

HERMISTON CITY COUNCIL

Budget Committee Meeting

May 21, 2020

Mayor Drotzmann opened the meeting of the Budget Committee to consider the proposed budget for the 2020-2021 fiscal year at 6:00 pm. Present were Budget Committee members: Anton Wanous, Jessica Narain, Rod Hardin, Brian Misner, Jackie Myers, Jason McAndrew, Doug Primmer, Jackie Linton, Joshua Roberts, Douglas Smith, John Douglass, Roy Barron, Jonathan Edwards (via phone), Manuel Gutierrez, Joanna Hayden, and Lori Davis.

City Staff present included: City Manager Byron Smith, Assistant City Manager Mark Morgan, Finance Director Mark Krawczyk, Chief Edmiston, City Attorney Gary Luisi, Parks and Recreation Director Larry Fetter, City Planner Clint Spencer, Hermiston Energy Services General Manager Nate Rivera, Court Manager Mollie Croisan, Library Director Mark Rose, Financial Analyst Barb McMahon and City Recorder Lilly Alarcon-Strong.

Mayor Drotzmann stated the committee must elect a chair and secretary. Doug Primmer moved and Manuel Gutierrez seconded nomination of Joshua Roberts as the Chair and was unanimously elected. Jackie Myers moved and Roy Barron seconded nomination of Jessica Narain as the secretary and was unanimously elected.

Budget Officer, Byron Smith, stated it is his honor to present (PowerPoint attached) the City of Hermiston's FY 2020-21 Proposed Budget. The proposed budget and the budget document are the result of hard work from the city's leadership team and their employees. This hard work was done in the midst of the COVID-19 restrictions and is another testament to me of our employee's talent and dedication.

Introduction

The FY2020-21 budget has been prepared in accordance with the State of Oregon budget law and best practices established by the Government Finance Officers Association. It has also been developed on the foundation of the city's adopted financial policies. We continue to work to make the budget and the budget process more transparent and easier to understand.

In January 2020 the City Council held a goal setting session during which it confirmed the City's vision statement, its core values and established the goals for FY2020-21. The vision statement and values are included in this document and many appropriation recommendations are specifically targeted to address the goals established in that process.

As we have all been experiencing the impacts of COVID-19 on our daily lives, we now acknowledge that there will also be some impact on our City budget. Unfortunately, there is no textbook to predict what that impact will be. We are for the most part budgeting for a status quo year in FY2020-21. The one area that we know will be impacted the most is the Transient Room Tax (TRT). We have adjusted those numbers down somewhat from past years. If the financial impact of the virus continues for a substantial amount of time other impacts will occur and adjustments will be made as needed. One of the areas that has already been hit hard has been parks and recreation programs and rentals. Luckily, when those revenues don't come in we also don't have the costs to provide those programs. City staff will be extra vigilant this coming year and will make adjustments as we see any impacts to revenue.

COLA

Although a COLA is included in the proposed budget, the City has opted to postpone implementing it in July. Due to COVID-19 and with many business's closed and many on unemployment, the City felt that it must support it's community by postponing this COLA increase. Instead, the City is proposing that the Committee

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approve the budget, as-is, and if the economy improves by January, allow the COLA to become effective at that point with a potential \$500-\$600 one-time payment given in December. This COLA would not be retroactive, but the additional monies given is a way to thank the employees for supporting this effort and their community during this time.

PERS

As we highlighted last year PERS continues to eat up a larger and larger share of the City's budget. This proposed budget is the second year of the State of Oregon's biennium. This time factor in addition to the changes implemented from SB1049 make the percentage increase less impactful. However, the havoc COVID-19 is having on the stock market will impact the next rate increases implemented by PERS. Because of this uncertainty for our operations, we are not proposing any set aside at this point, but are recommending that the City plan to set aside funds from the upcoming Amazon Web Services enterprise zone fee payments to be allocated to buying down some of our unfunded liability.

Discussion

The FY2020-21 budget continues and upholds the City's adopted policies. The all funds budget is \$57,310,540, which is approximately \$0.7 million larger or 1.2% higher than the FY2019-20 budget. Each of the individual funds fluctuates each year in different directions so this increase is in a number of different funds. The major contributor is the addition of enterprise zone revenues to the budget.

