



CITY OF HALSEY
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April 25, 2024

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

2024-2025 BUDGET OVERVIEW

I respectfully submit the City of Halsey Fiscal Year (FY) 2024-2025 Proposed Budget for the year beginning July 1, 2024. 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 2024 & 2025 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 upgrades 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 2023-2024 Budget.

Financial Policies and Practices

The FY 2024-25 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

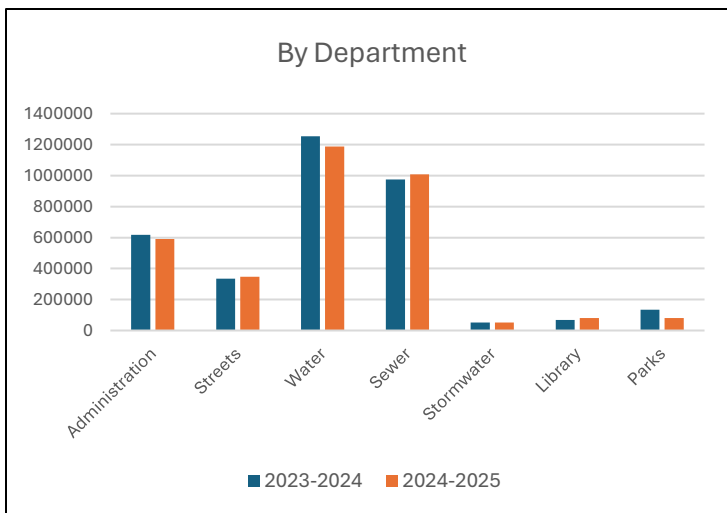
The State requires appropriations to be made by Department. The City of Halsey has seven departments: Administration, Library, Parks, Streets, Water, Sewer, and Stormwater. In some cases, a department has one fund. In some cases, more than one fund makes up a department: the Water Fund, the Water Reserve Fund, Bond 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 2024-2025 Proposed Budget Comparison

The following are changes in the proposed 2024-2025 expenditures from the 2023-2024 adopted budget.

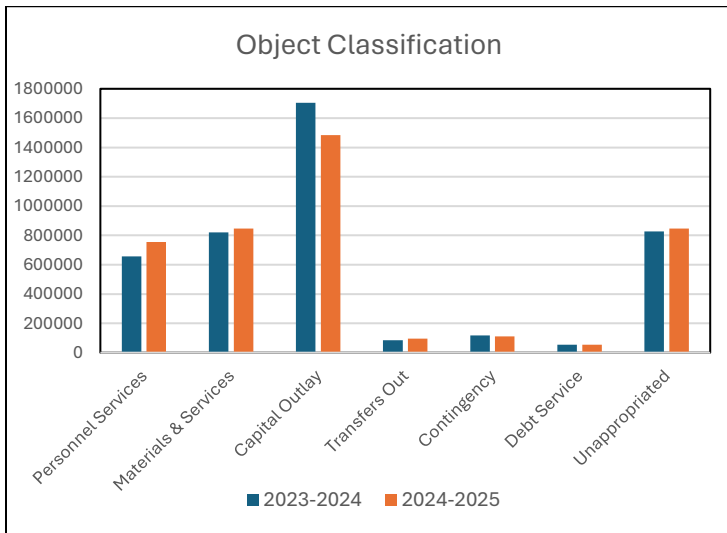
The total proposed budget for Fiscal Year 2024-2025 is \$4,193,318.00. This amount is down by \$8,950; a decrease of -0.21% from the FY 2023-2024 adopted budget of \$4,202,268.

Expenditures by Department Classification



	2023-2024	2024-2025	Increase/ <Decrease>	Percent Increase <Decrease>
Administration	\$618,150	\$599,940	<\$27,210>	<4.40%>
Streets	\$335,500	\$347,000	\$11,500	3.43%
Water	\$1,254,344	\$1,188,194	<\$66,150>	<5.27%>
Sewer	\$974,500	\$1,007,300	\$32,800	3.37%
Stormwater	\$51,100	\$51,200	\$100	0.2%
Library	\$68,910	\$81,030	\$12,120	17.59%
Parks	\$134,420	\$80,360	<\$54,060>	<40.22%>
Reserves/Unap.	\$765,344	\$847,294	\$81,950	10.71%

