



Budget Message | FY 2024-2025

April 18th, 2024

Welcome

Welcome to Budget Season 2024! Thank you for serving on the Budget Committee. I appreciate all your time, effort, and help on this most important City task. I know financial information can be dry, who doesn't know that? City financial planning includes a host of policy decisions that have been set by Council. Expenditures often spread through several budget cycles to accomplish policy directives and community goals. The City requires members to review a lot of background information, so you have a working understanding of Council's direction, intentions, and goals. Context is vitally important to help you in your role as a Budget Committee member.

General Membership Assumption

I assume that each 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 Health Authority (OHA) rules, and Land Use Planning issues to mention a few key, fundamental issues during our annual, on-going financial 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 just a few. The City is fortunate to have a veteran committee.



The annual Organizational Prospectus document is an important contextual piece that members should review. It will help you better understand 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 and funding priorities.

Monthly, I also complete my *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 for 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.

Finally, 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



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for this fiscal year. I will give a presentation of this document that includes a review of local budget law requirements as well.

Policy, Plans & Advocacy

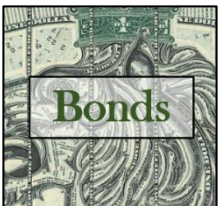
The City is facing major policy shifts and push from Federal and State agencies that are now being enforced such as the Total Maximum Daily Load (TMDL) regulations. I believe these changes will significantly impact the way the City provides essential services in the future. Federal unfunded mandates, State unfunded mandates, and continued pre-emption of local control by the State continue to threaten the Home Rule provision found in the Oregon Constitution. Ultimately, unless there is a wide-scale movement to re-establish local control, the era of local self-governance could become a thing of the past.

The budget and Council goals are carefully considered multiple times throughout any given year. Council faces too many challenges and, ultimately, must make difficult policy choices on what the City will accomplish over a two-year period. While these goals are not “cast in stone,” Council does its’ best to stay on task with many interruptions from the State government whether it be the State Legislative Assembly or the plethora of bureaucratic agencies and offices of the State that continue to use cities to reach their objectives. 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 critically important to remember that City priorities found in the Capital Improvements Plan (CIP), the Water Master Plan and the Parks Master Plan provide a clear guide to stay on course with public spending to ensure maximum value for every tax dollar. The cost of maintaining City owned assets is ever growing. Goods and services continue to increase at rates that outpace tax revenue, especially considering the worst inflation in forty (40) years during the last few years. The financial planning documents and tools also serve as a basis for officials to say no to other special interest, agenda driven projects. The City will never have enough resources to meet all the expectations of the many civic groups and citizens, and that cannot be overlooked.

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. Locally, the Central Linn School District recently resumed exploring solutions for building maintenance issues and are struggling to strike a balance that is palatable to the public. The City saved for many years to successfully renovate the Rec Center. The City also has a major Water Treatment Plant expansion looming along with a newly developing need for a Wastewater Lagoon at the South Wastewater Treatment Plant. It is also worth mentioning that the Water Treatment Plant is slated for a major overhaul in the very near future. Council is also contemplating options about Kirk Avenue and the replacement of the pavilion in Pioneer Park.



Based on policies and trends over three decades, covering basic municipal functions is increasingly difficult due to limited resources coupled with unreasonable expectations for additional services, or taking on societal problems that the State of Oregon continues to lay at the feet of cities. Cities will be faced with tough decisions concerning aging infrastructure as those needs will become paramount due to age and possible failure of that infrastructure. Either citizens will accept and meet



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major increasing costs to continue providing the myriad of services City government provides or there will be significant changes to the livability of their communities.

The only part of the local funding equation that can change is Council influence. I will encourage Council to continue actively engaging 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. Knowledge of our infrastructure challenges can be powerful in focusing the efforts of our community. Officials can work to garner regional support and raise awareness of the resulting effect these policies and mandates have on local citizens with the help of Small Municipalities Advocacy Coalition (SMAC). Messaging is important for these issues to be properly recognized by the broader community. Sharing the right information at the right time is key.

