



CITY OF HALSEY
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April 21, 2022

To: Mayor Jerry Lachenbruch
Members of the City of Halsey Budget Committee

2022-2023 BUDGET OVERVIEW

I respectfully submit the City of Halsey Fiscal Year (FY) 2022-2023 Proposed Budget for the year beginning July 1, 2022. This budget was prepared in accordance with Oregon budget law. Oregon budget law provides for three levels of review and analysis of this budget: the City Administrator, the Budget Committee, and the City Council. The budget was developed to sustain current service levels, to increase the capacity for infrastructure and facility maintenance, to forward the adopted 2022-2023 Council Priorities, and to continue to ensure financial resilience in an unpredictable economy.

Budget Format and Organization

The City of Halsey budget document is organized into 17 funds. These funds fit into five categories: general fund, debt service fund, enterprise funds, special revenue funds, and reserve funds. Each fund has specific revenues and expenditures. Some funds have multiple sources of revenue (taxes, fees, grants, user fees, transfers), while other funds have only one main source of revenue. Some funds have restrictions on how they can be used.

The General Fund provides for planning & building services, city building maintenance, police protection, and other general expenses like computer software, training, publications, and professional services. The Street Fund, Library Fund, and Park Funds are special revenue funds that provide for ongoing services, such as street maintenance and improvements, park maintenance and improvements, and library services. The Water Fund and the Sewer Fund are enterprise funds, which means that they are required to be self-supporting. They are used to provide water and wastewater services to households and businesses. The Storm Water Drainage Fund is also an enterprise fund. Its purpose is to provide better maintenance and capital improvements to increase the capacity of the storm water drainage system in Halsey. The SDC Funds are special revenue funds that also have usage restrictions. The Bond Fund is a debt service fund that pays for the Water Bond. Funds in the Water and Sewer Reserves are reserved for future upgrade or improvement to the water and wastewater systems. The Streets & Pathways fund is also a reserve fund required by the State in conjunction with receiving the ODOT Highway Tax revenue that goes into the Street Fund.

Each fund in this budget has line items that show specific projected revenues and expenditures for that fund. A narrative is also included in the Budget Message to explain changes from the FY 2021-22 Budget.

Financial Policies and Practices

The FY 2021-22 Proposed Budget has been prepared based on city fiscal policies and the following practices:

- Revenues and expenditures are estimated accurately, but conservatively.
- Reserves are maintained in each fund that are adequate to provide a bridge to cover expenses that are incurred prior to the receipt of tax revenues in November.
- Ongoing expenses should be covered by ongoing revenue.
- Capital equipment and vehicles should be maintained and/or replaced so they are in proper working order.
- While this City budget is a one-year document, a multi-year approach is used to consider the future implications of current fiscal conditions and decisions.

Appropriation by Department

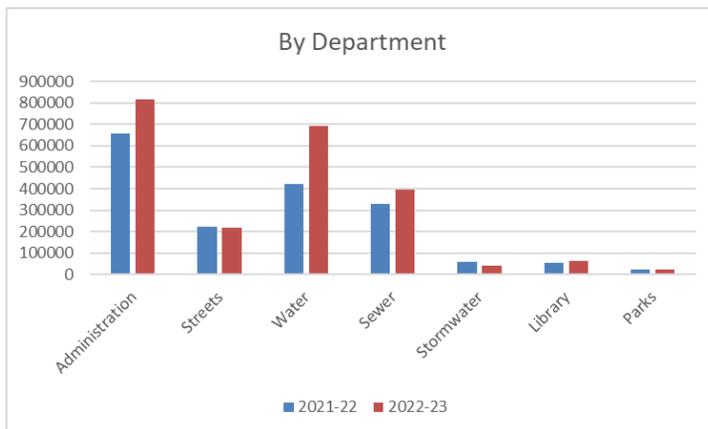
The State requires appropriations to be made by Department. The City of Halsey has seven departments: Administration, Library, Parks, Streets, Water, Sewer, and Stormwater. In some cases, a department has one fund. In some cases, more than one fund makes up a department: the Water Fund, the Water Reserve Fund and the Water SDC Fund are all part of the Water Department. In the case of the General Fund, more than one department has funds appropriated within the General Fund – Parks Personnel and Library Personnel are both appropriated within that fund.

