

BUDGET COMMITTEE

Video Meeting
www.milwaukieoregon.gov

MINUTES

MAY 23, 2020

Chair Stoll called the Budget Committee meeting to order at 9:11 a.m.

Present: Lisa Batey, Angel Falconer, Mark Gamba, Kathy Hyzy, Caili Nance, Michael Osborne, Wilda Parks, Mary Rowe, Leslie Schockner, and Jon Stoll

Absent: none

Staff: Accountant Judy Serio
Assistant City Manager Kelly Brooks
Assistant Finance Director Keith McClung
City Manager Ann Ober
Community Development Director Leila Aman
Finance Director Bonnie Dennis
Library Director Katie Newell
Police Chief Luke Strait
Public Works Director Peter Passarelli

1. CALL TO ORDER

2. INTRODUCTIONS

3. APPROVAL OF MAY 9, 2020 COMMITTEE MEETING MINUTES

It was moved by Ms. Parks and seconded by Ms. Hyzy to approve the May 9, 2020 minutes as written.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

4. PUBLIC COMMENT

None

5. DISCUSSION OF THE QUARTERLY FINANCIAL REPORT FY 2020 THIRD QUARTER ENDED MARCH 31, 2020

Ms. Dennis stated most of the information contained in the quarterly report will be seen in the budget presentations. The supplemental budget will be going to Council on June 2nd; it contains establishing the City Hall fund and a transfer within the Building fund. It was noted on page 4 of the report, the revenue assumptions have been added.

6. PUBLIC HEARING OF STATE REVENUE SHARING

Chair Stoll opened the public hearing of the state revenue sharing. He asked if any member of the committee has any actual or potential conflicts of interest.

There were no conflicts of interest.

Chair Stoll asked if any member of the audience have any objections to the committee's jurisdiction to consider this matter.

There were no objections.

Chair Stoll asked if any member of the audience have any objections to the committee's participation in this hearing.

There were no objections.

Ms. Dennis stated state revenues appear on page 69 of the budget; there is \$502,000 for FY21 and \$523,000 for FY22 and will be used for General Fund purposes.

There was no correspondence received or public comment.

It was moved by Mayor Gamba and seconded by Ms. Hyzy to close the public testimony section of the public hearing of state revenue sharing.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

7. BIENNIUM BUDGET REVIEW AND DEPARTMENT DISCUSSIONS

Ms. Dennis presented the committee with the order of the department review and discussion.

Ms. Aman highlighted the Community Development's (CD) accomplishments, goals and presented the budget. The comprehensive plan continues to advance goals of housing code work. During this current budget cycle, professional services expenses were low to help facilitate a balanced budget this year, that work is reflected in the proposed budget.

Ms. Batey had a question about performance measures; does the value of resources secured for CD projects reflect grants.

Ms. Aman responded yes; it is a reimbursement grant, but the funds are not secured yet.

Ms. Dennis added that grant revenue will show on General Fund resources.

Ms. Batey noted the 250 new businesses that moved to the city, which was an increase from FY 2017; then asked the reason for the increase.

Ms. Aman stated businesses from other regions have been interested in the city, quite a few are small businesses.

Mayor Gamba added fair amount are contractors and sub-contractors due to increased construction.

Ms. Aman highlighted the Planning department's accomplishments, goals and presented the budget. The department will continue to implement housing policies and tree protection policies included in the new comprehensive plan. The staff reduction is due to an employee who is moving, and that position will not be filled.

Mayor Gamba asked if the reduced staff will be able to handle the responsibilities of the construction projects.

Ms. Ober responded the reduction of staff is actually a limited term position that was created for the comprehensive plan creation. The code writing for the comprehensive plan will be done by a consultant, who will lead the process. The city does expect a downturn in the economy, but if staff cannot keep up with current projects, we will come back to committee in fall to discuss.

Ms. Batey asked if the planning director position will be filled.

Ms. Aman responded the director is retiring and the position will be posted.

Ms. Ober clarified the vacancy created by the senior planner will be filled.

Ms. Hyzy suggested adding community engagement to the performance measures.

Ms. Aman highlighted the Building department's accomplishments, goals and presented the budget. The department has plans to educate homeowners on how to use the online permitting program. Due to recession, the fees and charges expect to decline in the next biennium.

