



City of Independence

Strategic Finance Roundtable Meeting

Tuesday, December 16, 2025 @ 5:30 PM
Civic Center – Event Center

(see agenda footer for meeting attendance information)

1. **Call to Order**
2. **Roll Call**
3. **Presentations/Discussion**
 - 3.1. City Fiscal Strategy Discussion (Moody)
 - 3.2. Discussion re: Report to Community: Plan for Fiscal Recovery (Moody)
 - 3.3. Discussion re: Community Services and Parks Sustainability Ad Hoc Committee (West)
4. **Adjourn**

Meeting Attendance Information:

The Budget Committee will hold this meeting in-person in City Hall Council Chambers, via video conference (Zoom) or by phone.

- To attend in person, the City Hall address is 555 S. Main St.
- For Zoom login visit:
<https://us06web.zoom.us/j/82458362172?pwd=2tBF4F4lilCiYaoCly6Cxi3gGElaDK.1>
- To participate in the meeting **by phone, dial US: +1-253-215-8782** and enter **Webinar ID: 824 5836 2172** and **Passcode: 637458**

Written comments are also welcome and may be delivered to City Hall or emailed to CouncilComments@ci.independence.or.us no later than 4:00 pm the day of the meeting.

The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, or for other accommodations for persons with disabilities, should be made at least 72 hours in advance of the meeting to Myra Russell, City Recorder, 503-838-1212/TTY: 800-735-2900.

The background of the page features a blurred image of a building with a prominent white steeple against a clear blue sky. In the foreground, there are vibrant purple and red flowers, likely petunias, which are in sharp focus on the right side of the page. A solid blue rectangular area is overlaid on the left and center of the image, containing the main title and department name.

REPORT TO THE COMMUNITY

FISCAL RECOVERY PLAN

City of Independence Finance Department

2025

Executive summary

The City of Independence is—and has been—facing a serious budget shortfall, similar to many other local governments in Oregon. Simply put, the cost of operating the City has been rising faster than the revenues available to fund essential services. As a result, our General Fund reserves are at their lowest point in years and continue to shrink.

Although difficult decisions have already been made to buy us some time, additional tough choices are still needed. The City Council and Budget Committee will need to consider how to prioritize resources so that the City's limited funds support the most essential services. Some long-standing programs may have to be reduced or eliminated to balance the budget and stabilize the General Fund. Rather than addressing problems only as they arise, it will be important for city leaders to develop—and follow—a long-term financial strategy to resolve the underlying structural deficit and build a more secure financial foundation for the future.

This problem has been building since the late 1990s, when Oregon voters approved property tax limitations. These limitations cap growth in property tax revenues, while the cost of delivering services continues to rise at a faster rate. We are now at a point where we must decide which services to maintain based on the limited resources available. Many in our community are understandably asking why they are being asked to pay more while receiving fewer services.

This report explains where we stand today, what actions we are taking now, and what steps we need to take next to move toward a financially stable future.

Background

Our community is facing challenges that are common across Oregon. Nearly every city, county, and special district, no matter the size, is having a hard time providing the services people want or expect because costs keep rising faster than revenue. The days of cutting out the fluff from a city budget are long gone – those cuts have been made, and most cities are now to the point of further cutting services to the community, reducing operations, and limiting community access simply because the money is no longer there.

When budgets are tight, it makes sense to ask, “What can we afford?” We need to look at what services we offer now, how much they cost, and what we could cut with the least impact on the community. These questions seem simple, but they are often emotional and difficult to answer.

The City manages several different funds. Some of these are Enterprise Funds—such as Water, Sewer, and Stormwater—which are supported by user rates rather than property taxes. These funds are currently in a stronger financial position than the General Fund.

The City's General Fund, by contrast, is supported by multiple revenue sources the largest of which is property tax dollars—approximately \$2.7 million. For 2025–26, the General Fund budget

is approximately \$8 million. Below is a summary of the services the General Fund supports and the cost of each, as shown in the 2025–26 Adopted Budget:

- Public Safety/Police and Court - \$4.2 million
- Community Services (Library, Museum and Parks) - \$1.0 million
- Community Development/Planning - \$250,000
- Economic Development - \$100,000
- Building Inspection - \$250,000
- Support Services (administration, finance, human resources, IT) - \$1.0 million
- Debt Service (bond and loan payments) - \$450,000
- Contingency/reserve - \$750,000

