

CITY OF MILWAUKIE BUDGET COMMITTEE MEETING
PROPOSED BUDGET BN 2021 – 2022
COMMITTEE MEMBERS SUBMITTED QUESTIONS & STAFF ANSWERS
Published on May 22, 2020

BUDGET DOCUMENT – TABLE OF CONTENTS

Q1: It would be very helpful to have a Table of Contents in the hardcopy with page numbers for the various departments and funds to facilitate finding things within the book. Including pdf page numbers with respect to where individuals can find items on the electronic document.

The table of contents is included in the budget document between budget awards and the budget message (about three pages in). This was included in the May 9 distribution of the hardcopy budget binders submitted to budget committee members. The pdf version is online and includes the same page, however, there are bookmarks in the file for ease in finding information for the readers. The page numbers for the pdf file are not included in the table of contents to avoid confusion when the printed document is completed.

ALL FUNDS – FINANCIAL TRENDS

Q2: Page 51, Personnel Services; can you explain what make up other benefits for personnel costs?

Other benefits include incentive pay, deferred compensation, long-term disability insurance and worker's compensation insurance.

Q3: Page 53, Capital Outlay; are capital outlays referencing the CIP spend? For example, the graph on page 53 makes me think that we have more capital spending for FY21-22 for the library, but when I look at the CIP funding summary on pg. 5, I don't see anything budgeted for the library.

On page 5 of the CIP (in the proposed budget document received by the Budget Committee on May 9) includes an inaccurate table that has since been corrected. The CIP table did not reflect the projects or tie to the budget. An updated CIP has been included in the meeting packet that reflects these changes to page 5. Below is the updated table that matches the proposed budget.

The graph on page 53 of the proposed budget indicates that capital projects are slated for the Library Fund for FY 2021 and FY 2022, although this is not the case as you can see from the table below and for the Library Fund on page 179. This is related to the style of the graph within Excel, not the data. Staff will update the graph on page 53 to illustrate the capital outlay more accurately.

Fund	FY 2021	FY 2022
General	\$ 1,086,000	\$ 1,632,000
City Hall	-	120,000
System Development Charges	1,108,000	831,000
Transportation	7,660,000	6,587,000
Water	2,432,000	2,223,000
Wastewater	2,029,000	1,363,000
Stormwater	3,853,000	3,109,000
CITY-WIDE TOTALS	\$ 18,168,000	\$ 15,865,000

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Q4: Page 53, Capital Outlay; Is there an easy way to tie the "Capital Outlay" lines on the department budgets to the CIP packet?

The updated CIP document includes funding summary tables by fund, which is further broken down by department in the various categories.

Q5: Page 57, Personnel Overview; Are all City employees covered by Labor agreements? It sounds like those contracts are up for negotiation in FY21-22. Are salaries/benefits increases from these negotiations already accounted for in the budget?

The city has two union labor agreements that cover non-manager level employees – Milwaukie Police Employees Association (MPEA) and American Federation of State, County and Municipal Employees (AFSCME). Managers and directors are not included in these labor agreements, including confidential employees from within Human Resources and Finance (payroll).

The MPEA union is currently undergoing negotiations and the proposed collective bargaining agreement for MPEA is set to expire on June 30, 2021. Estimates for COLA increases and known benefit changes are included in the proposed budget.

The current AFSCME union contract expires on June 30, 2021 and estimated COLAs are included in the proposed budget.

ALL FUNDS – TRANSFER ALLOCATION

Q6: Page 66, FY 2022 Allocation of Transfers; are Allocation Cost Drivers reviewed as part of budget preparation? I see that IT is allocated based on numbers of computers, and just want to know if that was determined to still be the best cost driver. I know as more electronic systems come into use IT functions can shift from hardware service-driven to software service-driven.

The cost driver for IT is based on the number of desktops, laptops, Surfaces, iPhones, iPads and other devices used within the city by fund and department. These are the physical hardware devices needed in order to use the various software used citywide. Each device requires equitable support requirements over the life of the device which makes it one of the best cost drivers to use for this type of allocation.