FY 2022-2023 Proposed Budget Comparison

The following are changes in the proposed 2022-23 expenditures from the 2021-22 adopted budget.

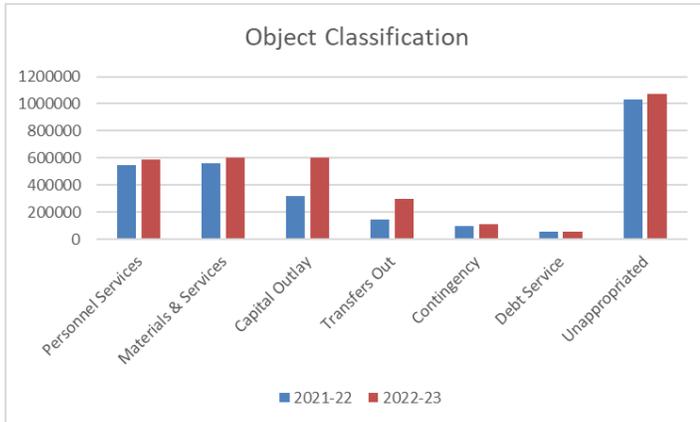
The total proposed budget for Fiscal Year 2022-23 is \$3,322,248. This amount is up by \$529,080; an increase of approximately 19% from the FY 2021-22 adopted budget of \$2,793,168.

Expenditures by Department Classification



	2021-22	2022-23	Increase/ <Decrease>	Percent Increase <Decrease>
Administration	\$657,300	\$829,200	\$171,100	26.15%
Streets	\$221,000	\$220,500	-\$500	<0.23%>
Water	\$420,144	\$678,794	\$258,650	61.56%
Sewer	\$331,000	\$387,000	\$56,000	16.92%
Stormwater	\$57,100	\$42,350	-\$14,750	<25.83%>
Library	\$54,080	\$66,900	\$12,820	23.71%
Parks	\$23,300	\$23,600	\$300	1.3%
Reserves/Unap.	\$1,029,244	\$1,073,904	\$40,660	3.95%

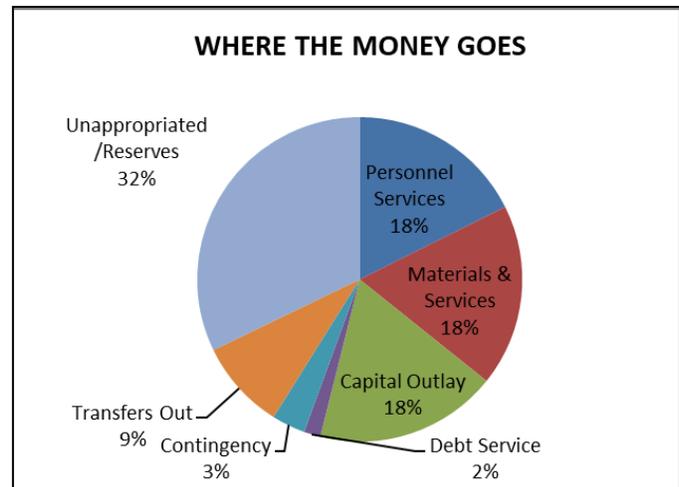
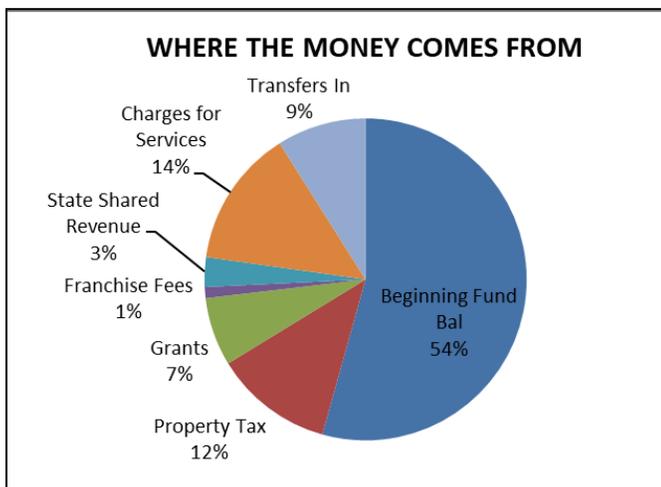
Expenditures by Object Classification



