



CITY COUNCIL & URBAN RENEWAL AGENCY

Budget Committee Meeting Minutes
May 23, 2024

City of Hermiston Budget Committee Meeting

Council President Doug Primmer opened the meeting of the Budget Committee to consider the proposed budget for the 2024-2025 fiscal year at 5:34pm. Present were Budget Committee members: Anton Wanous, Rod Hardin, Brian Misner, Jackie Myers, Maria Duron, Joshua Roberts (participated through Zoom), Roy Barron, Ed Brookshier, Jackie Linton, Paul Magaña, Nancy Peterson, David McCarthy, Lori Davis, David Hanson, Jason McAndrew, and John Douglass. Mayor David Drotzmann was excused.

City Staff present included: City Manager Byron Smith, Assistant City Manager Mark Morgan, Chief Edmiston, Finance Director Ignacio Palacios, Parks and Recreation Director Brandon Artz, IT Director Jordan Standley, Planning Director Clint Spencer, 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/Planner Heather La Beau, HR Specialist Crystal Inners, and City Recorder Lilly Alarcon-Strong.

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

Budget Presentation

Budget Officer Byron Smith began the presentation (PowerPoint attached) of the City of Hermiston's FY 2024-25 Proposed Budget by thanking city staff and committee members for their efforts and time. Specifically New Finance Director Ignacio Palacios 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 FY2024-25 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 2024, the City Council and City staff held a goal setting session during which goals for FY2024-25 and into the future were established. These goals were considered as this budget was assembled. Below are a few big picture items that affect our budget:

- PERS contribution rates remain flat through FY 2025.
- Property and liability insurance increased approximately 16%.
- Health insurance rates will increase by almost 10%.



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Discussion

The FY2024-25 budget continues and upholds the City's adopted policies. The all-funds budget is \$109,564,064 which is approximately \$26.3 million (19.3%) less than the FY2023-24 budget. The reason for this decrease in the overall budget is the completion of some of the large capital projects budgeted last year. There are still others but overall, the capital projects have decreased.

The FY2024-25 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. In contrast to last year's budget, the proposed General Fund is balanced with no loans or shortterm fixes needed.

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 these services have a role in a safe, sustainable, and livable community.

General fund revenues and expenditures are estimated to be \$19,801,846 for the fiscal year 2025. This is a \$2.6 million increase or 15%. Approximately \$1.2 million of that is from the new hospital related officers mentioned below and the additional three officers added with the last supplemental budget.

The largest single change in the General Fund is the addition of four police officers funded 100% by Good Shepherd Health Care System. They approached the City with this request in order to increase their security level. This will functionally add one more position to each shift that will be assigned to the hospital. This agreement is like the City's agreement with the Hermiston School District for School Resource Officers.

Utility Fund

The implementation of the Capital Improvement Plan (CIP) for both water and recycled water continues to be a priority. In the Recycled Water Department, staff is requesting an additional position to implement and run a couple of new programs (Fats, Oils and Grease; Industrial Wastewater).

Street Fund

Following the completion of the North 1st Place project, the Geer and Harper intersection project will become the focus for the street department.

Hermiston Energy Services (HES) Fund

The HES budget presented continues capital maintenance projects.

Transient Room Tax (TRT) Fund

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



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Regional Water Fund (RWS)

This fund sees most activity in construction related to the addition of three Amazon Campuses as customers.

Enterprise Zone Project Fund

Construction has begun on the second Amazon site within the City limits. This development brought additional revenue to the Enterprise Zone fund.

Eastern Oregon Trade and Event Center (EOTEC) Fund

Utilizing the TRT funds (both TRT and TPA) along with strong event revenues, we are forecasting a balanced budget.

Information Technology (IT) Fund

This fund continues to be balanced and building a small reserve. Due to some preliminary discussions with a couple of potential customers, staff is requesting to add one position to this fund but only if the new revenue materializes. If no new contracts are obtained, then no position will be added.

Public Comment

None given.

