

**City of Hood River
Budget Committee Meeting #1
Fiscal Year 2021-22 Budget**

**Wednesday, April 28, 2021
City Council Chambers, 211 Second St.
The meeting will begin no earlier than 6:00pm**

Present: Kate McBride, Mark Zanmiller, Megan Saunders, Tim Counihan, Jessica Metta, Erick Haynie, Gladys Rivera, Ross Brown, Dave Bick, Grant Polson, Gary Reed, Rudy Kellner

Staff: City Manager/Budget Officer Rachael Fuller, Finance Director/CMA Will Norris, Public Works Director Mark Janeck, City Engineer Wade Seaborn, Police Chief Neal Holste, Planning Director Dustin Nilsen, Fire Chief Leonard Damian, City Recorder Jennifer Gray, GIS Jonathan Skloven-Gill

Absent:

1. CALL TO ORDER – 6:00 p.m.

2. INTRODUCTIONS

City Budget Committee member and City staff introductions.

3. ELECT OFFICERS

a. Chair

Councilor Haynie made a motion to appoint Polson as Chair. Mayor McBride second the motion. – Motion passed.

b. Vice-Chair

Councilor Counihan made a motion to appoint Kellner as Vice-Chair. Mayor McBride second the motion. – Motion passed.

4. APPROVAL OF MEETING MINUTES – May 13, 2020

Councilor Saunders made a motion to approve the minutes of May 13, 2021. Bick second the motion. – Motion passed.

5. PRESENTATION OF THE BUDGET MESSAGE

Fuller presented the FY2021-22 City Budget Message. PowerPoint has been added to the record. Fuller recognized everyone has been through a very difficult year. She wanted to express her sincere and heartfelt gratitude to the organization who showed up and provided essential services to the community during the pandemic, to the community that came together and provided for one another, and to the City Council for their steadfast leadership, commitment, and vision for the community.

Fuller shared a slide that demonstrated the goals and strategies for the COVID operational period. Last year staff presented a proposed budget along with various scenarios should conditions change. While nothing went as expected, they did meet the goals by sticking to the strategies. Smart financial decisions were made; monitored the pandemic and revenues closely. While the City is not out of the emergency yet, the City withstood a major financial shock to the organization. Overall revenues are largely where they expected them to be, without federal funds and entirely recovered when you consider the American Rescue Funds. The recent uptick in COVID cases is concerning, as are the new shutdowns imposed on businesses state-wide. As an organization the City has moved into the recovery period, thanks to vaccines and to increase support from the Federal Government. Fuller reviewed the principals that will guide the City through the recovery period: Equity, Financial stability, Continuous improvement, and Collaboration.

Fuller shared a slide with an overview of the American Rescue Plan with how much money is coming to the State, the City, and eligible uses for these funds. The City will receive approximately \$1.6 million over two budget periods, which aligns with the revenue loss due the pandemic. These funds are used to replenish balances the City used to maintain services during the pandemic. They are used to restart projects that were put on hold and to make investments to maintain the fundamental City services.

Fuller explained Hood River has a low permeant property tax rate and relying on a variety of revenue sources for the general fund, including transient room tax, parking, and franchise fees. For example, property tax alone does not cover the cost of Fire and Police services. Because of the low rate and reliance on other sources, the City is more susceptible to losses in revenue tied to consumer spending. As revenues stabilize, the City Council will decide whether to surplus revenue in a reserve fund. For now, the American Rescue Funds are allocated to the general fund.

The budget is the legal authority to spend money to deliver services to the community. These are the inputs the City considers: the day-to-day operations, Council Work Plan, financial policies and Oregon budget law. It is an estimate based on the information that is available today, of the revenue the City will receive and what it will cost to deliver services and outcomes to the community.

The Budget Committee will hear more about the essential services the City provides from each of the department directors, but very broadly the City owns and maintains community infrastructure (water, sewer, roads, and physical assets). The community relied on those services during the pandemic and will continue to do so during recovery. These assets are leveraged by the private sector for investments in homes, businesses, and buildings. This budget continues to make significant investments in community infrastructure and positions the City to access and leverage federal funds should they become available.

