

City of Sodaville

Work Session Agenda

December 11, 2023

7:00 PM – City Hall

Teleconference Number: 253-215-8782 * Meeting ID: 812 6857 4446 Passcode: 862271

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Roll Call**
4. **Visitors**
5. **City Water Shortage**
6. **Adjourn**

Sodaville Supplemental Budget December 11, 2023

Executive Summary

The 2023-2024 Fiscal Year Budget has a fundamental problem caused by a natural disaster: An additional \$40,000 is needed beyond what was budgeted in order to pay for the supply of water to residents. The City budgeted \$60,000 originally, then added \$4,000 with leftover legislative funds for “community well assistance.” As of November 30, there is only \$1,318.51 remaining, forcing an additional \$40,000 to be procured.

The problem is one of cash flow as well as profit and loss. The City has dug into its reserve funds up front to pay for water costs, and will need to limit spending for the rest of the year in order to rebuild the reserve. Staff have identified a combination of \$20,000 in resources and budget cuts that can be used to make up this budget gap. The other \$20,000 will need to come from either the budget surplus, water rate increases, or an as-yet unidentified revenue source.

Can we just stop trucking in water?

NO. The City is required to maintain pressure levels in the water system to avoid contamination. If the water system does not have enough water, pressure is not maintained, and nothing can be done to avoid contamination. A boil water notice must be issued and the State must be alerted, which will result in crippling civil liabilities. Simply not trucking in more water is not an option.

Ending Cash Balances

In FY22-23 as notated on the LB-1 worksheet, the original projected total of Reserved for Future Expenditure and Unappropriated Ending Fund Balance was \$66,250. The actual amount was \$206,783.30. In FY 23-24, the projected total of Reserved for Future Expenditure and Unappropriated Ending Balance is \$62,000. There is precedent for fiscal restraint resulting in higher cash balances at the end of the year, but it is necessary to review what was not spent and why.

- The City did not spend \$13,025.46 in the Administration Program. 47% of these savings were in payroll, resulting from historic over-budgeting, and they were cut accordingly in the 23-24 budget.
- The City did not spend \$63,323.09 in the Streets Program. The bulk of these savings was \$49,100.00 of ARPA-funded projects that were not executed. The full non-ARPA savings was \$14,223.09.
- The City did not spend \$51,987.17 in the Water Enterprise Program. \$26,419.56 was not spent on Water Acquisition. The remainder of the savings was \$25,567.61.
- The full savings was \$128,335.72. The full savings minus unspent ARPA funds was \$79,235.72.
- Other savings in the budget were negligible. \$3.56 in the IFA loan category, \$4,350 in contingency unused, \$703.20 in vehicle loan unused.

The City’s revenue plan for the year is still a source of hope. From July 22 - November 22, the City received \$110,642.59. \$72,327.77 was regular revenue, and \$38,314.82 was from

ARPA. From November 22 - June 23, the City received \$112,732.76, all of which was regular revenue.

We are following a more optimistic path this year. The City received \$85,135.36 from July-November 2023, all from regular revenue sources. The projected budget calls for \$125,614.64 in additional revenue received by the end of the year.

Water Usage Cap

The City has an exception form for individuals who wish to use more than 7,500 gallons per month, included for the express purpose of allowing the school to use water. Public perception briefly seemed to be that the permit is procedural and allows anyone to use over 7,500 for the low price of \$60.00, which does not cover the unbudgeted costs of this increased use. Currently the City is not in a position to approve use in excess of 7,500 gallons because the Budget for water acquisition is maxed out as of November 2023. This was clarified in the November 2023 issue of *Sodaville Springs*. The monthly use above 7,500 dropped from 13 to 3 from October-November. Both months, one of those users was the school, which reduced its water usage by 50% in that time frame. Both months also saw one user go above 7,500 due to a leak. That left just one user with over 7,500 gallons used.