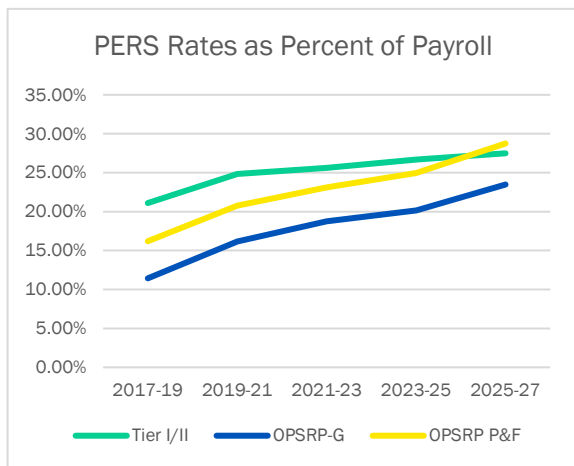
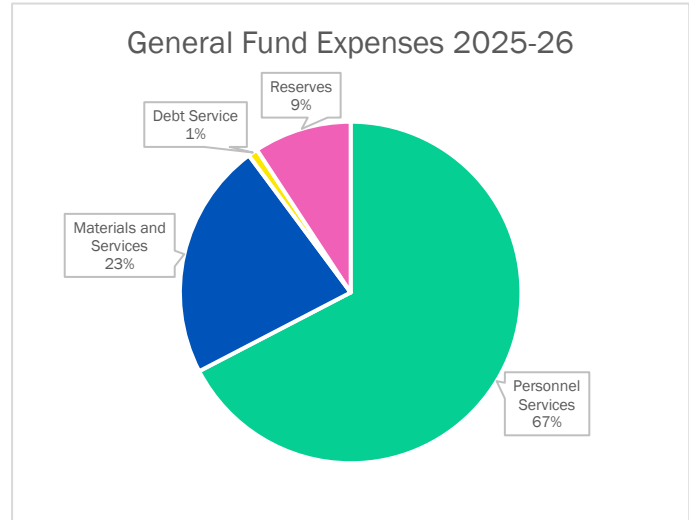
The General Fund gets its money from several sources, including property taxes, revenues collected by the State and passed through to the City, franchise fees from utilities doing business in Independence, the Public Safety Fee for the Police Department, and miscellaneous fees for services. For the 2025-26 fiscal year, we expect to receive \$7.5 million in revenue, about \$500,000 less than our planned spending. You might wonder how the city covers the difference. The answer is that we use reserves, which means spending some of the money we had on hand to start the year. When the City plans to spend more than it brings in, this is called a “structural deficit.” If we keep doing this year after year, as we have for many years, we will eventually use up all our reserves and have nothing left for emergencies. The City needs to keep about \$1.8 million in reserves to cover operations until property tax payments arrive in November.

As mentioned earlier, revenues are not keeping up with the rising costs of running the city. The General Fund’s revenues have grown by about 5% each year, but costs have increased by as much as 7-9% per year. While the city can influence some revenues, others are beyond our control. For example, under the Oregon Constitution, property tax growth is limited to 3% per year in assessed value, plus any new construction¹. The State of Oregon determines how much shared revenues are passed through to the city, and franchise fees are based on a percentage of revenues earned by utilities operating in Independence.

Changes at both the federal and state levels have an impact on the city. When federal income tax laws change, they influence Oregon’s income tax laws, the State’s General Fund, and funding available to local governments. Federal House Resolution 1 is expected to lower the State’s General Fund revenues by as much as \$888 million during the 2025-27 biennium. In addition, shared revenues from the State of Oregon, such as cigarette taxes, liquor taxes, and general shared funds, have also been declining over time.

¹ Property taxes are constitutionally limited in growth by Measures 5 and 50 dating back to the late 1990’s

