

**To the Honorable Mayor, Members of the City Council,
Citizen Members of the Budget Committee, and Citizens of Heppner:**

Below is a summary of the adopted annual budget for Fiscal Year 2024-2025, beginning July 1, 2024, according to the provisions of Oregon local budget law (ORS 294.305 - 294.565).

BUDGET FORMAT AND ORGANIZATION

The FY 2024-2025 City of Heppner budget proposal for all funds and accounts totals \$9,363,466.00. When capital projects are removed of \$4,377,203.00 this is a decrease from the 2023-2024 budget (\$4,986,263.00 versus \$5,316,257.00.) The increased Capital Outlay is related to a one-time Congressional Directed Spending (CDS,) allotment in the amount of \$1,500,000.00 to be appropriated for a rebuild of Gilmore Street and access to Pioneer Memorial Hospital. There are also increases in funds due to grants received or expected to be received. The Budget document is organized into 9 funds. These funds are: General Fund, Water Fund, Sewer Fund, Street Fund, Fire Department Fund, Reserve Funds, Community Development Fund, St. Patrick's Celebration Fund and Debt Service Fund.

The General Fund and the Street Fund are operating funds that provide for ongoing services such as police protection, parks, and street maintenance. Water service, and wastewater collection and treatment are considered enterprise funds.

Each fund has specific revenues and expenditures. Some funds have multiple sources of revenue (taxes, fees, grants, user fees, transfers, etc.), while other funds have only one main source of revenue.

FINANCIAL POLICIES & PRACTICES

The 2024-2025 Proposed Budget has been prepared based on City Fiscal Policies and the following practices:

- Revenues and expenditures are estimated accurately, but conservatively.
- Beginning Fund Balances should be maintained in each fund that are adequate according to accepted accounting practices and to provide a bridge to cover expenses that are incurred prior to the receipt of significant revenues.
- 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.

Adhering to these policies and practices along with disciplined spending will provide a safeguard for the City of Heppner to keep through good and bad financial times.



FINANCIAL OUTLOOK FOR 2024-2025

While the FY 2024-2025 Budget is conservative overall, it needs to be noted the upcoming budget year reflects several large capital projects. With a Capital Outlay requirement of \$4,377,023.00, this increases our overall budget beyond previous years. The capital projects will be funded, in the majority, from CDS and grants either received or expected to be received.

On the revenue side, most sources are stable with some large one time receipts due to grant funding and CDS. Per unit revenues programmed into the Water and Sewer will increase due to an adjustment for inflation, but total revenue has trended slightly lower than estimated FY 23-24 revenue. An increase of 4.0% in city-provided utility charges is recommended to equalize inflation over the past year and keep utility costs in the necessary MHI levels to acquire funding for future water and sewer infrastructure

The overall City budget (minus Capital Outlay,) is 7.4% lower than 2023-2024, mostly due to slightly lower Material and Services costs and a reduction in the overall Appropriated Reserve and Unappropriated Contingency fund balances.

The proposed budget allows the City to maintain current services, increase support in certain areas and address current capital needs.

Personnel Costs – Benefits and Salaries

For FY 2024-2025, the City is budgeting a 2.5% overall cost increase for Personnel Services. Personnel costs are 15.2% of the total budget less capital projects. This is an increase from the previous year. The increase represents a 4% COLA and revised Public Works pay structure, while still allowing for merit-based increases

Materials and Services

Departments were directed to submit materials and services budgets that would be close to actual spending. The City Manager worked closely with department heads to estimate and categorize necessary expenditures.

Capital Resources and Investments

Capital Equipment and Vehicles – The replacement of worn and aging equipment and vehicles is necessary for the continued efficient operation of The City. The City of Heppner purchased vehicles with capital outlay in FY 23-24, as well as surplusng vehicles that have outlived their useful service life for the City’s needs. It is recommended that the City continue placing funds in reserve for future expenditures as they become necessary.

Capital Investments – Capital investments, such as street reconstruction, repairing water or sewer lines or adding service capacity to a utility system are funded with ongoing resources, reserves, or grants. Capital investments are also needed to keep up with growth and changing regulations.

2024-2025 BUDGET HIGHLIGHTS

The City has been awarded \$1,500,000.00 from the State of Oregon as a CDS. These funds will be combined with reserves and any additional grant monies for the rebuild of Gilmore Street and associated streets en-route to Pioneer Memorial Hospital.

The City has also begun work on an aggressive remodel of City Park. This project will be funded with current City funds allocated for the purchase of playground equipment and grants either received or expected to be received.

Planning of the City's Water System Master Plan and Wastewater studies will be completed in FY 24-25 with capital projects likely beginning in FY 25-26.

FY 2024-2025 assessed valuation for property taxes is budgeted at approximately 18% above FY 2023-2024, when compression is taken into account.

Property and Casualty rate projections are as follows:

- Personnel Services show an increase of 13%.
- Materials and Services increased by 17%.
- Property rates show an increase of 14.7%.
- General Liability rates will have a 10% increase.
- Auto Liability rates will have an 8.5% increase and Physical Damage increase of 20%. The addition of vehicles resulted in a higher overall premium.
- Overall Property and Casualty rates will increase 18%

Health Insurance will see an increase in premiums of 9.2%

Work Comp steady at 0%

PERS Employer Rate is 0.01%

CONCLUSION AND RECOMMENDATION

The recommended budget as presented represents a conservative use of resources. The City of Heppner staff looks forward to working with the Budget Committee to review the plan.

Attentively submitted,

John Doherty
City Manager and Budget Officer

May 14, 2024