



To: John Day Budget Committee
From: Nicholas Green, City Manager
Date: April 15, 2022
Re: FY23 Budget Message

The first budget committee hearing is scheduled for Tuesday, April 19th, 6 P.M. at the John Day Fire Hall. If a second hearing is needed, it will be held on May 3rd at a time and location to be determined.

Over the past six years, we have launched a series of integrated initiatives aimed at improving and revitalizing our community. These initiatives have been adopted after holding many public hearings and working groups with our advisory committees, commissions and residents. They include efforts to repurpose the old Oregon Pine Mill site as the John Day Innovation Gateway; create new riverfront parks and trails; plan for our pool replacement; create new home incentives; spur private-sector investments, and; fund new community broadband, wastewater treatment and other public works projects.

We have completed our land acquisitions to increase downtown parking and to create a new 14-acre business park at the Innovation Gateway, along with new right-of-way acquisitions and other street improvement projects to facilitate housing expansion at the Ironwood Estates subdivision (Phase 2), the Ridge (Phase 1), and Holmstrom Heights (E. Charolais Heights extension). These investments are part of our Strategy for Growth and Community Investment Strategy to rebuild our economy and ensure we have a 20-year supply of buildable residential, commercial and industrial lands. We continue to evaluate strategic land acquisitions and land sales as part of this budget.

We have proven to be highly adept at financing our investment strategy. To date, we have been awarded 42 grants valued at \$26.8 million, more than double the funding we had available to invest two years ago at the start of the pandemic. This includes \$1.8 million from the EDA to complete fiber to every premise in the city that currently lacks high speed internet, \$6 million for the new wastewater treatment plant, \$2 million for a new pool facility, and \$1 million to make site improvements to the new Kam Wah Chung interpretive center and adjacent downtown properties – all of which are in final design and will be ready to begin construction in the coming fiscal year. A summary of the grants received and requested to date is enclosed (**Tab 2**).

We have continued our pattern of community-wide investing by partnering successfully with other public agencies, non-profits and private companies. These include: the John Day/Canyon City Parks and Recreation District to build the new Hill Family Park, Grant County Digital and Oregon Telephone

Corporation to raise funding for countywide broadband, and the Ford Family Foundation to spur entrepreneurial activity and tourism.

This year, we are budgeting for our first-ever Community Development Director, Corum Ketchum, whose position has been funded in part by the Ford Family Foundation through a five-year grant agreement under the Growing Rural Oregon program. Details on this program are available on their website, <https://growingruraloregon.org/>, which features John Day as one of three communities in the program's initial cohort. We were selected for this program along with Klamath Falls and the city of Independence because of our strong track record of success in raising capital and investing it well.

The City has 100% grant funded the repairs of the 4th Avenue to the Grant County Regional Airport and the industrial park, along with fiber to the airport and industrial park. These projects will go into construction this summer. We have also funded fiber to the Grant County Courthouse, our new wastewater treatment plant, the new pool facility, and several other locations in town.

Last week, we announced a new partnership with the Grant County Library Foundation to help build the new library, while also creating opportunities for expanded downtown parking and a new extended-stay expansion to the Best Western motel. In the coming weeks, we'll explore other initiatives, like the potential feasibility study for a new school and opportunities to assist the Grant County Fairground with their projects and programs, including new utility connections for expanded in-city RV campsites that are now in the pre-application permitting process.

While we continue to fund and invest in these capital projects as grant funds become available, we also made the difficult decision this year to suspend operations of the police department due to declining own-source revenues. We need to significantly increase our population and housing stock to be able to afford our own police department. Council has made it clear through formal motions that they are willing to do their part to come up with a countywide solution to fund the Sheriff's Office, but thus far, no solution has been proposed by the County. As a result, we have not budgeted to transfer funds to Grant County for law enforcement services in our current budget.

For years, public works has transferred hundreds of thousands of dollars into the General Fund to shore up our ailing public safety departments. This year, due to the suspension of police operations and other staff reductions, we have a \$438,000 surplus in the General Fund. I am transferring the majority of these revenues to the Street Fund, where they can help us build our road infrastructure to create opportunities for new housing and economic expansion.

