

CITY OF MILWAUKIE
BUDGET COMMITTEE MEETING
September 15, 2015

Chair Stoll called the meeting to order at 5:10 p.m. Committee members and staff introductions were done.

Members Present: Lisa Batey (via phone), Jesse Boumann, Scott Churchill, Milo Denham, Mark Gamba, Michael Osborne, Ronn Palmer, Wilda Parks, Karin Power and Jon Stoll

Excused: None

Staff Present: Casey Camors, Bonnie Dennis, Pat DuVal, Bill Monahan and Gary Parkin

Approval of prior meeting minutes

Mrs. Power requested her titled be changed from Ms. to Mrs. in the May 28, 2015 minutes. It was moved by Ronn Palmer and seconded by Councilor Parks to approve the May 28, 2015 meeting minutes with the change. Motion passed unanimously.

Appoint citizen member of the Budget Committee to the Audit Committee

Ms. Camors explained the history of the Audit Committee and their audit process responsibilities.

Mr. Osborne asked the name of the current auditors.

Ms. Camors responded Talbot, Korvola & Warwick LLP.

Mr. Boumann offered to serve on the Audit Committee and gave a brief history of his finance background.

Chair Stoll made a motion to appoint Mr. Boumann to the Audit Committee. Mr. Denham seconded the motion. Motion passed unanimously.

Quarterly Financial Report for June 30, 2015 Review and Discussion

Ms. Camors reminded the Committee these are preliminary numbers since the audit will not be completed until the end of November. The Comprehensive Annual Financial Report will be issued in early December.

Mayor Gamba asked about property tax real market value versus assessed value; he read the median home cost in Milwaukie is higher than Southeast Portland, and if this is true, why isn't the graph real market value estimate higher.

Ms. Camors will check with the County Assessor about expectations of the real market value; she clarified that real market value will not impact property tax revenues.

Mr. Churchill added real market value does not affect the budget.

Mrs. Power stated Ms. Camors will find out more detail from the County Assessor.

Ms. Camors added it takes the Assessor some time to gather the information into their logs for each property.

Ms. Camors started with the overall City funds summary; some projects that were budgeted for FY 2015 have been rolled over to FY 2016.

Mr. Osbourne asked if the project rolls over or the funds roll over.

Ms. Camors responded the projects are allotted money for each budget year; the requirements are over a two year period, which does not require the City to rebudget for projects within the biennium. A fair amount of the savings seen in FY 2015 was due to projects rolling over into FY 2016.

Ms. Camors continued with the General Fund; intergovernmental revenue is lower due to timing of Riverfront's final completion. Fines & Forfeitures are low due to photo radar. Expenditure category variances are primarily due to capital outlay. Code Enforcement is over budget due to unforeseen litigation and staff will be coming back to the Committee for a possible supplemental budget. Non-departmental is over budget due to the issuance of debt, which is not a budget law violation. Police Administration is over budget due to the increased utilization of the police background investigator.

Mr. Churchill asked if the Police Administration expenses will continue to increase.

Ms. Camors responded yes, due to staffing challenges.

Mr. Churchill asked if there are any other foreseen areas that might be over budget in the future.

Ms. Camors responded Information Technology might have supplemental requests but nothing substantial.

Mr. Churchill asked if accruals will affect the report.

Ms. Camors responded accruals have been accounted for in this preliminary report. She continued with the Debt Service fund, which is looking good. The Library Fund's district revenue was more than budgeted; overall the fund looks good.

Chair Stoll asked why there was an increase in the revenue.

Mr. Churchill responded due to collections.

Mr. Monahan added with the economy improving, there has been more development; it has been discussed to set aside the additional revenue for the library expansion.

Ms. Camors continued with the Building Inspection Fund; effective July 1, 2015 the City Council adopted new rates. FY 2015 ended a little better than expected. The Street Surface Maintenance Program portion of the Transportation Fund looks good; specific project details are located at the back of the quarterly report. The State Gas Tax portion of the Transportation Fund, intergovernmental revenue, FILOC revenues and capital outlay are low compared to the budget; these three areas are connected.

Ms. Batey understands why the numbers are down but does not understand how the three areas are connected.

Ms. Camors responded capital projects have many funding components as some of the money comes from the City, other agencies, and FILOC money. Both revenue and expenses are low because the projects were not completed by the end of FY 2015.

Ms. Batey asked if Riverfront Park is included in intergovernmental other.

Ms. Camors answered no; this is 17th Avenue, Multi-Use Trail and a few other projects listed in the Projects Status Report.

Mr. Churchill added it is a good point to clarify the variances.

Ms. Camors continued with the Water Fund; revenues continue to be higher than expected due to a dry year.

Mr. Churchill stated miscellaneous revenue is ahead of schedule.

Ms. Camors clarified that miscellaneous revenue is behind but fees and charges are higher than expected.

Mayor Gamba asked what is included in miscellaneous revenue.

Ms. Camors responded that it includes water tower rental income and recovered expenditures. She continued with the Wastewater Fund, overall the Fund looks good. The Stormwater Fund looks good; capital outlay has a huge variance due to the projects. The SDC Fund overall looks good.

Review of Updated Five-Year Financial Forecast

Ms. Camors reminded the Committee these figures are preliminary, unaudited figures. She reviewed the report format for the new members.

Mr. Boumann asked if there is a cheat sheet on the assumptions for the report.