The FY2020-21 budget includes a 2.75% cost of living adjustment for all City employees. I will now walk through the major funds in the budget and provide highlights about each one.

General Fund

The general fund contains funding for some of the most basic operations of the City like our police department. It also contains many services that we call quality of life programs like parks and recreation and library. These types of services are necessary to make a safe and inviting community.

Proposed general fund revenues and expenditures are approximately 15% (\$2,000,000) below FY2019-20. This increase is primarily caused by a change in budgeting methodology. In the past the city has allocated general fund overhead costs to the enterprise funds (streets, utilities, HES, etc.) by allocating individual salaries or portions of salaries to those funds. Since coming here I have wanted to change this practice and this past year we have done that through setting up a Cost Allocation Method. Now all costs utilized by the enterprise funds are factored into the costs they are paying, like utilities, building costs and a more accurate reflection of the time each department takes in the form of administrative resources. This caused all of the payroll costs that had resided in the enterprise funds to be brought back to the general fund and then each fund pays a fee back to the general fund.

The following general fund items are of particular note:

Parks and Recreation

This proposed budget has necessary funds to match the available state grants to construct the skate park (Teen Adventure Park) depending on how much we are awarded.

Police

In the police department, we have added an additional School Resource Officer (SRO) and an additional Records Clerk. The SRO costs are paid 75% by the school district. It is a great partnership with the schools. This addition will allow an officer to be assigned purely to the high school and then one to the two middle schools and then one to the five elementary schools.

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Utility Fund

- The implementation of the Capital Improvement Plan (CIP) for both water and recycled water continues successfully. The following projects are proposed to be completed under this proposed budget:
 - Water Department
 - Leak Detection
 - W. Ridgeway Water Line Replacement
 - Well 6 Back-up Generator
 - Recycled Water Department
 - 7th Street Manhole Replacement
 - Lift Station #1 Upgrades
 - Sewer Collection System Evaluation
 - 7th Street Sewer Upgrade (Bottleneck Phase 2 and 3)

Street Fund

- Implementation of the streets Capital Improvement Plan (CIP) is going well. FY2020-21 is going to be a year to save up funds for larger projects later down the road. We are also unsure how state gas tax revenues will hold up if the COVID-19 impacts last further into the summer. The only two planned projects are limited to design as follows:
 - Limited design work on Geer and Harper Intersection
 - Possibly some initial design work on North 1st Place depending on conversations with ODOT.

Hermiston Energy Services (HES) Fund

The HES budget presented is a status quo budget. We plan to talk with the council in the fall of 2020 about rate impacts that need to be addressed.

Transient Room Tax (TRT) Fund

This fund is the one we anticipate the most impact from COVID-19 and we have lowered expenses in this area to match anticipated revenue reductions.

Regional Water Fund

- We anticipate that this fund will show more activity at the end of FY2020-21 as Amazon Web Services (AWS) begins work on bringing water to their newly acquired Feedville Road site. We don't have many of the details from AWS yet and so have not budgeted any specifics.
- We are closely monitoring revenues in this fund as we plan to meet with the users early in FY2020-21 and discuss the sufficiency of the current rate structure.

Enterprise Zone Project Fund

This fund will receive all of the funds from our Enterprise Zone Agreements (Lamb Weston, Amazon). We will then use the funds as necessary to pay for projects out of that fund.

Eastern Oregon Trade and Event Center (EOTEC) Fund

This is one of the areas we know will be impacted and yet we don't know exactly how. We are using estimates from Venuworks to formulate this budget.

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Budget Officer Byron Smith thanked the department heads and managers especially Mark Krawczyk and Barb McMahon for all the work they did to complete the budget; as well as the City Council and the citizen members of the Budget Committee for their willingness to give up their time and serve our community. It is an honor to work with professional and skilled City employees and dedicated community volunteers to implement the FY2020-21 budget.