Much has been said by our critics about these cost cutting measures – including accusing the council of acting irresponsibly by cutting funding to the police department. In fact, the opposite is true. Last year, our forecasted revenues for the General Fund, and specifically the Police Department within the General Fund, would not have covered our budgeted operating expenses. It would have been fiscally irresponsible to attempt to continue funding a department that is financially unsustainable for a community of only 1,664 residents – a 20% decline from our population peak in the 1990s.

Our capital expenditures are long-term, strategic investments designed to address this decline. These funds are restricted for their specific, intended uses. They cannot be directed toward general operating expenses, but they can be used to create new revenue streams in the form of increased state shared revenue from population gains, widening the property tax base, and new water and sewer customers from the increase in new home starts.

City staff did not receive a cost of living adjustment for two years. Last year, we proposed and the committee approved a one percent cost of living increase for FY22. I am proposing a 3.5 percent cost of living increase this year, which is less than half the rate of inflation – rates we haven't seen since the Carter administration. Last month, the annual inflation rate stood at an unadjusted 8.5% annually, the highest 12-month change in 40 years.

This is just one of the long-term economic impacts of COVID-19. There will be others. However, our financial house is in order. John Day's net position (financial net worth) has increased every year for the six years I have been the City Manager. At the end of last fiscal year, we stood at \$10.6 million – a 35 percent increase since FY16 when I was hired. This means that all of our assets, once you subtract out all of our debt, have grown by more than \$2.7 million over the last six years. That increase is the result of the City changing its investment strategy by prioritizing capital investments and operating with a leaner footprint. At the same time, we've modernized our equipment in public works and seen significant progress on all of our capital improvement projects.

The State's investment in a new Kam Wah Chung interpretive center, new sidewalks to the high school, and replacement of 97 curb ramps on downtown sidewalks will further boost our economic recovery by resulting in local jobs for local workers and by improving the quality and condition of our transportation infrastructure. The EDA broadband grant and ReConnect grant will result in fiber to the home not just for our community, but for the broader county, at no cost to our local taxpayers.

These are just some of the public benefits the John Day City Council and city staff have worked toward for the past six years.

In many ways, John Day's success has become the envy of the state. We have been recognized in the New York Times, Bloomberg, WIRED magazine, Oregon Public Broadcasting, Oregon Business magazine, Oregon Humanities, and a host of other media outlets, including recently on NBC and CBS in Portland, and Central Oregon Daily in Bend. Our projects for the Innovation Gateway, Recreation Economy for Rural Communities, and others have earned state, regional and increasingly national recognition. We have become a model for what rural communities can accomplish.

This is my last budget message as John Day's City Manager. I want to thank you for contributing your time to this process. Our community is stronger when we work together to achieve results that endure. Stay the course. Our strategy is working.

BUDGET BACKGROUND

Oregon Local Budget Law (Oregon Revised Statutes Chapter 294) requires each local governmental unit to prepare and adopt an annual budget. A budget is a financial plan containing estimates of revenues and expenditures by fund for a single fiscal year. The enclosed budget documents present this information for the City of John Day for the fiscal year beginning July 1, 2022 and ending June 30, 2023 (**Tab 3**).

The budget document consists of a list of resources and expenditures for each fund within the City. The first two columns contain actual audited data for FY20 and FY21. The third column reflects the adopted budget figures for FY22. The last two columns pertain to the upcoming FY23 budget. The column titled “proposed” contains the budget that I am submitting to the John Day Budget Committee for review. This data is based in part on prior year budgets and in part on the City’s investment strategy.

The “Approved by Budget Committee” column will be added and filled in following the approval of the proposed budget by the Budget Committee, including any changes you may make. I have also included “comments” in this column for you to understand why the line item was increased or decreased. The final column will be added and filled in upon approval of the data by the John Day City Council. The final budget data is then reported to the Grant County Assessor’s Office.

ROLE OF THE BUDGET COMMITTEE

A budget committee, comprised of the city council members and a like number of citizens of the city, reviews and approves the proposed budget and the tax rate or levy. The city council appoints the citizen members of the budget committee for three-year terms. The city council may make certain adjustments to the approved budget before adoption in June. Table 1 shows the FY22-23 appointed budget committee members.