Tax Levy & Budget Approval

Upon further discussion and answering budget committee questions, Lori Davis moved and Jackie Myers seconded to approve the rate per thousand of \$6.0860 for general fund operations. Motion carried unanimously. David McCarthy moved and Lori Davis seconded to approve the bonded debt at \$24,580. Motion carried unanimously. Lori Davis moved and Jackie Myers seconded to approve the FY 2024-25 proposed budget. Motion carried unanimously.

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 6:58pm and announced there would be a recess before convening for the Hermiston Urban Renewal Agency Budget Committee meeting at 7:10pm.

Hermiston Urban Renewal Agency Budget Committee Meeting

Vice Chair Doug Primmer opened the meeting of the HURA Budget Committee to consider the proposed budget for the 2024-2025 fiscal year at 7:11pm. Present were Budget Committee members: Anton Wanous, Rod Hardin, Brian Misner, Maria Duron, Joshua Roberts (participated through Zoom), Ed Brookshier, Jackie Linton, Paul Magaña, Nancy Peterson, David McCarthy, Lori Davis, David Hanson, Jackie Myers, Roy Barron, Jason McAndrew, and John Douglass. Chair David Drotzmann was excused.



CITY COUNCIL & URBAN RENEWAL AGENCY

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City Staff present included: City Manager Byron Smith, Assistant City Manager Mark Morgan, Chief Edmiston, Finance Director Ignacio Palacios, Parks and Recreation Director Brandon Artz, IT Director Jordan Standley, Planning Director Clint Spencer, 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/Planner Heather La Beau, HR Specialist Crystal Inners, and City Recorder Lilly Alarcon-Strong.

Vice Chair Doug Primmer stated the committee must elect a chair and secretary. Anon Wanous moved and Lori Davis seconded the nomination of Brian Misner as Chair. Motion carried unanimously. Lori Davis moved and Doug Primmer seconded to nominate Lori Davis 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 2024-25 Fiscal Year is \$6,050,642.

The 2024-25 Fiscal Year will see more exciting changes for HURA. In 2023 a second urban renewal district joined the Downtown Urban Renewal Area. Now in 2024, a third district will become functional and create additional projects for the betterment of the city. The new district is North Hermiston Urban Renewal and is tasked with public road improvements to improve safety and circulation on the busiest road segment in Hermiston, N First St (Highway 395) between Elm Ave and Theater Lane. Beginning with this fiscal year, the Hermiston Urban Renewal Agency will administer the Downtown URA (Downtown), the Southwest Hermiston URA (SHURA), and the North Hermiston URA (NURA).

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 NURA, no growth is budgeted this year.

District	Frozen Assessed Value	Current Assessed Value	Increase in Value Since Formation
Downtown	\$42,262,899	\$61,588,838	45.70%
SHURA	\$3,121,349	\$3,498,512	12%
NURA	\$60,808,125	\$60,808,125	0%



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Downtown

No capital improvements are planned for the 24/25 FY. The SE 2 St gateway project was completed in the 23/24 FY and this year will be used to build cash reserves for future projects. Façade Grants will increase from \$20,000 to \$60,000. The façade grant fund has historically been held at \$50,000 but was reduced to \$20,000 to help fund the 2 Street project in 2023. The fund is now reverting to historic levels, with a slight increase to reflect the increase in project matching funds from \$10,000 to \$20,000 in 2022 to reflect inflationary building costs.

All of the remaining Downtown budget line items are maintaining the status quo. The Festival Street line item holds at \$3,000. The wayfinding project is complete within the Downtown and this line is zero for 24/25. 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 24/25 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 \$600,000 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 station at W Joseph Ave and SW 11 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 24/25 Fiscal Year. However, very late in 2025, the projects may be ready to bid and construct, necessitating supplemental budget adjustments. Additional revenue will be budgeted in 25-26 for construction.

