



CITY COUNCIL & URBAN RENEWAL AGENCY

Budget Committee Meeting Minutes
May 11, 2023

City of Hermiston Budget Committee Meeting

Mayor Drotzmann opened the meeting of the Budget Committee to consider the proposed budget for the 2023-2024 fiscal year at 5:30pm. Present were Budget Committee members: Doug Primmer, Anton Wanous, Rod Hardin, Brian Misner, Jackie Myers (exited at 6:45pm), Maria Duron (arrived at 6:04pm), Joshua Roberts, Roy Barron (participated through Zoom from 6:03pm-6:15pm), Larry Lankford, Jackie Linton, Paul Magaña, Nancy Peterson, David McCarthy, and Lori Davis. David Hanson was excused; Jason McAndrew and John Douglass were absent.

City Staff present included: City Manager Byron Smith, Assistant City Manager Mark Morgan, Chief Edmiston, Finance Director Mark Krawczyk, Parks and Recreation Director Brandon Artz, IT Director Jordan Standley, Planning Director Clint Spencer, HES General Manager Nate Rivera, City Attorney Richard Tovey, Court Manager Jillian Viles, Library Director Mark Rose, EOTEC General Manager Al Davis, Senior Financial Analyst Tasha Harrell, Deputy City Recorder Heather La Beau, and City Recorder Lilly Alarcon-Strong.

Mayor Drotzmann stated the committee must elect a chair and secretary. Rod Hardin moved and Doug Primmer seconded the nomination of Brian Misner as Chair. Motion carried unanimously. Lori Davis moved and Doug Primmer seconded to nominate Anton Wanous as the secretary. Motion carried unanimously.

Budget Presentation

Budget Officer Byron Smith began the presentation (PowerPoint attached) of the City of Hermiston's FY 2023-24 Proposed Budget by thanking city staff and committee members for their efforts and time. Specifically Finance Director Mark Krawczyk and Senior Financial Analyst Tasha Harrell in putting the document together, department heads for being thoughtful putting together the budget proposals, and citizen members of the Budget Committee for their willingness to give up time and serve our community.

Introduction

The FY2023-24 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 February 2023, the City Council and City staff held a goal setting session during which goals for FY2023-24 and into the future were established. These goals were considered as this budget was adopted. I plan to highlight a few bigger picture factors that affect our budget and then dive into the more relevant details.

PERS and Interest Rates

Due to the rapid increases in interest rates, the City did not issue pension obligation bonds. Staff will continue to monitor that situation and will bring forward appropriate proposals when factors return to a favorable environment to consider that option again. PERS rates of return allowed the City to see the most favorable PERS contribution rates in many years. Depending on the employee's time in service, PERS contribution rates increased in the range of 1.25% to 1.77%.



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Discussion

The FY2023-24 budget continues and upholds the City's adopted policies. The all-funds budget is \$97,831,523 which is approximately \$32.6 million (49.9%) more than the FY2022-23 budget. The reason for this increase in the overall budget is the large number of capital projects the City has scheduled. The construction of various water/sewer and street projects is a big factor in the increase of the all funds budget. The addition of the IT department is also a new factor in this increase.

The FY2023-24 budget includes a 3.0% cost of living adjustment (COLA) for all City employees. I will now walk through the major funds in the budget and provide highlights about each one.

This budget I present today is the most unique I have ever presented to this City Council or any city council. This distinction is not one that I am proud of in any way. Over the past three years, the City's general fund budget has grown, and the funding provided by the federal government through various funding programs (CARES Act and ARP Act) was the source that paid for that growth. That was not my intent but that is what happened. The budget proposed below is requesting the authority to do a short-term (two fiscal years) interfund loan from the Utility Fund (\$1.36 million) and the Hermiston Electric Fund (\$680,000) to cover the remaining shortfall and then spend the next year in a thoughtful process of determining the most important needs of the City and a way to sustainably fund those needs. I will also be showing to you on the evening of May 11, 2023, a five-year projection of revenues and expenditures that would inform our needs evaluation process.

