

**BUDGET COMMITTEE MEETING  
FEBRUARY 11, 2003  
PUBLIC SAFETY BUILDING COMMUNITY MEETING ROOM**

Budget Committee Chair David Aschenbrenner called the meeting to order at 6:00 p.m.

Budget Committee members present: Art Ball, Deborah Barnes, James Bernard, Gary Hubbard, Peter Koonce, Larry Lancaster, Jeff Marshall, Jean Michel, and Susan Stone.

**FY 2002 – 2003 Mid-Year Financial Report**

**Budget Officer Mike Swanson** briefly reviewed the fiscal year 2002 – 2003 mid-year financial report. He noted that some expenses, such as the Fire District contract, are paid early in the fiscal year, so some funds might appear to be overspent when in reality they are not.

**Aschenbrenner** asked if there is a bike path project scheduled for this year and if the line repair on Harrison Street near The Waldorf School was budgeted.

**Community Development/Public Works Director Alice Rouyer** said there is a bike path project scheduled for next year, and the funds for the Harrison Street project were available in the budget.

**Budget Officer Recommendation**

**Swanson** summarized the events leading to the anticipated \$1.1 million general fund shortfall in fiscal year 2003 - 2004. With the failure of the local option tax measure in November 2002, the Budget Committee began meeting in December to hear public testimony and consider strategies for dealing with the shortfall. At the last meeting, Budget Committee members agreed to submit their lists of core services, which Swanson had summarized in a memo.

**Swanson** found a number of challenges in preparing his recommendation. The first was determining what action the Budget Committee could take. When faced with a shortfall, many cities and counties convene their budget committees and ask them to cut the budget; however, he is not convinced the Budget Committee has that authority. His recommendations ask the Committee for direction on preparing the 2003 – 2004 budget. His next dilemma was dealing with the current fiscal year. Part of his recommendation includes continuation of the hiring freeze he instituted after the defeat of the ballot measure. Any vacancies occurring through retirements or resignations will be looked at closely. He will also freeze capital purchases within the general and administrative services funds with 3 exceptions: anything encumbered prior to February 1<sup>st</sup>, PEG funding limited to capital expenditures, and the remaining MIS modules. The goal is to end the year with a \$1.2 million fund balance, which is revenue to the next fiscal

year. Swanson pointed out the City began projecting a beginning fund balance of \$1.6 million, so it is important to stabilize and reverse that movement.

The second challenge was to craft a series of recommendations that would achieve a majority vote. There has been a lot of testimony before the Budget Committee in support of services, and people are taking positions. Over the past couple of years, the organizational turf battles have ended; however, some of that unanimity is beginning to break down. It is time to refocus on the one thing all departments have in common and that is the delivery of the best public service possible.

The third issue is this is only part of the story. One problem is to solve the \$1.1 million deficit. One of the potential problems is the failure of Measure 28 and subsequent actions the legislature might take. The general fund receives about \$300,000 in state shared revenues that are not protected or dedicated and are subject to the whim of the legislature. The shortfall could worsen if the legislature chooses to reduce or eliminate funding. The City also receives substantial funding from Clackamas County to run the library, but counties are even more dependent on state revenues than the cities. If the County reduces its funding to preserve its own programs, the City would be faced with a bigger problem. He is assuming a \$1.1 million problem and hopes that amount does not increase.

The recommendations he is making at this meeting only eliminate about \$835,000 of the problem, leaving an additional \$260,000 to be dealt with. In a sense, this is not really the important issue. The important work is to look at the future. Milwaukie has a unique opportunity to increase tax receipts by developing the downtown, North Main and North Industrial areas, decommissioning the Kellogg Treatment Plant, continuing to work on the South Corridor Project, and generally enhancing the value of this community to increase tax receipts.

Swanson summarized his recommendations but prefaced them by saying he does not recommend reducing the contingency which he believes it is good fiscal policy for 2 reasons. First, it reserves funds for a truly unforeseen event, and it represents a cash flow between July and when the first tax receipts are received late in the calendar year. Second, the Qwest franchise money is in contingency, and it is possible Qwest may be successful in its appeal. He made the following recommendations for adoption by the Budget Committee as direction for his preparing the fiscal year 2003 – 2004 general fund budget:

- Revenue—Increase Northwest Natural Gas Franchise Fee by \$65,000 due to increase in negotiated franchise fee from 3.5% to 5%
- Neighborhood Services—Set Materials and Services/Advertising and Publicity at \$35,000, which will result in publishing *The Pilot* in hard copy

every other month and on the City website on alternate months. He noted the website has recently been upgraded and is a viable resource.