North Hermiston Urban Renewal Area

NURA is a one-project urban renewal area. The project will build a new street connecting N First St and NE 4 Street, extending between NE Aspen Drive and the Home Depot access drive. Signalization is also planned. The 24/25 FY is intended to acquire right of way, complete street design and engineering, prepare bid, documents, and construct the street. Total budget is \$5,000,000. A small portion of the total project budget was expended in the 23/24 FY.

Shared Expenses

Non-Departmental expenses are proposed at \$484,642 and cover debt service and administrative expenses across all three urban renewal areas. Debt service covers reimbursement of loans for Festival Street construction in the downtown, IFA loans for infrastructure engineering in SHURA, and City bond loan repayment for street design, right of way acquisition, and construction in NURA.



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Public Comment

None given.

Budget Approval

After questions and discussion of the proposed budget, Jackie Linton moved and David McCarthy seconded to approve the FY 2024-25 proposed HURA budget. 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 7:25pm.

APPROVED:

Brian Misner, Budget Chair

ATTEST:

Lori Davis, Budget Secretary



Agenda

- Recap of 2023-24
- Budget Introduction
- Budget Overview
- Enterprise Funds
- General Fund
- Discussion/Questions



FY2023-24 Recap

- Detailed Budget Sessions
- Budget Town Hall



FY2023-24 Recap



FY2023-24 Recap



Theater Sports Park Ditch



FY2023-24 Recap



AWS Campus Construction



FY2023-24 Recap

- Budget Review Process
 - **Multi-year Projection Model**
 - **Update Monthly Financial Reporting**
 - **Budget Process Review**



Finance Director Introduction

- Ignacio Palacios
- Lifelong Oregon Resident
- Oregon State Grad
- 25+ Years in Finance/Accounting
 - **Private Sector**
 - **Multiple Cities**
 - **Auditor**
- Doing a Great Job Already!



Budget Introduction



- Thank You Finance Department (Palacios, 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.



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 Utility Fund is composed 100% of water/sewer 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.**



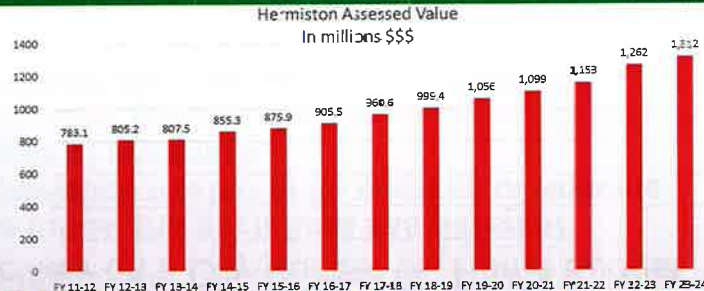
Budget Overview





Budget Overview

Slow and Steady Growth.
Averaging 4.4% annual increases.



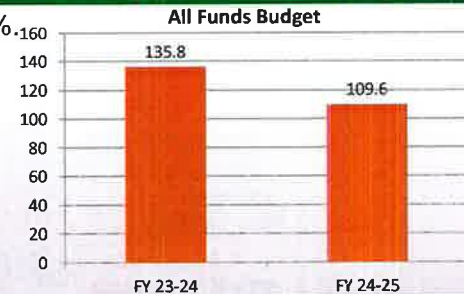
Budget Overview

- Overall Good Economy
 - Ground Broken on Second Amazon Campus in the City
 - New Commercial (Popeye's)
 - Housing Growth (89 new residential dwelling permits in 2023)



Budget Overview

- All funds budget down 19%.
- AWS Capital Projects getting completed.