Upon review and completion of the budget presentation by Budget Officer Byron Smith, and after some discussion and answering questions regarding the budget, Lori Davis moved and Manuel Gutierrez seconded to approve the rate per thousand of \$6.0860 for general fund operations. Motion carried unanimously. Doug Primmer moved and Jackie Myers seconded to approve \$315,800 for bonded debt. Motion carried unanimously. Brian Misner moved and Jackie Myers seconded to approve the FY 2020-21 proposed budget. Motion carried unanimously.

There was no other business and Chair Roberts adjourned the City of Hermiston Budget Committee meeting at 7:25pm to convene for the Hermiston Renewal Agency Budget Committee meeting.

APPROVED:

/s/ Joshua Roberts
Budget Chairman

ATTEST:

/s/Jessica Narain
Budget Secretary



BUDGET MESSAGE

FY2020-21



Budget Introduction

Thank You!!

- Thank you Mark Krawczyk and Barbara McMahon for putting this document together.
- Thank you to the Department Heads for their efforts to put together thoughtful budgets.
- **Thank You for being here to review the proposed budget in these *different* times.**



FY2019-20 Recap

Operations

- The City accomplished a lot of great things in 2019-20
- Operationally (*includes projections*)
 - Police – 1,100 arrests; 6,500 citations; 11,000 calls for service; 11,500 officer-initiated activities
 - Parks – 130+ programs/classes; ~120,000 participants; 41,600 aquatics visits (*if the pool opens*)
 - Library – circulated ~60,000 items
 - HES – Serviced ~5,300 electric accounts
 - Water/Sewer/Garbage – Serviced ~5,200 accounts
 - Transit – ~28,000 rides (Taxi - ~20,000, Bus - ~8,000)
 - Building – performed ~3,400 building inspections
 - Planning – Processed 292 final lots



FY2019-20 Recap

Capital – W. Hermiston Ave



FY2019-20 Recap

Capital – NE Water Tower



FY2019-20 Recap Development



FY2019-20 Recap Challenges

- Second Flood in a row at Riverfront Park
- Funland Fire Aftermath
- Fire at City Hall
- Covid-19 Pandemic Adjustments



Budget Introduction

- We will be using the labeled tabs on the document.
- We will also be using page numbers which are in the bottom right hand corner.



Budget Introduction

- Quick Review on a City Budget vs. Home Budget.
 - We use funds and each fund has different characteristics related to its sources of revenue and types of expenses.
 - For Example, the Utility Fund is composed 100% of utility rate revenue and utility expenses.
 - Reserve Fund = Savings Account and Project Accounts
 - The State of Oregon has a fairly strict local budgeting law and the city works within all of those parameters.