	2021-2022	2022-2023	Increase/ <Decrease>	Percent Increase <Decrease>
Personnel Services	\$549,330	\$586,000	\$36,670	6.67%
Materials/Svs	\$600,450	\$602,800	<\$14,650>	<2.37%>
Capital Outlay	\$317,600	\$612,000	\$294,400	92.69%
Debt Service	\$54,544	\$54,544	0	0%
Transfers Out	\$144,000	\$297,000	\$155,000	109.15%
Contingency	\$81,000	\$96,000	\$15,000	18.52%
Reserves/Unap.	\$1,029,244	\$1,073,904	\$60,660	5.98%

Financial Outlook for 2022-2023

The FY 2022-2023 Budget shows an increase in revenue and expenses as compared to the FY 2021-2022 Budget, due primarily to \$110,000 American Rescue Plan (ARP) fund received last year and \$110,000 anticipated to be received this year. \$200,000 of that will be transferred to the water fund to be used to repair or replace well 69. The other cause is slightly higher beginning fund balances than the prior year due to conservative budgeting last year for Covid-19 impacts and those impacts being less than anticipated in 2021-22. Finally, increased market values, increased home sales, and a 97.9% collection rate at Linn County combined result in slightly higher projected tax revenue. State Shared Revenue is expected to increase slightly. The budget is written for continued frugality throughout the year, with expenditures for needed maintenance and Council Priorities, and with contingencies in each fund that can be accessed by Council Resolution if needed.

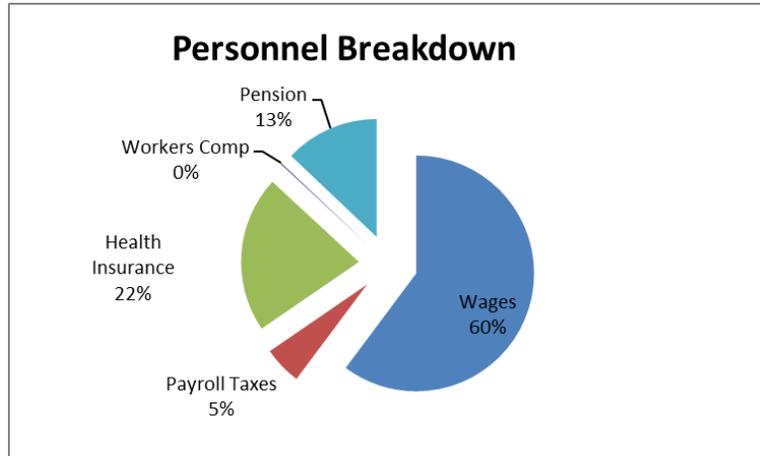


Personnel Services – Benefits and Salaries

In the FY 2022-23 fiscal year, the proposed budget shows a 6.7% increase in the overall cost of Personnel Services. In the summer of 2022, the city realized that increases in minimum wage had resulted in two positions starting significantly below minimum wage on the wage scale. There were also potential

compression issues. The Council authorized a compensation study, comparing Halsey’s positions and wage scales with other Oregon cities with similar population and financial resources. In March of 2022, Council adopted an updated wage scale that is reflected in this Personnel Budget.

The City of Halsey Full Time Equivalency (FTE) is at 5.0. This means that collectively between the six employees hired, full and part time, the regularly scheduled hours are equivalent to 5 full time employees. Personnel Services is allocated across five funds: the General Fund, Street Fund, Water Fund, Sewer Fund and the Storm Water Drainage Fund.



Materials and Services

The FY 2022-23 Budget shows 2.4% decrease in Materials and Services. This decrease is due in part to allocation of funds to several capital improvement projects and Council Priorities. Funds budgeted to support Council Goals including the water system improvements, fuel tanks, additional Inflow and Infiltration (I&I) work, a RARE member, and the ditch mower. The budget is written to be conservative on daily expenses, while still appropriating funds for needed maintenance and for Council priorities.

Capital Outlay

The FY 2022-23 Budget shows a 92.7% increase in Capital Outlay. Capital outlay varies each year, as many larger projects are determined by grant funding the city receives. This increase is primarily due to ARPA funds transferred from the General Fund to the Water Fund, planned for possible rehabilitation or replacement of well 69. There are also several capital purchases that support Council goals, and another Small Cities Allotment Grant funded street project.