- Neighborhood Services—Reduce Salaries and Benefits by \$107,963, which represents the Neighborhood Services Director position. He will work with the neighborhood leadership to determine the best way to allocate remaining staff resources.
- Recycling Program—Set Materials and Services/Professional Services at \$45,000 to fund the contract with the Metropolitan Area Communications Commission (MACC).
- Recycling Program—Set Materials and Services/Contractual Service at \$11,000 to fund the regional audit of Qwest franchise fees.
- Public Access Studio—Set Materials and Services/Contract Services at \$41,000
- Police Field Services—Reduce Personal Services/Salaries and Benefits by \$78,000, which represents one officer position. The hiring freeze affected 2 police officer positions. He recommended filling 1 position and eliminating 1 position. There are currently 30 authorized positions in police field services, and he recommends reducing the authorized positions to 29. Included in those 29 positions are 2 school resource officers and 1 Tri-Met officer. The chief and captain are in the police administration budget.
- Police Field Services—Reduce Personal Services/Overtime by \$5,440, which is a proportionate amount of the above 1 position reduction.
- Police Support Services—Reduce Personal Services/Salaries and Benefits by \$41,482, which is a part-time support position frozen by a resignation. The part-time person moved into a full-time position left vacant by a retirement, and he recommends deleting the part-time position.
- Police Support Services—Reduce Personal Services/Salaries and Benefits by \$47,570, which is a currently filled position. This delivery clerk position within support services is currently filled. At this point in time with the budget problems, he suggested the City could not afford this position.
- Intergovernmental/Interfund--Transfer to Fund 200/Structural, eliminate \$52,000, which has balanced that budget. The department will have to find a way to balance its budget without the general fund transfer.

- Intergovernmental/Interfund--Transfer to Fund 211/Neighborhood Grants, eliminate all but \$10,000 of new funding and use the fund balance for FY 2003-04 to fund the grant program at \$5,000 per neighborhood. The balance in the grant program is about \$98,000, and if it were \$35,000 or more at the end of the fiscal year, there would be no transfer.
- Intergovernmental/Interfund—Reduce Transfer to Fund 280/Library by \$144,416, which represents the salaries and benefits of two positions frozen by retirements. He expects another retirement, but he believes that may make the library too lean if it goes unfilled.
- Intergovernmental/Interfund—Reduce Transfer to Fund 810/Parks Loan by \$103,152 by refinancing the loan from the Water Fund.
- Planning—Reduce Contract Services and Professional Services by a combined \$11,300.

The total of the proposed reductions is \$835,342, which leaves \$260,000 to address during the budget process when the entire City budget is considered. Both administrative services and facilities have a significant impact on the general fund.

**Swanson** recognized the Public Access Board, AFSCME and MPEA Presidents Juli Howard and Larry Giddings, City employees, The Budget Committee and City Council, and citizens who have taken the time to address the Budget Committee in support of City services.

In response to a question from Aschenbrenner about when a decision might be expected in the Qwest appeal, Swanson said it is in federal court and has no timelines.

**Lancaster** asked what interest is currently being earned on contingency.

**Finance Director Steve Smith** said the local government pool is currently paying 1.8%.

**Swanson** commented this steady drop in interest revenue is reflective of the economy. The amount of the contingency has increased due mostly to the Qwest settlement.

**Koonce** noted the amount of money being transferred from Clackamas County to the library was \$624,000.

**Swanson** estimated the transfer from the County would decrease to \$597,000 but may be reduced even further.

**Bernard** thanked citizen volunteer Molly Hanthorn for her work on the Centennial Opening Event script. Celebrate Milwaukie, Inc. has received \$40,000 in centennial contributions, he and thanked Ed Zumwalt for his hard work. Bernard recently attended a Public Safety Forum and said it is frightening what might happen when Clackamas County makes its Sheriff's Department reductions. He thanked Finance Director Smith for his work. He asked if it would be possible to distribute *The Pilot* with the utility bill to save postage.