General Fund

The general fund is the location for funding some of the most basic operations of the City. It is also the location for funding many quality-of-life services. These facts make it a very diverse fund including police, finance, planning, library and parks and recreation. All of these services have some role in a safe, sustainable and livable community. Minus the interfund loans mentioned above, proposed general fund revenues are \$15,606,565. Proposed general fund expenditures are \$17,646,665. That leaves a \$2,040,000 gap between revenues and expenses.

Utility Fund

The implementation of the Capital Improvement Plan (CIP) for both water and recycled water continues to be a priority.

Street Fund

Two large projects will be worked on this fiscal year related to the street fund. The rebuilding of North 1st Place using our state earmark funds and construction of the Geer and Harper intersection project.

Hermiston Energy Services (HES) Fund

The HES budget presented begins to start tackling capital maintenance projects that are feasible after the last rate increases.



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Transient Room Tax (TRT) Fund

Revenues in the TRT have continued to be strong and steady.

Regional Water Fund (RWS)

This fund sees most activity in construction related to the addition of another Amazon Campus as a customer.

Enterprise Zone Project Fund

Construction has begun on the initial Amazon site within the City limits. We do not expect a payment to the Enterprise Zone fund within this fiscal year.

Eastern Oregon Trade and Event Center (EOTEC) Fund

We have put together a basic budget for a full year of city operations. There are still many unknowns but these are the best estimates we have.

(Jackie Myers exited the meeting at 6:45pm)

The Committee reviewed and discussed the budget information and Budget Officer Byron Smith answered questions regarding the budget specific to the \$2 million gap between revenues and expenses.

Public Comment

Karen Primmer, Hermiston- stated the decisions the Committee has before them is a difficult one to make and asked that the Committee make compromises such as: making cuts, consider small short-term borrowing options, and not spending money that isn't there. Mrs. Primmer also asked that the Committee not add or increase fees of any kind as many people in the community will be unable to afford them.

Tax Levy & Budget Approval

Upon further discussion, David Drotzmann moved and Rod Hardin seconded to approve the rate per thousand of \$6.0860 for general fund operations. Motion carried unanimously. Lori Davis moved and Doug Primmer seconded to approve the bonded debt at \$316,829. Motion carried unanimously. Joshua Roberts moved and David Drotzmann seconded to table adopting the budget until after a second Budget Committee meeting to be held prior to June 2, 2023 and directed staff to return to the Committee with several options on how to decrease the general fund budget at the next meeting. Motion carried 12-1. David Drotzmann, Doug Primmer, Anton Wanous, Rod Hardin, Brian Misner, Maria Duron, Joshua Roberts, Larry Lankford, Jackie Linton, Paul Magaña, Nancy Peterson, and Lori Davis voted in favor; David McCarthy voted against.

Adjourn City of Hermiston Budget Committee Meeting and Convene the Urban Renewal Agency Budget Meeting- There was no other business and Chair Misner adjourned the City of Hermiston Budget Committee meeting at 7:32pm and announced there would be a 5-minute recess before convening for the Hermiston Urban Renewal Agency Budget Committee meeting.



CITY COUNCIL & URBAN RENEWAL AGENCY

Budget Committee Meeting Minutes May 11, 2023

Hermiston Urban Renewal Agency Budget Committee Meeting

Chair Drotzmann opened the meeting of the HURA Budget Committee to consider the proposed budget for the 2023-2024 fiscal year at 7:39pm. Present were Budget Committee members: Doug Primmer, Anton Wanous, Rod Hardin, Brian Misner, Maria Duron, Joshua Roberts, Larry Lankford, Jackie Linton, Paul Magaña, Nancy Peterson, David McCarthy, and Lori Davis. David Hanson, Jackie Myers, and Roy Barron were excused; Jason McAndrew and John Douglass were absent.

City Staff present included: City Manager Byron Smith, Assistant City Manager Mark Morgan, Chief Edmiston, Finance Director Mark Krawczyk, Parks and Recreation Director Brandon Artz, IT Director Jordan Standley, Planning Director Clint Spencer, City Attorney Richard Tovey, Library Director Mark Rose, Senior Financial Analyst Tasha Harrell, Deputy City Recorder Heather La Beau, and City Recorder Lilly Alarcon-Strong.