Transfers Out

The FY 2022-23 Budget shows a 109% increase in Transfers Out. This is due to the \$200,000 transfer of ARPA funds from the General Fund to the Water Fund for the well project. Transfers out also includes transfers from the General Fund to the Parks, Library, and the Storm Water Drainage Fund, transfers from Water and Sewer funds into the Water and Sewer Reserves, transfers to the Vehicle and Equipment reserve, and a transfer from the Street Fund to the Streets & Pathways Fund.

Reserves/Un-appropriated

The FY 2022-23 Budget shows an increase of 6% in Reserves and Un-appropriated funds. The beginning fund balances are strong this year. The economic impacts of Covid were less than anticipated. The proposed budget leaves increased funds unappropriated to ensure stability and resiliency for future fiscal years and includes larger transfers into the water and sewer reserve funds.

2022-23 BUDGET HIGHLIGHTS BY FUND

Most funds will see spending similar to the prior year. The exceptions are the possible well project including expenditure of ARP funds, strategic capital improvements, preventative maintenance, and continuing work on the 2022-23 Council priorities. A brief narrative on several City funds is presented below.

General Fund

FY 2022-23 assessed valuation for property taxes is estimated at 10% above the current fiscal year, and the collection rate is up by 2.7 %. This represents an increase of current General Fund property taxes of about \$26,000. Property tax revenue has been projected to increase by 8% in the proposed budget. Franchise Fees are projected to be stable. State Revenue Share is projected to be stable.

The General Fund Beginning Fund balance shows an increase of 31.7%. This is due to unspent ARP revenue received in June of 2021.

Highlights in the General Fund for FY 2022-23 include:

- The second ARPA allotment of \$110,000 is anticipated in August. The proposed budget shows \$200,000 of last year's and this year's ARPA allotment transferred to the Water Fund for possible improvements or replacement of Well 69.
- General Fund Materials and Services includes \$23,800 for a RARE member (potentially offset by a \$10,000 grant from the Ford Family Foundation), funds to complete the Wetlands Inventory, funds for website hosting and support, and an increase in the Linn County Sheriff contract.
- The RARE member will work on several projects related to the 2022-23 Council Priorities including Emergency Response Planning, a Parks Master Plan or project plan, Economic Development activities and the Comprehensive Plan update.
- Funds in the Capital Outlay classification are for replacing the electronic lock at the Community Center, for bringing electricity and lighting to the Train Station and the EV Charging Station, for cameras, and for contribution to the ditch mower and the fuel tank.
- General fund operating expenses have been budgeted conservatively, and the \$30,000 operating contingency can be accessed by Council Resolution through a supplemental budget process mid-year if needed.
- Transfers out include a \$200,000 transfer to the water fund for a possible well repair or replacement project, \$12,000 of state shared revenue to the Storm Drainage fund and smaller transfers to the park, library, and vehicle and equipment reserve fund.

Street Fund

The ODOT Highway Tax Apportionment is anticipated to increase this year by 8%. Revenue in the Street Fund also includes a \$100,000 Small Cities Allotment Grant awarded by ODOT for widening and resurfacing two blocks of East B Street. In Materials & Services, funds have been budgeted for continuing to replace faded or damaged stop signs and street signs, for street repairs and for repainting curbs and parking lines. In Capital Improvement, funds are budgeted for the East B Street project and for contribution to the fuel tank. There is

also a \$2000 transfer to the Streets & Pathways Fund, which is a requirement for receiving the Oregon Highway Trust Fund Revenue, and a \$2,000 transfer to the Vehicles & Equipment Reserve fund.

Streets & Pathways Fund

The Streets & Pathways Fund is a reserve fund associated with the Streets Fund. No funds are appropriated from this fund this year.

Bond Fund

This fund receives revenue from property taxes each year. It must always hold the total of one payment, as the payment is due in September and the bulk of the tax revenue is not received until November. The recommended bond amount is similar to last year – there is a slight decrease in the beginning fund balance, and a slight increase in Linn County’s collection rate that cancel each other out.

Library Fund

Library fund revenues and expenditures are projected to increase slightly this year. Revenue includes grants that have already been applied for to replace the old gas furnace with a heat pump. Proposed capital improvement funds would also purchase cameras.

