



BUDGET MESSAGE

Fiscal Year 2018-2019

TO: Budget Committee
FROM: Brian Latta, City Administrator
DATE: May 2, 2018
RE: City of Harrisburg Budget &
Harrisburg Redevelopment Agency Budget

Thank you for volunteering your time, energy, and expertise to the City's budget process. You will be asked to consider the budgets for the next fiscal year for the City of Harrisburg and for the Harrisburg Redevelopment Agency (HRA). The fiscal year goes from July 1, 2018 through June 30, 2019. The HRA is a separate entity and therefore has its own budget. The Budget Committee for the City also serves as the Budget Committee for the HRA.

Per ORS 294.403, a budget message is presented to the Budget Committee explaining the budget document, describing proposed financial policies, highlighting important features of the budget, explaining significant changes to the budget, and identifying major changes in financial or accounting policy and practice. The Finance Officer and City staff has prepared a proposed budget. It is your responsibility to review it and make changes you think are appropriate.

Keep in mind these basic municipal budgeting principles:

- The complete City budget is divided into funds.
- Some funds, called "Enterprise Funds", are required to be self-supporting. These funds include the Water fund and the Sewer fund.
- The City budget is required to be balanced. The amount of money shown on the expense side must equal the amount shown on the revenue side.
- The City cannot spend more money in a fund than is actually available.

You have been provided a copy of the proposed City budget and the HRA budget. At the beginning of each fund are a chart, table, and narrative statement that summarize describe the proposed revenues and expenditures for the fund. These tools also give a historical comparison of the last three years financial position to help determine the needs for fiscal year 2018-19 and future budget years. As they say a picture paints a thousand words and that is the idea behind using charts, tables and the narrative summary.

In the Budget document, the revenue table headings are **BLUE** while the expenditure table headings are **GREEN**. The expenditure table is further broken down into Object Classifications and Expenditure Detail. Expenditure Details are the line item expenses or the details of the budget. Object Classifications are simply Expenditure Details arranged by organization unit or program. Examples of Object Classifications in the City's Budget document are Personnel Services, Materials and Services, Capital Outlay, Debt Service, Inter-fund Transfers, and Contingency. It is worth noting that in the General, Water and Sewer funds the Materials and Services Object Classification includes a lot of detail and therefore are broken down into several 'subcategories'. It is also important to understand when budgeting that it is acceptable, although not encouraged, for expenses to exceed the amount identified in the Expenditure Detail of a specific line, as long as the total expenditures do not exceed the amount budgeted in the Object Classification. See diagram 1 below which shows the difference between a Fund, Object Classification, and Expenditure Detail.

**CITY OF HARRISBURG
PROPOSED BUDGET: 2018-2019**

General Fund (10) ← **FUND**
BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY

GENERAL FUND (10): REQUIREMENTS

2 yrs ago Actual 15-16	Prior year Actual 16-17	Current Budget 17-18	REQUIREMENTS FOR: ADMINISTRATION	Proposed Budget 18-19	Approved Budget 18-19	Adopted Budget 18-19
PERSONNEL SERVICES ← OBJECT CLASSIFICATION						
222,532	229,833	262,442	ADMINISTRATION WAGES	267,225	0	0
0	0	5,500	ADMIN OFFICE ASSISTANCE	5,500		
15,300	4,800	7,200	COURT WAGES	7,200		
242	237	273	ADMIN UNEMPLOYMENT TAXES	279		

← **EXPENDITURE
DETAIL**

Diagram 1

City's Strategic Plan:

The City Council annually reviews and adopts a 5-year Strategic Plan for the City. The Strategic Plan lays out the Council goals and priorities for the upcoming fiscal year. The following are the Council priorities for FY 2018-19:

Table 1: Council Priorities

Objective / Action #	Description
Objective 8	Provide safe and accessible streets and sidewalks for the entire community, by seeking temporary and permanent funding opportunities.
Actions	<i>Create and implement budget policies that increase the street maintenance fund. Seek alternative permanent street funding options.</i>
Objective 14	Effectively and efficiently design, build and operate any conventional Water Treatment Facilities that Harrisburg's citizens need, want, and are

Objective / Action #	Description
	willing to support to provide the highest quality drinking water.
<i>Actions</i>	<i>Acquire financing, design, and construct the \$7.5 million water system improvement project approved by the Harrisburg voters.</i>
Objective 22	Create and maintain a dialogue between city officials, developers, and local businesses in regards to things that the City can do to encourage private investment and development; respond to all economic development information requests.
<i>Actions</i>	Maintain strong interoffice communication to deliver prompt and accurate responses to economic development information requests. Actively engage developers and the business community to encourage private investment.

The budget has been prepared with these Council priorities in mind. For example, the Water Fund will receive a \$350,000 inter-fund loan from the Sewer Reserve fund to finance the 1st year’s surveying and engineering work on the Water Improvement Project. Also, budget policies have been incorporated reducing the amount of personnel services in the Street fund, as well as a \$130,000 transfer from the General fund to the Street fund for Street Maintenance.

Changes to the Budget:

There are no major changes to the structure of the City or HRA budget documents. All actively used funds are still being used, and no new funds have been added.

