

BUDGET MESSAGE: FISCAL YEAR 2025–2026

To: Westfir Budget Committee

From: Nicole Tritten, Budget Officer

Date: April 14, 2025

Memorandum: Budget message for the proposed budget for fiscal year 2025–2026

I am pleased to present the proposed budget for fiscal year 2025–2026 in the amount of \$1,429,356.

The cash on hand at the beginning of the new fiscal year reflects two sources:

1. The best estimation of bank funds available on July 1, 2025, based on the current fiscal year.
2. A transfer from the Local Government Investment Pool (LGIP) to the City's bank account, which will be made before the end of the 2024–2025 fiscal year. This transfer covers expenditures in the Highway Fund that exceed the fund's contribution to the City's bank account.

The total proposed cash on hand is divided among the funds, first to the reserve funds, then to the RTMP and ARPA special funds (which carry over from the previous year), and then to the other operating funds according to the percentage of each fund's revenue from the previous year.

The three columns on the left side of the budget spreadsheet show actual amounts for the two previous fiscal years and the budgeted amount for the current fiscal year. For the new fiscal year, we will be working with the amounts shown in the columns to the right of these historical amounts.

The Current Operating Funds are:

- General Fund
- Water Operating Fund
- Sewer Operating Fund
- Highway Fund
- Rural Tourism and Marketing Program (RTMP) Fund
- American Rescue Plan Act (ARPA) Fund
- Department of Land Conservation and Development (DLCD) Fund

The Reserve Funds are:

- Water Reserve Fund
- Sewer Reserve Fund
- City Hall Building Fund
- System Development Charge Fund

OVERVIEW:

The City is facing budget challenges, like many other cities in Oregon. In short, rising costs for fire and police services in recent years have nearly resulted in a budget shortfall in the General Fund for fiscal year 2025–2026. It is evident that additional sources of income will have to be found by the 2026–2027 fiscal year, if not sooner. Options include a municipal fee on utility bills; a substantial increase in sewer rates to free up General Fund resources that subsidize the Sewer Fund; or conversion of a portion of the Highway Fund for other limited uses (police services being an allowed use). However, using one-time monies for operations sets up the City for future funding gaps. The City needs to educate and reach out to citizens in order to learn how best to address the coming budget shortfall.

Overall, income in the Water and Sewer operating funds is insufficient to cover rising labor costs, deferred maintenance and aging facilities. The budget reflects a 7.4% increase in consumer water rates and a 6.8% increase in sewer rates. The mayor has suggested that the Budget Committee consider whether the Council should raise the zero-usage rate for water to be the same as the base rate for water (currently \$25 per month for zero usage and \$54 per month for the base rate). Charging the base rate for zero usage would bring around \$1,200 per year into the Water Fund. Despite the increase in rates in the proposed budget, there is minimal funding in the budget for repairs and maintenance. The reserve funds are a fallback option to pay for repairs but cannot be used for maintenance expenses.

RESERVE FUNDS:

The Water Reserve Fund currently stands at \$93,667, and the Sewer Reserve Fund at \$84,866. The totals were modestly reduced in the current fiscal year by the purchase of a utility truck for \$8,500 and repairs at the water plant. The other reserve fund balances remain unchanged: City Hall Building Fund (\$80,620) and SDC Fund (\$16,620).

GRANTS:

In June 2024 the City received a forgivable loan of \$100,000 from DEQ's Clean Water State Revolving Fund to develop a Wastewater Facilities Plan. The project is currently 53% complete. The remaining work is budgeted in the Sewer Fund, with the ARPA Fund and Sewer Reserve Fund providing around \$17,000 not covered by the grant.

PERSONNEL SERVICES:

Personnel services continue to be divided into four funds (General, Water, Sewer, and Highway) with each payroll position being split between them by the following percentages:

- Operator 5% GF / 40% WF / 40% SF / 15% HF
- Relief Operator 50% WF / 50% SF
- Recorders 20% GF / 40% WF / 30% SF / 10% HF
- Portal Maintenance 100% HF

The budget provides for a 3% cost of living increase for each employee as of January 1, 2026. It also allows for merit increases *up to* an additional 3% for each employee for a total of up to 6%. However, the City Recorder has declined an increase for 2026. The PERS Net Employer Contribution Rate will increase from 13.93% to 17.88% for the 2025–2027 biennium.

The City covers 80% of health insurance premiums for benefits-eligible employees and 50% of the cost for the dental plan. Health insurance costs are divided among four funds in the same percentages as payroll (see above). A 9% increase in health premiums and a 7% increase in dental premiums for 2026 are included in the budget, based on projections by the insurer.

SPECIAL PAYMENTS:

A 5% increase is reflected in the proposed budget for police and fire services in the General Fund. In addition, the proposed Fire Services IGA newly requires Westfir to cover the cost of annual testing and maintenance on Westfir's engine, budgeted at \$3,000. The Oakridge City Council has not voted on the IGAs as of this writing. The modest amount of funding for an IGA with Lane County Animal Services has been cut from the budget.

Sincerely,
Nicole Tritten, Budget Officer