**AFSCME President Juli Howard** said utility bills are sent in 2 cycles, so only one half of the residents would get the current month's newsletter.

### **Public Comment**

None.

### **Budget Committee Discussion and Action**

**Aschenbrenner** thanked Swanson and staff for their efforts in developing the budget adjustment proposals. He feels it is important to do those things that increase the value of the City and to continue working with the neighborhoods to ensure their quality.

**Swanson** said the action is to give direction on preparing the fiscal year 2003 – 2004 budget based on the recommendations and any associated amendments.

**Koonce** suggested going through the recommendations and giving Swanson direction on each.

**Ball** agreed with Swanson's recommendations with 1 exception. He felt reducing *The Pilot* to every other month would create an unacceptable lack of communication. He recommended reducing the newsletter from 8 to 6 pages for an annual savings of \$15,000.

The Committee addressed each recommendation and reached consensus on the following:

- Increase Northwest Natural Gas Franchise Fee.
- Reduce Salaries and Benefits by \$107,963, which represents the Neighborhood Services Director position. Marshall commented Gregory has been a real resource, and the City would not be where it is today without her work.
- Set Materials and Services/Professional Services at \$45,000 for MACC agreement.
- Set Materials and Services/Contractual Service at \$11,000 to fund the regional audit of Qwest franchise fees.
- Set Materials and Services/Contract Services for public access studio at \$41,000.

- Eliminate \$52,000 transfer to building department to balance its budget.
- Refinance the parks acquisition loan from the Water Fund.
- Reduce Planning Department Contract Services and Professional Services by a combined \$11,300

The group discussed eliminating the delivery clerk position and the part-time support staff. **Police Chief Kanzler** said the department would be doing less, and some things will simply not be done. Staff is working at capacity now. These are nice positions to have and helpful in getting work done more efficiently.

**Marshall** asked if an officer would take over the duties of a less qualified person who makes less money.

**Kanzler** said an officer would not take on those duties; the work would simply not be done.

The group decided to pull all police department related recommendations.

**Koonce** asked if the library recommendation would impact hours open to the public and reduce circulation.

**Swanson** said hours would be lost at the next level of reductions and likely impact circulation.

**Senior Librarian Joe Sandfort** said there would probably be some impact on hours with the second position's going unfilled.

The group agreed the library recommendation needed to be discussed further.

**Koonce** asked if the proposed planning department reduction was related to a specific project.

**Swanson** responded that it is not at this point. The Budget Committee will probably consider this again as it goes through its process.

**Rouyer** said all projects could be kept on track because several happen at the staff level. There will be no significant losses as a result of these reductions this fiscal year.

The group began its discussion of the remaining city manager recommendations.

## **Library Budget Proposal**

**Lancaster** said the core issue is at what point do reductions impact circulation and result in double hit for the library.

**Swanson** responded staff can identify hours that do not have a great deal of circulation. For example, the library could consider closing on a weeknight that does not have a large circulation, and the City would not lose a lot of county money. Funding is dependent on circulation of all the libraries in the county network, so it is not only about what 1 library does but also the whole system. The City would certainly not want to dramatically decrease circulation nor wish to negatively impact service to the public. His understanding from library staff is that his recommendation would only change hours a bit.

**Aschenbrenner** asked for more information on what that change would be.

**Bernard** commented this is not the 2003-2004 budget, so there will be a chance to reorganize and ask the Budget Committee to make adjustments if necessary.

**Marshall** agreed. The library should come back with an estimate of what impact this recommendation would have. The other issue he wished to raise was that the Waldorf School does not have its own library and is using the Ledding Library. He respects the fact this is a public library, but it seem disproportional to him that a school would move into the community without a library. It seems the City, in all fairness, should ask for some kind of support.

**Aschenbrenner** understands the Waldorf School is in process of creating its own library. He felt that if the City approaches one private school, then it should approach all the others in the community.

Several members of the Committee understood Waldorf parents and students are volunteering at the Ledding Library.

**Lancaster** commented the City would get a direct benefit if Waldorf parents and students volunteered as well as helped increase circulation.

**Aschenbrenner** asked the library group to come back with additional information on the Waldorf issue.

Responding to a question from **Stone**, **Sandfort** estimated there are about 300 – 400 volunteer hours per month at the library.