Statement of Preparation

The proposed budget for fiscal year (FY) 2024-2025 for the City of Brownsville was prepared in accordance with the laws of the State of Oregon, with general guidance from the Oregon Department of Revenue (ODR) and using figures from the FY 2022-2023 audit report prepared by SingerLewak. The City utilized the internal financial expenditure & revenue reports for FY ending June 2023, current financial expenditure & revenue reports from FY 2023-2024 through March. I have gathered information from the Linn County Treasurer and the Linn County Assessor's Office, Council, the Library Advisory Board, the Parks & Open Space Advisory Board, and Staff.

Administrative Assistant Tammi Morrow and I attended the annual ODR training in Albany. The message delivered by ODR Staff was identical to the previous four years. ODR representatives continued their conversation concerning "allocated" and "non-allocated" classifications for a ninth year. ODR representatives expressed no concern over people choosing not to 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. ODR Staff went as far to say that the State forms were not required.



Tax Rate, Bonds, Personnel & Projections

Tax Rate

The proposed tax rate for FY 2024-2025 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 \$1,025,162. City revenues for FY 2024-2025 have been projected in accordance with traditional historical data, trends, and practices. Again, inflation is a budget wrecker. Costs have increased in every area. As per usual, many of the entries were completed using the zero-based budgeting method and my experience over the last seventeen years preparing the City's budget.



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, the Western CPI, 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.



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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 Assessor's Office just completed re-evaluations of all Linn County properties. 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 carryover balance for the next fiscal year.

Generally, the carryover balance should make up nearly 50% of the City's budget from one fiscal year to the next. However, due to savings for the Rec Center Renovation project, the City has experienced higher than normal carry-over amounts for the last several fiscal years. The State Legislature continues to cut revenues going to cities known as State Revenue Sharing. As these and other sources of revenue dwindle due to legislative cuts, the carryover balances will become more important to protect.

Property valuation made another significant jump this year. In FY 2023, the City's valuation was \$144,117,763. The valuation used for this budget sits at \$154,564,308 which represents a 9.3% increase. Several factors go into this increase including higher property values, new development, and the aforementioned Linn County Assessor's Office reevaluation of properties. The Fed continues to raise interest rates which has led to a slowing down of the housing market. The State is investing heavily in apartment complexes which is creating an uneven dynamic in communities across Oregon.

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 State law. Council successfully refinanced all general obligation bonds in September 2016. Council also refinanced the OECD loan through Government Capital that saved the taxpayers over \$20,000 over the remaining life of that instrument in February 2022. 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 and remained the same during the City's latest review in October 2022.



Significant changes were made in calculating the bonded debt seven years ago due to the refinancing. The City was paying off Water Bonds from 1996 and Sewer Bonds from 2007. When the City refunded the bonds in 2016, the new bonded debt was combined. I employed a factor to determine which portion of the debt should be paid from water and which portion should be paid from sewer based on years of debt and debt loading considerations. The ratio is 0.1419305 for water and 0.8580695 for sewer.

All bonds are levied as a lump sum amount as allowed by State law. The total annual debt service payment for this fiscal year is \$347,230. The water portion of the payment will be levied this year. The two years, the City paid from previously collected revenue. The amount due is \$46,319.



The actual amount levied for sewer is \$183,050 to yield \$175,000. The total amount necessary to meet the obligation includes the accumulation of the monthly Debt Service Fee (\$145,000) 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



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uncollectable taxes. The City continues to manage the gap of carry over monies collected for the bonds as shown annually by SingerLewak in the audit report.

