

BUDGET MESSAGE: FISCAL YEAR 2026–2027

To: Westfir Budget Committee

From: Nicole Tritten, Budget Officer

Date: April 15, 2026

Memorandum: Budget message for the proposed budget for fiscal year 2026–2027

I am pleased to present the proposed budget for fiscal year 2026–2027 in the amount of \$1,436,525.

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, 2026, 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 2025–2026 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 DLCD 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 (SDC) Fund

OVERVIEW:

As the Budget Committee will no doubt be aware, the City is facing a budget shortfall in FY2026–2027. I explained the impending shortfall in a letter to the citizens of Westfir that was included with water bills in April. The projected shortfall in the proposed budget is \$38,670. (General Fund: \$21,900; Water Fund: \$6,060; Sewer Fund: \$10,710). The biggest contributor to the budget deficit is the rising cost of providing police and fire services. Over the past few years, increased costs for those services have meant tighter budgets and less cash on hand to carry over to the next year.

The budget is in limbo until a solution is found to the deficit. I see three options for achieving a balanced budget in FY2026–2027:

1. One option would be to charge a municipal fee to make up the shortfall. I don't think a municipal fee is feasible in FY2026–2027, but in future years it might be necessary.
2. The best option would be a conversion of a portion of the Highway Fund to pay for police services. The monies in question are Secure Rural School funds that had been received from the County in 2004–2007. The County seems willing to make the conversion, but the City may not have sufficient documentation to show that the funds have not been spent already. The downside to using these one-time monies for operations is that it sets up the City for future funding gaps.
3. The fallback option would be a bank loan. Already, the City has to borrow ~\$45,000 to repay the Interfund Loan from the Sewer Reserve Fund to the Sewer Operating Fund in FY2025–2026. This loan amount could be increased to cover the deficit.

The deficits in the Water and Sewer operating funds are due in part to not having enough carryover of cash on hand. In addition, the Sewer Operating Fund now has debt service to repay the Interfund Loan. In general, the income in the funds is insufficient to cover rising labor costs, deferred maintenance and aging facilities. The budget reflects a 3.4% increase in consumer water rates and a 4.8% increase in sewer rates. A goal in FY2026–2027 is to have a rate study done for both the water and wastewater systems to get a measure of the fees needed to fully fund the utilities and plan for future improvements.

RESERVE FUNDS:

The Water Reserve Fund currently stands at \$93,667, and the Sewer Reserve Fund will have \$84,966 after it's repaid for the Interfund Loan. The City Hall Building Fund decreased to \$68,710 after much needed, but modest, repairs to shore up the City Hall building. My thanks to the mayor for arranging the repairs. The SDC Fund remains at \$16,620. Around half of the reserve funds will be transferred to an account at LGIP, so the money can earn interest. The reserve account will be separate from the highway funds held at LGIP.

PERSONNEL SERVICES:

Personnel services continue to be divided into four funds (General, Water, Sewer, and Highway) with each payroll position 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, 2027. 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 the merit increase for 2027. The PERS Net Employer Contribution Rate is 17.88% for the 2025–2027 biennium, so no change from the current fiscal year.

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 the personnel services above. A 13.6% increase in health premiums and a 2% increase in dental premiums for 2027 are included in the budget, based on projections by the insurer.

SPECIAL PAYMENTS:

A 3% increase is reflected in the proposed budget for police and fire services in the General Fund. The Oakridge City Council has already approved the contracts for those services for FY2026–2027.

Sincerely,
Nicole Tritten, Budget Officer