Chair Drotzmann stated the committee must elect a chair and secretary. Doug Primmer moved and Lori Davis seconded the nomination of Brian Misner as Chair. Motion carried unanimously. Doug Primmer moved and Lori Davis seconded to nominate Anton Wanous as secretary. Motion carried unanimously.

Budget Presentation

Urban Renewal Manager Clint Spencer presented the HURA budget message and PowerPoint presentation (attached) stating the proposed Hermiston Urban Renewal Agency (HURA) Budget for the 2023-24 Fiscal Year is \$1,020,966.

The 2023-24 Fiscal Year marks an exciting change for HURA. A second urban renewal district joins the Downtown Urban Renewal Area. The new district is in the southwest quadrant of Hermiston and is tasked with large public infrastructure improvements to support the future Prairie Meadows residential development. Prairie Meadows will include a mix of housing types up to 1,300 residential units, a potential school, a potential fire station, and public parks. Beginning with this fiscal year, the Hermiston Urban Renewal Agency will administer the Downtown URA (Downtown) and the Southwest Hermiston URA (SHURA).

Revenues for urban renewal agencies are based on tax-increment financing (TIF). TIF freezes the assessed value of an urban renewal area on the date it is established and diverts future property tax revenues over and above that frozen base into the urban renewal agency to pay for improvement projects.

The frozen base for each urban renewal area, current assessed value, and growth is detailed in the table below. Since this is the first year for SHURA, no growth is budgeted this year.

District	Frozen Assessed Value	Current Assessed Value	Increase in Value Since Formation
Downtown	\$42,262,899	\$59,094,900	28.5%
SHURA	\$3,121,349	\$3,121,349	0%



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Downtown

One capital improvement is planned for the 23-24 FY. The SE 2nd St gateway project will carry over from the 22-23 FY. The project was originally planned for prior fiscal year, but design took longer than anticipated. \$40,000 was spent on design and engineering in 22-23 and \$360,000 is carried into the 23-24 budget for construction. ODOT has offered \$50,000 in safety enhancement funds to assist with the project. Façade Grants will increase from \$50,000 in prior years to \$60,000 moving forward. After reviewing the program, the façade grant team determined that the maximum match of \$10,000 in prior years no longer reflects inflated building and labor costs and does not represent a significant incentive to use the program. The Urban Renewal Board increased the maximum match to \$20,000. The total budget increased to \$60,000 to ensure that at least three grants are available each year.

All of the remaining Downtown budget line items are maintaining the status quo. The Festival Street line item decreases from \$5,000 in 22-23 to its regular \$3,000. 22-23 saw a temporary increase in Festival Street spending to clean the street following completion of City Hall construction. Non-Departmental expenses stay at \$138,966 and cover Downtown debt service and administrative expenses. The wayfinding project is complete within the Downtown and this line is zero for 23-24. Parking improvements maintains a \$3,000 budget in case a project of opportunity presents itself.

Southwest Hermiston Urban Renewal Area

SHURA will see substantial revenue and expenses in the 23-24 FY. The city has obtained a loan from the State of Oregon for construction of a water tower, water booster upgrades, sewer main, and public park in the Prairie Meadows development. The design and construction of these improvements will take several years to complete. In the upcoming year \$496,000 is anticipated as revenue from this loan and will be used for design and engineering expenses, primarily on the water tower and sewer main. For reference, a two-million-gallon reservoir is planned for the Prairie Meadows area, upgrades to the water booster at W Joseph Ave and SW 11th St, and one mile of sewer improvements are necessary.

Urban renewal is the funding mechanism for these public infrastructure projects, but the projects themselves will be built and owned by the City of Hermiston. No construction is anticipated during the 23-24 Fiscal Year. Additional revenue will be budgeted in 24-25 for construction. It is anticipated that the infrastructure will be complete, and housing will start construction in 2025. After housing begins, the assessed value for SHURA will increase rapidly. Since the frozen base is locked at \$3,121,349, ten houses and lots valued at \$300,000 will double the assessed value.

Additional study is underway for a potential third urban renewal district along N 1st Street. This is in the feasibility stage, but if determined to be a feasible project, will be used for congestion relief and alternative circulation for Highway 395 between Elm Ave and Theater Lane.

