



To: City of Ruston Council and Ruston Residents

From: Mayor Bruce Hopkins

Date: November 14, 2022

RE: 2023 Preliminary Budget

Overview

The budget I am presenting shows slightly higher projected annual revenues that are based on our existing tax bases seeing modest income growth. I did not forecast any new business growth but I am confident we will experience some however, with a potential recession on the horizon I remain cautiously optimistic. The beleaguered Pt Ruston development has one building permit pending - currently awaiting payment. The permit is for Building 9 that will have 69,000 sq ft of commercial space and 222 residential units. If executed and construction commences, we should see a slight bump in sales/B&O taxes. However execution of that permit remains elusive and therefore it has not been contemplated in my forecast. While the possibility of increased taxes from the Pt Ruston development exist we must deal with the reality that the development has presented us with – increased costs for services. Public Safety and planning have experienced increased demand for their services while we experience the lagging revenue growth from limited development.

On a positive note the addition of a parking tax has proven to be a strong contributor to our General Fund revenue sources and forecast to bring in \$220,000 in 2023.

The budget as presented also includes the proposed increase in Sewer B&O tax that is pending council action (11/1/2022) that will help offset our increased Public Safety costs.

We remain diligent in looking at all possible revenue sources to make certain we can provide Ruston residents and businesses with the services they expect and deserve. I have asked that council consider sending a Levy LID Lift ballot measure to Ruston voters to increase our property tax rate to fund our public safety departments. We are in the beginning phases of our analysis and will have more information as it develops. The Lid lift would help the city bridge the revenue gap we are experiencing because of the slow pace of development.

City personnel remains one of our greatest assets and every year we struggle to provide them with market rate compensation. This year's budget I am proposing a 9.5% COLA for all

employees. There have been years that we were not able to offer our employees increases and we have allowed their wages to fall even further below market rate. Therefore, with the current CPI at 8.2% a 9.5% increase is warranted. We are blessed with very loyal and diligent city employees and we need to do everything in our power to retain them. Last year council approved two additional employment positions – Associate City Planner and Assistant City Clerk. We filled the Associate City Planner position and hope to have the Assistant City Clerk role filled in early 2023. While being thin with personnel is a strength financially it remains a vulnerability when we are not fully staffed.

The five biggest sources of revenue for the city are (in order of dollar amount):

1. Property Taxes
2. Sales & B&O taxes
3. Hotel/Motel Tax
4. Utility taxes
5. Permits

General Fund

The city continues to support our public safety departments to the best of our abilities. Council has made public safety a top priority and properly funding them has been a significant challenge. For the first time in our history we now are able to provide 24/7 police coverage for our city. With the sale of the Fire House we have transitioned City Hall to the Ruston School building with the Fire Department now occupying old city hall. The Ruston School still has office/retail space available for lease and we hope have some of the space leased in 2023 but we remain conservative on the actual revenue forecast for that lease. The school building's maintenance is paid for from our General Fund and we continue to incur costs from years of deferred maintenance. Progress is being made but we have some significant capital improvement projects associated with the building – new roof and elevator (ADA). We are pursuing funding sources to help offset some of those costs. Want to have us look to impact fees as a mechanism to better fund our Streets, Parks, and Fire protection facilities. I will be requesting RFP's from firms that can assist us in developing our rate schedule.

Street Reserve Fund

This is funded through our real estate excise tax and Fuel Tax. The revenue from these two areas is only enough to support very minor repair. We have two projects for 2023 – Park Ave and Court Street that we received Grants for. We have been extremely successful in obtaining grants to repair and replace our roadways however I am concerned with the long-term sustainability of this approach. We need to have discussion about other sources of funding for our streets.

Capital Construction Fund

We currently have identified several potentially large capital improvement projects. In 2023 we will be working on scoping those projects and identifying funding sources. Two of the bigger projects are Rust Park and the Pt Ruston soils located at the bottom of Baltimore Street. Identifying potential uses for the soils and how they might be relocated and provide a better aesthetic entrance to our city.

Electric Fund

The Electric Utility Fund remains healthy and continues to fund the modernization of our electrical grid by placing all utilities underground. This is obviously a long-term project however the result will be very secure transmission methods for both electric and telecommunications that minimize our exposure to natural disasters. While minimizing our exposure to natural disasters it also dramatically reduces our long-term maintenance costs. Phase II of the Rust Way project will be complete in 2023 and then 49th Street will be the next project area.

Sewer Fund

The sewer fund is in good fiscal condition. We will be conducting a rate analysis this year to make certain our base and flow rates are adequate. With the entire system having been replaced it will be quite sometime before we anticipate any capital projects will be required. Our overall goal is to retire our sewer debt within the next 15 years.

Sewer Replacement Fund

This fund was established to breakout the costs the town is occurring and better track our progress in relation to our expenses. The funds received for the sewer replacement surcharge will be placed in reserve awaiting the automatic withdraw by USDA.

Storm Water Fund

Our Storm Water rates have not been adjusted in 17 years and need attention. The city began the work of assessing the condition of our storm water system two years ago. We received a grant from the Dept of Ecology that allowed us to begin the video and mapping work to properly assess the condition of our system. There is still a substantial amount of work that needs to be done and therefore I am recommending we take an increase to our Storm base rate from \$5 to \$10 per month to help fund the work we need to do in this area. I also recommend we look to a two-step process with the first being the base rate adjustment and the second being a fee assessment based on the square footage of the lot. The increase in cost is to cover our ongoing assessment of our current storm system and identifying any deficiencies.