Budget Overview

Basic Assumptions

- Based on Vision, Values and Goals
- Contains a 3.0% wage increase for all employees
- No PERS rates changes
- Property and Liability insurance increased 16%
- Health insurance rates will increase by ~10%



IT Fund – Pg. 66

- Operational Budget
 - \$1.5 million
 - \$1.1 million from customers
 - \$261,000 from City of Hermiston
 - 7 employees currently
 - One additional employee proposed if additional customers sign-on



Street Fund – pg. 36

- Operational Budget
 - \$2.3 million
- One Large Projects Planned - pg. 78
 - Geer/Harper Construction-\$1.0 million



Utility Fund – Recycled Water – pg. 47

- Operational Budget
 - \$7.5 million
 - One additional position (Indust. Pretreat. Etc.)
- Page 83 – Capital Projects
 - Cooling Discharge for AWS - \$805,000
 - Lift #4 Rebuild - \$600,000
 - Misc. Other Projects



Utility Fund – Water – pg. 49

- Operational Budget
 - \$7.1 million
- Page 81 – Capital Projects
 - AWS System Expansion (RWS) - \$15.4 million
 - Downtown Main Replacement - \$2.0 million
 - Well #4 Controls - \$410,000



Hermiston Energy Services – pg. 53

- Operational Budget
 - **\$14.5 million**
- Continuing maintenance projects



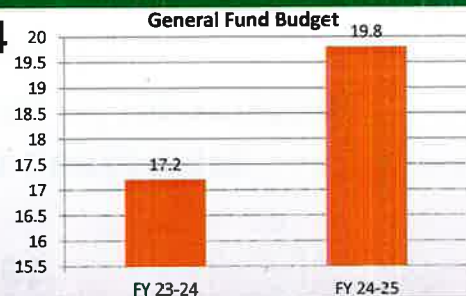
EOTEC – pg. 62

- Operations
 - **~\$900,000**
- Budgeting for some portion of barn project to be in this fiscal year



General Fund- Pg. 6

- Compared to FY24
 - **\$2.6 million/15% increase**



General Fund

- Why Increase?
 - **First full year for 3 new police officers authorized in January**
 - **Request for 4 additional officers in partnership with Good Shepherd Health Care System**
 - **Red Flag on Dispatch Costs – 83% increase in two years**
 - **Didn't notify us of this year's amount until May 7 (after budget was done)**





General Fund

- Expense
 - Continue all proposed reductions in non-personnel expenses
 - Continue to freeze 2 part-time library positions
 - Restored one Rec Coordinator position



General Fund

- Additional Revenue Sources – pg. 8-9
 - Sanitary Disposal Increase - \$140,000
 - Good Shepherd Contract - \$650,000
 - Franchise Fee Increase - ~\$520,000
 - Business License - \$100,000
 - Law Enforcement Staffing Fee - \$270,000



DISCUSSION!

QUESTIONS?

Thank You!

Where Life is Sweet™



Urban Renewal Agency

- Manages three areas for targeted improvement
- Operates through tax-increment financing
- Total budget of \$6,050,642



Urban Renewal Areas



Downtown Façade Grant Program

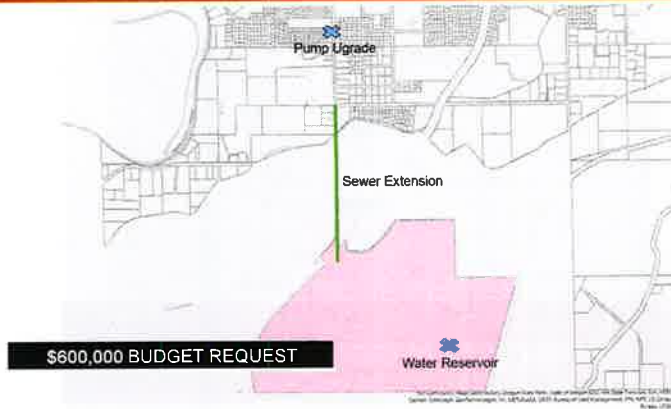


23 GRANTS AWARDED SINCE 2014!

\$60,000 BUDGET REQUEST



SW Hermiston Urban Renewal Area



SW Hermiston Urban Renewal Area



North Urban Renewal Area



Urban Renewal Agency

- Collective expenses
 - Non-departmental expenses are \$484,642
 - Debt service (primarily festival street reimbursement) - \$446,204
 - Materials and services - \$36,000
 - Contingency - \$2,438
 - No anticipated SE 2nd St expenses
 - Wayfinding is complete