,000 (2019: \$678,000), option #1, to “shore up” the river bank using the new, approved techniques for bank stabilization. The problem with this option was improvements utilizing these new techniques were “washed away” during an above average flood event. The Calapooia Watershed Council had completed two projects in the general proximity of the Park, both structures were destroyed due to slightly above average high water and flooding. The other option, option #2, was to spend over \$1.2 M (2019: \$1.356 M) to stabilize the bank to the Army Corps of Engineers standards which was the best option. The problem was cash flow.



Council decided that option #1 was too risky. The investment could be lost in any given year. Council decided that option #2 would require voters to approve a general obligation bond for such an improvement. Council did not feel that this was a financially realistic or reasonable option.

Council decided to implement a retreat strategy that would abandon the west road around the playground structure and would eventually relocate the playground structure, if necessary. Council continued this course of action at the March 28<sup>th</sup>, 2017 Council meeting.

Recent flooding has taken more river bank. Staff has included money to move the playground structure in this budget. The City once again explored options for the modification of the riverbank. Stringent regulations and costly projections continue to be too challenging to overcome financially.

Total Maximum Daily Load (TMDL) & Storm Drainage

The State of Oregon continues to require communities to invest in storm drainage and to prepare for the possible treatment of storm drainage through the Clean Water Act. On January 26<sup>th</sup>, 2016, Public Works Superintendent Karl Frink and I met with representatives from the Oregon Department of Environmental Quality (DEQ) which was caused by an article written by Alex Paul of the Albany Democrat-Herald. Staff explained all the capital improvements projects the City had completed over the last five years and outlined the backlog of projects that still require attention.





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The outcome of the discussion was that the City would rewrite the TMDL plan to suit the needs of the City. According to a drainage study performed by Lee Engineering in 1996, the City does not have a storm drainage system. Staff estimates that if the State required full implementation, it would cost the City between \$12 M and \$18 M; the project would include a collection system that would be tied into a treatment facility.

Washington Street and other storm water drainage projects have been considered over the last decade, however State Law does not allow for the cleaning of ditches all the way to the source/outfall due primarily to the strength of agriculture lobby in the State. If the City would develop a storm water utility, there would be no place for the water to go due to these limitations. Washington Street was estimated to cost \$250,000 four years ago and, unfortunately, the net effect would be severely limited. Financing such projects do not make sense because, 1) construction costs are too high, and 2) no measurable improvement to drainage for many areas of the City.

Council passed the new TMDL plan in April of 2019 and filed the annual report in January 2020.

### ***Streets***

Council has acknowledged the general condition of the transportation system several times over the last ten years. The reality is simple. Road construction in the past consisted of putting asphalt over rocks and, in some cases, dirt. Road bases were not constructed to any known acceptable standard. The result is that many of the City's streets are crumbling. Without the proper drainage infrastructure in place, it makes it next to impossible to improve the roads properly due to the associated costs associated of such an endeavor. The City has been replacing asphalt in certain areas where drainage does exist. The City cannot afford to reconstruct the roads properly without assessing massive costs to abutting property owners through the local improvement district (LID) process or other financial formula.

### ***Water Treatment Plant Bond***

The Budget Committee and the Council have acknowledged the need for a bond for a new Water Treatment Plant, improvements to the City's distribution system and for a new \$1.1 M reservoir. The total costs associated with this upgrade will be between \$4 to \$6 million. Planning for this major improvement should begin in the year 2025.

### ***Utilities***

Council has been working diligently on the implementation of a capital improvements plan that is focused on fixing major issues with the water distribution and the wastewater collection systems. Highlights over the last few years have included the construction of the Millhouse Sanitary Sewer, the S. Oak Street Water Line, the School Avenue Water Line, the Averill Street Water Line, the Calapooia Crossing Water Line, and the redevelopment of the GR 12 wellsite which is projected to provide enough water rights for the next thirty (30) years and, most recently, the Robe Street Water Line. Council needs to begin planning for the water line extension from the GR 12 well site to the Water Treatment Plant. The major project slated for this fiscal year is the Downtown Sewer Reconstruction Project.





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## ***Buildings, Equipment & Property***

Council has also worked heavily in these areas taking care of City Hall, the Central Linn Recreation Center, the Library, Pioneer Park and adding key pieces of equipment like a new backhoe and a needed service truck. Council has also contemplated acquisitions that could have had considerable implications on the General Fund. The City just purchased a new dump truck replacing the 1986 dump truck, added two mowers, and a service truck. The budget includes funds for the purchase of a used vactor truck and possible a grader.

## **What is in this Budget?**

### ***Projects***

#### **GENERAL FUND**

- ✓ Park Rock | p. 4 \$ 5,000
- ✓ Park Utilities Relocation | p. 4 \$ 5,000
- ✓ Future Playground | p. 4 \$ 60,000
- ✓ Park Board: Remington Park | p. 4 \$ 20,000
- ✓ Pioneer Park & Rec Center Facilities Reserve | p. 4 \$ 800,000
- ✓ Library Improvements Schedule | p. 6 \$ 18,000
- ✓ Backup Generator City Hall | p. 8 \$ 20,000
- ✓ Land Use Inventory | p. 8 \$ 30,000



#### **WATER FUND**

- ✓ Re-investigate Water Plant Generator | p. 11 \$ 7,500
- ✓ Water Management & Conservation Plan | p. 12 \$ 20,000



#### **SEWER FUND**

- ✓ Downtown Sewers | p. 16 \$ 400,000



#### **SEWER SDC FUND**

- ✓ Seven Mile Lane Sewer | p. 27 \$ 180,000

#### **STREET FUND**

- ✓ Center Street Improvements | p. 19 \$ 50,000
- ✓ Street Signs | p. 19 \$ 3,500
- ✓ Sidewalk Program | p. 19 \$ 10,000

#### **COMMUNITY PROJECTS**

- ✓ City Hall Improvements | p. 35 \$ 35,000
- ✓ Beautification [Code Enforcement] | p. 35 \$ 20,000

## ***General Membership Assumption***

I assume that each Budget Committee Member has a general working knowledge of the City's Capital Improvements Plan (CIP), the history of the Water & Sewer bonds, some of the major issues facing the City in terms of Water Rights, the Department of Environmental Quality (DEQ) & Oregon





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Health Authority (OHA) rules, and Land Use Planning issues to mention a few key, fundamental issues during our annual, on-going funding discussions.

Further, an understanding of the general maintenance to the many municipal owned facilities including, but not limited to, all municipal infrastructure and the overall operations for which the City is responsible along with a firm understanding of the importance of protecting, building and maintaining the City treasury. Everyone should know the City is responsible for, 1) Water, 2) Sewer, 3) Deferred Capital Improvements, 4) Treasury Health, 5) Parks, 6) Streets, 7) Contract Administration, 8) Personnel, and 9) General & Existing Services to name a few. The City is fortunate to have a veteran group of volunteers working on the budget.



### Conclusion



The City remains in good financial standing and has continued to grow the treasury over the last thirteen fiscal years due to conservatively forecasting revenues and running operations as efficiently as possible while completing major capital improvements. The City has utilized these conservative budgeting methods for three primary reasons, 1) existing debt requirements, 2) limited available resources, and 3) as an attempt to build the treasury to self-fund capital improvements.

Brownsville should continue a very slow, conservative approach to financial management while continuing an active Capital Improvement Plan to improve and upgrade assets. The end goal must be to ensure a prosperous financial future while executing a strategic capital infrastructure program.



Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "SM".

S. Scott McDowell  
City Administrator & Budget Officer