ALL FUNDS – INTERGOVERNMENTAL

Q7: Page 67, Total of All Funds; Resources – Intergovernmental; there is a \$5 million increase, what is that from?

The increase in intergovernmental revenue is predominantly from grants received from Metro Regional Flexible Fund and ODOT STIP for the Monroe Greenway. Please see question Q41 for more details regarding the Monroe funding. Additional funds will be transferred in association with the Metro Parks Bond Local Share allocation referenced in the park projects in the CIP.

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ALL FUNDS – INTEREST

Q8: Page 67, Total of All Funds; Line item Resources – Interest; please provide a comparison of actual average balance and earnings rate for the current biennium, and what is assumed for the proposed budget?

The proposed budget assumptions for interest income includes interest rate declines in the open market due to the recession and current trends, plus declines in the city's cashflow balances.

Local Government Investment Pool (LGIP)				
Quarter	Average Quarterly Balance	Average Quarterly Distribution Yield	TOTAL Quarterly Interest Income	
FY 2019 Q1	46,193,840	2.25%	259,840	
FY 2019 Q2	47,767,285	2.52%	301,052	
FY 2019 Q3	48,804,847	2.75%	335,533	
FY 2019 Q4	47,598,203	2.75%	327,238	
FY 2020 Q1	44,082,251	2.65%	292,184	
FY 2020 Q2	53,479,439	2.35%	313,277	
FY 2020 Q3	56,061,850	2.19%	307,461	

ALL FUNDS – REQUIREMENTS

Q9: Page 67, Requirements; it would be very helpful for me if there were a summary sheet of the expenditures - Requirements in the budget terminology by department. The information as presented gives us a breakout by line item, but there is no easy way to look at and compare the budgets over time of the various departments, which I think is an important monitoring tool. It is not easy to monitor the budgetary increases/decreases of departments to each other as compared to the rest of the departments or the city budget as a whole, without this kind of summary sheet.

Summary detail by department is included in the proposed budget in the five-year forecast found on pages 226-228.

ALL FUNDS – PERSONNEL COSTS

Q10: Page 67, Personnel Services; please provide specific numbers for salary, healthcare, PERS and other payroll costs.

Departments can vary widely due to timing of positions, length of vacancies, retirement payouts or changes in benefit elections. As we have seen previously in the quarterly reports, the budget-to-actuals can have variances because of these situations. From a department perspective, the city can hold positions for attrition but there are other times where vacancies or benefit changes are difficult to predict, and as such the percentage increase may not be consistent.

The table on the following page shows the breakdown of total personnel service costs and percentage of the total in FY 2019 (actuals), FY 2020 (estimated) and the proposed budget.

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Personnel Costs Detail

Payroll Expense Type	FY19	% of total	FY20	% of total	FY21	% of total	FY22	% of total
Salary	\$ 11,203,659	63%	\$ 11,195,721	61%	\$ 11,848,184	61%	\$ 12,314,556	59%
HealthCare	2,641,311	15%	2,424,458	13%	2,762,751	14%	2,876,180	14%
PERS	2,194,254	12%	2,702,632	15%	2,883,631	15%	3,513,150	17%
Employer paid taxes	1,007,858	6%	1,017,815	6%	1,074,560	6%	1,117,622	5%
Incentive Pay	323,807	2%	369,912	2%	416,608	2%	428,060	2%
Deferred Compensation	275,758	2%	266,173	1%	283,974	1%	295,536	1%
Other (LTDisability, Worker Comp, Payout)	222,132	1%	269,351	1%	172,318	1%	186,440	1%
Total	\$17,868,779	100%	\$18,246,062	100%	\$19,442,026	100%	\$20,731,544	100%

ALL FUNDS – CONTINGENCY

Q11: Page 67, Total All Funds; Under line item Contingency - is this just a segregation of reserves? How were the amounts determined?

Contingency and reserves are best described within the Financial Policies starting on page 38 of the proposed budget. Contingency and reserves vary by fund based on the desired percentage to ensure operational stability within a fund during volatile economic conditions. As part of the financial policies and Oregon Local Budget Law, the city must establish contingency reserves as part of the budget process. Contingency can be used but requires a Supplemental Budget and public hearing. Reserves have more flexibility in use but are restricted towards the designated use by fund, such as capital.

