

**CITY OF MILWAUKIE
BUDGET COMMITTEE MEETING
December 20, 2016**

Chair Stoll. Fish called the meeting to order at 4:00 p.m.

Committee introductions were done.

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

Excused: Michael Osborne, Ronn Palmer

Staff Present: Bonnie Dennis, Haley Fish and Ann Ober

Approval of prior meeting minutes

It was moved by Mayor Gamba and seconded by Ms. Batey to approve the September 20, 2016 meeting minutes with Mr. Denham's corrections. Motion passed unanimously.

Review of quarterly financial report for the first quarter ended September 30, 2016 and discussion

Ms. Fish began with the property tax graph on page 1 that has been updated with the real market and assessed values that were levied by the tax assessor this fall. Continuing with the summary on page 2, Ms. Fish described the beginning fund balances were a projection of the ending fund balances from June 30, 2016; the Library variance is due to unanticipated professional services related to the bond measure and issuance. The General and Wastewater Funds balances had large positive variances due to more revenue being received than expected and unanticipated cost savings.

Mr. Churchill asked if it is anticipated for the Water Fund to flatten out.

Ms. Fish responded the reserve has been increased and the capital project expenses have not been paid as of this report.

Chair Stoll asked how the large reserve balance is defined, can it be translated to a dollar value.

Ms. Fish explained it is not usually a dollar value but a percentage of expected expenditures.

Mayor Gamba stated there has been quite a bit of deferred maintenance done on the water towers.

Ms. Batey asked if the projections reflect marijuana tax revenue.

Ms. Fish responded the projections show \$3,000 in the first year and \$5,000 in the second year; not a lot of revenue is expected.

Ms. Batey asked if the City's 3% tax is above the share from the State tax that the City will receive.

Ms. Fish answered in total it is \$3,000-5,000, based on the State's model. Continuing on to page 3, the average quarterly FTE count has been added to the report; she clarified the total for Budget FY17 is actually 142.5. A variance column will be added to future reports. She clarified the FTE count will fluctuate each quarter, one vacancy will not equate to a full one position of personnel services savings.

Chair Stoll asked about the Planning department's staffing level.

Ms. Fish stated Planning is at full staff; an assistant planner was hired in late August 2016. She continued with page 4 regarding the attorney fees summary; management is closely monitoring each departments individual City attorney fees' lines. There is a month lag in paying the City attorney's billing.

Mr. Denham asked if the budget shown on the summary is one or two years.

Ms. Fish answered the summary reflects one year.

Ms. Batey pointed out there are no legal services for the Library.

Ms. Fish stated all of those fees are being allocated to the project.

Mr. Churchill asked why the Engineering's attorney fees are not being charged to the project.

Ms. Fish responded traditionally attorney's fees are not capitalized.

Mr. Churchill asked why Information Technology does not have any attorney fees.

Ms. Fish stated that she will need to clarify the attorney fees for Information Technology. Ms. Fish continued that the Budget has been submitted for the award but the City usually receives notification of being awarded in the spring. The CAFR report is still being reviewed but the audit is complete; the City has filed for an extension to issue by January 31, 2017, which has been approved by the State and the GFOA. She continued with the General Fund revenues, revenues appear down due to timing of receipt of taxes, franchise fees and intergovernmental revenues.

Ms. Batey clarified the intergovernmental is not just revenue sharing but also grants.

Ms. Fish answered yes; the grants are done on a reimbursement basis. Licenses and permits encompass the business registration, which renewals are due in January. Fines and forfeitures include photo radar and citations; it is lower than projected due to deployment transition to a new company and a change in methodology in how the photo radar van is deployed. Non-departmental expense includes premiums that are paid annually at the beginning of the year.

Mr. Denham asked for the totals at the bottom of the page for the flexible and biennial budgets for the different categories.

Ms. Fish agreed and continued with the Debt Service fund. The Building Inspection fund is on track; permit volume has increased.

Ms. Batey asked if the Building position has been filled.

Ms. Fish responded the City was unable to attain a qualified candidate; the City has a professional services contract to help fill the staff needs, it will allow for more flexibility.

Ms. Ober added there were limited applicants that did not meet the certification requirements.

Ms. Fish continued with the Library Fund; the County has been contacted to distribute the \$1,000,000 in capital funds for the project. Intergovernmental revenue's first distribution will be in January. The Transportation Fund intergovernmental revenue is comprised of reimbursement grants; franchise fees are paid quarterly or annually, this report will not reflect these payments.

Ms. Batey asked if 17th Avenue project is under the Transportation Fund.

Ms. Fish responded that project will be under this fund. ODOT is managing the project, on an annual basis the City receives an invoice from ODOT; this invoice is accrued as a prepaid expense. When the project is complete, the City will transfer the asset and transfer the expense.

Ms. Batey asked about the City's match.

Ms. Dennis responded the match is part of the prepaid expense.

Ms. Fish added the two departments within the Transportation Fund are detailed on the next page. For the SAFE funds, there will be a third department within this fund. Since this biennium budget has been adopted, Finance will need to research if a department can be added or if it will be part of the supplemental budget. The Water Fund experienced high usage due to a dryer summer, but with the wetter winter the number should decrease.

Mr. Churchill stated citizens have concerns about the Water Fund's balance; it would be good to have an accounting of the capital outlay that has been spent for projects.

Ms. Fish responded the forecast will be brought to the CUAB, to look at each service's rates to assist the CUAB in setting rates for the master fee schedule.

Mr. Denham asked where the reserve can be seen for the Water Fund.

Ms. Fish explained the reserves are the ending fund balances and are outlined in the budget document.

Mr. Denham would like the reserve footnoted in the quarterly report.

Discussion ensued regarding the illustration of the reserve on the quarterly report.

Ms. Fish continued with the Wastewater Fund, pointing out that this fund is contingent on water usage and since the Water Fund is higher, this fund has a higher balance.

Mayor Gamba added the Wastewater Fund should not fluctuate as much since rates are fixed.

Ms. Fish continued with material and services, pointing out WES treatment payments are one month behind. The Stormwater Fund personnel services had a vacancy and capital outlay is lower since projects have not started. The SDC Fund does not have a lot of activity, due to an increase in building permit fees and the balance is higher than projected but when projects begin the balance will be lower.

Ms. Fish pointed out the project status report's YTD actual numbers are reflected as of September 30th, but the project status comments are as of November.

Mr. Boumann asked what the highlighting represents on the project report.

Ms. Fish responded it is to differentiate the project lines to make it easier to follow.

Chair Stoll asked what will be included in the supplemental budget.

Ms. Fish responded it will include the new SAFE program and the Triangle project purchase. She asked the Committee if Wednesday, January 25th would be a good day to schedule the second quarterly report meeting, including the proposed supplemental budget.

Mr. Denham distributed a memo and addressed the Committee members regarding increasing revenues, working with the City Manager to be good stewards of the funding the City currently has, improving the budget reporting and funding unfunded projects. He made a motion to have the Budget Committee meet eight times a year.

Mayor Gamba seconded the motion.

Discussion ensued amongst the members.

Mr. Denham withdrew his motion.

Mayor Gamba withdrew his second.

Adjourn

It was moved by **Mayor Gamba** and seconded by **Ms. Parks** to adjourn the Budget Committee meeting at 5:06 p.m.

Respectfully submitted,



Judy Serio, Accountant