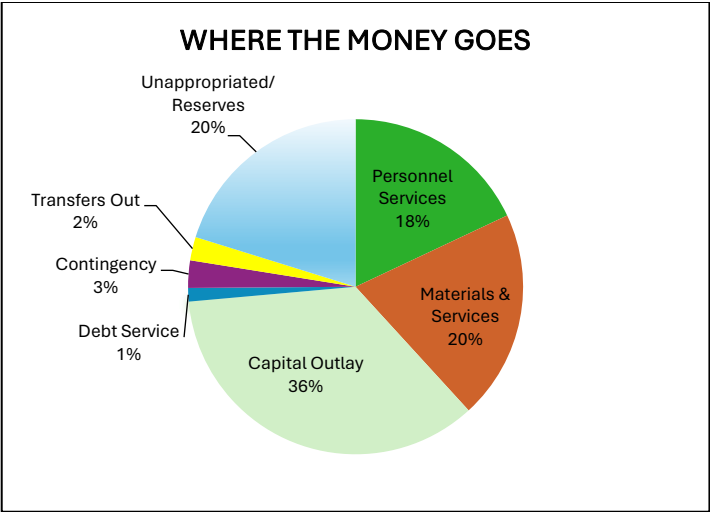
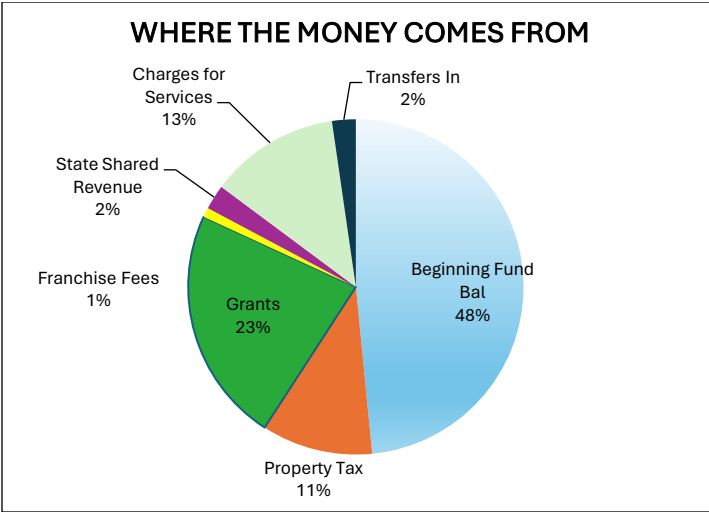
Expenditures by Object Classification



	2023-2024	2024-2025	Increase/ <Decrease>	Percent Increase <Decrease>
Personnel Services	\$655,960	\$754,810	\$98,850	15.07%
Materials/Svs	\$820,720	\$847,420	\$9,275	1.13%
Capital Outlay	\$1,704,700	\$1,483,550	<\$221,150>	<12.97%>
Debt Service	\$54,544	\$54,544	0	0%
Transfers Out	\$84,000	\$95,000	\$11,000	13.10%
Contingency	\$117,000	\$110,700	<\$6,300>	<5.38%>
Reserves/Unap.	\$765,344	\$847,544	\$21200	2.57%

Financial Outlook for 2024-2025

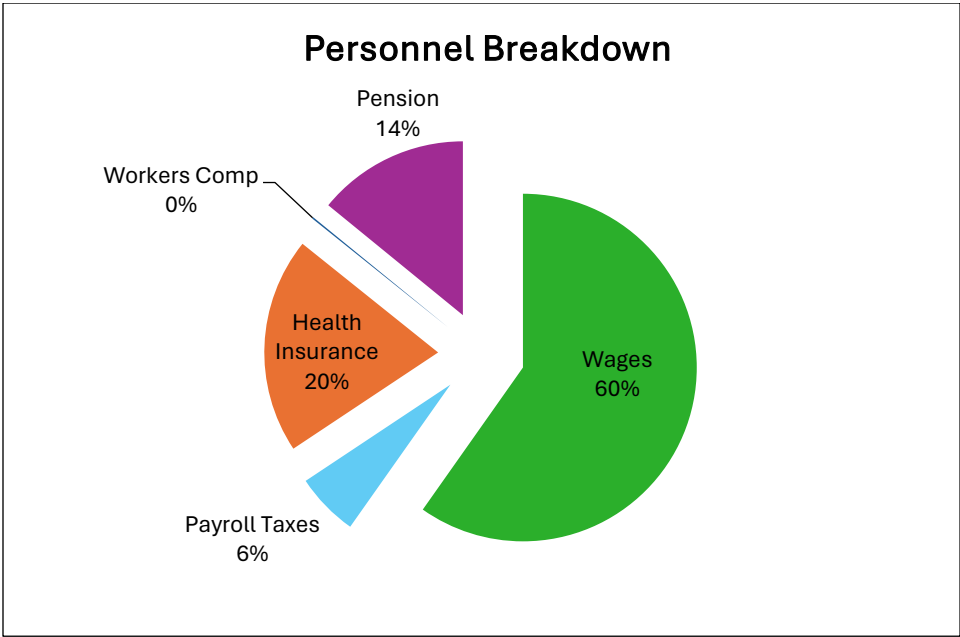
The FY 2024-2025 Budget shows a decrease in revenue and expenses as compared to the FY 2023-2024 Budget, due primarily to several capital planning projects being partially completed during the 2023-2024 fiscal year. This resulted in both a decrease to our beginning cash balance across several funds and lower capital expenses related to the completion of pending projects. Those projects all have outside financing or grants associated with them, some of which have been fully secured. In addition to capital projects that are in progress, the proposed budget includes newly identified capital projects for Streets. Funding for these projects has not yet been secured, but both the funding and the projects need to be included in the Budget so the funds can be spent if they are received. Projects with secured funding include installing a new well, doing a large Inflow and Infiltration (I&I) project in the wastewater collection system, completing Phase I of the planned park improvements at the Memorial Park, replacing the server at City Hall, a sludge treatment plan for the wastewater lagoons, and possibly installing fuel pumps at the Public Works Shop. While contingency funding is down marginally, with a reduction of -5.38%, this is offset by an increase in funds held in reserves. While market value and tax collection rate hold steady Linn County, State Shared Revenue is expected to reduce 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 2024-2025 fiscal year, the proposed budget shows a 15.07% increase in the overall cost of Personnel Services. This includes a requested 3% COLA for staff; a 10% increase in benefits, which is balanced by two employees covered at tiers lower than they qualify for; and a 15% safety margin. Increases in Personnel cost are largely attributed to increased staffing levels. The City has an additional administrative assistant who is primarily dedicated to Utility Billing and Utility Customer Service and has increased staff hours for the Librarian who supports grant writing efforts in addition to library duties. Some cost of staffing increases are offset by a reduction in executive pay for the City Administrator compared to prior years.

