

BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

May 4, 2024

Present: Shane Abma, Lisa Batey, David Chitsazan, Adam Khosroabadi, William Johnson, Robert Massey, Mary Rowe, Leslie Schockner, Sofie Sherman-Burton, and Rebecca Stavenjord

Absent: None

Guest(s): None

Staff: Community Development Director Joseph Briglio Public Works Director Peter Passarelli
Police Chief Ryan Burdick Acting City Manager Emma Sagor
Library Director Brent Husher Accountant Judy Serio
Human Resources Director Brandi Leos City Recorder Scott Stauffer
Finance Director Michael Osborne

1. CALL TO ORDER

Chair Schockner called the committee meeting to order at 10:06 am.

2. INTRODUCTIONS

Committee members and staff introduced themselves.

3. COMMUNITY COMMENTS

None

4. A - PUBLIC HEARING BN 2025 – 2026 PROPOSED BUDGET DEPARTMENT PRESENTATIONS

Chair Schocker called the public hearing to order.

Osborne began by outlining the process for the day.

Sagor stated the questions received from the committee members during the week were collated, answered, and provided in written form to the members and the public.

Osborne pointed out the revised pages members received were only clerical updates no numbers were changed.

Sagor clarified the Transportation bond spending rate provided during the budget message during the April 27, 2024, budget hearing was for the first tranche of the bond not the second one. The state shared revenue table was provided to committee members at the request of **Mayor Batey**.

Councilor Khosroabadi clarified the water fund's number did change.

Osborne responded there was a formula error that was double counting the fund balance. A summary of the materials and services by General Fund department was presented.

Member Sherman-Burton asked why there was a shift in the FTE staff among departments.

Sagor responded that it facilitates better customer service and the front counter staff now report to one person; it did not change their workload.

Briglio presented Community Development's major accomplishments including an inaugural affordable housing grant program and \$2 million in CET funds to support over 400 new units of affordable housing. Upcoming goals include moving the housing production strategy forward and economic development programming. The budget was reduced and has set appropriate expectations.

Briglio presented Planning's major accomplishments including adopting the housing capacity analysis and housing production strategy. Upcoming goals include the completion of the transportation system plan and updating the natural resource code. The budget reflects staff taking on projects rather than using consultants.

Mayor Batey clarified the timeline of the transportation system plan.

Councilor Khosroabadi asked what the tradeoff from the reduction is.

Briglio responded that work will be done in-house instead of using consultants.

Councilor Massey asked about rental assistance in the Community Development budget.

Briglio responded it was funds earmarked for rental assistance.

Mayor Batey asked if there has been a slowdown in planning capacity that will affect long-range planning.

Briglio responded with the state mandated codes changes completed staff can now change their focus.

Councilor Stavenjard mentioned there will be rental assistance available for Milwaukie residents that will be administered through the Clackamas County Service Center.

Briglio presented Engineering's major accomplishments including project completions and updating public works standards. Upcoming goals include completion of more projects and working on the transportation system plan. The budget was reduced while maintaining staffing levels to deliver current projects.

Mayor Batey commented that the Engineering staff time percentages as it relates to transfers seem in low.

Osborne responded that those allocations are based on historical allocated costs; in the future, an analysis can be done to update the transfers.

Sagor added that the utility funded projects are tied to the rate paying funds, so these funds should be the focus of Engineering in relation to projects.

Chair Schockner recalled a detailed study that created these allocations years ago. There may be software that can do these allocations.

Mayor Batey commented there should be analysis done for additional financing.

Councilor Khosroabadi asked where the \$15,000 reduction is reflected.

Briglio responded in the materials and services.

Briglio presented Building's major accomplishments including high rate of performing inspections within a single business day and reducing turnaround time on plans examination. Upcoming goals include continuing a high level of customer service and maintaining consistent administration of adopted specialty codes. The budget reflects a conservative and sustainable approach.

Chair Schockner asked if shared responsibilities are shared with other entities.

Briglio responded Building is their own fund; this department relies on intergovernmental agreements (IGA) and personal services agreements. Other agencies and companies are just as busy as city staff and outside contractors are expensive. FTE was increased by one; taking a Community Development position and moving it to the Building Fund. This position will assist with customer service and take on tasks assisting developers and homeowners. The city did not see a slowdown in permitting this last biennium, as there was an increase in commercial construction.