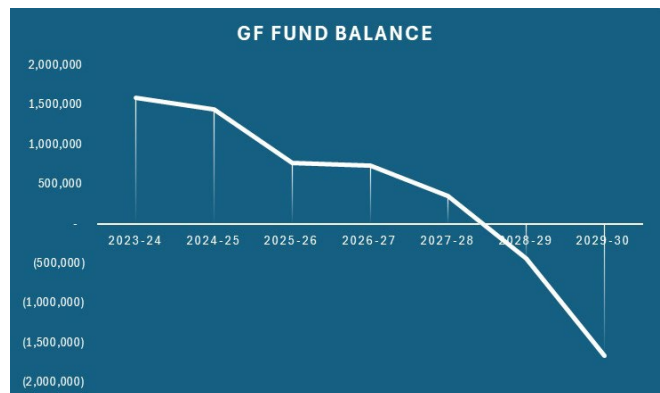
The cost of providing services is rising much faster than the 3% growth in property taxes, or 5% growth in General Fund revenue. These services include police protection, zoning and land use, maintenance of our parks, running the City’s Library and Museum, and support services, all funded by the City’s General Fund. The main reasons for higher costs are staff salaries and benefits, along with inflation affecting everything from books to police cars. Personnel services make up around 67% of the General Fund’s total expenses. Materials and services are the amounts the city pays for consultants, fuel, supplies, etc. and total 23% of the budget. These expenses are represented in the chart above.



Some costs are beyond the City’s control. The Oregon PERS Board sets PERS rates using actuarial and market data. By law, the city must pay employer premiums for retirement benefits, and these rates are updated every two years. The chart presents PERS rates the City of Independence paid over the last five biennia as a percentage of payroll. Tier I/II premiums cover long-term PERS members, while OPSRP rates apply to newer members. Police and fire personnel have higher premium rates than general employees. Costs such as these that are beyond the City’s control continue to strongly affect the availability of funds for

city operations and services.

Relying on reserves to pay for daily operations cannot last. Eventually, those reserves will run out. Without enough money set aside in the General Fund, we have no safety net if an emergency or disaster happens. The chart on the right shows that, if we keep going as we are, the General Fund balance will fall below zero in the 2028-29 fiscal year. This is not an option for the City of Independence or any local government in Oregon. We need to make changes now. By doing so, we can keep the General Fund stable and continue to provide the services our community needs.

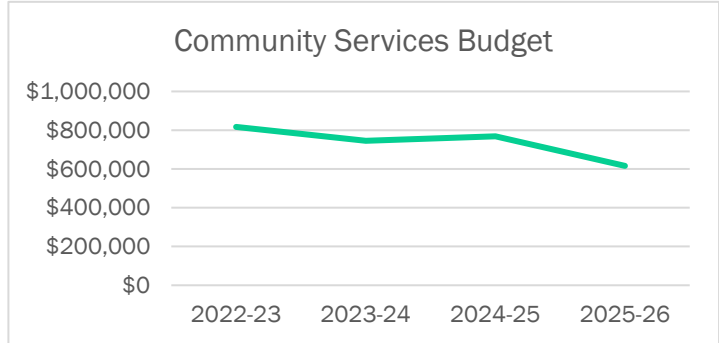


Where Are We Now?

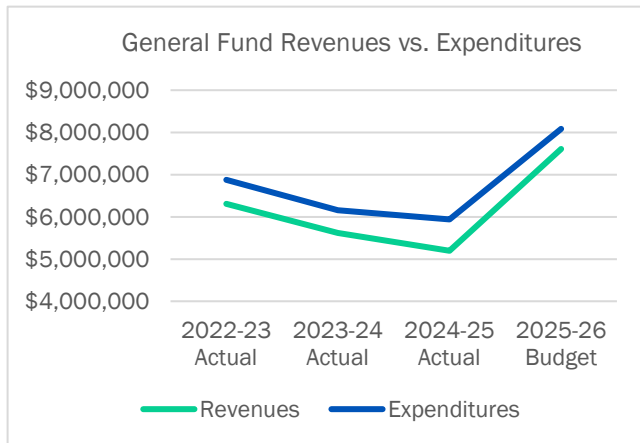
The City of Independence needs to make an important decision. If we continue to spend more than we bring in, the outcome is clear, as shown in the chart above. We cannot allow the General Fund to go into deficit. As a community, we have a choice to make. The City Council will decide our direction, and City staff will carry it out.

Over the last two fiscal years, the city has taken measures to cut costs. We have scaled back operations at the Library and the Museum. We have cut staff and shortened the hours they are open to the public. These changes have a significant impact because both departments rely

entirely on the General Fund for their budgets. The chart highlights about \$200,000 in budget cuts to the Library and Museum since the 2022-23 fiscal year.



Several other General Fund departments, such as Finance, Economic Development, and Building Inspection, have had staff and capacity reduced. City Hall is now closed on Fridays, but open longer Monday through Thursday so people can visit before or after work and during lunch. One person handles all planning and land use activities, including reviews and support for the City's



Planning Commission. Attracting new businesses and industries to Independence is also managed by just one staff member and then only as a part of his overall responsibility.