Budget Introduction

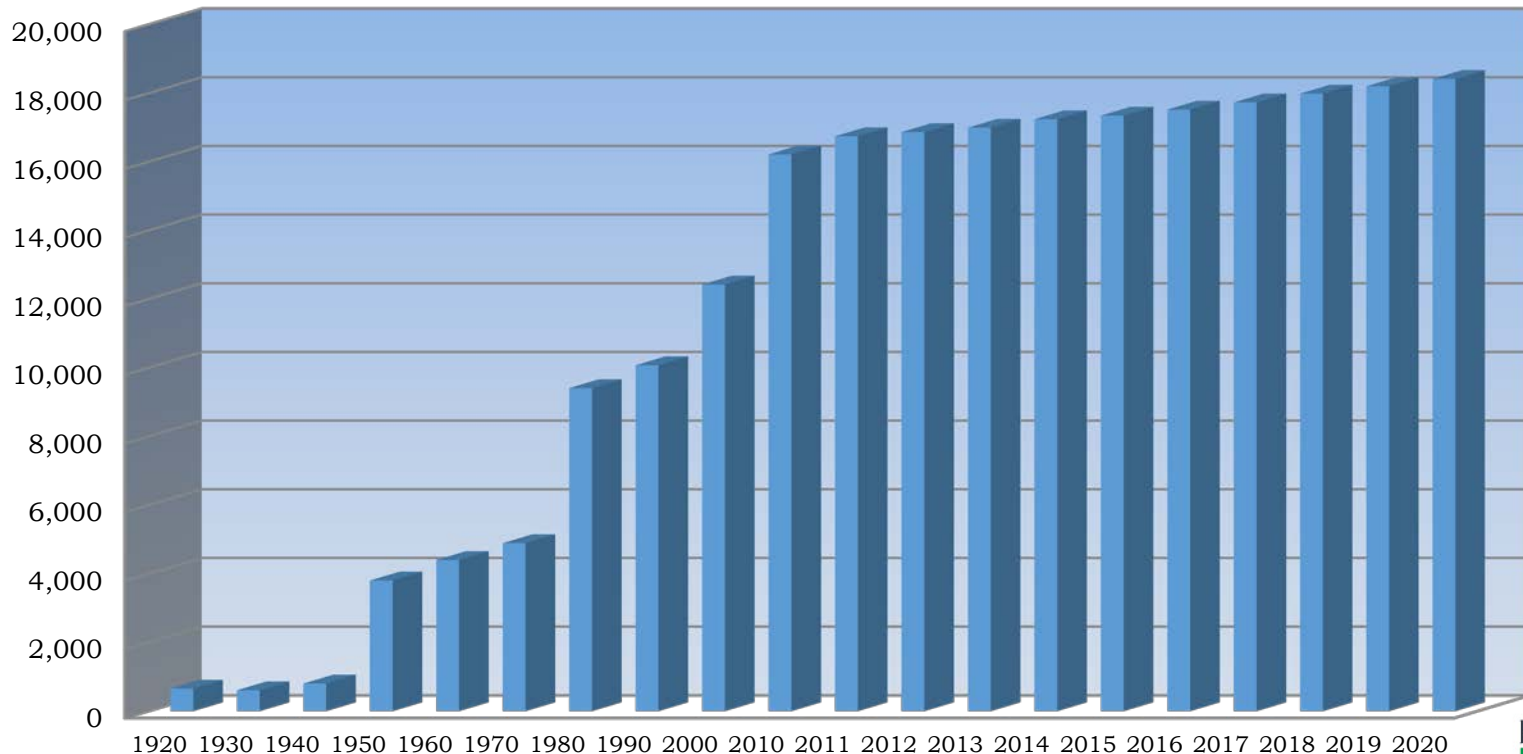
- Quick Review on a City Budget cont.
 - What you are looking at tonight is the proposed budget. Proposed by the Budget Officer.
 - As we present, you can make modifications.
 - We will be asking you to approve a budget tonight that will then come to the city council for adoption in June.



Budget Overview

- Continued slow growth pattern (+215 since 2019)