Ms. Aman highlighted the Affordable Housing Fund's accomplishments, goals and presented the budget. The predominant funds are affordable housing but also include economic development funds. There will be a competitive open application process to allocate the affordable housing funds. This fund awarded 47 business relief grants totaling \$132,000 to local businesses during the COVID-19 pandemic. The excise tax revenues are tied to the construction activity.

Ms. Falconer pointed out COVID-19 has disproportionately affected women and people of color in terms of sickness and economic stress; policies implemented by Council were based on those facts.

Ms. Batey stated these business grants can be reimbursed by the state, according to a discussion she participated in that included the League of Oregon Cities. She then asked if the city requested reimbursement from the Federal government.

Ms. Aman responded the city is in the process of applying for reimbursement.

Ms. Ober added Metro funding for parks is allocated in this budget. There is \$250,000 that Council allocated two years ago for Milwaukie Bay Park has been reallocated into this budget. The North Clackamas Parks & Rec District did receive a strong recommendation for a \$1,000,000 grant and that is reflected in this budget.

*****Break******

Ms. Dennis presented the City Hall Fund; this is a new fund as of this current fiscal year, to track acquisition of the new building. The closing on the debt will be June 17, 2020 and closing on the building June 22nd. The supplemental budget was presented.

Chair Stoll asked if this is an ongoing fund.

Ms. Dennis responded that it is short- term that will be closed at the end of FY2024.

Ms. Batey commented that Council received comments at beginning of pandemic, suggesting the purchase be postponed. Staff looked into and recommend going forward, council agreed. Future space needs should be analyzed due to pandemic results.

Ms. Ober responded a big part of the new facility is community space. Changes to general design will be considered due to pandemic.

Ms. Dennis highlighted the Debt Service Fund's accomplishments, goals and presented the budget. This fund tracks the property taxes related to the general obligation bonds. The transfers are for the City Hall Fund.

Ms. Batey asked if this fund reflects the leaseback payments.

Ms. Dennis responded those are accounted for the City Hall Fund.

Ms. Nance asked if the tenants have an option to break the lease.

Ms. Ober responded they do not, and a new agreement has been signed due to the tenants extending the lease.

Ms. Dennis highlighted the Finance department's accomplishments, goals and presented the budget. The reduction in FTE, this current year, reflects the ROW position that was eliminated. Materials and services reflect new budgeting software.

Mayor Gamba asked if Finance is monitoring collections given the position no longer exists, for example Verizon.

Ms. Ober clarified the employee decided to start their own business. Mr. McClung is overseeing the program. The city will be contracting with an attorney to collect the delinquent funds.

Ms. Dennis added staff is trying to find a contract to help with other services.

Ms. Hyzy thanked staff for adding climate assessment tools to the merchant services contract.

Ms. Dennis highlighted the Information Technology's accomplishments, goals and presented the budget. To increase efficiencies, server and storage replacements are scheduled.

Ms. Batey asked for clarification on increasing internet speed to 1GB, is that per building.

Ms. Dennis responded it is the city-wide internet connection speed.

Ms. Ober added that extra money is going into hardware for the COVID-19 response, adapting to a new type of workstation in the office and at home.

Ms. Dennis highlighted the Municipal Court's accomplishments, goals and presented the budget. Implementing an electronic / paperless court system to support sustainability efforts and create efficiencies. There is a reduction FTE due to a decrease in traffic citations and City Hall customers.

Ms. Ober clarified it is not a reduction of a person, it is an internal transfer to another department. It will better reflect the changes at the front counter dynamic.

Ms. Hyzy commented since the climate is different from when the amnesty program was granted, is there a way to track program participation.

Ms. Ober responded that metrics will be brought back to Council after a first run of the program.

Ms. Dennis highlighted the PEG's accomplishments, goals and presented the budget. Some of the funds in this budget will be used to remodel the new City Hall.

Ms. Dennis highlighted the Non-Departmental's goals and presented the budget. Expenses include general liability insurance, debt service, and the NDA grants. There is a 13% increase in general liability insurance. There is a utility assistance program within this department. The debt service is related to the 2006 PERS unfunded liability and a 2008 state loan for Main Street improvements.

Mayor Gamba asked about the Milwaukie's PERS projection increases.

Ms. Ober responded this will be addressed in the Human Resources budget.

Ms. Batey asked what the terms are on the loans.