Personnel

The Bureau of Labor Statistics provides the Consumer Price Index (CPI). The City uses the CPI West Region data. The CPI (*inflation*) rose overall by 3.2% from March 2023 to March 2024. Overall, prices are up 17.2% over the last three years. The City has historically used the Social Security COLA adjustment for salary projects. The Social Security COLA adjustment was 3.2% for 2023. The City adjusts the pay scale annually. Employees are also eligible for an additional increase based on performance, licensure, and step adjustments. Employees have received COLA's only for the last several years.

CIS (City/County Insurance Services) coverage rates are all over the place for this fiscal year. Insurance coverage increased as follows: 1) Property, General Liability (*Up 18.9%*), 2) Cyber (0%), and 3) Auto (*Up 21.53%*). Workers Compensation is based on experience. Fortunately, the City has a good safety record which leads to low rates, but we are still awaiting word from SAIF on projected rates. Health care benefits are up 11.5%. CIS told cities to project 16%. It is important to note that health insurance covers less each year and requires more out-of-pocket expense to employees which is an unwanted outcome from the Affordable Care Act (ACA). Property, General Liability and Auto have risen nearly 60% over the last three years. The State Legislative Assembly is the cause. They have increased tort limits and opened public exposures exponentially. The recent attack on Recreational Immunity could end the way cities, counties, and the State itself, provide recreational opportunities.



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) who recently changed their name to MissionSquare. 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."



The City is not a member of Public Employee Retirement System (PERS). The City could never afford to become a member of PERS due to the extreme costs associated with that program. With the City not being a PERS member, it presents certain challenges when trying to attract or recruit employees from the public sector. Employees who are already members of PERS do not want to "start over" with a different retirement plan. The City Administrator closely monitors compensation to attract and retain quality employees.

The new minimum wage law continues to require adjustments to the pay scale which haven't translated over the last two years due to the enormous costs associated with nation-wide inflation.



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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 \$23,000.

Department Review

Over the last nine 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 continue 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 also employs Park Caretakers to assist with the mowing, maintenance, and the many rentals and events in Pioneer Park held annually from May through 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 the Linn County Justice Court via intergovernmental agreement with Linn County.

Recent History, Explanations & Future Capital Improvements

Pioneer Park Riverbank

The City spent most of 2011 dealing with the erosion of the riverbank 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:



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\$678,000), option #1, to “shore up” the riverbank 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 (2021: \$1.8 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 decided to purchase new playground equipment due to the high associated costs of moving existing equipment.

Council recently considered the riverbank during the goal setting session in January. The costs continue to grow and with other priorities the Council will continue to monitor the situation and retreat as needed.

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 26th, 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 improvement projects the City has completed over the last five years and outlined the backlog of projects that still require attention.



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 does not make sense because, 1) construction costs are too high, and 2) provides 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 2023. The City received a letter in February 2021 from the Department of Environmental Quality (DEQ) explaining that they will be issuing findings and orders on communities who do not



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implement the program as they see necessary, naming the City a Designated Management Agency (DMA). The Department of Environmental Quality (DEQ) also required the City to create a new plan that meets the State's parameters although the State never shared those parameters. The City hired Dyer Partnership to complete the plan. The plan has been recently approved by the State. Staff is determining the associated costs for this unfunded mandate.

Streets

Council has acknowledged and attempted to address the general condition of the transportation system many 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 costs associated with 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.

Council spent time discussing Kirk Avenue at several public meetings through the years. Each home abutting Kirk Avenue would be assessed more than \$40,000 for those improvements to be completed. Currently, the City does not have the up-front money to make those improvements due to other needs.

Water Treatment Plant, Distribution & Sewer Lagoon 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 1.8 M reservoir. The total costs associated with this upgrade will be between \$5 to \$7 million. Planning for this major improvement should begin in the year 2027 or 2028 due to recent issues requiring more immediate attention. The City is also looking at the installation of an additional wastewater lagoon due to design limitations of the current plants. The City is also trying to solve the chemical treatment problem caused by the Federal & State governments. Basically, the regulations are starting to force the private market to not carry sulfur dioxide which is the chief treatment chemical of the City's designed process. Staff is reviewing calcium thiosulfate as an alternative. The City Engineer is reviewing the process to determine how the City will be able to meet treatment parameters contained in the National Pollutant Discharge Elimination System (NPDES) issued by the United States Environmental Protection Agency (EPA).