Public Comment

None given.



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Budget Approval

After questions and discussion of the proposed budget, Jackie Linton moved and Doug Primmer seconded to table adopting the FY 2023-24 proposed HURA budget to a second Budget Committee meeting to be held prior to June 2, 2023 and directed staff to amend the budget documents, as necessary, to reflect accurate information. Motion carried unanimously.

Adjourn Hermiston Urban Renewal Agency Budget Committee Meeting

There was no further business and Chair Misner adjourned the Urban Renewal Agency meeting at 7:54pm.

APPROVED:

Brian Misner, Budget Chair

ATTEST:

Anton Wanous, Budget Secretary

DRAFT



2023-24 Budget Message

May 11, 2023



Agenda

- Recap of 2022-23
- Budget Introduction
- Budget Overview
- Enterprise Funds
- General Fund
- Discussion/Questions



Budget Introduction



- Thank You Finance Department (Krawczyk, Harrell, Lambert, etc.) 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.



FY2022-23 Recap



FY2022-23 Recap



FY2022-23 Recap



Budget Introduction

- We will be using the labeled tabs in the physical document.
- We will also be using page numbers which are in the bottom right position.



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 HES Fund is composed 100% of electric utility rate revenue and expenses.**
 - **Reserve Fund = Savings Accounts and Project Accounts**
 - **The State of Oregon has a strict local budgeting law, and the city works within those parameters.**

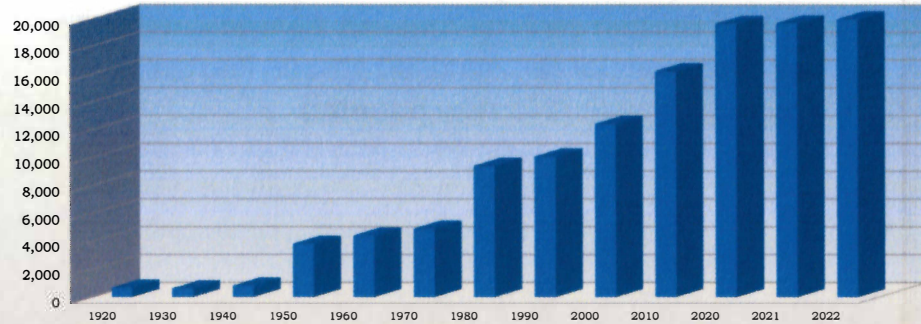




Budget Overview

Slow Steady Growth.
Getting close to the
coveted 20,000.

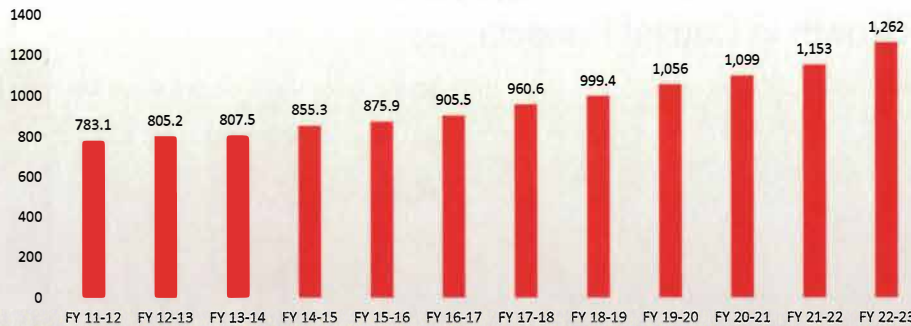
2022 Population: 19,973



Budget Overview

Slow and Steady
Growth.
Averaging 4.5%
annual increases.