The City of Halsey Full Time Equivalency (FTE) is at 5.25. This means that collectively between the seven employees hired, full and part-time, the regularly scheduled hours are equivalent to 5.25 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 2024-2025 Budget shows a small increase of 1.13% increase in Materials and Services. This increase is due in part to inflation, increased insurance costs, funds budgeted for payments for funding of the I & I project, lagoon sludge treatment projects, funds budgeted for Council Priorities, and other projects. The second half of the Local Wetlands Inventory will be paid out of this year, and funds are also budgeted for designing the irrigation system for the Highway 99 Project landscaping. The budget is written to be conservative on daily expenses where possible, while increasing certain expenses to account for inflation. It appropriates funds for needed maintenance and for Council priorities.

Capital Outlay

The FY 2024-2025 Budget shows a 12.97% decrease in Capital Outlay. Capital outlay varies each year, as many larger projects are determined by grant funding the city receives. This decrease is due to partial completion of ongoing planned capital improvements including the park project, the pathway at the park, the new well, and the I&I Project. This number included allocations in both the water and sewer reserve funds to support the capital projects if needed – but the plan is not to spend those.

Transfers Out

The FY 2024-2025 Budget shows a 13.10% increase in Transfers Out. This is due in part to a more aggressive savings plan to purchase a new Vactor Truck for Public Works. Transfers from the general fund are reduced this year due to an ongoing effort to ensure the city enterprise funds are self-supporting through responsible utility rate adjustments that allow for the operations, maintenance, and improvement of our utility infrastructure.

Reserves/Un-appropriated

The FY 2024-2025 Budget shows an increase of 2.57% in Reserves and Unappropriated funds. This is attributed to the securing of external funding for the Well project, as well as increased transfers to the Vehicle and Equipment Reserve Fund intended for the future purchase of a Vactor truck. While overall there is an increase to reserves and unappropriated funds, unappropriated was reduced in the General fund. This reduction is attributed to several special projects including the wetland inventory, irrigation for the Highway 99 project, and the need for a new server.

2024-2025 BUDGET HIGHLIGHTS BY FUND

A brief narrative on each city fund is presented below.

General Fund

FY 2024-2025 assessed valuation for property taxes is estimated at 5% above the current fiscal year, and the collection rate is steady at 97.9 %. This represents an increase in current General Fund property taxes of about \$26,000. Property tax revenue has been projected to increase by 7.1% in the proposed budget. Franchise Fees are projected to be stable. State Shared Revenue is projected to be marginally lower.

The General Fund Beginning Fund balance shows a decrease of 13%. This is primarily due to overages on the City Hall roof project, liability insurance, and audit fees.