Briglio presented Construction Excise Taxes (CET) major accomplishments including the creation of a competitive bid process and implementation of an affordable housing grant program. The upcoming goal is to develop grant programs to support local businesses. The budget reflects utilizing the economic development-based construction excise tax.

Member Chitsazan asked how businesses not located in the urban renewal area are made aware of these programs.

Briglio responded there has been no outreach yet, but it will be done when the programs launch.

Chair Schockner added the urban renewal area can be used as a model on how these projects will go forward.

Briglio responded that similar type programs will be easier for staff implementation.

Councilor Khosroabadi added the state bill allows use of the funds for rental assistance and down payment assistance.

Briglio responded that the funds that are in the affordable housing section of the Construction Excise Tax can be used for those programs.

Mayor Batey asked what line shows where the CET funds have come in for a specific year.

Sagor responded that the FY23 column reflects revenue received.

Discussion ensued among the committee about the collection of CET revenue from construction projects.

*****Break*****

Husher presented the Library's accomplishments including reincorporating programs including story times and the fall author series featuring diverse authors and staff collaboration with community partners to connect residents most in need of resources. Upcoming goals include ensuring materials and programs reflect diversity and limiting new programming to areas of city strategic goals, sustainability, and diversity. The budget reflects fewer library materials purchases over the next biennium. The county will be replacing the self-checkout machines.

Chair Schockner ask if the digital materials help sustain the hold the line budget.

Husher responded there has been an increase in digital material circulation, but most are still physical materials being circulated. Library district funds received also require the library to serve the unincorporated citizens as well.

Councilor Abma asked how the library district revenue is allocated.

Discussion ensued among members about the library district revenue allocation methodology.

Member Chitsazan asked the age of the computers.

Husher responded that the public computers have been purchased within the last year.

Member Chitsazan asked for an example of a climate sustainability measure.

Husher responded one is the repair fair that is hosted at the library.

Councilor Khosroabadi asked about the overall budget increase of \$470,000.

Sagor responded it was overall with most in personnel services.

Husher commented the library staff does expect to spend the full FY23 budget; as there has been money spent on professional development in the last month.

Mayor Batey asked the age of the self-checkout machines.

Husher responded the machines are 7 years old and have proprietary software that will need to be updated.

Mayor Batey followed up comments to the earlier library district revenue allocation discussion.

Leos presented Human Resources' accomplishments including implementation of online onboarding and training software for employees. Upcoming goals include developing department bench strength and enhancing the city's safety program. The budget reflects prioritizing funding for engagement survey and manager resources and there will be limited attorney support for collective bargaining and other issues.

Councilor Khosroabadi noted it appears there was money spent that was not accounted for in the original budget.

Member Chitsazan asked which city department was involved in the mentioned significant issue that affected the current budget.

Leos responded it is a personnel issue and not able to answer.

Member Chitsazan commented on the turnover recently at the city and encouraged staff to allot funds to support the employees with resources and situations.

Leos responded that the department has an open-door policy to resolve issues before becoming a big deal.

Mayor Batey asked about where transfers are reflected in this budget.

Sagor responded there is not a separate resource section since this department is in the General Fund. The human resource function is included in the allocation of funds within the transfers.

Sagor presented the City Manager's accomplishments including the development of the Milwaukie Momentum and the three-year equity plan. Upcoming goals include implementing Milwaukie Momentum by aligning internal operations to the community's

vision and institutionalizing equity and inclusion. The budget reflects refreshing the city's website and maintaining communications and engagement levels of service. Staff supporting cooling, warming and stabilization centers will be limited.

Sagor presented the City Attorney's accomplishment of timely and accurate legal support to City Council and staff. The budget reflects only an increase in personnel costs.

Councilor Khosroabadi asked about the capital outlay in the City Manager budget.

Sagor responded that the capital outlay amount in the current budget was for a vehicle not land banking, as that is usually through Community Development.

Member Johnson asked what the growth percentage assumption is for the benefits.

Osborne responded it is 7%.

Stauffer presented the City Council's accomplishments including continued support of climate action and equity, justice, and inclusion work. The budget does not have any significant changes.