Proposed Budget Changes Without Water Rate Increases

The City started off the fiscal year with a much higher cash balance than projected. \$4,000 was already appropriated for Water Acquisition. Appropriating these remaining unanticipated funds will result in a larger combined Unappropriated Ending Fund Balance & Reserved for Future Expenditure balance. This surplus increases from \$64,000 to \$70,200.

The City can spend its \$6,350 contingency budget on water acquisition because this is the result of a natural disaster.

Business Oregon is reimbursing the City \$5,450 for the water system expansion study completed earlier this fiscal year from the forgivable loan portion of Grant Agreement S18003.

Staff identified cuts to noncritical line items in the amount of \$4,100. Staff verified a decrease in the annual SAIF premium that will enable liability insurance line item cuts in the amount of \$2,400 without impacting the City's ability to pay the final SAIF installment in December 2023.

The City Administrator/Recorder will voluntarily accept reduced hours in February and March, just 20 per week, while working for another employer. A budgeted 5% raise for this fiscal year was budgeted to be effective April 2024 following a satisfactory annual performance review. The requested raise will not go into effect until July 2024, pending Council approval. These payroll cuts total \$1,700.00.

These total additional funds amount to \$20,000 that can be spent on water acquisition. The amount that the City can afford to spend on water acquisition in December, combining budget changes with the remaining \$1,318.51 in the budget, is \$21,318.51 that can be spent on water acquisition.

Following these budget changes, there remains a \$20,000 budget gap. Following changes to the City Budget to incorporate the higher beginning cash balance, transferring \$20,000 from RFE to Water Acquisition results in an ending cash balance of \$50,200.

It should be noted that an additional \$10,000 may be made via an additional cut to the Streets Program. Street maintenance for the 2023-2024 fiscal year was due to be funded by ARPA but the ARPA portion was cut to complete a water infrastructure project. \$47,500 in

ARPA funds will remain after payment is made for that project. Using \$10,000.00 from the Streets Program would cut the budget gap to just \$10,000, and pulling the remaining \$10,000 from RFE would result in a surplus of \$60,200. Reminder, the original budget surplus is \$64,000.

Water Rate Increases

The revenue the city received for water usage in excess of 5,000 gallons in October was \$3,101.89. The actual cost for water acquisition for amounts above 5,000 for those users was \$10,470.74. Increasing the water rate for gallons above 5,000 to the actual cost of \$0.09 per gallon would result in an extra \$7,500 per month based on October numbers, a full increase of \$15,000 in revenue added to the Metered Water Sales Resource. Adding this \$15,000 to the Water Acquisition Requirement, in addition to previous budget changes, eliminates the budget gap and brings in \$5,000 of additional revenue. The surplus increases to \$75,200, which is \$11,200 higher than the original surplus of \$64,000.

Raising water rates may result in higher payments from some users and lower use from other users. Both changes in behavior benefit the City's financial position. If users use more water, the revenue will increase to accommodate the water acquisition fees. If users use less water, the water acquisition costs will decrease.

Future Budget Changes

The structure of the City's budget needs to change during the next fiscal year to better reflect the realities of our programs and priorities. For quite some time, the City's budget structure was such that reliance on unreliable previous year balances and current-year income led to oversized line items in the Streets and Water Enterprise Programs. Using more accurate figures and combining all funds into one Fund with three Programs meant that previous General Fund revenue sources backfilled Water and Streets Program requirements to maintain old funding levels.

During the 2024-2025 fiscal year, it is recommended that the Administration Program be increased, the Water Enterprise Program be funded in the same amount as customer water, and the Street Program be pared down to better focus on street maintenance. The City will work with the office of Representative Jami Cate to obtain \$60,000 for water acquisition during the next fiscal year. The Representative's office cannot guarantee the success of this budget request, but they believe there is a likelihood of success.

The City is working on adding a well to the water system that is required to be completed by summer 2025. Budget shortfalls related to water acquisition are not anticipated to occur after the new well is added to the system.