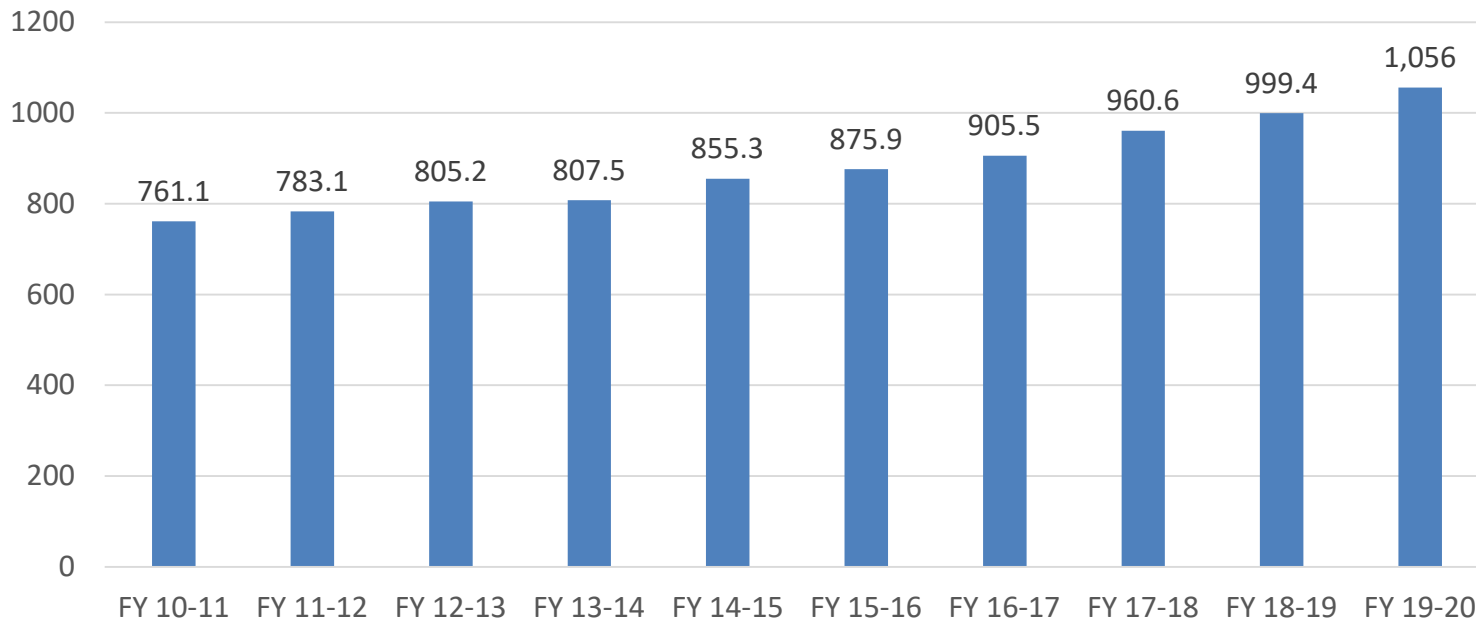
Population 18,415



Budget Overview

- Same Pattern in Assessed Value

Hermiston Assessed Value
In millions \$\$\$



Budget Overview

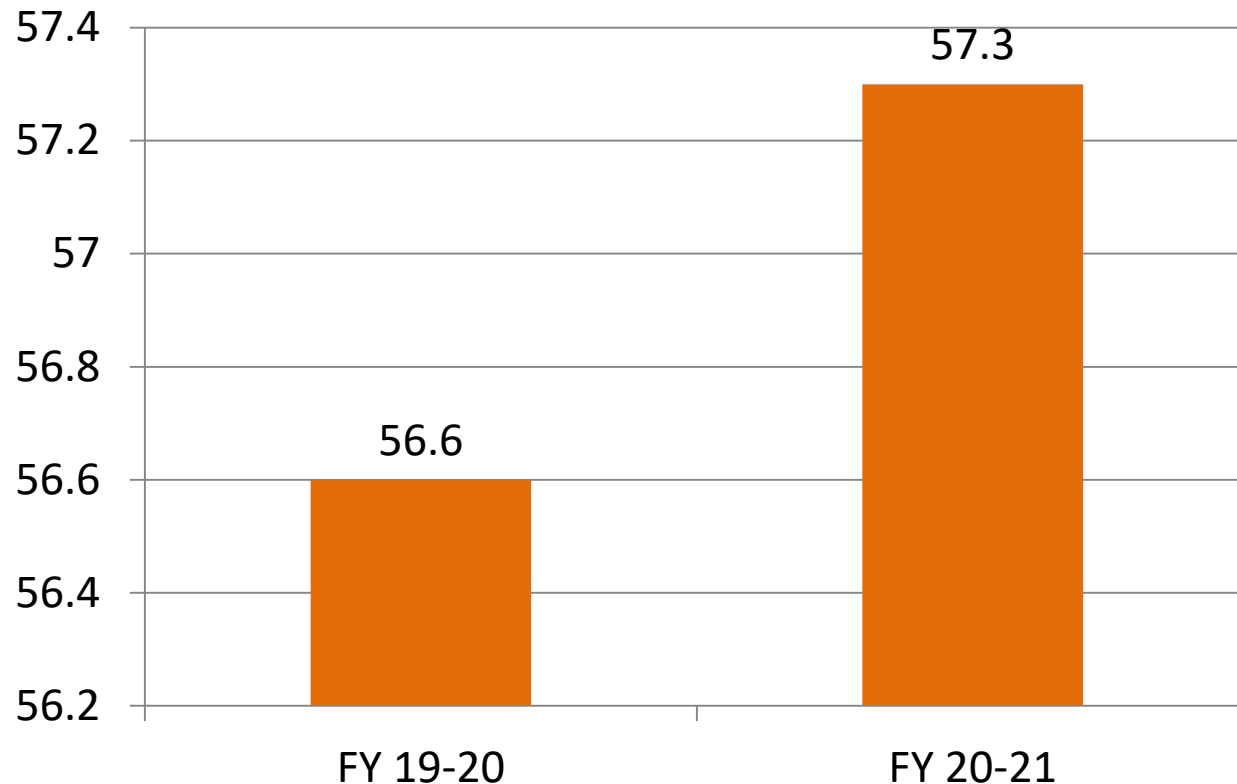
- Overall Strong Economy
 - Data Centers Keep Adding Buildings
 - Annexing Additional Acreage
 - Steady Single-Family Housing Growth