Using the Water Fund as an example, the financial policy states 50%, or six months, must be designated as a reserve. Based on the policy, the 50% is allocated towards a contingency reserve (30%) and is based on personnel services and materials and services. The fund balance reserve includes the total for capital outlay (20%). Combined contingency of the \$1.1 million and capital outlay portion makes up the total 50% policy requirement.

ALL FUNDS – COSTS PER CAPITA

Q12: Page 67, Total of All Funds; please describe the calculation of monthly operating costs per capita.

Monthly operating costs are calculated in all funds summing up personnel services, materials and services, and transfers to other funds (operating only) divided by the city's population (20,528) then again divided by the months in the biennium.

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Q13: Page 67, Total of All Funds; please provide Milwaukie’s monthly operating costs per capita compared to similar size cities?

Staff was able to gather data from other cities using previously adopted budgets, currently proposed budgets and/or annual financial reports. In order to provide an accurate comparison, staff completed the chart using FY 2021 data from Milwaukie and comparing cities.

City	Population	FTE	Monthly Operating Cost per Capita
West Linn	25,832	129.98	\$ 55
Oregon City	34,860	210.37	\$ 58
Canby	16,950	96.20	\$ 60
Woodburn	26,078	169.10	\$ 61
Milwaukie	20,528	147.25	\$ 84
Wilsonville	25,635	178.29	\$ 110
Lake Oswego	38,705	346.70	\$ 116

GENERAL FUND SUMMARY – INTERGOVERNMENTAL REVENUE

Q14: Page 69, Intergovernmental Other; verification of the timing on the Metro Bond local share proposed to be received on FY 2022.

The Metro Bond local share is a reimbursement grant – projects related to the Metro Bond need to expend prior to receiving the reimbursement. The projects related to the Metro Bond are located within the Community Development (page 91) Department of the General Fund and on page 75 of the updated CIP. It is anticipated that the projects will be eligible for reimbursement starting in FY 2022.

GENERAL FUND SUMMARY – SALE OF ASSETS

Q15: Page 69, Resources - Sale of Assets; Is the sale of the Pond House in this budget at all? I know the City isn’t going to take control of the new City Hall until 2023, so was the Pond House sale pushed out as well?

The Pond House was sold on April 30, 2020 and the sale is captured in the General Fund (page 69) under Sale of Assets. The house sold for \$438,000 and the proceeds are being transferred from the General Fund to the City Hall Fund in a supplemental budget planned for June 2, 2020.

GENERAL FUND SUMMARY – DEBT SERVICE

Q16: Page 71, Requirements - Debt Service; What is the debt service for in the General Fund?

The debt service consists of the PERS unfunded actuarial liability bonds and Oregon special public works fund loan for North Main Village public area improvements.

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GENERAL FUND SUMMARY – CAPITAL OUTLAY

Q17: Page 71, Capital Outlay; What makes up the large increase in General Fund capital outlays?

The FY 2021 capital outlay increase to \$1,086K includes capital from both Community Development, Facilities, and other. Under Community Development the design for Milwaukie Bay Park, Scott Park and Dogwood Park improvements are \$250K, \$60K and \$10K, respectively, and can be found on pages 75-78 of the updated CIP. Additionally, Facilities Management includes retrofitting the Public Service Building, removal of a fuel tank at the Johnson Creek Campus and painting the roof at the Johnson Creek Building. Those costs are \$175, \$100K and \$140K, respectively. These projects can be found starting on page 66 of the updated CIP.

The FY 2022 capital outlay increase to \$1,652K is primarily driven by the continuation of the parks projects in Community Development and can also be found on pages 75-78 of the updated CIP.

GENERAL FUND – CITY COUNCIL

Page 73

Q18: Personnel Costs; Stipend costs increase from prior year, but employee benefits went down. It's pretty small but seems inconsistent.

During FY 2020, there was a Council Compensation Citizen Jury that presented recommendations to City Council to adjust the stipend amounts for Council members based on the Cost Price Index (CPI) for councilors. Current councilors and the Mayor do not benefit from the increase until they have been subsequently reelected. Future councilors will benefit from this adjustment and it is reflected in the proposed budget. Adoption of this increase was presented recently to Council at the [May 19, 2020 Regular Session](#).