Ms. Dennis responded terms are typically 20 years.

Ms. Schocker asked if the utility assistance program would be expanded or become permanent.

Ms. Ober responded there is \$50,000 in the utility funds to assist families in crisis; there have not been water shut-offs during this time. The city is not seeing the levels that were projected.

Chair Stoll asked why the contingency is in Non-departmental and why has it been added for this budget.

Ms. Dennis responded contingency has been in previous budgets; contingency is set aside to abide by financial policy.

Ms. Hyzy asked to have included in the narrative how the NDAs have spent their grant funds received from the city.

Ms. Ober responded there is an annual updated created by staff that provides this information.

Ms. Schockner what the method is for NDA grants.

Ms. Brooks responded it has been discussed to revise the NDA grant program, but there is no formal plan. Each one must provide a report to staff; a copy of the report will be provided to committee members.

Ms. Newell highlighted the Library's accomplishments, goals and presented the budget. Staffing levels are not being increased; the on-call budget will be increased, as it is needed given the uncertainty during COVID-19.

Ms. Batey clarified the staffing number.

Ms. Newell responded when the building is allowed to reopen, it will be available to a reduced number of patrons and there will be no programs offered to patrons.

Ms. Batey asked the highest level of staff in the old building.

Ms. Newell responded it was 19.76.

Ms. Rowe commented on the number of patrons vs. staffing levels.

Chief Strait highlighted the Code Enforcement's accomplishments, goals and presented the budget. Materials and services reflect a purchase of a new parking handheld device.

Chief Strait highlighted the Police's accomplishments, goals and presented the budget. Much of this budget is personnel expense. There is a 5% budget reduction which includes two partial positions related to administrative support, decrease

the number of transit officers from three to two. None of the reductions will affect community.

Ms. Ober pointed out the support for Project Hope is reflected in this budget.

Ms. Hyzy suggested an addition of Project Hope or other outreach programs in the "Did you know" narrative box.

Ms. Rowe clarified the reduction in transit officers does not mean officers are not policing the downtown transit corridor.

Chief Strait responded the city is still actively involved.

Ms. Ober responded Milwaukie officers respond to downtown transit incidents; the transit officers are involved in the larger transit system.

Ms. Batey asked if the radio upgrade system is complete.

Chief Strait responded it is 90% complete; there is still work to be done on towers. There are monthly updates with the C800 group.

Ms. Batey asked, with the new policy on false alarms, would the number of calls decrease.

Chief Strait responded the new program went live in April, it is difficult to predict.

Ms. Ober highlighted the City Council's accomplishments, goals and presented the budget. There is a minor increase in FY22 personnel services due to stipends being tied to CPI.

Ms. Dennis stated FY22 materials and services reflects a reduction due to art mural rolling fund which is included in the City hall fund, being it is part of capital outlay.

Committee discussed the mural and art line in the budget.

Ms. Batey asked why advertising and publicity is reflected in a new line within the budget.

Ms. Brooks responded in previous years Council requested to have materials produced for events and outreach.

Ms. Ober added it will be more transparent.

Ms. Hyzy suggested the leadership academy should be added to accomplishments.

Ms. Ober highlighted the City Attorney's accomplishments, goals and presented the budget. In this budget, the only increase is personnel services; there will be funds available for contracts where other areas of expertise might be needed. This would not include the Human Resources attorney or city prosecutor.

Ms. Ober highlighted the Human Resources department's accomplishments, goals and presented the budget. To address a question from the committee, she explained that performance reviews were changed to a quarterly coaching process. There was a slight reduction in this budget to meet declining revenue in the General Fund.

Ms. Batey asked about the increase over the next two years of the number of recruitments processed.

Ms. Ober responded this is difficult to predict with the market upon reopening but there are upcoming retirements in the next few years.

Ms. Rowe asked if there is an equity lens applied to the 4Rs of service excellence.

Ms. Ober responded the DEI work is included in the City Manager budget. There will be employee training for this process.

Ms. Dennis explained the PERS and healthcare increases reflected in the budget. There is a 5% increase in healthcare costs for both years. The PERS unfunded liability employer rate increase is 14.8% for FY21 and 16.9% for FY22. The question and answer document, page 4, has a table on personnel costs.

Ms. Ober added that retirement payouts can be high due to vacation payouts which can affect personnel costs.