Table 1. FY23 Budget Committee Members

Committee Member	Appointed	Re-appointed	Term Expires
Katrina Randleas	2018	2021	2023
Beth Spell	2018	2021	2023
Sarah Brown	2021		2024
Sherrie Rininger	2022		2024
<i>Three Positions Vacant</i>			

Included in your budget packets is the *Budgeting Basics* article (**Tab 4**) that appeared in the February 2016 edition of Local Focus, a publication of the League of Oregon Cities. This article explains the role and purpose of the budget committee.

Each January, our staff begins the process of projecting revenues for the coming year and balancing those projections with anticipated department expenditures, taking into account factors such as historic trends; current economic indicators; demands for service; impacts of decisions made at the regional, state and federal levels; staffing needs; contractual obligations and increased cost of materials and supplies. We also

take into consideration comments received from the city's auditors regarding the FY21 audit report, available on the Oregon Secretary of State website and the cityofjohnday.com website.

BUDGET DETAIL

Basis for Determining Property Taxes

The proposed property tax revenue is based on estimated FY22 assessed valuation of \$115,512,817 less the Urban Renewal Agency assessed value of \$4,422,132, times our permanent tax rate of .0029915 of assessed value, giving us a total of \$332,115.75. When we subtract loss due to Measure 5 compression and Gain/loss from Extension, the Grant County Assessor estimates total taxes to be received for the City of John Day at \$332,115.75. We estimated uncollectable at 11%, leaving a total budgeted property tax of \$295,582.

When approving the budget, the budget committee must also approve a property tax rate or the tax amounts that will be submitted to the county assessor. **The budget committee should make a motion to approve the property tax rate of \$2.9915/\$1,000 assessed value to document the action in the committee meeting minutes.**

General Obligation Bonds & Other Debt Obligations

The City has six outstanding debt obligations for FY23, one of which, the WaFd consolidation loan for \$2.18 million, will be paid in full this year. These are unchanged from last year (no new debt has been issued). We continue to forecast a new loan from USDA as part of a loan-grant combination for the treatment plant, which is expected this year.

- 1) **Fire station bonds.** At the May 20, 2014 primary election, the voters of the City of John Day approved to issue up to \$655,000 of general obligation bonds and the voters of the John Day Rural Fire Protection District approved to issue up to \$550,000 to finance a new fire station. Both the John Day City Council and the John Day Rural Fire Protection District accepted the proposal from Washington Federal and sold the bonds at 3.07% interest rate for 15 years. Bond payments began in December 2015 and will continue through 2030.
- 2) **WA Fed consolidation loan.** The Washington Federal loan consolidation resulted in \$2,182,952 in consolidated debt at 3.34% interest. This loan will be paid in full by December 1 of this year.
- 3) **Gateway project.** Business Oregon originated a loan for the purchase of Oregon Pine for the new wastewater treatment plant. It was approved by a resolution of the city council (Resolution No. 17-776-12). The loan originated on August 28, 2017 for \$519,000 at 3.78% interest. Annual principal and interest payments are \$29,217.29, with 25 payments remaining. This loan will be consolidated by USDA on a 40-year loan as part of the new wastewater treatment plant.

- 4) **Greenhouse loan.** The City originated a \$350,000 loan at 3.43% interest to construct the greenhouse, also through Business Oregon. Annual payments are \$21,074.90, with 22 payments remaining.
- 5) **Brownfield Redevelopment Loan.** The city council approved a new loan commitment in FY21 for \$595,000 at 2% interest through Business Oregon's Brownfield Redevelopment Fund. This loan, of which \$60,000 is forgivable, allowed us to purchase and reclaim 16 acres of underutilized land from Iron Triangle and Russ & Tara Young to build the new Government Entry Road and Innovation Gateway Business Park. This development was approved by the John Day Planning Commission on November 18, 2020. Brownfield remediation, site cleanup and redevelopment are now complete and we're preparing to partition and sell these properties upon completion of the street improvements this year.
- 6) **Business Oregon Water/Wastewater Loan.** The city council passed Resolution No. 21-857-05 on March 23, 2021 authorizing and approving a loan from Business Oregon of \$1,750,000 for 30 years at 1% interest and a grant of \$750,000 for the new wastewater treatment plant. These funds are budgeted for expenditure on the new plant procurement next fiscal year.
- 7) **USDA Rural Development Loan (Pending).** The City is currently applying for up to \$10 million in grant and loan funds through USDA Rural Development. These funds were included in the FY21 and FY22 and are expected this fiscal year. The proportion of grant to loan funds has not yet been determined by USDA, we are estimating them at 50% grant / 50% loan.

