



Budget Message | FY 2021-2022

April 29th, 2021

Welcome

Budget Season 2021 is here! The City thanks you for serving as a member of the Budget Committee. I appreciate your time, effort and help on this most important of City tasks. Let's face it, financial information can be dry. City financials include a lot of policy decisions made by Council and expenditures may spread through several budget cycles to accomplish community goals. The City does require members to review a lot of background information to get a handle on Council direction. 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. 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.

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.

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

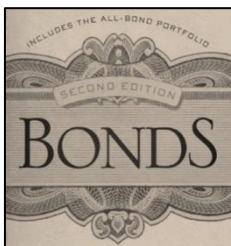
The City is facing major policy shifts and push from Federal and State agencies that are now being enforced such as the Total Maximum Daily Load (TMDL) regulations. I believe these changes will significantly impact the way the City provides essential services in the future. Federal unfunded mandates, 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 be 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. 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.

Advocacy

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 assets the City owns is ever growing. Goods and services continue to increase at rates that outpace tax revenue. The financial planning documents and tools also serve as a basis for officials to say no to other special interest or agenda driven projects. The City will never have enough resources to meet all the expectations from the many civic groups and citizens, and that should not 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. The Central Linn School District continues to find solutions for building maintenance issues and are struggling to strike a balance that is palatable to the public. 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 were suspended due to the pandemic lockdown, but Council will formulate a strategic plan. The City also has a major Water Treatment Plant expansion looming.



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 certain organizations continue 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 major changes and shifts in the livability of their communities or citizens will decide to pay for major systems and services that require improvements.

The only part of the local funding equation that can change is Council influence. I encourage Council to actively engage elected representatives at the Federal and State level to tell the



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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 affect these policies and mandates have on local citizens. Messaging is important for these issues to be properly recognized by the broader community. Sharing is key.

Statement of Preparation

The proposed budget for fiscal year (FY) 2021-2022 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 2018-2019 & FY 2019-2020 audit reports prepared by Boldt, Carlisle & Smith LLC. The City utilized the internal financial expenditure & revenue reports for FY ending 2019-2020, current financial expenditure & revenue reports from FY 2020-2021 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 on-line this year due to the pandemic. The message delivered by ODR Staff was identical to the previous two years. ODR representatives continued their conversation concerning "allocated" and "non-allocated" classifications for a seventh 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.



The Coronavirus Pandemic has taken an emotional toll on nearly everyone. Many individuals have experienced a significant financial burden for a variety of reasons over the course of the last year. With that said, folks have paid their utility bills at the same performance rates as normal years. Fortunately, Brownsville does not rely on money generated by tourism such as transient room taxes, sales taxes or other service-related taxes or fees to support operations. Council has carved out funds to be available for emergency purposes, but so far, we have been able to manage additional costs thanks to the CARES Act reimbursement monies.

Tax Rate, Bonds, Personnel & Projections

Tax Rate

The proposed tax rate for FY 2021-2022 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 \$803,232. City revenues for FY 2021-2022 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 fourteen years preparing the City's budget and based on the City's financial condition 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, the



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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.

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. Generally, the carry over balance should make 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 known as 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 another significant jump this year. In 2020, the City's valuation was \$115,078,388 and this year the City's valuation is \$122,388,050; an increase of 5.97%. Several factors go into this increase including higher property values and new development. Strong economic conditions in Oregon and the mid-valley have not totally faded during the pandemic. Again, the impact will mostly be felt in the valuation next year and perhaps the following year. I am also concerned that with construction costs through the roof, that Oregon will start seeing the housing market slow. Experts are also concerned about an economic crisis due to the massive amounts of money Congress has put into the economy due to the pandemic.

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 OECDD loan through Government Capital that saved the taxpayers over \$20,000 over the remaining life of that instrument this past February. 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. The City's status is slated for review in 2022.



Significant changes were made in calculating the bonded debt four 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 \$345,940. The water portion of the payment will be paid from previously collected revenue. The actual amount to be paid is \$46,248.

STANDARD & POOR'S

The Sewer Bond is levied as a lump sum amount also. The total annual payment is \$345,940. The actual amount levied for sewer is \$138,433 to yield \$131,590. 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 manage the gap of carry over monies collected for the bonds as shown annually by BCS in the audit report.