Despite recent budget cuts, the City's General Fund still faces higher costs than revenues, which reduces our reserves. The adjacent chart clearly shows that costs are greater than revenues. As we plan for the 2026-27 budget, the General Fund remains about \$1 million below its target reserve or contingency level.

What Are We Currently Doing?

In addition to the cost-cutting measures already taken, the City of Independence is working to fix the structural deficit and balance the General Fund budget. The City Council and Budget Committee meet regularly with staff to review policy direction and gather information. Their goal is to make decisions that will help keep the General Fund stable. Every day, the City Manager and staff work to control costs and run operations more efficiently.

A member of the City's Budget Committee noted that the City cannot simply "cut our way out of this" when it comes to our General Fund challenges. This was an insightful and accurate observation. With a structural deficit like the one we are facing, the cost of operating will continue to rise while revenues continue to fall behind. There simply isn't enough to cut to solve the problem. Rather, the member said, "we will need to grow our way out over time," and stressed the

importance of investing in economic development to attract commercial and industrial businesses to Independence. These businesses are especially valuable because they are taxed at full value, unlike residential construction, and they also create jobs and boost the local economy. The Budget Committee set aside \$60,000 for the General Fund's Economic Development Department to contract additional help for these efforts. This is a long-term strategy, and part of a broader plan. The city is also focusing recruitment on businesses that match our available water and power resources.

With a change in management three years ago, new policies were put in place to provide for careful tracking of General Fund spending to see where the money goes and why. We use this information to assign costs to the operating funds that benefit from the services. Expenses like staff time, benefits, and software are charged directly to the funds that use them. This approach helps us clearly understand the cost of running programs in both the General Fund and Enterprise Funds, which is important for setting rates.

In the 2024–25 fiscal year, like any organization facing a structural deficit, the city made cuts and worked to increase revenue. As part of this effort, the city implemented a Public Safety Fee to help stabilize the Police Department and provide long-term funding for staff and equipment.

This fee is added in addition to existing General Fund revenues that already support the Police Department operations. The Police Department's annual budget exceeds \$4 million. Money to pay for the Police Department comes from \$2.7 million in property taxes, \$800,000 from the new Public Safety Fee, and an additional \$500,000 from other General Fund revenues

Staff recently finished reviewing all fees and charges in City departments. We aimed to set fees to at least cover the costs of providing each service. In many cases, we found that our current fees do not pay for the time, effort, and materials needed to provide the service. We also compared our fees to those in similar communities and found that ours are well below the median and average, especially for land use applications handled by our City Planner. Based on these findings, staff have recommended an updated fee schedule to the City Council for review and possible adoption. Although this is not a full solution, updating our fees is a key step in ensuring that our charges more accurately reflect the true cost of services.

In the 2025-26 budget, the City identified several properties that are now for sale. These include the current Museum building, some park properties, the sports field complex, and others. Selling these properties will bring in one-time funds to help rebuild General Fund reserves. Selling the Museum building will also allow the City to pay off its related loan, saving the General Fund over \$73,000 each year for the next three years.

The city recently received technical assistance through the Federal Department of Housing and Urban Development (HUD) to get help with our financial situation. A team of experienced consultants has finished a report that identifies effects on the General Fund and offers recommendations. They also created a financial forecasting model for the General Fund, which lets the City estimate future revenues and expenses using different assumptions and possible

scenarios. This tool will help us make better spending decisions and consider new revenue options in the future.

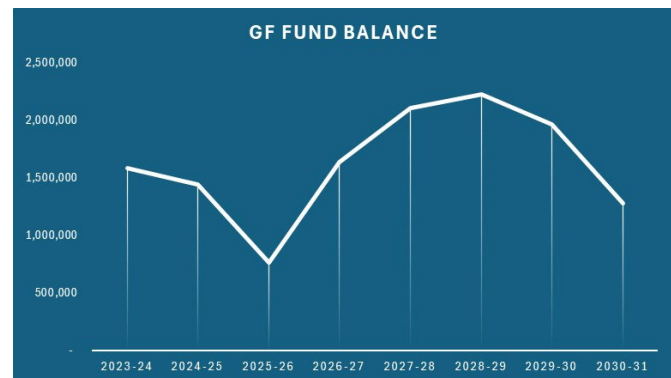
Finally, City staff are always looking for new grant opportunities and apply for them whenever possible. Most grants for operations are limited to specific projects, such as training or police enforcement. These grants can help fund projects and free up other General Fund resources. The HUD grant mentioned earlier is an example of funding that lets us explore solutions on a broader scale. Grants will continue to be an important part of our financial strategy in the future.

