

**Testimony in Support of House Bill 3654
Presented to the Oregon Legislative Assembly
Stayton, Oregon**

Honorable Chair and Members of the Committee,

My name is Julia Hajduk, and I serve as the City Manager for the City of Stayton, a community of approximately 8,200 residents. I'm here today to express our strong support for House Bill 3654, which provides critical financial relief for Oregon's small cities by capping local matching fund requirements for state capital construction and infrastructure grants.

Small cities across Oregon face significant and unique financial challenges. Unlike larger urban centers, our municipalities operate with lean budgets, often relying on a narrow combination of property taxes, limited state and federal funds, and local fees. These revenue streams are increasingly insufficient to meet the growing demands of maintaining and upgrading essential infrastructure.

In Stayton, decades of underinvestment have resulted in a significant backlog of deferred maintenance. In response, our City Council has taken bold steps to begin addressing these challenges, including raising utility rates—water by 9%, stormwater by 100%, wastewater by 23%, and street fees by 400%. We've also adopted local option levies to support our parks, pool, and library, and implemented a \$0.03 gas tax to help fund transportation needs. We are actively leaning into these issues and doing everything we can at the local level to meet the demand—but despite our best efforts, the scale of our infrastructure needs continues to far exceed our current and projected resources.

Grants have been, and will continue to be, an important part of our strategy to address these needs. However, current local match requirements often present a significant barrier. For example, we received a grant from the Oregon Water Resources Department for an Aquifer Storage and Recovery (ASR) project. The project cost was just over \$5 million, with a required local match of approximately \$1.3 million. That match amount alone represents more than half of our annual revenue from service charges—and severely limits our ability to address other critical needs, such as replacing aging water lines, reducing water loss, and improving fire flow capacity.

Because of these high match requirements, we are forced to make tough decisions about which grant opportunities to pursue. While loans may be an option, they add long-term debt and create additional financial burdens for our residents—especially in communities like ours where affordability is a serious concern.

As you know, Oregon's permanent tax rate system—established under Ballot Measures 5 and 50—has left cities with vastly different taxing capacities. Stayton's permanent tax rate is just \$3.33 per \$1,000 of assessed value. In comparison, other cities with higher permanent tax rates are able to collect significantly more revenue per capita due to their higher tax rates and larger property values. This puts smaller cities at a distinct disadvantage.

We may have fewer people and lower property values, but our costs are not lower. A water treatment facility still costs millions. A traffic signal or street repaving project still costs the same whether you're in Portland or Stayton. The financial disparity makes it extraordinarily difficult for small communities to keep up.

House Bill 3654 directly addresses this inequity by capping the local match requirement at 9% for cities with populations between 7,500 and 10,000. This change will make it possible for us to access critical state grants without having to sacrifice other vital services or overburden our residents.

Furthermore, allowing grant funds to be used for all phases of a project—including planning, engineering, and administrative support—acknowledges the reality that small cities often struggle to fund even the early stages of infrastructure work. Without this foundational investment, many essential projects never get off the ground.

HB 3654 is more than a financial fix—it's an investment in the long-term viability of Oregon's small communities. It will help us address long-overdue projects, support public safety, bolster economic development, and improve the quality of life for our residents.

On behalf of the City of Stayton and the many small cities across Oregon facing similar challenges, I respectfully urge your support for this legislation. Thank you for your time and consideration—I'd be happy to answer any questions.