Ms. Batey asked if the PERS unfunded liability, will it get worse after FY22.

Ms. Ober responded that PERS is very expensive and is affected by market.

Committee and staff discussed how the city is managing personnel costs, including PERS.

Ms. Batey asked what is work after retirement contribution requirements, referenced on page 51.

Ms. Dennis responded there are two former employees that upon retirement the city pays for their healthcare benefits until eligible for Medicare.

Committee and staff discussed grandfathered retirement benefits.

Ms. Ober highlighted the City Recorder's accomplishments, goals and presented the budget. The increase in materials and services is the contract with Willamette Falls to broadcast city meetings.

Ms. Brooks highlighted the City Manager's accomplishments, goals and presented the budget. This budget reflects an additional FTE for community engagement, additional translation services, and the purchase of a vehicle for events transportation of supplies and materials. The marketing materials include art materials which advertise city events, online or at city booth.

Ms. Batey asked why the new BCC applications received under workload indicators is all zeros.

Ms. Brooks responded that indicator was moved to the City Recorder department.

*******30-minute break*******

Ms. Brooks highlighted Engineering's accomplishments, goals and presented the budget. Materials and services reduction due to professional services contracts that were needed when the department was not fully staffed in the last budget.

Ms. Batey believed the new engineers were to be paid by SAFE.

Ms. Dennis explained the transfer schedule on page 65 reflects a cost driver by department and illustrates which engineers will be working on specific projects.

Ms. Rowe asked what is included in the Engineering Services budget.

Ms. Brooks responded that it is the cost of 11.5 FTE and any non-capital expenses.

Ms. Ober added the Engineering department has increased due to expediting SAFE projects paid for by the bonds.

Mr. Passarelli highlighted the SDC Fund's accomplishments, goals and presented the budget.

Mr. Passarelli explained the utilities' revenue projections. Water and wastewater revenues reflect a 10% reduction in billing due to COVID-19. March and April there has been a 10% increase in residential consumption. Transportation revenue projections reflect a 12.5% reduction in state gas tax and 10% reduction in privilege tax revenue.

Mr. Passarelli explained the low-income assistance program that ties into the utility rates. This program is income-based: water base rate is waived, along with a low water consumption rate; waive half of the wastewater and stormwater fees; waive the SAFE and SSMP fees. There is also \$50,000 in the budget for a low-income program starting July 1st; this will be in conjunction with St. Vincent de Paul. To qualify for this program, the customer must demonstrate a financial emergency; it would be two months of utility bills up to \$400.

Mayor Gamba asked why there is an age requirement on the program.

Mr. Passarelli responded that was the recommendation from St. Vincent de Paul.

Ms. Ober added the agency has a system already set-up for vetting the applicants. Staff will meet with Council before the program begins.

Mr. Passarelli stated the CIP changes were based on the new revenue projections. The Stanley reservoir tank painting and the Waverly Height collection system projects were deferred.

Ms. Hyzy stated the \$50,000 fund for utility assistance may be covered by the state, since it is an eligible expense.

Mr. Passarelli clarified this fund is only for city-owned utilities.

Mr. Passarelli highlighted the Transportation Fund's accomplishments.

Ms. Batey asked if the street sweepers were replaced during the last budget.

Mr. Passarelli confirmed those were replaced during the last budget cycle.

Ms. Brooks highlighted the Transportation Fund's goals.

Mr. Passarelli presented the Transportation Fund's budget. The interest income represents a significant decrease.

Ms. Dennis added the rates will continue to be low; the interest is directly tied to the cash flow, so as debt proceeds are used, the interest will continue to decrease.

Mr. Passarelli stated the second phase of debt is slated for FY22.

Ms. Parks clarified the city is receiving a portion of the county's vehicle registration tax.

Mr. Passarelli responded that revenue projection has been reduced. Transportation has a current vacancy but holding off on hiring until the city knows more about state revenues that will be received; this will impact work done during the summer. Hiring of seasonal employees is also on hold with exception of the Stormwater department. The increase in materials and services reflects an increase in bond issuance costs.

Mr. Passarelli highlighted Water Fund's accomplishments, goals and presented the budget. The budget includes completing phase two of Well #2 and the master plan update.

Ms. Batey asked for clarification that some pipes are being replaced due to age and others are being replaced with more capacity

Mr. Passarelli responded these replacements were recommendations in the old master plan.