Path Forward

There is a path to financial recovery for the City's General Fund, but our resources are limited and cannot cover every request. The Council will need to make tough decisions, and it is unlikely that everyone will be fully satisfied with the outcome.

The City should use one-time resources and revenues to rebuild the General Fund reserves. These reserves are essential for maintaining operations until property tax revenues arrive each November and for responding to emergencies such as IT or facility equipment failures or other unexpected events. The funds available from the sale of the Museum building and park properties could be used to help restore these reserves. It would also be appropriate to close the Economic Development Loan Fund and the Tourism and Events Fund, transferring any remaining balances to the General Fund to further strengthen reserves. Lodging tax revenues could be recorded in the General Fund to help support operations. Once reserves are restored, the Council and Budget Committee can then focus on addressing the structural deficit during the annual budget process.

The city cannot fix the structural deficit with one-time revenue alone—we will need a sustained increase in ongoing revenue. Even with temporary boosts, revenues are expected to continue growing more slowly than costs. The chart illustrates that if properties are sold, revenues increase in 2026–27 and 2027–28. We expect revenue growth of about 5% while costs are assumed to rise by 7-8%. After the initial improvement, the fund balance gradually begins to shrink again over the next three years.



The city may consider a 5-year local option levy in 2026, either in May or November, to help fund Community Services including the library and museum, and parks. A levy of about \$1 for every \$1,000 assessed value would keep these services at current levels. If voters approve the levy, property taxes in the General Fund will go up starting in November 2027 and will increase by 3% each year. In the short term, the city could introduce a limited time fee to support Community Services until property tax funds become available.

Initially, the levy will raise General Fund revenues above total spending. However, as costs are rising faster than the levy's 3% growth, reserves will start to shrink again. To keep the fund sustainable, the levy needs to be combined with cost controls. If the levy does not pass, the city

may have to eliminate the Community Services Department and permanently close the library and museum.

As an alternative to a levy, the city could charge a monthly fee of \$11 in addition to the current Public Safety Fee that would increase with inflation. If the City chooses this option to support Community Services, the fee will need to grow by about 5.5% each year to cover the expected costs of operating at current service levels.

Starting in fiscal year 2026-27, the General Fund budget must balance annual expenses and revenues. Revenues for the General Fund are expected to rise by 5% compared to last year. Departments should keep their budget requests within a 5% increase from the previous year. Personnel service costs in the General Fund should also stay within a 5% increase. To manage these costs, departments can consider options like using vacancy savings, freezing or eliminating positions, sharing cost increases between the city and employees, and spreading personnel costs across different funds. These steps can affect operations and may mean reopening negotiations with bargaining units.

Changes in personnel practices and the effects on operations will affect the city's ability to hire and retain quality team members. Similarly, sharing increasing costs of health insurance directly affects overall employee compensation. Retirement premiums paid to Oregon PERS, which the city has no control over, go up every other year. To cover these increases, City leadership will need to reduce other costs. The city must balance these changes with the need to keep the General Fund strong for long-term operations.

The city may need to cut back operations or remove some programs within the General Fund. The Council and Budget Committee will have to decide what counts as "essential services" as they set budget priorities and decide how to use resources. Community members may consider library services essential when describing the quality of life in our community, along with the Museum. However, there are no legal requirements that the city provide these services. In some communities, libraries are run by Library Districts, and museums are managed by nonprofit organizations.

Conclusion

The City of Independence is facing tough financial choices. Right now, the General Fund spends more than it receives each year, which cannot continue. If nothing changes, the General Fund is expected to run out of money in fiscal year 2028-29.

To restore the General Fund, the city will need to sell some properties and reduce spending. The city will also ask the community to help pay for the services they value. If the community chooses not to support these services, some may be discontinued. The 2026-27 budget will require more cuts and changes to balance revenues with expenses without further reducing reserves.

The 2026-27 fiscal year is a chance for the city to change courses and bring stability back to the General Fund. It will be challenging, but there is a path forward.