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 1.6% from January 2020 to January 2021. The City has historically used the Social Security COLA adjustment for salary projects. The Social Security COLA adjustment was 1.3% for 2020. 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. Insurance coverages increased as follows: 1) Property & General Liability by 8%, 2) Auto by 12%, 3) Tort by 10%, and Cybersecurity by 26%. Workers Compensation is based on experience. Fortunately, the City has a good safety record which leads to low rates. CIS recently announced that they would transfer coverage to SAIF. Health care benefits are staying flat this fiscal year which is unheard of. It has never happened in all my years in public service. It is important to note that health insurance covers less each year and requires more out-of-pocket expense to employees, an unwanted outcome from the Affordable Care Act (ACA).



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. By the City not being a PERS member, it presents certain challenges when trying to attract or recruit employees coming 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 and Council continue to closely monitor compensation 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 \$18,000.

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



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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 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 Carol Humphreys. Mrs. Humphreys does a wonderful job operating the court and assisting City Hall with various duties. Judge Jessica Meyer has been great for the City. 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 (2021:





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\$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 improvements projects the City had 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 2021. 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 implement the program as they see necessary.

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



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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.

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 \$5 to \$7 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 and the installation of the GR 12 water line.



Buildings, Equipment & Property

Council has also worked heavily in these areas taking care of City Hall, the Central Linn Recreation Center, the Library, and Pioneer Park. The budget includes funds for the purchase of a used vector truck and a grader.

What is in this Budget?

Projects

GENERAL FUND

- ✓ Park Rock | p. 4 \$ 5,000
- ✓ Future Playground | p. 4 \$ 180,000
- ✓ Remington Park | p. 4 \$ 60,000
- ✓ Pioneer Park & Rec Center Facilities Reserve | p. 4 \$ 1,000,000
- ✓ Library Improvements Schedule | p. 6 \$ 24,000
- ✓ Backup Generator City Hall | p. 8 \$ 20,000
- ✓ Land Use Inventory | p. 8 \$ 30,000
- ✓ Seismic Study | p. 8 \$ 12,000
- ✓ Copy Machine (Split) | p. 8 \$ 15,000



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WATER FUND

✓ GR 12 Engineering <i>p. 11</i>	\$ 65,000
✓ GR 12 Waterline Construction <i>p. 11</i>	\$ 125,000
▸ SDC <i>p. 26 Stay in Place</i>	\$ 25,000
▸ WSR <i>p. 24 Stay in Place</i>	\$ 50,000
▸ B & E <i>p. 23 Transfer</i>	\$ 40,000
✓ Water Management & Conservation Plan <i>p. 12</i>	\$ 20,000

SEWER FUND

✓ Downtown Sewers <i>p. 16</i>	\$ 525,000
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SEWER SDC FUND

✓ Reserved Sewer <i>p. 27</i>	\$ 200,000
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STREET FUND

✓ Street Improvements <i>p. 19</i>	\$ 50,000
✓ Street Sweeping Contract <i>p. 19</i>	\$ 8,600
✓ Street Signs <i>p. 19</i>	\$ 3,500
✓ Sidewalks <i>p. 19</i>	\$ 10,000

BUILDINGS & EQUIPMENT FUND

✓ Grader & Vector <i>p. 23</i>	\$ 125,000
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COMMUNITY PROJECTS

✓ City Hall Improvements <i>p. 35</i>	\$ 40,000
▸ Window Rehabilitation <i>p. 35</i>	
▸ Community Room Carpet <i>p. 35</i>	
▸ Security <i>p. 35</i>	
✓ Beautification [Code Enforcement] <i>p. 35</i>	\$ 20,000

Conclusion

The City remains in good financial standing and has continued to grow the treasury over the last fourteen 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. Every member of the Budget Committee, Council and Staff has demonstrated tremendous financial stewardship with municipal funds through the years. Fiduciary responsibility is the paramount measure of a local government as it allows for services to be delivered continually 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.



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Respectfully Submitted,

A handwritten signature in blue ink, appearing to be "SM", representing S. Scott McDowell.

S. Scott McDowell
City Administrator & Budget Officer