GENERAL FUND – CITY MANAGER

Page 77

Q19: Materials & Services, Public Arts Fund - Is there nothing budgeted for art fund?

The Public Arts Fund in the City Manager Department for the previous biennium was related to artwork in the new library and was considered a one-time funding source. There are two additional locations where art is budgeted in the proposed budget:

- City Council Department (p.75) – Art Mural Rolling Fund for \$29,000 in FY 2021
- City Hall Fund (p.163) – Capital Outlay for \$100,000 in FY 2022

Q20: Workload Indicators, Public Outreach; what is the City, event and NDA "marketing collateral" listed in Public Workload Indicators? Likewise, from indicators, what are the two new events?

The most recognizable form of marketing collateral are the posters and postcards that the city makes to advertise events (both city and community), and the monthly community calendar. Staff use these materials online, in the city information kiosk and at the farmer's market community booth. The two new events are placeholders for

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expected capital project openings. The number of large city signature events is expected to stay the same.

GENERAL FUND – COMMUNITY DEVELOPMENT

Page 87

Q21: Performance measures; any sense of how much the increase in taxable assessed value are due to new construction vs. the annual increases. Is this where we see the conservative estimations of using increases less than the assessor's office estimates?

The assessed values are received by the Clackamas County Assessor's Office and increased by an estimate of 3% per year. The 3% is the typical growth rate provided by the assessor as an estimate that includes increases in home values which may be more or less depending on Measure 5's limits. The County Assessor does not provide a breakdown of home value increases versus potential new construction.

Q22: Professional Services; what makes up the increase?

The increase between the actuals in FY 2019 and FY 2020 to the proposed budget are related to the shifting of expenses from the adopted biennium 2019-2020 budget to this proposed budget related to the Comprehensive Plan.

Q23: Economic Development; what are the increases for? Looks like it went from 64K to 95K.

Economic goals are tied to the goal of community engagement. The proposed increases are related to expanded efforts to engage in downtown business and property owners, fund small capital improvements, provide small business support, implement downtown parking management strategy, and urban renewal planning.

Q24: Capital Outlay, Landbanking; please explain what the Landbanking line item encompasses.

Landbanking is a term used to describe potential land purchase in support of the Affordable Housing program and City Council goal.

Q25: Capital Outlay, Construction in Progress; what are the city programs these line items apply to?

Capital projects within Community Development can be found starting on page 75 of the updated CIP. In summary, these projects are related to Dogwood Park, Scott Park and Milwaukie Bay Park. A portion of the costs associated with these projects are funded by the Metro Bond as described in question Q14 earlier in this document.

GENERAL FUND – PUBLIS WORKS ADMIN

Page 93

Q26: Department Goals & Focus; Can you tell us more about impervious area and expand on how it may impact utility billing and permitting new construction?

Public Works' GIS staff is updating the impervious surface area layer from the most recent aerial images to reflect changes in impervious surface that have occurred within the city. This information will be used to analyze current stormwater billing data to ensure that the city is billing customers accurately.

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Q27: Performance Measures; How does the tree planting program work?

The city is working towards programmatically planting trees on both public and private property as the city increases its role as a steward of our urban forest. The goal of this program is to take a proactive approach and increase age and species diversity of our urban forest as we work towards growing our urban forest canopy to 40% by 2040. Urban forest expansion and proactive management provides the city and community members a wide variety of natural resource and economic benefits, including stormwater quality improvements, public health benefits, community aesthetics, wildlife habitat and energy savings for buildings. The dollars associated with program support both external planting programs as well as an internal program, both of which contribute to a robust urban forest program.

Externally, the city has developed a new partnership with the Friends of Trees to enhance public involvement in planting and maintenance efforts on both public and private properties and is planning a planting event to correspond with our annual Arbor Day event scheduled in October. The city held its first Friends of Tree event in April 2019 and planted over 65 trees. Also, as part of the Arbor Day event the city has given away approximately 100 young trees and shrubs to the public for planting. This partnership is essential as it encourages tree plantings on private property and assists staff with outreach and education.