**Stone** discussed the feasibility of implementing a users fee, and **Aschenbrenner** requested that library staff also address that.

The group tentatively approved the city manager's library budget recommendation.

### **Neighborhood Grant Program**

**Koonce** asked for clarification that the city manager's proposal.

**Swanson** said, according to his proposal, the amount available for each neighborhood would be \$5,000, and currently there is \$98,000 in the neighborhood grant program fund. If the fund balance at the end of the year is greater than \$35,000, money would not be transferred into that fund. If each neighborhood were limited to \$5,000, then there would be sufficient money in the fund because of the carry over.

**Koonce** felt this was contrary to previous discussions in which the commitment was made to let those fund balances grow and allow neighborhoods to take on a substantial project.

**Swanson** agreed this would be a change of course in that the current fund balance would fund the program. He had not include \$500 for trees in that figure.

**Marshall** appreciated Koonce's concern with the rollover because it is policy. It is his sense there are not that many neighborhoods with large balances. Other members said there are neighborhoods with rollovers.

**Aschenbrenner** understands as long as there is more than \$35,000 in the neighborhood grant program budget that there will be no transfers, and if there is more than \$35,000 it stays in the fund.

**Swanson** said that is correct.

**Lancaster** took the position that the neighborhood grant program has done a lot to benefit the community. The group just spoke to the inequities of trying to distribute the funds. From his perspective, for now and the foreseeable future, the City is beyond broke. He feels the only fiscally responsible thing to do is eliminate the funding entirely and reinstate it in the future. The City is still looking at an immediate deficit, and it needs to pull money where available to fund core services. He recommended temporarily eliminating the program effective July 1.

**Bernard** commented that some neighborhoods are saving for specific projects, and he does not feel it is fair to eliminate the fund balance.

**Barnes** is concerned about how this will impact neighborhood involvement in the Centennial. The neighborhoods make Milwaukie what it is.

**Koonce** asked if 1 neighborhood has a fund balance of less than \$5,000, would each neighborhood be treated separately. Ardenwald regularly spends its grant funds, and he would hate to see the fund balance go from what it is today to zero in the next fiscal year.

**Swanson** replied, under his recommendation, on June 30 at 11:59 p.m. there is a balance, and on July 1 at 12:01 a.m. each neighborhood will have \$5,000. Basically, fund balances disappear and everyone has \$5,000 available for that fiscal year. He does not propose putting any fund balance in excess of \$35,000 back into the general fund. The community goals make it clear that the neighborhood grant program remains a goal. It is his assumption in 2004 – 2005 that the budget officer will again be faced with financing a neighborhood grant program, so if there is money in excess of \$35,000 it would be used to help fund the program. Funds would rollover to the program in general, not to any 1 neighborhood.

**Marshall** said the rollover money for each neighborhood was a Council policy decision, and to a certain degree is a promise. To a greater degree, he predicted a loss of trust if the rollover were taken away. He would be more in favor of reducing the actual yearly amount of contribution next year than penalizing those neighborhoods that have saved money for projects.

**Koonce** said, to build on that, neighborhood chairs have shown leadership by giving money back at the end of last fiscal year. He felt the neighborhoods should be given opportunity to share funds.

**Ball** felt cutting or dispensing with funds would have an adverse effect on the productivity of the neighborhood associations. Some money is needed for operations, sponsoring events, and helping the schools and community. He does not support reducing the neighborhood grant program to zero dollars.

**Stone** said neighborhood associations were operating in Milwaukie before the grant program came into existence. She does not wish to minimize the associations' efforts, but she does not believe there would be a loss of trust. People understand the economic crunch. 75% of the voters said they want the City to do things differently, and that is why the Budget Committee is having this meeting. The neighborhood grant program is not a core service like police, fire, code enforcement, and planning. The City needs to start developing and bringing in revenue. Neighborhood services is a great department, and she does not wish to minimize the neighborhood associations or the grant program and the value they bring to the City. Hiring has been frozen across the board since the ballot measure failed. She advocated a temporary freeze on the neighborhood grant program and putting that money back into the general fund. She recommended no grants next year and bringing them back when economically feasible.