Budget Overview

- Approximately a \$700,000 increase.

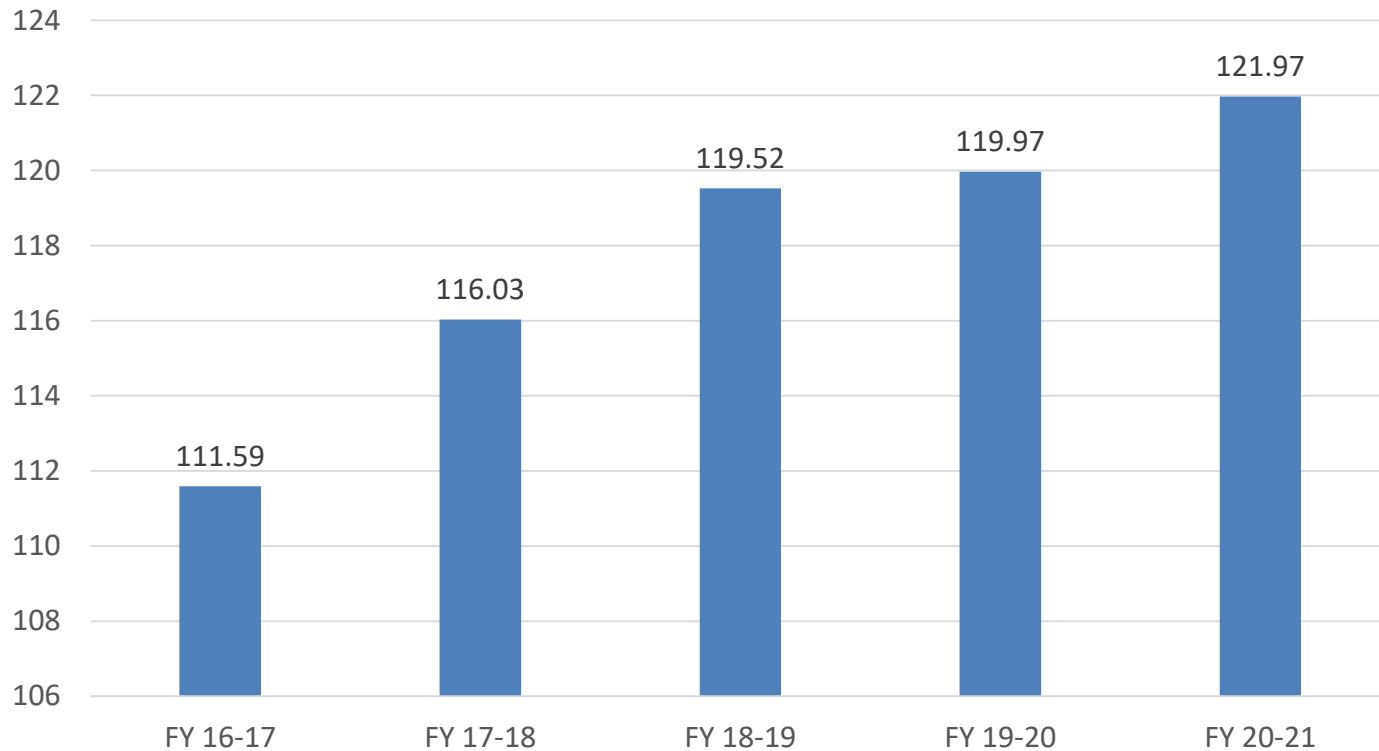
All Funds Budget



Budget Overview

- Adding 2 FTE (pg. XXV)

