

SUPPLEMENTAL BUDGET – JUSTIFICATION

MAY 6, 2025

As of today, we are over eighty percent through the fiscal year. As routine tasks are completed, and the upcoming projected, the unexpected ones are dealt with. This year has certainly come with lots of exciting opportunities but also unexpected challenges that have come with extra sweat, grief, sorrow, and grit.

General Fund

An increase of \$142,000 for Materials & Services appropriations, from Operating Contingency, is requested due to a very active year. This year, we've had extra legal services regarding employment issues, updating our personnel policy handbook, an additional bargaining agreement, real estate, land partitions, land use, updating our easement access (franchise fee agreements), and various other matters in which legal council is sought. We are in the middle of another employment bargaining agreement, we have active real estate matters, and are working on a procurement and purchasing policy, and some of the legal counsel questions come up unexpectedly. General engineering services were also in high demand this year. In the analysis of upcoming projects, creating a Capital Improvement Project plan, assisting with general compliance agencies' reporting, and attendance at various community meetings. Other professional fees have also been regularly used. These consultant services range from housing to appraisals to payroll to audit fees. Some of our outdated computers may need to be replaced this fiscal year, as Microsoft has announced ending its support of Windows 10. IT will be determining compatibility with Windows 11, and those computers that do not meet the compatibility test will need to be replaced. We anticipate having to replace approximately ten to fourteen computers. We plan on spreading out the purchasing of these between now and this fall. Internet services, office supplies, and data hosting fees (software subscriptions) will require an increase to get us through the fiscal year.

Water Fund

Early in the year, our public works department was faced with many extra water issues, as the Columbia Ave NW project brought many unexpected water line breaks and a few from our Water System Improvement project. It included many, many overtime hours of our staff. These labor hours were charged directly to the Water Fund. Also unexpectedly, at the beginning of 2025, we experienced the passing of our Public Works Director, Rolf Prag. Unanticipated payroll expenses were incurred, as leave accruals and pertinent benefits were paid out to his survivors. We also have interim coverage and the wages of the new Public Works Director. With more capital projects involving water lines, ahead of us, an additional \$50,000 in Personnel Service appropriations are needed to finish out the fiscal year. Materials & Services, for the Water Fund, need an appropriation increase of \$27,200. The City is having four public works employees attend a Commercial Driver License (CDL) course, to obtain their CDL license. Employees will be sent at different times, to ensure adequate coverage of the public works department. Some employees will also incur travel expenses while others will have the opportunity to attend locally. This will ensure that we have enough drivers for the heavy equipment that require this licensure. This fee is shared amongst the Water, Sewer, and Street Fund. Additional testing required by Oregon Health Authority is being considered for the increase, both in the quantity of tests, and the cost of the required

tests. A change in laboratory was also made, due to the prior laboratory not being able to get their results in a timely manner, to submit to the state in the required turnaround time. This reflected negatively on our reporting and compliance. This, however, did increase our laboratory costs. Grounds Maintenance is anticipated to have a few more expenses before year end and spring has definitely brought to light some repairs and maintenance that are needed. System maintenance includes all water system parts, such as water meters. The continued growth in housing and commercial development requires for constant purchasing of water meters, radio reads, plus all the pertinent installation accessories. The Water Fund Operating Contingency will decrease by \$77,200 to increase the additional appropriations as mentioned above.

Sewer Fund

The Sewer Fund's Materials & Services are needing an increase in appropriations of \$78,000, for this fiscal year. The Sewer Fund's Operating Contingency would be decreased by the \$78,000. This fund will have its share of the CDL course, travel, and testing fees (see Water Fund). Internet fees, grounds maintenance, and fuel and oil are anticipated to be more than budgeted, before year end. Our largest appropriation is for System Maintenance. We had three lift stations redone approximately three years ago and are due for routine maintenance. The other lift stations will also be scheduled for their maintenance. Due to scheduling availability, we would like to have the funds available if maintenance can be performed before the fiscal year end.

Garbage Fund

As housing and commercial developments continue, garbage revenues and corresponding solid waste disposal fees increase. We anticipate an increase in Garbage Fee revenues of \$450,000 above the original budgeted revenues, that were not expected. We would like to account for these additional revenues and appropriate them to Materials & Services for solid waste disposal costs. In addition, \$106,400 from Operating Contingency is also necessary to cover the increase in Materials & Services expenses. Internet fees will also receive a portion of this appropriation, to ensure that this expenditure is covered through the end of the fiscal year.

Street Fund

Additional appropriations of \$70,000 for Personnel Services and \$13,700 for Materials & Services will come from Operating Contingency for an overall amount of \$83,700. This fund also had an increase in direct labor costs of the public works department due to the various street infrastructure projects that required our staff's time, including sidewalk reviews and inspections at new developments. We anticipate starting another street project this fiscal year and would like to have funds if the unexpected need arises of our public works department to assist. Combined with the final payout of our previous Public Works Director (see Water Fund), this appropriation is necessary to have the funds needed through year-end. Materials & Services increase in appropriations is for its share of the CDL course, travel, and testing fees (see Water Fund). Additional expenditures for grounds maintenance and fuel and oil are also expected to be more than originally budgeted.

Building Fund

Materials & Services will need additional appropriations in the amount of \$44,000, this will decrease the Operating Contingency by the same amount. Internet fees and office equipment are anticipated to be more than originally budgeted. Office furniture purchases were not anticipating having a large expenditure this year, however, the furniture supplier for the city hall expansion of the building department realized they hadn't fully billed us for the furniture orders, due to a change of their billing software. This invoice was for approximately \$27,000.

Water Reserve Fund

The Water System Improvements – Phase II has been completed. This project was funded through a G.O. Bond. The proceeds and interest of the G.O. Bond were exhausted, and the Water Reserve Fund will fill the funding gap. Operating Contingency will be decreased by \$290,300 and appropriations for an interfund transfer to the Capital Projects Fund will increase by \$290,300.

Capital Project Fund

This fiscal year began with an unexpected beginning cash balance of \$494,200 above the budgeted amount. Interest income will also be higher than anticipated by \$25,500. We are recognizing these additional revenues, in the amount of \$519,700, and appropriating them to the Capital Outlay expenditures. This fund will also recognize the \$290,300 being transferred from the Water Reserve Fund (above) and appropriating it to the Capital Outlay, as well. This will close out the Capital Project Fund.

A budget is a guide to the expenditures we anticipate we will incur during the fiscal year. Operating contingencies are for the what-ifs and the unexpected. Most of the funds addressed in this supplemental budget will utilize their operating contingencies to cover these unanticipated expenditures, therefore not incurring any increases in the funds. Only two funds had an increase in their budgeted fund balance. The Garbage Fund will have a fund increase of \$450,000, both in recognized revenues and expenditures. The Capital Project Fund will have a fund increase of \$810,000 with \$519,700 in recognized revenues and \$290,300 from an interfund transfer, which increases Capital Outlay appropriations by \$810,000.

This supplemental budget accounts for the expenditures to date, the anticipated expenditures, and allows for some unanticipated expenditures. With a couple of months left to go in this fiscal year, here's to riding out the wave with this supplemental budget.

Respectfully submitted,

Marta Barajas
Finance Director