

BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

April 27, 2024

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

Absent: Lisa Batey

Guest(s): None

Staff: Acting City Manager Emma Sagor
Finance Director Michael Osborne

Accountant Judy Serio

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. APPROVAL OF MINUTES

It was moved by **Member Rowe** and seconded by **Member Chitsazan** to approve the February 12, 2024 minutes as written.

Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting "aye." (9:0)

4. COMMUNITY COMMENTS

None.

5. QUARTERLY FINANCIAL REPORT FOR THE THIRD QUARTER FY 2024

Osborne stated the quarterly report would be quick. The revenues through the third quarter look healthy; all property taxes have been received.

Councilor Abma asked for an explanation of the library being transferred into the General Fund. **Osborne** stated the library was its own fund and it was transferred to the General Fund for housekeeping purposes during the last biennium. **Chair Schockner** commented that it was a long-standing discussion to move the library fund into the General Fund. **Osborne** clarified that the fund was to track money donated for the library renovation. **Sagor** clarified that the library was a separate fund through the renovations and was transferred once it was completed.

6A. PUBLIC HEARING OF PROPOSED BN 2025-2026 BUDGET

Chair Schockner called the public hearing on the proposed biennium budget for the fiscal years (FYs) 2025 and 2026 to order and asked committee members to announce any actual or potential conflicts of interest. There were none.

Sagor presented the budget message for the proposed biennium budget for 2025-2026. Looking back there have been significant positive changes including buying and selling city hall buildings, building a new library, and the New Seasons Market opening. There have been challenging changes including climate change disasters, the COVID-19 pandemic, houselessness crisis, and staff turnover. Impacts to the financial landscape include end of one-time pandemic relief assistance, spending down earmarked funds, growing price of sustaining existing and added services, and general fund revenues are not keeping pace with expenditures. These are state-wide challenges. This budget's objectives include stabilizing expenses; departments were told to hold the line on materials and services and there are no new full-time employee (FTE) increases over the biennium. Stabilizing revenue will include proposing increases to fees where it is necessary; the average residential city utility bill will increase by 82 cents; the right-of-way (ROW) license fee on electric and gas utilities will increase to 8% to avoid significant service cuts to public safety, facilities maintenance, and other general funded services in the next biennium. The second objective is to institutionalize the city's progress, to ensure work continues on Council's current goals. Funding for equity and inclusion staff and programs, funding climate and urban forest programs, funding to complete three parks and continuing community engagement. The city's organizational strategic plan transitions the community vision to an operational plan for staff. The city's vision, mission, and values will be reflected in the department's performance measures. The strategic plan's four priorities were used to navigate trade-offs for selecting projects. The third objective is to advance strategically by starting with reviewing Council goals, evaluate capital investment priorities, develop a revenue stabilization plan, update financing strategy for infrastructure, begin significant investment of urban renewal funds and continue to attract and retain employees.

Osborne presented the budget briefly, with a total proposed budget of \$192 million. The proposed budget included a FY25 FTE increase in the water department but in FY26 the parks position will be going away resulting in a net zero FTE. The city was currently going through contract negotiations with both staff unions. There is no new debt to be taken out during this upcoming biennium. The five-year forecast for the General Fund was presented to the committee. The ROW licenses are currently at 5%; specifically with telecommunications, Comcast revenues have decreased significantly. Proposing a ROW fee increase to 8% which will buy the city an extra year to stabilize revenue. A departmental materials and services summary was presented. The planning and community development departments slashed their budgets a combined \$200,000; both departments have been able to do work in-house and not use consultants. Facilities' budget is increasing due to increases in utilities, landscaping, and future repairs to city buildings. Information technology's (IT) budget is increasing due to an increase in software subscription prices.

Chair Schockner asked how much of the increase in the facilities' budget is due to the Ledding Library's heating, ventilation, and air-conditioning (HVAC) system issues. **Osborne** responded that the public works director can answer that question at the May 4 committee meeting.

Osborne continued with IT subscription changes; the city is trying to secure better rates by doing a 3 to 5-year term on subscriptions. In general, government insurance rates are increasing 5% for general and auto policies. The largest departmental increase is in police due to 911 dispatch and Clackamas 800 (C800) digital radios increase beyond the city's control. **Councilor Massey** added that C800 radio was a regional wide initiative to upgrade the system; the program had been mismanaged which has resulted in the increase. **Osborne** added the agency may be able to decrease the cost by selling equipment overstock; the budget reflects worst case scenario.

Member Chitsazan clarified that the summary presented is strictly materials and services only. **Osborne** responded yes, and it is just the General Fund.

Osborne continued with the budget document layout and sections.