Water Fund

The Water Fund Revenue budget includes a possible \$2 per month rate increase. The City has not done utility rate increases in two years, and in that time the costs of materials, capital projects, and contract professionals have steadily increased with inflation. The proposed budget includes a transition to full-sheet billing and an improved customer portal with e-billing and autopay options, funds for a leak detector, cameras, a backwash meter, contribution for the fuel tank, and a transfer of \$30,000 to the Water Reserve Fund. There is also a \$4,000 transfer to the new Vehicle & Equipment Reserve Fund.

Sewer Fund

The Sewer Fund budget includes a possible \$1 per month rate increase. The City has not done utility rate increases in two years, and in that time the costs of materials, capital projects, and contract professionals have steadily increased with inflation. The proposed budget includes a transition to full-sheet billing and an improved customer portal with e-billing and autopay options, funds for continued erosion prevention at the lagoons, contribution for the fuel tank, an increased budget for I&I work, and a transfer of \$30,000 to the Sewer Reserve Fund. There is also a \$4,000 transfer to the Vehicles & Equipment Reserve Fund.

Water Reserve Fund

The purpose of the Water Reserve is to save funds for future emergencies or planned improvements to the system. The Water Reserve has an estimated beginning fund balance of \$308,000. The proposed budget includes a \$30,000 transfer from the Water Fund. We appropriate a small part of this fund each year in case of an emergency. Council would need to pass a Resolution for the city to be able to access this money. We do not anticipate spending any of the reserves in FY 2022-23 unless the well situation becomes critical, and the ARPA funds are not sufficient for the work.

Sewer Reserve Fund

The purpose of the Sewer Reserve is to save funds for future emergencies or planned improvements to the system. The Sewer Reserve has an estimated beginning fund balance of \$156,000. The proposed budget includes a transfer of \$30,000 from the Sewer Fund. As with the Water Reserve, some funds are appropriated each year in case of emergency. Council would need to pass a Resolution for the city to be able to access this money. We do not anticipate spending any of the reserves in 2022-2023.

Storm Water Blue Heron Fund

The revenues and working capital in this fund are generated by a storm water maintenance fee that is paid by the citizens of the Blue Heron Subdivision. Its purpose is to pay for the operation, maintenance, repair, and replacement of the Blue Heron storm water system. The Blue Heron Stormwater Fee has been reduced twice in the last nine years and is now too low, as the beginning fund balance is declining each year. It needs to build incrementally over the next several years, so there are funds available when the pumps next need to be replaced. The proposed budget reflects a possible \$1 per month rate increase.

Storm Water Drainage Fund

This is still a new fund, and it will take time to build up enough capital to do larger projects. The rate was set in 2018 when the utility was created and has not been increased. With transfers from the General Fund it has been able to fund improved maintenance of the system, but the balance in the fund is not increasing, which it must do to be able to do capital improvement projects. The proposed budget reflects a possible \$2 per month rate increase to begin to build up funds to for larger repairs and improvements.

System Development Charge Funds

The city charges System Development Charges (SDCs) to assist with the cost of improvements needed to accommodate new growth. No significant revenue is anticipated in these funds in 2022-23 due to continued limitation on building activities due to wetlands. Some in-fill development may occur. These funds can only be used to increase infrastructure capacity to allow for future growth.

Veterans Memorial Park Fund

The Beginning Fund Balance of \$12,000 made it unnecessary to make an inter-fund transfer from the General Fund this year. Budgeted funds are for replacement flags, replanting the planters, and continuing to maintain the park.

Halsey City Park Fund

No major changes or improvements are proposed to the park this fiscal year. The Halsey City Park Fund will be used for continued park maintenance. A remote camera may be added to the park bathrooms to help prevent and investigate vandalism. There is also a new line item for public trees. This is a requirement for the City's application to join the Tree Cities USA program. The RARE member will be part of convening a citizen committee to plan for a future park improvement project.

Conclusion and Recommendation

The FY 2022-23 Proposed Budget is balanced and represents a conservative and effective use of resources. Basic services are maintained, and resources have been allocated to key areas. Important capital needs will be addressed as presented. Staff looks forward to working with the Budget Committee to build the best possible budget to continue to deliver key community services while maintaining the financial stability of the city.

Respectfully submitted,

Hilary Norton

City Administrator and Budget Officer