Councilor Abma asked if contracting with Willamette Falls is required now that the meetings are streamed on YouTube.

Stauffer has a request for proposal open for these services. Willamette Falls maintains a public access studio and is also part of PEG funding; it also is the city's link to the Comcast channel. There is not a legal requirement to contract with Willamette Falls the services provided are invaluable. The alternative would be to hire a staff person to facilitate this work. Contracting with Willamette Falls also provides access to resources and technology.

Mayor Batey asked about the dues & subscriptions and education and training line items, if there is room in the FY23 budget to pay for some upcoming conferences and membership dues.

Sagor responded staff will research these two budget lines and get back to City Council about the FY23 expenses.

Stauffer presented the City Recorder's accomplishments including the move to the new city hall and a new city hall administration team. Upcoming goals include supporting the City Council, the new City Manager, conducting elections and providing information to the public.

Councilor Abma asked if the city code refresh done by a contractor is paid out of the City Recorder budget.

Stauffer responded yes, which has resulted in a new online municipal code. The budget reflects interdepartmental staffing changes related to municipal court. The supply budget will be managed out of this department.

Stauffer presented the Municipal Court's accomplishments including the transition to a paperless court, and the amnesty program. Upcoming goals include preparing for an increase in citations and continued evolution of court operations. The budget reflects interdepartmental staffing change and a slight increase in materials and services for security and translation services.

Mayor Batey asked why the expense for the judge is the same, but the prosecutor line is increasing.

Stauffer responded the prosecutor is paid via a contract and should have remained flat. The City Council will be discussing the new contract for the judge which includes a 3% increase. The judge's contract does reflect a few additional court dates, if needed.

Councilor Abma asked if the increase in citations offset the increase in the contract costs.

Osborne responded it does, but funds are due also to the state for each citation.

Stauffer replied to the committee question about court demographic data is one that police, and code enforcement would be better suited to answer.

Member Chitsazan asked if there had been an increase in accidents during the pandemic.

Stauffer responded the answer will need to be provided by the police.

Member Chitsazan asked if there have been any discussions to postpone court fine payments for another year.

Stauffer responded fees are set by the county and state and the state has issued executive orders related to court fines. The judge has authority to reduce fines where they can be reduced.

Mayor Batey added the city has had two years of amnesty programs and there are county clinics that assist in getting records cleared.

Break

Passarelli presented the Public Works Administration's accomplishments including new permitting software for the tree code and an update to the greenhouse gas inventory. Upcoming goals include streamlining erosion control permitting and initiating design of a new voluntary carbon-free electricity product to align with climate goals. The budget reflects the parks' development construction.

Chair Schockner asked how the impervious area audit will affect the stormwater system.

Passarelli responded that the city bills commercial customers based on their area of impervious surface area on their property, an updated inventory may increase revenues.

Mayor Batey asked if the climate natural resource position will be filled.

Passarelli responded yes.

Member Johnson asked about the sustainability line where the climate program is funded.

Passarelli responded that in the past that money has been used to work with non-profits who sponsor outreach programs.

Passarelli presented Facilities' accomplishments including the new city hall renovation and move and the remodel of the Johnson Creek facility. Upcoming goals include solar array and ADA bathroom updates for the Johnson Creek facility. The budget reflects deferring some projects and increases in energy costs, janitorial and landscaping services.

Member Chitsazan asked how many new vehicles are in the budget.

Passarelli responded it reflects one electric truck for facilities maintenance; the vehicle being replaced is 9-10 years old.

Councilor Abma asked what city properties pay property taxes.

Osborne responded city facilities are exempt but will look into what buildings pay the property taxes.

Mayor Batey asked when a vehicle is sold, where the revenue is reflected.

Passarelli responded that it is credited as miscellaneous revenue in the fund where originally purchased.

Councilor Khosroabadi commented the budget looks lower due to grant funds being received.

Passarelli agreed that the capital line items are lower because grant funds were received for the project.

Passarelli presented the Fleet's accomplishments including purchasing and disposal of city fleet vehicles and continuing to increase electric vehicle replacement. Upcoming goals include continued maximization of upfitting police and public works vehicles. The budget reflects an increase in fuel, supplies, and tire costs.