Ms. Batey asked if the \$70,000 will be enough for the Dogwood Park project.

Ms. Brooks responded that amount was approved by Council allocated to the Dogwood Park.

Ms. Batey asked if the same concept applies to Scott Park.

Ms. Brooks stated that number was provided by NCPRD's planning estimate.

Mr. Passarelli continued with the Water Fund's budget. The increase in materials and services is for the \$100,000 for a new vulnerability assessment. Due to revenue projection adjustments, the franchise fee under transfer to other funds decreased as this is tied to utility revenues.

Mr. Passarelli highlighted the Wastewater Fund's accomplishments, goals and budget. The budget reflects a sewer vac-con replacement since the current piece of equipment does not meet diesel requirements.

Mr. Passarelli highlighted the Stormwater Fund's accomplishments, goals and budget. The maintenance of the rain gardens will require a half-time seasonal employee.

Ms. Schockner asked where the rain gardens are in the city.

Mr. Passarelli offered to have a map created for their locations and sent to the committee.

Ms. Hyzy responded that one is in front of library.

Ms. Batey added they are along the Lightrail line.

Mr. Passarelli highlighted the Public Works Admin's accomplishments, goals and budget. The FTE increase is an employee transfer from another department.

Ms. Dennis directed the members to page 61 for FTE detail.

Mr. Passarelli continued with the Public Works Admin's budget. Materials and services reflect COVID-19 expenses to update buildings for staff to return to work and updating the master plan.

Mr. Passarelli highlighted the Facilities' accomplishments, goals and budget. The city has had significant savings in electric and gas due to the strategic energy management program.

Ms. Batey stated the infrastructure expenses added for COVID-19 should be able to get reimbursed from the state.

Mr. Passarelli confirmed request for reimbursement has been done.

Ms. Rowe asked if the projects explained during the budget hearing will impact the public works staff workload.

Mr. Passarelli responded some projects will reduce the amount of maintenance needed.

Ms. Ober clarified gas tax dollars were allocated between maintenance and projects.

Mr. Passarelli continued with the Facilities' budget.

Mr. Passarelli highlighted Fleet's accomplishments.

Ms. Batey asked what type of vehicle would be purchased for the City Manager department.

Mr. Passarelli responded a used transit van or an electric van.

Mr. Passarelli continued with Fleet's accomplishments, goals and budget. The fuel storage tank will be removed; it is 30 years old and insurance companies are hesitant to insure.

Ms. Baty asked how many diesel vehicles are in the city inventory.

Mr. Passarelli responded there are four that don't meet the emissions standards.

8. PUBLIC COMMENT

None

9. BUDGET DELIBERATIONS AND COMMITTEE DISCUSSIONS

Committee members offered their individual commendations of the budget document.

Ms. Falconer asked if the state revenue sharing will need a vote.

Ms. Ober replied yes.

10. VOTE TO APPROVE BUDGET TO COUNCIL BY BUDGET COMMITTEE

It was moved by Ms. Falconer and seconded by Ms. Parks to approve the state revenue sharing plan and recommend that the City Council approve the state revenue sharing plans.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

It was moved by Ms. Parks and seconded by Ms. Hyzy to approve the City Manager's proposed budget totaling \$175,521,000 for the 2021-2022 biennium with a property tax rate of \$4.1367 per \$1,000 of assessed value for the FY 2021 and \$4.1367 per \$1,000 assessed value for FY 2022 and a bond levy amount of \$862,000 for FY 2021 and \$856,000 in FY 2022 with no changes.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

11. MOTION TO CANCEL MEETING SCHEDULED MAY 30, 2020, 8:30 A.M.

It was moved by Ms. Hyzy and seconded by Ms. Falconer to cancel the May 30, 2020 budget committee meeting.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

12. OTHER ITEMS

Ms. Dennis thanked the committee members, staff, and finance employees for their contributions to the budget document.

13. ADJOURN

It was moved by Ms. Parks and seconded by Ms. Hyzy to adjourn the meeting.

Motion passed with the following vote: Batey, Falconer, Gamba, Hyzy, Nance, Osborne, Parks, Rowe, Schockner, Stoll voting "aye." (10:0)

Chair Stoll moved to adjourn the meeting at 2:32 p.m.

Respectfully submitted,



Judy Serio, Secretary / Accountant