Councilor Massey asked how the policies and trends work with regards to the staff, is it built into the software. **Osborne** responded that trends were done by staff; some policies are set by the auditors, state, Government Finance Officers Association (GFOA), and the city. **Sagor** added it is a manual process using spreadsheets developed by directors and finance professionals. There are opportunities to utilize software in this area to be more efficient. Staff will be looking to mechanize so the knowledge does not leave the city when staff leaves.

Chair Schockner added there was a time when the city did not have written policies; the process evolved and was formalized with the staff transition.

Osborne continued with the budget document's budget section.

Chair Schockner had concerns about tracking what the departments are doing and not just their costs. There is no comparison of previous years' projects; it would be useful to have a common tracking for all departments. **Sagor** responded there is an initial attempt at addressing that through the performance measure tables.

Osborne continued with the General Fund's explanation of significant budget items.

Councilor Khosroabadi asked how the city determined the reserve percentages. **Osborne** responded that the amounts were established in previous budget committee and City Council meetings. **Councilor Khosroabadi** asked when the last time the numbers were reviewed. **Osborne** responded about 10 years ago.

Councilor Khosroabadi added that some of the funds have had high balances; if the amounts are not state-mandated percentages, can they be changed. **Osborne** stated the Capital Improvement Plan (CIP) is in the budget document and will be discussed at the next meeting; the presentations can clarify why the policy reserves were set at this rate. The group discussed revisiting the policy reserve percentages.

Councilor Abma asked about the beginning fund balance proposed total for the General Fund should be \$22 million not \$12 million. **Osborne** explained that the beginning fund balance is \$12 million, for the beginning fund balance the two amounts are not added together.

Councilor Massey commented on policy reserves; there should be a process to revisit a designated project and the reserves. **Sagor** responded that the referenced project was a capacity issue.

Osborne mentioned the CIP is located at the back of the budget document. The Milwaukie Redevelopment Commission's (MRC) budget is also included in the document,

it is a separate entity from the city. Members' questions can be emailed individually no later than Wednesday, May 1st.

Member Chitsazan asked if the staff turnover is impacting the rollout of the project funds being spent. **Osborne** responded that staff turnover was having an impact; the engineering department has two vacancies and that does impact when projects begin.

Member Rowe commented on Council goals and Milwaukie Momentum goals in the budget message; make sure goals are aligned and not taking on too many goals especially when it impacts the budget. **Sagor** responded there are operational and policy priorities that need to be on same page in future years since money will be tight. **Member Rowe** requested during the department presentations it be explained how the performance measures will be used in making future decisions.

Member Johnson asked what happens when a fund balance decreases to zero. **Osborne** responded there are mechanisms in place so the fund balance would not be zero those being policy reserves and contingencies.

Chair Schocker called for a motion to continue the public hearing to May 4, 2024. It was moved by **Councilor Abma** and seconded by **Councilor Khosroabadi** to continue the public hearing to May 4, 2024.

Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting "aye." (9:0)

6B. PUBLIC HEARING OF STATE REVENUE SHARING

Chair Schockner called the public hearing on state revenue sharing to order. Asked committee members to announce any actual or potential conflicts of interest. There were none.

Osborne presented the state shared revenues to the committee members.

Members discussed the individual tax trends.

Chair Schockner called for a motion to close the public testimony portion of the state shared revenues. It was moved by **Councilor Khosroabadi** and seconded by **Member Chitsazan** to close the public testimony portion of the state shared revenues.

Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting "aye." (9:0)

The group discussed and agreed that the public comment part of the state revenue sharing hearing had to be reopened to allow the committee to vote.

Chair Schockner called for a motion to approve and recommend the state shared revenues to the City Council. It was moved by **Member Chitsazan** and seconded by **Councilor Abma** to approve and recommend the state shared revenues to the City Council.

Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting "aye." (9:0)

Chair Schockner called for a motion to close the public testimony portion of the state shared revenues. It was moved by **Councilor Khosroabadi** and seconded by **Member Chitsazan** to close the public testimony portion of the state shared revenues.

Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Councilor Khosroabadi, Member Johnson, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord** voting “aye.” (9:0)

7. OTHER ITEMS

None.

8. ADJOURN

It was moved by **Member Rowe** and seconded by **Councilor Abma** to adjourn the meeting. Motion passed with the following vote: **Councilor Abma, Member Chitsazan, Member Johnson, Councilor Massey, Councilor Nicodemus, Member Rowe, Chair Schockner, Member Sherman-Burton and Councilor Stavenjord** voting “aye.” (9:0)

Chair Schockner adjourned the meeting at 11:41 am.

Respectfully submitted,



Judy Serio, Secretary / Accountant