Ms. Camors responded the assumptions are listed on each page; she can provide additional detail as report review continues.

Mr. Churchill clarified this report does not include the PERS adjustment.

Ms. Camors answered yes. She started with a summary of all City funds; overall it looks pretty good, the numbers adjust year-to-year due to many factors. A forecast is built on assumptions and is a long-term planning tool.

Mr. Churchill stated fund balance is climbing and decreasing.

Ms. Batey asked why the beginning balance is so much higher this year.

Ms. Camors responded that it is due to capital projects not being completed in FY 2015 and rolling over to FY 2016; also the issuance of debt will affect the balance. She directed the Committee to the project list for detail.

Mayor Gamba asked about the assumptions used for taxes; 3% rise in taxes, assuming no new development.

Ms. Camors responded the forecast uses only known facts in estimating revenue.

Mr. Denham asked if the City will really use all the capital outlay funds budgeted.

Ms. Camors stated it depends if the projects are done; historically the City has underspent funds.

Mr. Osbourne asked if the City is taking in funds one year and if the expenses are not incurred until the next fiscal year, then are the projects being pushed out.

Ms. Camors responded that grant funded projects usually require the City to expend the funds first and then submit for reimbursement.

Mr. Churchill stated beginning fund balance is dramatically dropping off by FY 2020.

Mayor Gamba would like to see this same sheet from four years ago; to see how it is tracking.

Ms. Camors responded the information is located in previous budget documents, which are located on the City's website. Expenditures included capital outlay; overall the year ended on a good note. Fund balance will decrease over time if all factors stay the same.

Mr. Churchill mentioned photo radar numbers.

Ms. Camors responded the numbers compensate for the staffing element.

Mr. Boumann asked why the significant drop in photo radar.

Ms. Camors responded it was due to staffing and deployment of the van.

Mayor Gamba clarified an officer must be present in the van.

Mr. Monahan added there have been retirements and to bring an officer on the force takes time due to training.

Chair Stoll would like a better explanation of photo radar numbers.

Ms. Camors stated when the budget process starts the forecast will be updated with more refined amounts.

Mayor Gamba asked to have the forecasts from four years ago available for their next meeting.

Ms. Camors continued with the Debt Service fund; it is building up reserves. The Building Inspection Fund includes the rate increases adopted July 1st; the fee increases will allow this fund to survive.

Mr. Churchill asked about the beginning balance and if the Fund is stable.

Mr. Boumann asked what was the percentage increase.

Ms. Camors responded overall 25% off all services. She continued with the Library Fund, the district revenue increase is included. The increase in district revenue has been bookmarked as expenditure for the Library task force.

Mayor Gamba asked where the money came from for the consultants.

Mr. Monahan responded it was through the supplemental budget.

Ms. Camors continued with the Transportation Fund.

Mr. Churchill asked if vehicle replacement really needs that much money.

Ms. Camors responded that number will most likely change. She continued with the Water Fund; she mentioned three years ago this fund was in really bad shape. She recommends looking at this fiscal policy and how much should be placed in reserves.

Mr. Boumann asked what amount other cities hold in reserve.

Ms. Camors responded many cities hold 25%; she is researching best practices of water funds. Based on current weather patterns it should be increased.

Mr. Churchill heard citizens talking about the Water Fund loaning other funds money.

Ms. Camors responded that during her tenure there have been no such loans.

Mayor Gamba stated the volatility mainly takes place during the summer, winter use is fairly constant; what percentage of the income budget comes from the summer months.

Ms. Camors will research and get him an answer.

Mr. Denham asked what was the cause of volatility during the period FY 2010 through FY 2012.

Ms. Camors responded these were extremely wet years.

Mayor Gamba added there are future significant water capital outlay projects, such as water tower painting.

Ms. Camors also added there are a lot of deferred maintenance projects.

Ms. Batey stated she could follow up with the regional water providers who might have information.

Chair Stoll stated it is troubling to have rates climbing every year and reserves increasing as well; he asked if this was a reasonable number.

Ms. Camors stated this is why she is bringing up the issues; rates are set in the master plan. With a review of the impacts, these rate increases might not come to fruition, this is something the CUAB and Council will need to review.

Mr. Osborne asked if the wish list of capital projects put on hold are incorporated into this forecast.

Mr. Churchill stated capital projects should be reviewed before rates are looked at.

Ms. Camors stated she will work with CUAB during the budget process and that quite a few factors affect the fund balance.

Mr. Parkin stated there is a list of maintenance projects in the master plan that need to be caught up; the CUAB reviews this process. Additionally, the prior year water rate increase was decreased before final adoption due to the increase in revenue and ending fund balance.

Mayor Gamba stated this meeting is going over time.

Ms. Camors continued with the Wastewater Fund, stating that the Fund is good and stable. The Stormwater Fund is also stable. The SDC Fund is good.

Mr. Churchill mentioned the Stormwater fund balance decreases.

Ms. Camors responded that she will be tracking this balance.

Ms. Camors mentioned in preparation for the upcoming budget, in February, she will begin to meet with members individually to explain the budget process. In early March, there will be budget process training, which will include the legal aspects of the process. In early April, the official budget process will begin.

Adjourn

It was moved by **Mayor Gamba** and seconded by **Mrs. Power** to adjourn the Budget Committee meeting at 6:15 p.m.

Respectfully submitted,

Judy Serio, Accountant