Hermiston Assessed Value
In millions \$\$\$





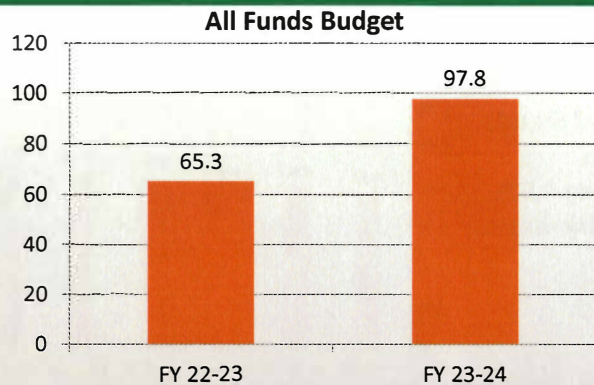
Budget Overview

- Overall Good Economy
 - Ground Broken on First Amazon Campus in the City
 - New Commercial (Marshall's/Famous Footwear)
 - Housing Growth (210 new permits)



Budget Overview

- All funds budget up 50%.
- Growth in Capital Projects





Budget Overview

Basic Assumptions

- Based on Vision, Values and Goals
- Contains a 3.0% wage increase for all employees
- Includes any PERS and Health Insurance Increases



IT Fund – Newest Fund/Department

- Page 73 – Operational Budget
 - **Started with 4 employees**
 - **Added two mid-year**
 - **One additional employee proposed**
- Started with 5 Customers
- Currently have 8 Customers (with added hours from original)
- Have 2+ more Customers coming



Street Fund

- Page 39 – Operational Budget
 - **One additional employee**
- Two Large Projects Planned pg. 86
 - **N. 1st Place Reconstruction-\$4.2 million**
 - **Geer & Harper Construction-\$1.5 million**



Utility Fund – Recycled Water

- Page 52 – Operational Budget
- Page 91 – Capital Projects
 - **Cooling Discharge for AWS**
 - **Elm/395 Main**



Utility Fund - Water

- Page 56 – Operational Budget
- Page 89 – Capital Projects
 - **AWS System Expansion (RWS) - \$20 million**
 - **N 1st Water Line**
 - **Well 5 Improvements**
 - **Well 6 Generator**
 - **Lead and Copper Program**



Hermiston Energy Services

- Page 60
- Almost 20 years of operations
- Continuing maintenance projects



EOTEC

- Page 70
- First full-year of operations
- Budgeting some extra for Marketing



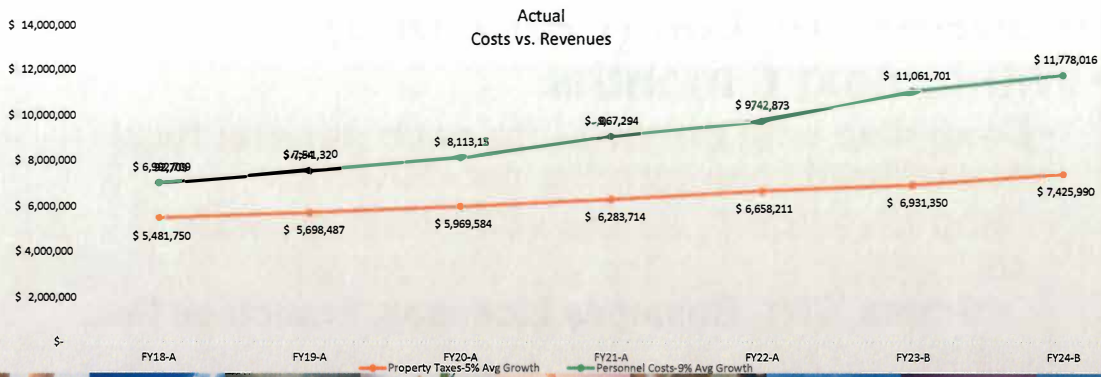
General Fund

- Most difficult year in this fund in my career
- \$2 million dollar hole in the General Fund
 - Structural Revenue Problem**
 - Other Cities – La Grande**
 - Not watching the correct indicators**





General Fund



General Fund

- Proposed Solution (Part 1 of 3)
 - Take a \$2 million short-term loan from Utility Fund/HES
 - \$1.36 million special payment – page 49
 - \$680,000 special payment – page 61
 - Payback loan in FY25 with 1.5% interest using Enterprise Zone Funds





General Fund

- Proposed Solution (Part 2 of 3)
 - **Within next 6 months**
 - Deep dive with council into each general fund department to determine needs/wants
 - Deep dive into possible additional revenue sources
 - Grants, TRT, Business Licenses, Franchise Fee, etc.