Intergovernmental & Interdepartmental Loans

The City has two intergovernmental/interdepartmental loans currently:

- 1) **Fire Hall Renovation Loan.** The city council approved a ten-year loan of \$367,340.56 in July 2018 from the Water Fund to the General Fund to pay for the completion of the Fire Hall. This loan will be paid in full on December 1st, 2027.
- 2) **URA SDC Loan.** Council approved a loan of \$100,000 from the City to the Urban Renewal Agency in FY22 to help finance incentive payments. This loan will be repaid within ten years at a variable rate of interest (currently proposed at 0.5%) from the tax increments resulting from increased assessed values of the new homes and infrastructure built at this development.

General Fund – Fund 01

Total expenditures and transfers in the General Fund are \$1,015,726.

Administration (Fund 01; Dept. 010). Projected revenues in the Administration General Fund are estimated as conservative as possible while still being able to balance the fund. Cigarette, liquor and state

revenue estimates were based on the League of Oregon Cities State Revenue projections. Revenue from cigarette taxes is paid to cities monthly within 35 days after the end of the month for which a distribution is made. The distribution is on a per capita (per person) basis. The city may use their share for general government service without program restrictions. Revenue from liquor taxes is distributed to cities from the OLCC by two methods: 1) 20 percent of the state's liquor receipts are given as revenues to cities on a per capita basis and distributed monthly; and 2) 14 percent of the state's liquor receipts are given to cities on a formula entitled "state revenue sharing." This formula is based on the city's consolidated property tax rate, per capita income and population.

Changes to the Administration Department as follows:

- Increased wages and salaries/benefits to budget for a new City Manager
- Eliminating funding for a full-time Planning Associate position
- Increased audit expenses to cover single scope audit (required for federal funding)
- 15% increase in electricity
- 20% increase in insurance
- \$50,000 budgeted for new accounting software (Caselle)
- \$414,359 budgeted as an inter-fund transfer from the General Fund to the Street Fund

Police (Fund 01; Dept. 030). Modest funding for wages related to code enforcement, final transitioning of the police department, and utilities is included in this year's budget. Any funding not expended in this department remains in the General Fund.

Fire (Fund 01; Dept. 050). City will maintain a full-time employee as Fire Chief / part-time public works employee for FY23.

Key notes to the Fire Department as follows:

- 15% increase in electricity
- \$5,000 for ladder / hose testing
- \$8,000 to replace out of date air bottles
- \$6,000 in PPE for two new volunteers
- \$8,500 in matching funds for a proposed Assistance to Firefighters Grant (AFG) from FEMA
- \$25,000 transfer to motor pool – saving for new fire truck
- Transfer to Water Fund of \$42,992 to pay Fire portion of WaFd loan for building improvements
- Revenue of \$10,572 from 9-1-1 tenant at fire station (\$750 per month + utilities)
- Revenue of \$42,798 from Rural Fire Protection District based on five-year rolling call average

Main Street Revitalization (Fund 01; Department 090). Main Street Revitalization moved to the Community Development department.

Water – Fund 02

Total expenditures and transfers in the Water Fund are \$1,889,057.

We have been budgeting a savings line item in Unappropriated for the five-year payoff of the Washington Federal loan. That line item has been moved from Unappropriated to Debt Service to pay off the loan this fiscal year.

The Water Fund incurred debt as a result of the interfund loan to the General Fund and we therefore show revenue as loan repayment proceeds from the General Fund in this year's budget. The Water Fund is also financing the purchase and redevelopment of the Iron Triangle property for the new Innovation Gateway Business Park. The City has also begun to sell property at the Airport Industrial Park at \$15,500 per lot. **Nearly every lot is now sold or committed.** Approximately 80 percent of the net proceeds from each sale will accrue to the Water Fund as unappropriated net working capital that will carry forward to the next fiscal year.