**Aschenbrenner** said from his perspective as a neighborhood chair, he could live with the city manager' recommendation in the next fiscal year. He felt the Budget Committee needed input from the rest of the neighborhood leadership as well as finding out how much will be left in the fund after the next round of grant applications.

The group reviewed figures on grant expenditures.

**Bernard** understands the proposal is to either spend the money now or lose it. He felt the neighborhoods should get benefits for saving money.

**Koonce** suggested asking neighborhood chairs about returning money.

**Marshall** did not believe the Budget Committee could reverse a Council policy.

**Lancaster** would be willing to look each neighborhood chair eye-to-eye on any trust and policy issues from the past. He has been an absolute supporter of the program. His concern is this group's denial of the City's financial crisis. The City still needs \$260,000 to fund core services, and the Committee is talking about continuing to fund the grant program. The numbers indicate at least a half million-dollar shortfall next year. The whole discussion of carry over is irrelevant. This whole discussion is a waste of time, and the Budget Committee needs to get on with the business of balancing the budget.

**Stone** agreed. She is a supporter of neighborhoods and the grant program, but these programs need to be given a good hard look.

**Koonce** said he is a member of this Committee because of his contact with the City through the grant program. The people sitting in this room and the neighborhood grant program are all about the social capital, and he urged carefully considering the community's future.

**Hubbard** was concerned about delaying the process because there is a deadline. Swanson is a financial expert who has looked for a balanced solution. He will be hampered in finding the remaining \$260,000 if the process is delayed. To the degree the Committee holds this up, the problem is exacerbated.

**It was moved by Ball and seconded by Barnes to accept the neighborhood grant recommendation as proposed by the budget officer.**

**Michel** felt the entire package should be voted on so Swanson can get on with his work.

**Stone** challenged the motion because the recommendations need to be looked at inclusively. The discussion of each item needs to continue. You have grant funds and you have people's jobs. Some neighborhoods use their grants for

great projects, and some use them for parties. She cannot balance that with someone losing his or her job.

**Marshall** made an alternate motion. With the understanding that the city manager developed solid recommendations based on public testimony and is basically on the right track, he moved to accept the recommendations as a whole with potential future adjustments.

**Ball** did not accept the amendment to his motion because there are other recommendations that he feels need to be discussed.

**Koonce** was opposed to the motion because he felt the question should go back to the neighborhoods. He did agree with Marshall that Swanson could be directed to go forward.

**The motion to accept the neighborhood grant recommendation as proposed by the budget officer passed 7 – 3 with the following vote: Aschenbrenner, Ball, Barnes, Bernard, Hubbard, Marshall, and Michel aye; Koonce, Lancaster, and Stone nay.**

**The group then considered Marshall's motion to give the city manager general direction that he is on the right track with these recommendations. Hubbard seconded the motion**

**Michel** assumed that all members are of the mind that any one of these recommendations will roll up in a similar format at another time.

**Barnes** does not understand the Budget Committee's responsibility. Is the group here to make budget decisions based on the budget officer's recommendations and public input, and who makes the final decision?

**Aschenbrenner** responded the Budget Committee is considering the budget officer's recommendations to begin crafting the fiscal year 2003 – 2004 budget for adoption in June. This is purely giving direction to the budget officer.

**Swanson** explained under Oregon Budget Law, the Budget Committee approves a budget and forwards it to the City Council for adoption. It can only be changed within certain limits from that which the Budget Committee approves. The Budget Committee actually has a great deal of power in developing the budget. The recommended budget will reflect Budget Committee members' concerns.

**Aschenbrenner** repeated the motion: to accept the recommendations of the budget officer as general direction in preparation of the 2003 – 2004 budget.

**Motion passed 7 – 3 with the following vote: Aschenbrenner, Ball, Bernard, Hubbard, Koonce, Marshall, and Michel aye; Barnes, Lancaster, and Stone nay.**

## **Police Services**

**Lancaster** aggressively objected and disagreed with any reductions in police services. The Mayor just commented on the dire straits in the county and state. Criminals do hear when there is less law enforcement, and crime goes up. Knowing this, the Budget Committee is discussing the City's ability to deal with that. In 1995, the City Council passed a resolution to adopt the Community Oriented Police Services (COPS) Plan. A critical element of that plan is the ratio of 1.5 officers to 1,000 residents. He does not believe that number was ever met for reasons never explained. The previous city manager never managed to get the City to that point even when there were discretionary funds.