Internally, Public Works staff have been planting and managing trees during the late fall along right-of-way and on city property. Public Works staff have also been working with the Tree Board to develop an outreach and engagement plan, including online and print materials that inform residents on the benefits of the urban canopy and the work performed by the city. Additionally, Engineering staff have been including new tree plantings and replacement trees as part of new transportation projects and is funded with project funding. Overall, the city is increasing its internal and public perception of trees as an asset to the city due to their numerous benefits as well as incorporating the established canopy expansion goals into operational processes.

The city will be using the recently published Branch Out Milwaukie site, a canopy analytics tool that includes socioeconomic data, to help guide future planting decisions. Funding is included in the budget to complete a tree inventory by identifying all public trees within the right-of-way and other public land by location, condition, diameter and species. The inventory will be used to help determine the overall composition of the urban forest (important for mitigation and adaptation planning) and will also assist with determining the location and number of potential tree planting sites in the city. The combination of the Branch Out Milwaukie tool and the tree inventory will help staff create a strategic and equitable planting strategy for the city that maximizes the received benefits of a healthy urban canopy.

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GENERAL FUND – ENGINEERING DEPARTMENT

Page 97

Q28: Personnel Costs; you are going to provide some detail on increases in Personnel Services. For example, the FTE for engineering stays at 11.5, while the overall personnel services costs go up by 22% from FY 2020 to FY 2021. How much is salaries, PERS, and all other employee benefits?

The actual costs in FY 2020 account for a vacant position that has been noted in the quarterly report to the budget committee. The vacancies have resulted in an underspend in the Engineering Department in comparison to the budget. A better comparison is the adopted biennium 2019-2020 budget to the proposed total budget – this 17% increase is attributed to the COLA, PERS and benefit increases described in question Q10 of this document.

Q29: Materials & Services, Professional Services; this decreased by half; is there anything to absorb those services, or was FY19-20 unusually high?

During FY 2019, professional services included actuals of \$51k which were related to consulting services in place of having in-house staff employed and available to perform the functions needed. The additional costs were absorbed through savings in the vacancies in personnel savings.

GENERAL FUND – FACILITIES DEPARTMENT

Page 103

Q30: Materials & Services, Landscape; what makes up the increase in Landscape costs?

The cities landscape contract is with R&R Nursery & Landscape (R&R). Several years ago, staff required that R&R not use pesticides. At that time, R&R agreed to halt use but there was no cost increase associated with the increased labor to maintain all facilities without herbicide. Additionally, prices have gone up.

Last year, the city solicited requests for proposals on landscaping services with the intention to comply with City Council's goal of climate change action and to improve the appearance of city facilities specifying no herbicides and use of only battery powered tools. However, the city received two bids that were not in line with the current budget and would require a significant increase. Therefore, the city remained with R&R until the current contract expires in December 2020. The proposed budget reflects the estimates received last year to align with these goals.

GENERAL FUND – FINANCE DEPARTMENT

Page 107

Q31: Materials & Services, Bank Charges; explain the increase of 64k in bank charges?

The city continues to see increases in bank charges as credit card use has increased significantly. Due to the pandemic, credit card transactions over cash and check have increased in the last several months and are projected to continue with the same trend. Bank charges also include several transactional fees through the city's banking services separate from credit cards. The city recently solicited requests for proposals on banking

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services and received three responses that are currently being evaluated. Staff will be looking at transactional fees closely as one of the determination criteria in the selection process, among other items.

GENERAL FUND – HUMAN RESOURCES DEPARTMENT

Page 117

Q32: Department accomplishments; How does the City measure staff performance if 'performance reviews' were eliminated?

In 2018, the city transitioned from a performance review process to a coaching process. This article from SHRM ([click here](#)) provides a general overview of our concerns with the former review process. Reviews were replaced with a performance coaching program focused on consistent and regular work throughout the year with employees. This requires managers to meet regularly with staff, individually and as a team. Managers are encouraged to develop a team vision for the coming year so that staff can set goals to help achieve the team vision. Goals are set annually, but goals may change throughout the year at the employee and manager's joint discretion to meet changing needs. Holding ourselves accountable is a key tenet of the program.

