



Covered Bridge Capital of the West

City of Scio

P. O. Box 37

Scio, OR 97374

Phone: 503-394-3342

Fax: 503-394-2340

City Manager's 2023 - 2024 Budget Message

And in the blink of an eye, it's budget season!

Honorable Mayor, City Council and Scio Residents;

Seven years ago, when I agreed to serve as the Scio City Manager, I made sure that the Scio City Council understood that I believed in total transparency. They agreed that the citizens of Scio need to hear the good and the bad when it comes to the city's operations and resources.

Scio's budget hearings are open to the public. Public announcements of the hearing(s), have been advertised in the Canyon Weekly and on the city's website. All citizens are encouraged to attend the hearings and ask questions of myself and the budget committee members.

The city budget is a policy document, representing a commitment to prudent fiscal governance, which in turn promotes the effective delivery of services and enhances community livability.

The financial policies and budget principles listed below serve as guides while preparing the budget document:

- City Council Directives
- Balanced revenues and expenses
- Minimize impact of any tax and fee increase on residents/ratepayers, while still maintaining acceptable reserve levels.
- Make decisions in the 2023 - 24 Budget that sustaining a healthy fiscal foundation for balancing budgets in the future.
- Maintain the highest quality of services allowable with the resources at hand.

This budget message contains some difficult facts about today's economy and the results they have on the operations of government services, businesses, and households throughout America.

The cost of doing routine business has gone up anywhere from 6% to 16% depending upon the area of services and materials consumed.

According to the West Cost Consumer Price Index the cost of living has gone up 8.0% in 2022. The Federal Reserve shows the cost of living increase at 8.6% during the 2022 calendar year. Social Security Benefits have seen the highest increases in the history of the agency over the past two years: 5.7% increase in 2022 and 8.7% increase in 2023

In summary, the cost of delivering routine business services has increased by an average of 8% across the board. Governments like private businesses find themselves having to increase user rates and service fees in order to keep up with the rise in day-to-day operational costs, employee retention and long-term infrastructure needs.

2023-2024 BUDGET HIGHLIGHTS

▶ **Fund Narratives:** Each of the four operational funds, General, Road, Water and Sewer, open with a narrative page that describes the fund, the financial resources and highlights about each fund.

▶ **Personnel Services:**

Keeping good workers, for long periods of time, is becoming more and more difficult as signing bonuses are being offered in the government job market. Rural Oregon cities spend time and money training workers only to lose those same workers to larger cities who can offer better benefit packages and secured wage scales in addition to a cost-of-living adjustment. Each area of Personnel Services is listed below with a description of what is happening in each of the respective line items.

- **Employee Benefits:** This year, throughout all of the funds, you will see a drop in the cost of employee benefits. This is because I have not placed dollars into the benefit cost calculations for employees who may need benefits half way into the fiscal year. Instead, any additional benefit costs will be paid from contingency funds if needed. This reduces the overall benefit costs by \$24,866.00.
- **Employment Taxes:** For the past several years I have overestimated employment taxes. This fiscal year I have reduced the amount of estimated taxes by 2%, thus reducing the total cost of employment taxes by \$4,311.00.
- **Salaries:** This year I am requesting a 7% cost of living increase for all employees except myself. I will be requesting 3.5% increase. The overall increase in salaries for this year will be \$17,600.00. The city has no “salary scale increases, nor merit increases” at this time.

Over all, Personnel Services costs have dropped from last year by \$11,576.00 (2022-23 = \$465,078 and 2023-2024 = \$453,502)

▶ **Water, Sewer, and Storm Drain Rates:**

Rural cities across the nation battle with failing infrastructure (water, sewer, storm drains and streets/sidewalks) and the lack of resources to repair, replace and maintain the infrastructure properly. Fighting this infrastructure battle requires courage and foresight to ensure that we do not pass on the problems of today to the next generation.

- Water User Fees: Based upon the infrastructure projects coming up, the City needs to have a minimum of \$750K – 1 million dollars in reserves to assist with the purchasing of land and construction/connection of a new water reservoir. This past year the city council agreed to raise water rates from 6% to 10% percent. This year we will be transferring \$80,000.00 into the Water Reserve Revenues. If operational costs stabilize, we hope to set aside \$75-80K annually. In five years, our Water Reserve Revenues should be healthy enough to support a loan for a new water reservoir and/or other major water system replacement/repairs.

Staff suggests maintaining a 10% water rate increase over the next three fiscal years (July 1, 2023 thru June 30, 2026) at which time council can revisit the Water Reserve Revenues and determine if the 10% annual increase supports the infrastructure needs.

- Sewer User Fees: Based upon the failing infrastructure within the Scio Sewer System it is evident that the 12% rate increase last year is not providing the reserve funding needed to begin sewer system repairs. Thus, staff feels that the sewer rates should go to an annual increase of 18% for the next three fiscal years (July 1, 2023 – June 30, 2026).

A transfer of \$30,000.00 will be made to the Sewer Reserve Revenue account. This is the first transfer made to the Sewer Reserve Revenues since my arrival in March of 2016!

If rates are not increased the city will remain unable to conduct engineering designs on projects that might qualify for grant funding. In ten years, at \$30k a year, we will have approximately \$398,000.00 in the Sewer Reserve Revenue account.

The largest project facing the sewer system is the Beech Street Lift Station and Inverted Siphon. This project alone is \$2.5 – 3 million dollars today, with an engineering design cost of \$600,000.00 dollars this system replacement/repair comes to a total project cost of 3.6 million in today's dollars. Who knows how much this same system replacement/repair will cost, three, five or ten years from now?

Lastly, there are over ten sewer system projects costing a minimum cost of \$325,000.00, which includes the engineering oversight and design costs.

- Storm Drain User Fee: Staff is proposing that the City of Scio adds a Storm Drain User Fee to all water system users. The proposed fee would be a flat fee of \$5.00 per household/business and would be added onto the monthly water/sewer bills.

The collections of these fees would pay for repairs, replacements and newly installed storm drainage lines in Scio. For years now cities have charged this fee to help with storm water run-off costs. Scio is behind in instituting this fee and will use the fee proceeds to repair and upgrade the current storm drain system.

► **Reserve Funds:**

Below are the reserve revenue accounts. You will see that three out of the four accounts received This year there will be no transferring of funds in or out of the reserve accounts. The current balances in the reserve accounts are:

	2022-23		2023-24
No. 17 – Water Reserve	\$ 397445	+ \$80,000 transfer in =	\$477,445.00
No. 18 – Sewer Reserve	\$ 90,726	+ \$30,000 transfer in =	\$125,800.00
No. 19 – Equipment Reserve	\$ 103,460	No transfers in or out	\$103,460.00
No. 20 – Road Reserve	<u>\$ 59,038</u>	No transfers in or out	<u>\$ 59,038.00</u>
Total	\$ 650,669.00		\$765,743.00

► **FTE Allocation/Descriptions:** Full-time employee allocations and job descriptions can be found under the FTE tab in the budget document.

Conclusion

As always, I have incorporated all of the city staff into the financial decisions presented in this year's budget document.

I look forward to working with the budget committee to set into motion a budget that will sustain services that meet the needs of Scio and improve upon the services that need to be upgraded or replaced.

My personal thanks to all of you; together we can make Scio Great!

Respectfully,
Ginger Allen
Scio City Manager