General Fund

- Proposed Solution (Part 3 of 3)
 - **Within next 6 months**
 - Establish a five-year projection model





General Fund

	Projected				
	FY25-P	FY26-P	FY27-P	FY28-P	FY29-P
REVENUES					
Property Taxes	\$ 7,834,419	\$ 8,265,313	\$ 8,719,905	\$ 9,199,499	\$ 9,705,472
From Other Agencies	1,234,751	1,247,099	1,259,570	1,272,165	1,284,887
Service Charges	2,633,926	2,752,452	2,876,313	3,005,747	3,141,006
Trasf From	2,722,976	2,804,665	2,888,805	2,975,469	3,064,734
Lic & Franchises	1,816,715	2,014,384	2,594,959	3,348,757	4,232,708
Cash Fwd	-	-	-	-	-
Fines/Penalties	412,000	416,120	420,281	424,484	428,729
Misc Revenue	145,000	145,000	145,000	145,000	145,000
Interest	50,000	50,000	50,000	50,000	50,000
Non-Rev Receipts	2,250,000	-	-	-	-
	\$ 19,099,787	\$ 17,695,033	\$ 18,954,833	\$ 20,421,122	\$ 22,052,534
EXPENSES					
Personnel Costs	\$ 11,278,016	\$ 11,729,137	\$ 12,198,302	\$ 12,686,234	\$ 13,193,684
Materials/Services	3,585,028	3,692,579	3,803,356	3,917,457	4,034,981
Transfers	1,479,520	1,523,906	1,569,623	1,616,711	1,665,213
Debt Service	2,600,000	460,000	460,000	460,000	460,000
Capital Outlay	100,000	125,000	125,000	125,000	125,000
Contingency	55,000	55,000	55,000	55,000	55,000
	\$ 19,097,564	\$ 17,585,621	\$ 18,211,281	\$ 18,860,403	\$ 19,533,877
	2,223	109,411	743,551	1,560,720	2,518,657



General Fund

- Proposed Solution (Part 3 of 3)
 - **Within next 6 months**
 - **Establish a written policy on handling one-time revenues**



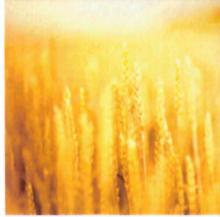
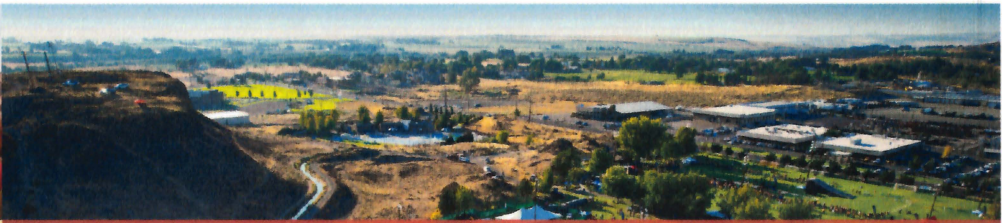
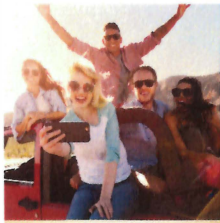


DISCUSSION!

QUESTIONS?

Thank You!

Where Life is Sweet™



HURA Budget Presentation

May 11, 2023



Façade Grant Program



22 GRANTS AWARDED SINCE 2014!

Requesting increase from \$50,000 to \$60,000 in budget to reflect higher grant awards



2nd St Gateway Project



HERMISTON SE 2ND STREET IMPROVEMENTS | VIEW 1
MARCH 27, 2023



2nd St Gateway Project



HERMISTON SE 2ND STREET IMPROVEMENTS | VIEW 2
MARCH 27, 2023



2nd St Gateway Project



HERMISTON SE 2ND STREET IMPROVEMENTS | VIEW 5
MARCH 27, 2023



2nd St Gateway Project



HERMISTON SE 2ND STREET IMPROVEMENTS | VIEW 3
MARCH 27, 2023



SW Hermiston Urban Renewal Area



SW Hermiston Urban Renewal Area

