City of Scio

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 Covered Bridge Capital of the West

*City Manager’s 2022 - 2023 Budget Message*

Honorable Mayor, City Council and Scio Residents:

As your City Manager it is my responsibility to propose the annual budget document. This year’s document is like none other since I took my position in March of 2016. As you go through this years’ budget you will see that the city has taken in over “one million” dollars in grants and Covid 19 stimulus money, making the budget total $5,245,634.00. I’m certain that this budget is the largest budget in in the history of Scio!

When the City accepted grant and Covid 19 money we accepted the conditions for which the money will be spent. Together we will ensure that Scio benefits from tax dollars entrusted to our oversight.

As always, the Scio City Budget Hearings are open to the public. Public announcements of the hearing(s), have been advertised in the Stayton Mail and on the city’s website. We encourage all citizens to attend the hearings and ask questions of the Budget Committee if they so desire.

The Annual Budget is a policy document that represents a commitment to prudent fiscal governance, which in turn promotes the effective delivery of services and enhances community livability.

The following financial policies and budget principles are used as a guide in the preparation of this document:

* Implementation of City Council Directives.
* Balance revenues and current expenses.
* Minimize impact of any tax and fee increase on residents/ratepayers, while still maintaining acceptable reserve levels.
* Make decisions in the 2022 - 23 Budget that aligns with the city’s financial plan and sustain a healthy fiscal foundation for balancing budgets in the future.
* Maintain the highest quality of services allowable with the resources at hand.

My ultimate goal is to ensure that anyone reading the budget will find it easy to interpret and understand.

**2022-23 BUDGET HIGHLIGHTS THROUGHOUT ALL OPERATION FUNDS**

► This year’s highlights begin with new versions of the operation fund narratives. This year’s budget narratives provide an in-depth description of the financial responsibilities of each operating fund.

► Insurance Liability costs are projected to increase by no less than 12% and no more than 15%. Thus, an increase of 15% has been added and insurance costs have increased throughout all of the operating funds.

► Salaries, insurance costs and taxes all increased this year. The cost of personnel services is reflected throughout all of the operating funds.

General Fund Highlights:

* The *Beginning Cash Balance* in the General Fund is inflated due to the following
	+ Public Works Shop: In order to build the public works shop, a loan for $1,565,000.00 was taken out with Columbia Bank. For the first two years of the loan the city is required to pay a monthly, interest only, payment. Once the shop is finished or two years has expired, whichever comes first, the city will pay a monthly principal and interest payment. The loan will be a 30-year fixed loan with an annual $25,000.00 (principal only) buy down payment.
	+ State of Oregon Fiscal Recovery Funds (Covid 19 Stimulus Funds): The city received $235,000.00 to go towards the development of city park land and for the installation of a public restroom. This project is scheduled to take place late summer/early fall 2022. These funds are designated funds and cannot be used for other purposes.
	+ American Rescue Plan Act (Covid 19 Stimulus Funds): $21,280.00 from the American Rescue Plan Act was received to enhance the cities broadband services. This money will be used to construct a small data center inside the new public works shop.

These three items total an amount of $1,821,280.00. Bringing this year’s *Beginning Cash Balance to a grand total of $2,363,797.00.* Last year’s *Beginning Cash Balance* was $517,196. It is important to denote how grant and stimulus dollars can inflate a budget.

* Cost-of-living adjustment: A cost-of-living adjustment (COLA) is an increase made to Social Security and Supplemental Security Income (SSI) to counteract the effects of rising prices in the economy—also referred to as inflation. COLAs are commonly used as a point of reference when it comes to employee increases *unassociated with performance* but directly related to the consumer price index (CPI). When determining the employee salary increases cities generally use the cost-of-living adjustment % or the consumer price index % or both.

The cost-of-living adjustment, put into effect on January of 2022, ended up being an increase of 5.7% for social security and SSI recipients. The consumer price index as of April, 2022, was 8.7%.

The City of Scio does not have merit increases built into the budget at this time. The only increases received by city workers, in this budget, are COLA/CPI increases. I am recommending a 5.7% COLA increase, as was given all Social Security and SSI recipients, across the nation, in January of this year.

* Contract Services: Line-item increases are due to the expenses associated with the public works shop.
* Materials & Supplies: Line-item increases are due to the expenses associated with the public works shop.
* Special Projects: This is a new line item designed to track the expenses of a special project, paid for by grant or bank loan dollars.

Road Fund Highlights:

* The *Beginning Cash Balance* in the Road Fund is inflated due to the following:
	+ Rapid Response/Safe Routes to School Grant: In conjunction with the Scio School District the city received a $500,000.00 grant for the reconstruction of the school crossing zones on N.W. 1st Avenue. In addition, the Scio School District paid a match of $125,000.00 to back the $500,000 grant.
	+ Small City Allotment Grant: The city received a Small City Allotment Grant from the Oregon Department of Transportation, in the amount of $100,000.00. These funds are to be used for sidewalk infrastructure by the Scio High School.

These two items total $725,000.00. Last year’s *Beginning Cash Balance* was $95,787.00. Again, it is important to denote how grant and stimulus dollars can inflate a budget.

Water Fund Highlights:

There are no special projects in the Water Fund this year. It is important to note that the water fund is much healthier than last year, with an increased contingency of $56,170.00.

Sewer Fund Highlights:

* The *Beginning Cash Balance* in the Road Fund is inflated due to the following: The city received an $201,117.00 dollars from the ARPA- America Rescue Plan Act. The city will use this money on sewer infrastructure improvements.

Reserve Funds

This year there will be no transferring of funds in or out of the reserve accounts. The current balances in the reserve accounts are:

No. 17 – Water Reserve $ 376,181

No. 18 – Sewer Reserve $ 90,726

No. 19 – Equipment Reserve $ 99,917

No. 20 – Road Reserve $ 55,541

Total $ 622,365

FTE Allocation Highlights

* Librarian position was reallocated as follows: General Fund to 90 %, water 5% and sewer 5%. This position will provide clerical assistance to the Administration Department when needed.
* City Manager and Administration Assistant: Both of these positions are allocated with the same percentages throughout the operating funds: General Fund 30%, Road Fund 05%, Sewer Fund 30% and Water Fund 35%.
* Public Works Employees: Both positions are allocated as follows: General Fund 15%, Road Fund 10%, Sewer Fund 35% and Water Fund 40%.
* Cost of Living Adjustment (COLA) increase of 5.7% will increase total salaries by $16,567.00.

Conclusion

It is impossible to anticipate, at this time, the degree and duration of the economic downturn caused by the pandemic and inflation. This is why it is important to reinforce a conservative approach to budgeting that has withstood the test of time!

The preparation of the budget is a team effort involving all city employees. Once again, Cathy Martin deserves a special thanks for the many hours spent assisting with the preparation of this year’s budget document.

My lasting thanks goes out to the Scio Budget Committee. Without your willingness to serve your community it would be impossible to produce a budget that meets Scio’s needs.

Thank you all!

Respectfully,

Ginger Allen

Scio City Manager