GENERAL FUND – INFORMATION TECHNOLOGY DEPARTMENT

Page 121

Q33: Material & Services; it looks like there are increases across the board in this category. I'm assuming that is natural due to a higher reliance on technology, but just wanted to make sure there was not another driver?

Several cost increases are related to current contracts for fees and licenses. Additionally, cost related to new software are budgeted in both the department as well as costs in IT for maintenance. There is a higher reliance on technology especially given the unforeseen pandemic and relocating city employees to home workstations. There are costs associated with this higher reliance both in terms of fees and licensing. Other increases included in the IT proposed budget include supporting departments for newly acquired software that will include annual maintenance. The IT budget does include an increase of \$10k for additional purchases associated with the pandemic and ensuring employees have the systems in place to perform their functions.

GENERAL FUND – MUNICIPAL COURT DEPARTMENT

Page 125

Q34: Materials & Services, Professional Services, City Prosecutor; is the City Attorney also the City Prosecutor?

The city contracts with a city prosecutor separately from the city attorney. City Attorney Justin Gericke was appointed by City Council in 2018 and performs overarching legal services for the city (additional detail can be found on page 83). The city prosecutor performs a specific role within Municipal Court by representing the city in trials related to traffic and code violations.

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GENERAL FUND – NONDEPARTMENTAL DEPARTMENT

Page 149

Q35: Performance Measures and Materials & Services, Emergency Utility Assistance; please discuss the use of funds related to low-income utility assistance. Performance Measures need to include number of accounts assisted and units of measure defined.

The purpose of this account is to aid utility customers during times where the customer is struggling to keep their water on. This assistance program gives staff, with provided internal controls, the flexibility in utility billing to pay a utility account after discussing with the customer their given situation. The use of these funds is not used lightly and there are some criteria used before the Finance Director or Assistant Finance Director approves paying the utility account. The number of accounts assisted are listed in performance indicators (page 150) and staff will continue to review for clarity in the measure identified. It is expected that there will be additional use of this fund given the current economic condition. Additionally, the city has included in the proposed budget a Utility Assistance Program from each utility totaling \$50k that will be developed in a program with St. Vincent de Paul.

Q36: Transfers to Other Funds; am I reading correctly? Transfers are way down, please provide detail.

Transfers to other funds are separate than the transfer allocation detail found on page 63 of the proposed budget. Transfers from the General Fund are not typical and are used to execute specific city-wide purposes. Below is the breakdown of all the transfers out of the General Fund:

- FY 2019 - \$311,000 to the Library Fund (page 179)
 - Supplemental budget in 2018 towards the Library expansion and used by reducing the General Fund contingency. Ultimately, there were cost savings in the project and this \$311k was not needed. It is included in a supplemental budget for June 2020 to transfer out of the Library Fund to the new City Hall Fund.
- FY 2020 - \$976,000 to the City Hall Fund (page 161)
 - Supplemental budget in June 2020 creates a new City Hall Fund and the transfer of \$976k. The transfer is savings from not completing the renovations at the current city hall.
- FY 2021 - \$23,000 to the SDC Fund (page 193)
 - The city is proposing a pilot program to backfill SDCs for Additional Dwelling Units (ADUs) in the biennium. The \$23k is an estimate of these backfills.

GENERAL FUND – POLICE DEPARTMENT

Page 153

Q37: Personnel Description; within the narrative it seems like it is missing some descriptive language around the positions and what they do. With 40.5 FTE the narrative count is missing a few positions, at least one of which I assume is in the admin section as there is no mention of the chief himself. I think the narrative description of positions should

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match the numbers. And after all the chief position as a manager - planning, evaluating, making the connections among all the collaborative efforts, should be included, as also the other positions not mentioned.

The description is split between administration and operation. In the first paragraph there is an introductory description that describes the administration division with the two captains reporting to the police chief. Within the detail of the administration on page 155, staff will add a bullet describing for the police chief and captains. A breakdown of the positions can also be found on page 60 of the proposed budget.

DEBT SERVICE FUND

Page 165

Q38: Requirements; why is there a drop in Debt Service for FY 2022?