Chair Schockner asked if the replacement time will lengthen with electric vehicles in the fleet.

Passarelli responded that it is too early to tell but the maintenance on the electric vehicles has been reduced.

Councilor Khosroabadi asked why the city purchased a Mach E and a Tesla.

Passarelli responded that the Mach E was purchased used. The Tesla was a model to see if it would work for the police department.

Discussion ensued with committee members about the justification of the Tesla and Mach E purchases for police.

Mayor Batey asked about the performance measures and that it would be good to track gas vehicles compared to the electrics.

Member Chitsazan asked if the electric cars are working and stated vehicle feedback brought to the committee before other vehicles are purchased would be appreciated.

Passarelli responded that the Leaf and Mach E are working well.

Member Johnson asked if there is a breakdown of what departments are using the vehicle fleet.

Chair Schockner asked if the vehicle breakdown could be added to the performance measures.

Passarelli presented the Transportation Fund's accomplishments including correcting drainage issues along street shoulders and completion of the annual slurry seal program. Upcoming goals include maintaining and enhancing city infrastructure and traffic control. The budget reflects an increase in the SAFE and SSMP rates and defers the Logus Road project. Funding for SAFE projects will be depleted by the end of FY 2026.

Councilor Khosroabadi asked about the ending fund balance and the policy requirements.

Passarelli responded that part of the fund balance is for debt service and will be allocated to future projects.

Discussion ensued among committee members of the Transportation Fund's ending fund balance.

Passarelli presented the Water Fund's accomplishments including completion of the new well #2 and upgraded controls for the Lava pump station and well #7. Upcoming goals include the Stanley reservoir project and a concrete reservoir rehabilitation. The budget reflects a revenue increase and lead and copper compliance mandate expenses. A new lead water treatment operator is also reflected in this budget.

Member Chitsazan asked if the school coming to the old Campbell school site will have the water tested.

Passarelli responded that the school can reach out and request it be tested.

Councilor Khosroabadi asked about the ending fund balance and the policy reserve. How can these funds be accessed and possibly given back to the rate payers or used in other areas.

Passarelli responded that this was a recommendation from the rate study done a few years ago. There are seasonal shifts in demand, the fund must ensure it has working capital to pay bills, employees, and provide money on hand for emergencies. It is used to fund future capital projects, previously the city had not used financing for large projects. Rates have been stabilized so the rates do not go up while projects are planned. Some agencies have a maximum and minimum reserve policy, and the city may investigate this in future years.

Chair Schockner asked for analysis of the risk management element that drives the fund balance and policy reserves.

Sagor responded that can be a future discussion. The CIP projects were built on some of these fund balances and the reserve policy.

Discussion ensued among members on the Water Fund's ending fund balance and the policy reserve.

Passarelli presented the Wastewater Fund's accomplishments including upgrades to the SCADA system and data collection to study the Waverly Heights sewer system. Upcoming goals include the Ardenwald North, Waverly Heights, and sewer lining projects. The budget reflects revenue neutral rate adjustments, ARPA funds that must be obligated by December 31, 2024, and WES treatment costs that have remained flat.

Passarelli presented the Stormwater Fund's accomplishments including updating and implementing a new management plan and creating an online reference library for compliance documents. Upcoming goals include completing the stormwater system plan and the Meek Street project.

Chair Schockner asked the agency level of the regulatory requirements.

Passarelli responded the state; the erosion control code will need to be updated. The Stormwater Fund's budget reflects no rate increase, and additional costs associated with regulatory compliance and Friends of Trees events.

Member Chitsazan asked about the bad debt line in each of the utility funds.

Osborne responded outstanding utility account balances are back to pre-Covid numbers but can speak to this in the Finance presentation.

Passarelli added those numbers are expenses due to writing off balances owed by customers.

Passarelli presented System Development Charges' accomplishments including the stormwater system plan and updating water system development charge methodology. Upcoming goals include completing the stormwater system plan and updating the transportation system plan.

Mayor Batey asked what the trigger is for when SDC costs are paid.

Sagor responded that would be a question for Briglio and follow-up will be needed.