Changes to the Water Fund as follows:

- \$16,900 increase for chlorine costs
- \$7,200 to replace sensors 3-5
- \$5,000 meter box lid upgrades for new cellular readers
- \$1,300 increase to fuel costs (propane)
- 15% increase to electricity
- 20% increase to insurance
- \$3,000 for reservoir cleaning
- \$2,000 for cross-connect training
- \$35,000 to install 150 new cellular meter readers (can read in full-time and alert when leaks detected)
- \$14,000 to rehab Well #5
- \$40,000 to cover increased Motor Pool expenses
- \$145,970 as transfer to Street Fund to pay for water utility work on Charolais Heights
- \$878,400 combined payoff for WaFd loan (pays loan in full on Dec 1, 2022)
- Revenue of \$700,000 in Water Sales (no water rate increase budgeted for FY23)
- Rental income \$12,000 from lease of the former Iron Triangle shop
- \$158,821 in Contingency, of which \$138,000 is System Development Charge (SDC) revenue from the increase in new home construction

Sewer – Fund 03

Total expenditures and transfers in the Sewer Fund are \$18,843,712.

The new treatment plant construction was delayed in part due to COVID-19 and in part due to additional site investigation and analysis required by our state and federal regulators/lenders.

In April of this year, DEQ issued a new permit to operate the treatment plant. This is a significant accomplishment. Our community has been operating under administrative review for the past 15 years, since our last permit expired in February 2007. The new permit will allow us to begin operating a recycled water treatment plant immediately upon completion of construction. All capital outlay is budgeted in a new department (Dept. 75) created last year that is specific to this project.

Changes to the Sewer fund as follows:

- 15% increase in electricity
- 20% increase in insurance
- \$294,600 budgeted for WaFd loan payoff
- Revenue of \$750,000 in Sewer Fees

Agribusiness Department (Fund 03; Department 111).

- Moved to Community Development Fund in FY21

Project Construction (Fund 03; Department 075).

- Estimating \$14,250,000 in capital outlay for the new treatment plant
- \$250,000 for a new TV, camera, cutter and pipe liner to preserve and maintain our current sewer lines
- \$200,000 to replace and repair the Oregon Pine bridge (essential for the reclaimed water project)
- \$3,000,000 for the new reclaimed water distribution system to distribute recycled water from the treatment plant to our parks, businesses and end-users (100% grant funded)

Joint Sewer Facility – Fund 04

Total expenditures and transfers in the Joint Sewer Facility Fund are \$418,114.

The Joint Sewer Facility Fund administers the operation of the current treatment plant. The cost to operate the plant for FY23 is budgeted at \$315,452, a slight reduction from last year. Fund 04 does not include capital improvements as future expenditures will be made toward the new treatment plant from the Sewer Fund (Fund 03). The contract with Canyon City to provide wastewater treatment was renewed last year at \$95,000 with a step increase for this year to \$120,159 (*note: budget committee will need to amend the budget to reflect this change, which was not updated in the published budget*).

Additional changes to the Joint Sewer Facility Fund as follows:

- 15% increase for electricity
- 20% increase for insurance
- \$2,000 increase for fuel prices
- Revenue of \$120,159 from Canyon City (increased per agreement from \$95,000 last FY)
- Transfer of \$276,038 from John Day (treatment portion of sewer fees)

Streets – Fund 06

Total expenditures and transfers in the Street Fund are \$2,346,918.

City street funds are used to maintain transportation infrastructure and build new street and transit system improvements. There are several new projects planned for next year that are grant funded. These are in a new department, Dept. 085 Integrated Park System. Several projects were completed this year, including the Hill Family Park (Integrated Park Project), Charolais Heights Intersection, Innovation Gateway Trails, and new restrooms at The Pit Stop. Ongoing are the 4th Street Repairs and Main Street parking improvements.

Fund revenues this year include grant proceeds from Kam Wah Chung, Business Oregon, ODOT and FEMA for various capital improvement projects, in addition to our State Fuel Tax receipts of \$120,000.

Grant County also remits a portion of the timber receipts received under Public Law 75-210, 7 U.S.C. 1010-1012, Bankhead-Jones Farm Tenant Act. These are federal funds restricted for the benefit of public schools and public roads of the county or counties in which National Grassland or Land Utilization Projects are situated. We have budgeted \$157,346 from County in the proposed budget, which is funding received last year that was held in unappropriated.