Utilities

Council has been working diligently on the implementation of their 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 Downtown Sanitary and Waterline project, 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 the Robe Street Water Line. Council is in the process of completing the GR12



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water line and pump station improvement to connect the GR 12 well site to the Water Treatment Plant.

Buildings, Equipment & Property

Council has also worked heavily in these areas taking care of the City Shop, City Hall, the Library, and Pioneer Park. Council also just finished the long-awaited renovation to the Rec Center. The budget includes funds for the purchase of a used Vactor™ truck and a grader.

What is in this Budget?

Projects

GENERAL FUND

- ✓ Park Rock | *p. 4* \$ 10,000
- ✓ Rec Center Landscaping | *p. 4* \$ 30,000
- ✓ Playground Relocation | *p. 4* \$ 100,000
- ✓ Library E-Books & Circulation Software | *p. 6** \$ 7,500
- ✓ Library Improvements Schedule | *p. 6* \$ 64,000
- ✓ Land Use Inventory | *p. 8* \$ 45,000

BUILDINGS & EQUIPMENT FUND

- ✓ Grader & Vactor | *p. 23* \$ 165,000

DEBT SERVICE

- ✓ RCRP Gap Financing | *p. 20* \$ 60,000
 - ▶ Moved from General Fund

COMMUNITY PROJECTS

- ✓ Replenish Past Expenditures | *p. 35* \$ 30,000
 - ▶ Moved from General Fund

CEMETERY TRUST FUND

- ✓ Auditor Correction | *p. 31* \$ 85,322

WATER FUND

- ✓ GR 12 Engineering | *p. 11* \$ 20,000
- ✓ GR 12 Waterline Construction | *p. 12* \$ 50,000
- ✓ Water Management & Conservation Plan Implementation | *p. 12* \$ 55,000

SEWER FUND

- ✓ New SWWTP Lagoon Engineering | *p. 15* \$ 60,000
- ✓ New TMDL DMA Requirements | *p. 15* \$ 20,000
- ✓ Sewer System Repairs | *p. 16* \$ 75,000



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SEWER SDC FUND

- ✓ Reserved Sewer | *p. 27* \$ 500,000
 [New Lagoon & Chemical Change]

STREET FUND

- ✓ Street Improvements | *p. 19* \$ 15,000
- ✓ Street Sweeping Contract | *p. 19* \$ 12,500
- ✓ Street Painting | *p. 19* \$ 22,500
- ✓ Street Signs | *p. 19* \$ 7,500
- ✓ Sidewalks | *p. 19* \$ 5,000
- ✓ Mill Race Pump Replacements | *p. 19* \$ 40,000

STORMWATER SDC

- ✓ New Stormwater Improvements | *p. 28* \$ 250,000

COMMUNITY PROJECTS

- ✓ City Hall Improvements | *p. 35* \$ 15,000
 - Security | *p. 35*
 - Other Improvements | *p. 35*
- ✓ Beautification [Code Enforcement] | *p. 35* \$ 20,000
- ✓ Tree City Requirement | *p. 35* \$ 12,000
- ✓ Partnerships [Partial] | *p. 35* \$ 10,000

Conclusion

The City remains in good financial standing and has continued to grow the treasury over the last seventeen 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. The results show their worth. Every member of the Budget Committee, Council and Staff has demonstrated tremendous financial stewardship handling municipal funds through the years. Fiduciary responsibility is the paramount measure of a local government as it allows for services to be continuously delivered, and without interruption to our citizenry.

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,

S. Scott McDowell
City Administrator & Budget Officer