All Funds Employee Count



Budget Overview

- Cost Allocation Method (XXIII – XXVI)

Name	Admin	Finance	HES	Building	Streets	Recycled Water	Water	Regional Water	TOTAL
M. MORGAN	100.00%								100.00%
M. KRAWCZYK		10.00%	6.00%			42.00%	42.00%		100.00%
L. A-STRONG	75.00%	25.00%							100.00%
C. INNERS		25.00%	1.00%		4.00%	35.00%	35.00%		100.00%
H. LAMBERT		42.00%			18.00%	20.00%	20.00%		100.00%
B. SMITH			24.00%			38.00%	38.00%		100.00%
B. McMAHON			100.00%						100.00%
H. WILSON				34.00%	33.00%		33.00%		100.00%
S. ALLMAN						50.00%	50.00%		100.00%
L. PETERSON							100.00%		100.00%
TOTALS			\$167,309		\$54,967	\$273,909	\$412,461	\$12,000	\$920,646

ENTERPRISE FUNDS COST ALLOCATIONS

FUND	PAST METHOD		NEW METHOD		DIFFERENCE
STREETS	\$54,967		\$156,766		\$101,799
RECYCLED WATER	\$273,909		\$297,894		\$23,985
WATER	\$412,461		\$259,789		(\$152,672)
HERMISTON ENERGY	\$167,309		\$157,803		(\$9,506)
REGIONAL WATER	\$12,000		\$56,367		\$44,367
	\$920,646		\$928,619		\$7,973



Budget Overview

Basic Assumptions

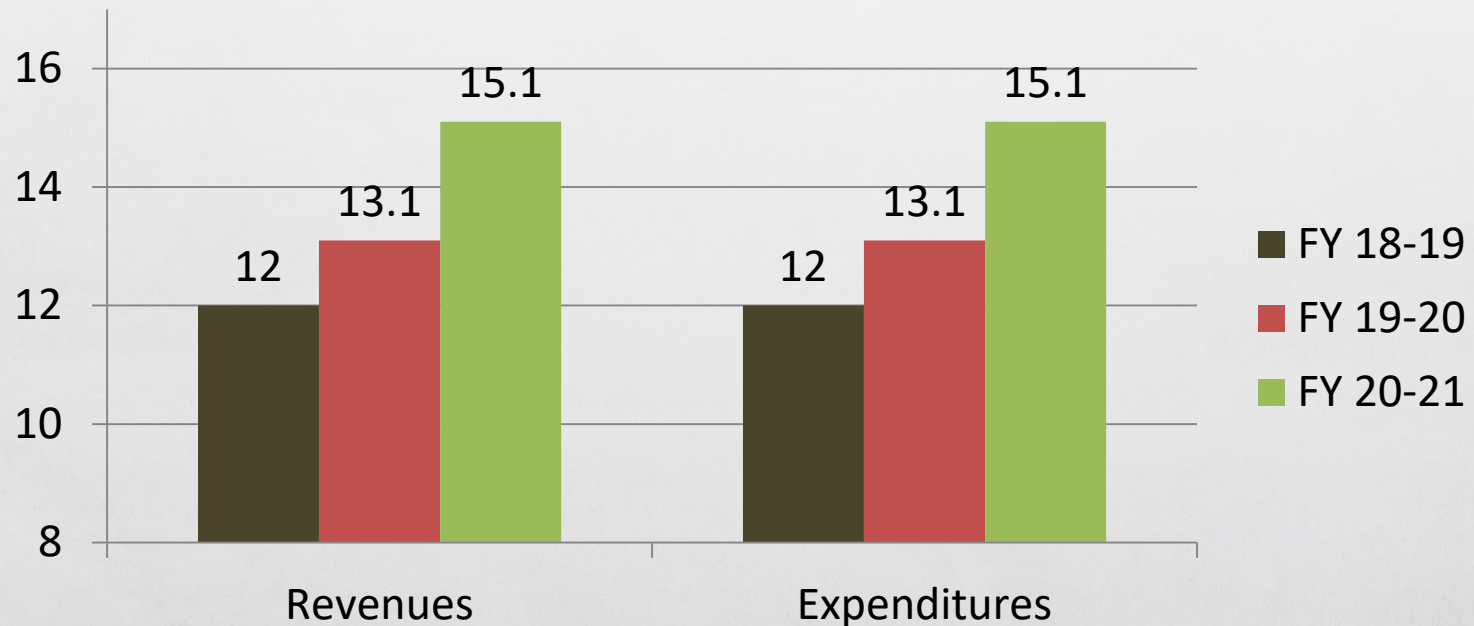
- Based on Vision Statement, Values and Goals
- Contains a 2.75% wage increase for all employees
- Includes PERS and Health Insurance Increases