The 2018 Full Faith and Credit Obligations (FFCO) payments since inception of the loan in FY 2019 included payments based on the amortization schedule of principal and interest. Those payments have been approximately \$2 million annually. Starting in FY 2022 the amortization table includes interest only payments which is approximately \$641k. Interest and principal payments start again in FY 2043 at approximately \$3.3 million per year.

AFFORDABLE HOUSING FUND

Page 175

Q39: Excise Tax Revenue; why do we think it will be lower?

Revenue received for excise tax is directly tied to development within the city. Due to the economic downturn, the city is proactively anticipating that development will be impacted, similarly to the projections in the Building Fund (page 169).

LIBRARY FUND

Page 179

Q40: How is the Property Tax amount for the library determined? Is there some formula for how much gets allocated to the library?

The Library Fund receives a portion of property tax in order to maintain levels for the Library to function. The Library receives a county levy in addition to property tax, however, there is no legal requirement that libraries need to be in a separate fund and receive a portion of property tax in that separate fund. Prior to 2011, Library was included as a department in the General Fund. During the "Great Fund Reorg," finance staff at the time separated the Library to its own fund for the purpose of tracking the activity and levy for the library. However, the property tax allocation continued and with this allocation the Library Fund is balanced with the General Fund.

The property tax allocation changes in each biennium in order to ensure the Library Fund balances and is equal to or above policy requirements.

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TRANSPORTATION FUND

Page 185

Q41: What is the large increase in FY2022 in other intergovernmental resources based on?

The city is anticipating a grant of \$3.1 million in ODOT STIP funding and \$3.86 million in Metro RFFA funding that is split evenly in the biennium.

WATER FUND

Page 203

Q42: What is the contingency based on?

Based on the financial policy (page 38) the Water Fund reserves is at least 50%. In the proposed budget, this is allocated towards a contingency reserve (30%) for personnel services and materials and services. The fund balance reserve includes the total for capital outlay (20%). Combined contingency of the \$1.1 million and capital outlay portion makes up the total 50% policy requirement. For details on how contingency is calculated, please see question Q11 of this document.

WASTEWATER FUND – FIVE YEAR FORECAST

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Q43: Over / (Under) Policy; the fund goes into the red beginning FY 2023. Will there be discussion about that? Are there any concerns?

The primary reason that the Wastewater Fund falls below the policy threshold in FY 2023 is due to the projected revenue loss due to COVID-19. The revised conservative assumptions that staff made with wastewater revenues includes a possible water consumption loss of 10% and a loss of 1% of utility accounts. Current revenue projections include that the city will receive approximately \$7,592,000 and \$8,054,000 during the next two fiscal years – this includes 2.5% rate increases. As a comparison, the table below from the 2019 rate study projected \$8,462,404 and \$8,715,767 for the next two years.

Staff is anticipating and projecting a loss of approximately \$1.5 million over the two years. With the projected loss, staff anticipates that treatment expense will also decline. The proposed budget did not reduce the treatment expenses in order to leave a conservative estimate. The combination of the loss in revenue and the treatment costs results in the fund being below the policy threshold in FY 2023. Staff intends to update the rate study in FY 2022 for revenue requirements in FY 2023 through FY 2028.

**CITY OF MILWAUKIE BUDGET COMMITTEE MEETING
 PROPOSED BUDGET BN 2021 – 2022
 COMMITTEE MEMBERS SUBMITTED QUESTIONS & STAFF ANSWERS
 Published on May 22, 2020**

Wastewater Rate Study Revenue Projections

Fiscal Year	Projected Rate Adjustments	Capital Improvements	Debt Coverage Ratio ⁽¹⁾	Projected Expenses	Projected Revenues
2020	2.50%	\$ 1,110,000	11.19	\$ 7,567,233	\$ 8,216,450
2021	2.50%	1,893,000	11.42	7,841,093	8,462,404
2022	2.50%	1,138,000	11.82	8,101,498	8,715,767
2023	2.50%	1,848,250	12.27	8,367,627	8,976,763
2024	2.50%	978,000	12.71	8,637,929	9,245,622