His question to the Budget Committee is what good is a resolution if the City Council does not live up to it. Further, why has the City never attained that standard? Although he feels Swanson has done a good job of spreading the pain, what about this resolution? To get to that ratio, the 2 empty positions would have to be filled plus add 2 more. He did not advocate for doing this all at one time. The department needs to fill those 2 positions, or it will be in serious trouble. The chief has talked about deployable resources. If the force continues to be cut, calls for service will not always get a response. Does the City Council want to adopt a new resolution saying public safety is not as important as it used to be and recognizing 1.2 or 1.3 officers per thousand is acceptable? He would have to ask those supporters to explain to citizens why a police officer could not respond. He will not make that explanation.

It is down to the matter of core services and priorities. The Budget Committee members agreed to submit a list of core services to Swanson, and 4 members did not do it. Of the 6 who did, the top 3 were police, fire and planning. Several Committee members commented they had not prioritized their lists. Lancaster did not believe it was a coincidence that police was at the top of everybody's list. What good does it do to have a library if a person does not feel safe enough to go to it? The City must focus on the core priorities. He might be able to live with the cut of the part-time position because of the efficiencies of going with Lake Oswego dispatch and getting computers into the police cars. The City cannot make up for officers on the street. From his perspective, any consideration of reducing officers versus at least approaching the 1.5 ratio is unconscionable. The 1995 resolution speaks for itself unless the Council makes a policy change. The resolution does not specifically identify a 1.5 officer per 1,000 population, but it is identified in the COPS Program.

**Bernard** stated his support of the police department, but he understands from information he got at the Public Safety Forum that departments are no longer using that ratio because technological efficiencies have been implemented. The City just lost an officer it spent \$15,000 training because he was unsure of his job. Who will work for Milwaukie if they think next year's budget may be worse?

**Lancaster** asked Bernard if he was willing to make a motion to adopt a resolution that reduces law enforcement in Milwaukie?

**Bernard** said everyone is trying to come up with the right number of officers to serve the community.

**Swanson** said there are currently 30 authorized positions, 28 of which are filled, 2 school resource officers, and 1 Tri-Met officer.

**Stone** said Milwaukie has a significant crime rate due to the fact the City has a lot of rental property and affordable or low-income housing. The only position she might consider cutting is support services which involves a courier job and is not a deployable resource. People will want to work here if they hear Milwaukie believes in its police force and has a resolution in place that establishes the number of officers it wants to retain.

**Aschenbrenner** requested updated information on staffing levels and crime statistics.

**Lancaster** said if Milwaukie does not establish the minimum level of police service it will provide, it will never attract quality officers because they will always feel like they are on the chopping block while other services are funded. He recommended making adjustments upward if crime statistics warrant.

### **The Pilot**

**Barnes** is confident the City can lower its printing costs and suggested re-opening the bid for printing services.

**Ball** said the City owes its residents up-to-date information, and this cannot be done with an edition every other month. He recommended reducing the newsletter from 8 to 6 pages, and **Barnes** agreed.

**Lancaster** said *The Pilot* is a great publication, but it is costly. He suggested neighborhood chairs do a monthly cable program to keep residents informed. The newsletter can always be on the website with some paper copies provided at City facilities. The City needs to look at the way it has been doing business.

**Stone** was curious how many people really read *The Pilot* and suggested a survey in the water bills. There are other options for providing information.

**Marshall** said when he hears these conversations he gets sick to his stomach by how quickly people want to run back to 1993. The communication *The Pilot* provides is cheap.

**Aschenbrenner** asked staff to bring back information on lower printing costs.

**Stone** responded to Marshall's comment. She does not feel people were trying to go back to 1993 but trying to work on a budget problem. She thinks the City should look for creative ways to provide information.

**Set Calendar for 2003 – 2004 Budget Process**

The group agreed to meet on March 31 and April 2 for departmental presentations and April 7 for the budget officer recommendation.

**Adjournment**

**It was moved by Marshall seconded by Ball to adjourn the meeting. Motion passed unanimously among the members present.**

**Chair Aschenbrenner** adjourned the meeting at 8:25 p.m.

Pat DuVal  
Pat DuVal, Recorder