General Fund

- \$2,000,000 Decrease (pg. 1-GF Tab)
 - Change in Cost Allocation Methodology





General Fund

Police (pg. 46)



- Dispatch Costs – 3.1% increase
- Additional Records Clerk
- Additional School Resource Officer (75% Share)

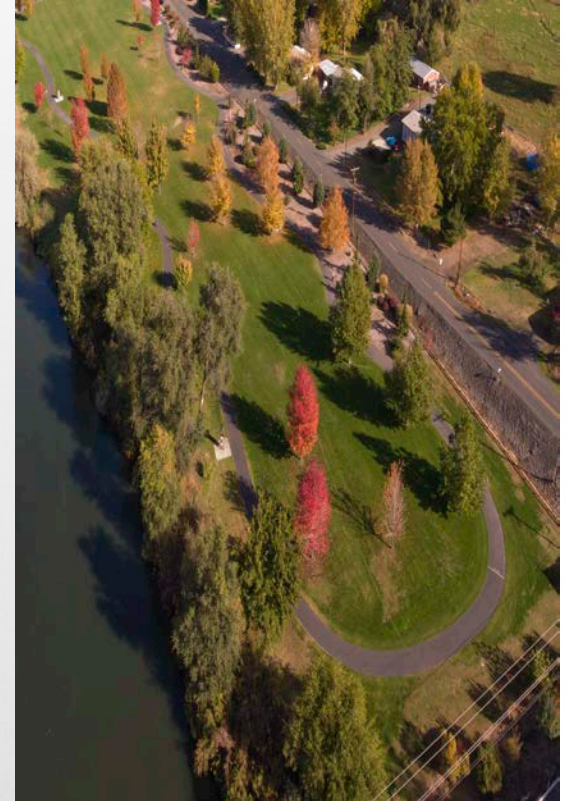




General Fund

Parks and Recreation (pg. 25, etc.)

- Skate Park (pg. 102)
- Funland Rebuild (pg. 96)





General Fund

Library (pg. 33)

- Operations Staying Status Quo





General Fund

Court (pg. 15)

- Improving Process and Efficiency
- New Technology



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Street Fund

(pg. 51)

- No major changes in Operations
- Implementing Capital Improvement Plan
 - Using Reserve Account (pg. 108)
 - Design
 - Saving \$\$ for Pay as You Go





Utility Fund – Recycled Water

(pg. 64)

- Improve Maintenance Activities
- Implement Capital Improvement Plan (pg. 121)
 - Finishing Up a Few Carryovers
 - 7th Street Bottleneck (Grant)
 - Lift Station #3 Improvements





Utility Fund – Water

(pg. 67)

- Improve Maintenance Activities (staff efficiencies)
- Implement Capital Improvement Plan (pg. 116)
 - Ridgeway Water Line
 - Well #6 Back-up Generator





Hermiston Energy Services

Pg. 71

- No Major Changes in Operations
- Further Rate Discussions in Fall





Regional Water System

Pg. 75

- Both Amazon Web Services sites are using water
- Rate Discussions with Users Group





EOTEC Fund

(pg. 83)

- Paid off Bridge Loan

(pg. 125)

- Capital Funds
- Working on a Site Master Plan





COLA

- Delay COLA to January 2021 to allow us to monitor property tax collections in November.
- All employees are involved including the Hermiston Police Association
- Discussing a possible one-time payment to employees at the mid-year





Questions??

Thank You for Your Service!

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