Additional changes to the Street Fund as follows:

Street Department (Fund 06; Department 080).

- 15% increase for electricity and insurance
- 20% increase for insurance
- \$113,427 for street repair/maintenance
- \$1,350,000 for 4th Avenue (Airport Road) repairs
- \$20,000 for 395S Sidewalk improvements (now in construction) scheduled for completion in September
- \$35,000 transferred to Motor Pool

Integrated Park System Department (Fund 06; Department 085).

- \$175,000 for street and parking improvements at Canton Street (The Pit Stop)
- \$200,000 for downtown revitalization (an additional \$200,000 was requested through the Oregon Main Street program but is not budgeted for; it will be added by resolution if awarded)
- \$50,000 for landscape improvements (estimated remainder from \$250,000 awarded previously by council)
- \$200,000 budgeted for sidewalk repairs was removed from the FY23 budget and will be included in the FY24 budget to correspond with ODOT's replacement of 97 curb ramps downtown in order to save costs by doing both projects concurrently

IT Fund – Fund 07

The IT Fund was created to manage the finances of the Grant County Digital Network Coalition. We have budgeted to spend \$1 million in this fund for capital outlay in FY22 based a new 20-year operating agreement with Oregon Telephone Corporation. These funds will be a portion of their matching funds requirement for the USDA ReConnect grant to build fiber to Monument, Long Creek and Seneca, connecting all county residents and farms/ranches along these routes.

We are also budgeting for a full fiber optic buildout to every premise in John Day from funds awarded by the Economic Development Administration. This grant includes funding to develop the John Day CyberMill, a community accessible space with 24/7 access to high-speed internet. The City recently acquired the Seneca CyberMill for Grant County Digital to use as a point of presence for internet service to Seneca and as a community co-working space there.

The CyberMills are jointly funded by the City, Grant County Digital and the Grant County CyberMill nonprofit organization, which operates the co-working spaces. These are given their own departments in this year's budget to keep revenues and expenditures associated with each facility unique to their respective locations.

These funds are held in our IT Fund as John Day is the lead agency under the ORS 190 Agreement but they are managed by the Grant County Digital board of directors. We are planning for the eventual transition of these assets to Grant County Digital as an independent agency upon completion of John Day's community broadband project.

Debt Service Fund – Fund 09

Fund 09 was created in FY20 and is required for accounting procedures to identify principal and interest payments on the Fire Hall capital improvement bond. Expenditures of \$56,500 for FY23 are offset by \$50,000 in collectible general obligation bond tax receipts, interest and net working capital.

Community Development – Fund 10

Total expenditures and transfers in the Community Development fund are \$3,299,968.

This fund was originally structured to operate as the collateral fund for the John Day Urban Renewal Agency's housing incentives and other community development investments like the greenhouse. The URA is now its own fund, and the greenhouse revenues and expenditures have been separated into their own department within the fund to make those costs transparent.

Administrative wages and salaries are increased to budget for a full-time Community Development Director to manage these and other community-oriented programs based on the Ford Family Foundation Growing Rural Oregon (GRO) grant, which is a five-year financial commitment for staff support to promote entrepreneurial business activity that begins this year.

The Community Development Fund manages the greenhouse, GRO program, community outreach programs for the City such as partnering with educational institutions to create a greenhouse learning center, as well as our marketing and tourism efforts. Transient lodging taxes and Recreation Economy for Rural Communities (RERC) strategic investments, like the new pool facility, are managed from this fund.

The Director is responsible for working with local businesses to expand riverfront recreation and food services, developing a plan to attract entrepreneurs, and seeking partnerships to enhance and support existing businesses, with the overarching goal of advancing growth and concentrating resources in our targeted community investment areas: Recreation; Healthcare and Greenhouse Agriculture.

Wages and salaries in the greenhouse (Agribusiness Department) were eliminated for FY23 based on the planned transition of this asset to a community-educational cooperative, which will manage the facility and all produce sales in the future. We are still budgeting for the cost of insurance and debt service.

Changes to the Community Development Fund as follows:

Administration Department (Fund 10; Department 010).