Highlights in the General Fund for FY 2024-2025 include:

- General Fund Materials and Services includes \$6,000 for Community Development, and 50% increase from past years. This is in alignment with Council Priorities to invest in more community events for City residents. The Travel and Meeting expenses as well as the Education and Training budget have been increased by 50%. This also aligns with Council Priorities to invest in continued professional development opportunities for staff and council.
- Funds in the Capital Outlay classification are for the server and contributing to the fuel pump capital improvement plan. The Fuel Pumps align with several council goals including fiscal responsibility and emergency preparedness. Investing in fuel pumps allows the city to buy fuel in bulk reducing some of the impacts of market fluctuation, and provides the city with a fuel reserve for essential functions in the event of a major weather event.
- Materials and services includes funds for the Council Priorities session, irrigation projects, and for the completion of the Local Wetlands Inventory.
- General fund operating expenses have been budgeted conservatively, and the \$20,000 operating contingency can be accessed by Council Resolution through a supplemental budget process mid-year if needed.
- Transfers out include a \$3,000 of State Shared Revenue to the Halsey Park Fund, \$2,000 to the Storm Drainage Fund, and \$3,000 to the Library fund. The rest of the State Shared Revenue remains in the general fund to help pay for the server and increase the Community Development budget.

Street Fund

The ODOT Highway Tax Apportionment is anticipated to decrease this year by 6.6%. Revenue in the Street Fund also includes a \$80,000 Small Cities Allotment Grant the city will apply for to pave portions of West H Street. In Materials & Services, funds have been budgeted for patching portions of East 1st, F Street, Royal Tern Ave., and Cormorant Street. In Capital Improvement, funds are budgeted for the Fuel Pump project, and the West H Paving project if the city secures funding. There is a \$2000 transfer to the Streets & Pathways Fund, which is a requirement for receiving the Oregon Highway Trust Fund Revenue, and a \$3,000 transfer to the Vehicles & Equipment Reserve fund.

Streets & Pathways Fund

The Streets & Pathways Fund is a reserve fund associated with the Streets Fund includes \$25,000 to be used to help replace the asphalt pathway in the Halsey Memorial Park, as the match for an Oregon Parks and Recreation (OPRD) grant.

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.

Library Fund

Library beginning fund balance is projected to be a little lower this year – this is due to funds set aside to support project overages for the new automatic door that will be installed before the end of the 2023-2024 fiscal year. The majority of the project costs were covered by a grant from the American Library Association (ALA). Otherwise, expenses and revenue are expected to be similar to last year with small increases to the events and summer reading program budget.

Water Fund

The Water Fund Revenue budget includes an estimated \$1.50 per month rate increase resulting from proposed tier adjustments and small rate increases for higher usage tiers. The CPI-W is at 4.3%. Inflation is affecting materials, services, and capital projects, especially in utilities. The proposed budget includes a new well, funds for the energy efficiency study update, solar feasibility assessment, and a seismic evaluation of the water reservoirs. There is also a \$30,000 transfer to the Water Reserve and a \$10,000 transfer to the Vehicle & Equipment Reserve Fund.

Sewer Fund

The Sewer Fund budget includes an proposed \$2 per month rate increase. The rate increase is aligned with the Western Region CPI of 4.3%. The costs of materials, capital projects, and contract professionals have continued to increase with inflation. The proposed budget includes \$380,000 I&I repair, a Waste Water Facilities Plan to replace the 1988 Sewer Master Plan, funds to repay financing we received from DEQ for these projects, Lagoon sludge treatment, Lift Station pump maintenance, and funds for the solar feasibility study. There is a transfer of \$30,000 to the Sewer Reserve Fund and a \$10,000 transfer to the Vehicles & Equipment Reserve Fund.

Water Reserve Fund

The Water Reserve has an estimated beginning fund balance of \$388,000. The proposed budget includes a transfer of \$30,000 from the Water Fund, \$120,000 allocated as a backup source of funding for the well project overages. The intention is not to use this funds.

Sewer Reserve Fund

The Sewer Reserve has an estimated beginning fund balance of \$230,000. The proposed budget includes a transfer of \$30,000 from the Sewer Fund. Additional funds were allocated in this fund as a backup source of funding to assist with the I&I project if necessary, but the intention is to not need them.

Storm Water Blue Heron Fund

The proposed budget is similar to last year. No major changes, and no rate increase will be requested.

Storm Water Drainage Fund

This fund shows a small increase in the beginning fund balance, and expenses are estimated to be similar to last year, with space budgeted for inflation. Capital outlay has \$3000 allocated to support the Fuel pump project. No major changes or large projects, and no rate increase will be requested.

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 2024-2025 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 \$9,600 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. The cost of maintenance of the Veterans Memorial Park is reduced due to the General Fund supporting the Landscape contract which covers multiple locations within Halsey, including the Veterans Memorial Park.

Halsey City Park Fund

The Park Fund includes the grant from OPRD, and in the capital improvements, those funds are allocated for constructing Phase I of the Parks Master Plan. Revenue in this fund also included a \$3,000 transfer of state shared revenue from the General Fund to support matching funds required to complete the project.

Conclusion and Recommendation

The FY 2024-2025 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 look 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