Public safety, these are the people that show up when something goes wrong. 24/7 emergency response from Police, Fire and EMS. The budget funds these services at consistent levels, adding funding for contract services, Fire Marshall, and the evaluation of the sustainability of a rural ambulance service. As ambulance services now account for 20% of the City's calls. The City regulates the built environment, through a series of codes and regulations. The City recently completed some very significant planning and policy work tied to the Council Work Plan. The budget funds additional contract services in planning to evaluate land use processes and add some capacity. With the leadership of the City Council, the City made several investments prior to the pandemic that allowed the City to commit services to a remote environment. The budget continues investments in technology to maintain streaming capabilities and other essential investments such as switches and servers. On May 12, the Urban Renewal will review the URA budget. In that budget there are significant investments in downtown. This is

the third year of the Council Work Plan. It represents the collective community vision of the City Council and the Work Plan informs this budget.

The high-level goals of the 2021 City of Hood River City Council Work Plan include:

- Affordable housing production strategy
- 780 Rand Road housing development
- Zoning code improvement
- Equity assessment and plan
- Community health and behavioral health partnerships
- Communications and community engagement
- Historic Columbia River Highway
- Fixed local bus route
- Safe routes to school
- System development charge study
- Public safety and community services
- Water and sewer line reconstruction
- Wastewater treatment CoGen
- Hybrid vehicles and charging
- City facility energy assessments
- Capital improvement plan for parks

6. THREE-YEAR FORECAST

Norris stated three year forecast is mandate by the financial policies. Staff will get into department specific presentations in future meetings but this is talking about the entity as a whole. Are they on a sustainable path? Norris will focus on the general fund but they go through the same process with all of the enterprise funds to make sure they are all on a sustainable footing.

Norris reviewed prior years forecast on slide 3. The City has vastly improved their situation as shown in the projected fund balance. This was the view the group was looking at 12 months ago. The heighten expenditures for 2021 were an economic recovery program to help with the local response to COVID, as well as proportional investment for the general fund and to a PER side account that drew a 20% match from the State. Revenues looked flat but that was because they did a pause on Urban Renewal division of tax, which resulted in a property tax bump of a little over \$500,000 accruing in the general fund. That helped offset on many of their major revenue sources that are tied to consumer discretionary spending, with lodging taxes being the most dramatic example. Being almost eliminated going into some of the busiest months of the year. The forecast also illustrates how revenues are starting to improve. In the past few months, revenues have shown growth over pre COVID levels. Although parking and municipal court are depressed.

The Urban Renewal pause allowed the City to continue to put money towards the PERS side account and fund all existing structural programs of the City. It resulted in establishing a \$2 million side account that will begin reducing the on going future PERS expenses. They were also able to do that because of the significant fund balance this Budget Committee and City Council had developed over many years. Revenues did not decline nearly as much as expected because the Federal Government came in with aid. \$1 million was received in FY2020-21 and \$795K is schedule for FY 2021-22.

Expenditures were slightly less than projected. That is the way they like to forecast; expect that people will spend their budgets and come in with a small amount of savings. Next year expenditures have increased over last year's forecast. They can restart those one-time projects tied to City Council goals.

The budget is structurally balanced. Expenses do exceed revenues by \$300,000 but when you take away those one-time expenditures, and just look at structural ongoing costs, there is a \$170,000 structural surplus built into the budget that is consistent with the City's financial policies. After the one-time projects are over, they will settle back into normal long-term trends. They are in line with the previous year's three-year forecast by FY2022-23. That will mean the fund balance is stable.

The forecast assumes lodging taxes will not get back to pre-COVID levels until FY2022-23. That is probably the most conservative estimate in this whole projection. They are already seeing growth over the last quarter. As compared to pre-COVID levels in lodging tax collections.

Ambulance revenues declined in pre-COVID levels for FY2021-22. Parking revenues incrementally improving and getting back to normal, two years from now in FY2022-23.

Upside Potential:

Expiration of Waterfront District, estimated for FY2024-25

The District will release \$100M+ in Assessed Value to general tax rolls.

PERS Side Account Rate Credits

City's approximately \$2M PERS Side Account will begin distributing "rate credits" against the City's PERS expenses in FY2023-24. The amount will be dependent on market performance but may decrease rates by 10%-20%.

Questions and comments by the Budget Committee.

7. RECESS/ADJOURN – 6:42 p.m


Jennifer Gray, City Recorder


Grant Polson, Chair

Approved by Budget Committee on May 5, 2021