- Wages reduced to \$38,000 due to transition of greenhouse to a co-op model
- \$593,688 reserved for building improvements for the Innovation Gateway and RERC action plan

The building improvement funds are reserve funds from community development revenues and American Rescue Plan Act (ARPA) funds that were appropriated but not expended last year. ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures. Investment in critical infrastructure, like building improvements, is particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years.

Time and careful consideration should be taken by the council in the investment of these funds. If possible, they should be used in conjunction with matching state and nonprofit investments in priority projects, like the restoration of the planar shed and its conversion to a community pavilion, and improving the “front yard” of the city by renovating the sawmill’s exterior and improving the surrounding grounds. Staff have requested and received cost estimates for these improvements but I am deferring the development of a specific spend plan to the city council, Community Development Director and the future City Manager.

Aquatic Center (Fund 10; Department 020).

- \$2,468,000 budgeted for capital outlay of the new pool facility, of which \$2 million is grant proceeds from HB5006
- The City has budgeted for a bridge loan, but this has not been executed and will not be unless and until the voters approve Measure 12-80 at the May 17th general election, a \$4 million capital improvement bond requested by the Parks & Recreation District for the remainder of the facility’s construction costs

Agribusiness Department (Fund 10; Department 111).

- Removed all wages and benefits
- 15% increase in electricity
- 20% increase in insurance
- \$21,300 for debt service
- \$26,400 unappropriated (debt service reserve fund) required for Business Oregon loan

Motor Pool – Fund 26

This fund covers motor vehicles expenditures and shared equipment/shop expenditures for all city departments. Total budgeted expenditures and reserves in the Motor Pool fund are \$252,573.

9-1-1 Dispatch – Fund 32

Fund is discontinued.

Unpaid Compensation – Fund 33

This fund is used to pay leave for employees that exceed their normal paid leave for the payroll year. The fund is projected to have a balance of \$143,778 for FY23.

The City currently has 14 full-time employees. This fund is well capitalized for the number of staff we employ.

Urban Renewal Agency – Fund 34

This fund was created in FY22. The URA is considered a blended component unit of the City of John Day. As such, their budget needs to be included in ours, even though the budget committee will need to approve it through a separate budget process since it is a distinct legal entity from the City. URA budget message and budget are enclosed.

ACCOUNTING CLARIFICATIONS – MISCELLANEOUS

- Some funds reflect Contingency balances (reserves) whenever possible, to offset any potential funding shortfall brought on by economic recession during the fiscal year or during upcoming fiscal years.
- Most expenditure line items have buffer amounts added to them as the budget has allowed. These additional amounts are intended to cover any unanticipated expenses and are to act as ceilings for expenditures.

ACCOUNTING POLICIES

There are no major changes to the accounting policies of the City of John Day. City contracted with Gaslin Accounting CPAs, PC (Baker City, OR) beginning with the FY19 audit.

In order to ensure adherence of limitations and restrictions placed on the use of the money available to the City, the accounts are maintained in accordance with the principles of “fund accounting”. This is the procedure by which revenues and expenditures for various purposes are classified, for accounting and reporting purposes, in account groups that are in accordance with activities or objectives specified under an adopted budget. The operation of these funds is accounted for by providing a set of self-balancing accounts. The basis of accounts utilized by the City is the modified accrual basis of account. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end.

A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions under capital leases are reported as other financing sources.

SUMMARY

We are budgeting \$ 30,303,598 for the city’s operating budget, most of which is due to increased capital outlay from grant fundraising. These funds will employ local workers to build local projects that will benefit our community for generations to come.

John Day is now in the strongest financial position it has been in for many decades. We are poised for growth and we now have the financial ability to maintain that position. The city council’s strong desire to revitalize our economy is finally coming to fruition as a result of many years of dedicated labor on their part and by our city staff and community members, like you, who have volunteered their time.

I have been proud to serve as John Day’s City Manager for the past six years. We are also bidding a fond farewell this year to Monte Legg, our Public Works Director, who has been with the City for 22 years. He started in May 2000 as a Utility Worker I. Monte’s contributions to the City and his legacy of hard work will endure long after his much-deserved retirement, and we wish him and his family safe travels as Casey Myers takes the helm on July 1 as our new Public Works Director.

In the immortal words of Robert Frost, *I shall have less to say, But I shall be gone.*

Nick Green, City Manger