Budget Highlights:

1. Assessed Property values for our City increased this year as per the Linn County Tax Assessor’s office. This results in a property tax revenue increase from last year.
2. Residential construction activity in Harrisburg is still relatively slow, however we have seen some commercial and industrial construction activity.
3. The City received a \$400,000 Community Development Block grant for a low-income house repair program for residents in Linn County. The City will be the fiscal agent for this grant award, and households inside and outside of Harrisburg may benefit from the award.
4. The Redevelopment Agency secured additional financing to complete additional projects identified in the Plan. Surveying and engineering work is currently being completed and it is expected street and infrastructure work in the downtown will begin in the spring/summer of 2019.

City Projects:

1. The Harrisburg residents approved a \$7.5 million general obligation bond in the fall of 2017. The City is paying for the first year’s expenses with existing

resources and will be reimbursed for those expenses when the bonds are sold. Construction on this project is likely to begin in FY 2019-20.

2. The City will be making street repairs this year. It is expected that Kesling Street from 1st to 2nd will be completed in FY18-19.
3. The City has developed plans and will be remodeling the Harrisburg Justice Center to be used for municipal services.

The proposed HRA budget includes capital construction funds for street and infrastructure improvements in the downtown. There are also funds available for city-offered grants and loans to private business and property owners. We will be making transfers out of the HRA to the City for debt service payments.

As you read through the proposed budgets, I want to bring to light some items that do not jump off the page. The costs of running a City continue to rise. Retirement costs continue to increase and are expected to trend in this direction for the next several years. Other personnel costs, like wages and health care are also on the rise and the City needs to decide how to address these increases, while maintaining sufficient service to the public.

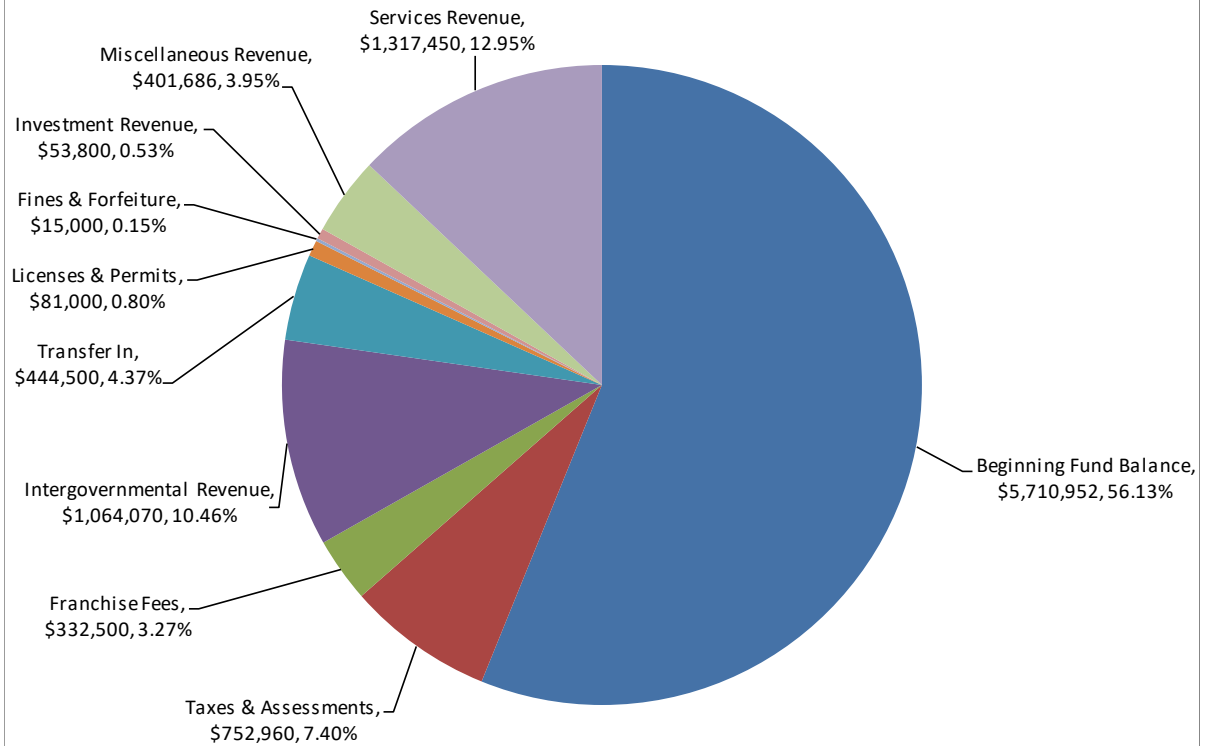
The City Council is aware there are many needs that simply will not be met in a single year's budget. Street maintenance, storm water management, and water and sewer improvements are just a few of the expensive items that will not be adequately addressed in this year's budget. This is and should be concerning. The City Council will need to continue to make tough decisions on how to best use the public's money.

It is likely we will never have sufficient resources to meet all of the wishes and desires of our citizens. In the foreseeable future, Cities will have greater financial demands and will have less ability to pay for them. As we move into this next fiscal year, we must look to that future and make the changes necessary today to continue to provide the best services we can afford.

Respectfully submitted,

Brian Latta
City Administrator

Where the Money Comes From



Where the Money Goes