*****Break*****

Burdick presented Code Enforcement's accomplishments including new enforcement strategies and a revised tree code. Upcoming goals include achieving a high resolution for all code cases prior to citation issuance and reducing the number of outstanding cases by conducting abatements.

Chair Schockner asked for a summary of the lien foreclosure policy.

Burdick responded city does abatement on fire damaged properties to get the property into compliance. The Code Enforcement budget reflects an increase in professional services which is cost-neutral with Metro grant for RV removal and destruction.

Member Johnson asked why the compliance after citation performance measure is low.

Burdick responded that since the city now has 90% compliance prior to citation, adding that measure's number shows 95% compliance.

Burdick presented the Police's accomplishments including deploying body-worn cameras and participation in cooperative regional efforts. Upcoming goals include continued recruitment, training, deploying officers, and maintaining strong community ties.

Mayor Batey asked about the status of the police academy backlog.

Burdick responded it has improved.

Member Chitsazan asked whether the overtime costs will diminish in the future.

Burdick responded that there will always be some type of overtime cost with the political season, unforeseen events, and upcoming retirements.

Discussion ensued among committee members about overtime, accidents, and citations.

Burdick continued with the Police budget that reflects an increase in radio, LOCOM dispatch and body-worn camera costs. Some vehicle purchases will be deferred.

Chair Schockner asked why the city insurance does not cover the cost of damaged vehicles.

Osborne responded that a police car costs approximately \$65,000 and the insurance payout on the damaged police vehicle was approximately \$20,000, which is not enough to cover replacement costs.

Councilor Abma commented for the future it would be helpful to know how an electric vehicle would compare to a gas vehicle when it comes to damage and repair costs.

Member Rowe commented on police staffing. With the city's new housing and population growth, but the police force staffing remains the same, it would be helpful to see other agencies' staffing compared to population.

Burdick and **Sagor** responded with discussions that took place in the budget preparation and measures that have taken place.

Discussion ensued among committee members of police related matters.

Osborne presented Finance's accomplishments including GFOA awards and procurement policy updates. Upcoming goals include contracting new city auditors and updating the travel policy. The budget is flat but will continue to monitor costs related to audit, credit card fees and utility billing.

Sagor shared FY23's credit card fees at the request of **Councilor Massey**.

Member Johnson asked if credit cards are accepted in-person and online.

Osborne responded yes.

Discussion ensued among members about the form of payments accepted and credit card fees related to building permits.

Member Sherman-Burton requested to receive an allocation of the credit card fees between utility payments and building permit payments.

Member Chitsazan asked if a discount could be implemented for using another form of payment instead of a credit card.

Osborne continued with the Finance department's budget. The utility meter readers are outsourced, and the company is proposing a 20% increase in their rates due to difficulty in retaining staff which in return is causing an increase in misreads for the city.

Mayor Batey asked if there is an alternative to this service such as digital meters.

Osborne responded that there is technology for that, and it is expensive. Other cities stated the cost benefit is not there but possibly an IGA with several cities may be an option.

Sagor clarified the transfers schedule does allocate bank charges to the other funds. Information Technology pays for the software charges related to web payments.

Osborne presented Information Technology's accomplishments including the upgrade to the SCADA network and multi-factor authentication. Upcoming goals include upgrading all computers to Windows 11 and staff training. The budget reflects increases in maintenance and service contracts.

Member Johnson asked if there is an inventory of the city's most at-risk systems for cybersecurity.

Osborne responded that the IT manager does constant analysis in mitigating the risks.

Osborne presented the Public Education Government's accomplishments including upgrades to broadcast and virtual meeting equipment and the new city hall's move and equipment upgrades. The budget reflects the depleting of the funds available for new equipment.

Councilor Massey asked why the fund exists.

Sagor responded it is for government transparency for meetings to be broadcast to the public.

Councilor Abma added federal law regulates this area.

Osborne presented the General Government's (formerly non-departmental) accomplishments including timely payments. The budget reflects an insurance premium increase. Insurance payouts, risk management and NDA funding will be monitored this biennium.

Councilor Khosroabadi asked if the city has gap insurance.

Osborne responded that the city's insurance representative stated it is not economically feasible for the city's fleet.

Osborne presented the Debt Service Fund's accomplishments include timely payments. The budget reflects no future debt to be issued for this biennium.

Chair Schockner asked what is the city's allowable bonded debt percentage.

Discussion ensued among members about available bonded debt, long-term debt by city graph and unfunded PERS debt.

Member Chitsazan asked about the General Government's contingency policy.

Osborne responded it can be found in the policy section of the budget document.

Sagor summarized how this budget is invested in council goals of equity, climate, and parks.

4. B – BN 2025 – 2026 PROPOSED BUDGET PUBLIC TESTIMONY

Chair Schockner called for public comment. One printed community comment was provided to committee members. No other comments received.

Member Sherman-Burton stated some items in the public comment need clarification.

Mayor Batey stated nothing in this budget precludes this discussion.

Sagor paraphrased the comment and responded to the points in the comment.

Member Johnson asked about the other job responsibilities of the climate position.

Sagor responded that the position manages the climate team along with overseeing policy and programming duties as it relates to the regulatory side.

Mayor Batey added the role has been at the table during the legislative session and meets with regional partners along with involvement with PGE negotiations for a green tariff.

Chair Schockner called for a motion to close the public testimony. **Mayor Batey** made a motion to close the public testimony and **Member Rowe** seconded the motion.

Motion passed with the following vote: **Councilor Abma, Mayor Batey, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting “aye.” (10:0)

4. C – DELIBERATIONS BY COMMITTEE MEMBERS

Mayor Batey asked about increasing the right-of-way (ROW) fee and institutionalizing the equity program manager and the climate program manager which would free up council goals.

Sagor responded that the ROW fee increase would moderate the General Fund deficit in FY27 and institutionalize the two positions.

Member Chitsazan added the ROW fees will be absorbed by PGE.

Passarelli commented that currently a portion of the ROW fees are spread across the entire customer base, not just Milwaukie, based on the Oregon Administrative Rules. Currently 3.5% of the ROW fee appears on PGE and NW Natural bills.

Member Johnson asked for the committee to be updated on the return on investment related to climate.

Sagor responded this is part of the city’s goal, and staff intends to also develop equity performance indicators.

Mayor Batey stated the climate consultant did provide measures even though the information is dated.

Member Rowe addressed the budget in relation to staffing and job expectations.

Member Chitsazan stated the Police personnel is higher than 3%.

Sagor responded the city is actively bargaining two contracts and limited on what can be discussed.

Member Chitsazan clarified that the number for FY23 includes the supplemental budget for the Police overtime.

Discussion ensued among members and staff about the Police personnel services amounts.

4. D – VOTING BY COMMITTEE MEMBERS

Chair Schockner called for a motion to approve the BN 2025-2026 proposed budget. **Member Rowe** moved to approve the Acting City Manager’s proposed budget totaling \$191,798,000 for biennium 2025-2026 with a property tax rate of \$4.1367 per \$1,000 of assessed value for fiscal year 2025 and \$4.1367 per \$1,000 of assessed value for fiscal year 2026 and a bond levy amount of \$855,000 for fiscal year 2025 and \$861,000 for fiscal year 2026. **Member Sherman-Burton** seconded the motion.

Motion passed with the following vote: **Councilor Abma, Mayor Batey, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting “aye.” (10:0)

5. VOTE TO CANCEL MAY 11, 2024, MEETING

Chair Schocker called for a motion to cancel the May 11, 2024, Budget Committee meeting. **Member Johnson** made a motion to cancel the May 11, 2024, meeting. **Member Chitsazan** seconded the motion.

6. OTHER ITEMS

Mayor Batey commented that the budget improves each year, the document's financial tables are readable.

Chair Schockner commended the staff for all their work on the budget.

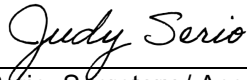
7. ADJOURN

It was moved by **Member Rowe** and seconded by **Member Chitsazan** to adjourn the meeting.

Motion passed with the following vote: **Councilor Abma, Mayor Batey, Member Chitsazan, Member Johnson, Councilor Massey, Councilor Nicodemus, Member Rowe, Chair Schockner, Member Sherman-Burton and Councilor Stavenjord** voting "aye." (10:0)

Chair Schockner adjourned the meeting at 3:58 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant