

BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

November 13, 2023

Present: Lisa Batey, David Chitsazan, William Johnson, Robert Massey,
Desi Nicodemus, Mary Rowe, Leslie Schockner, Sofie Sherman-Burton, Rebecca Stavenjord

Absent: Adam Khosroabadi (excused)

Guest(s): None

Staff: Finance Director Toby LaFrance
City Manager Ann Ober
Assistant Finance Director Michael Osborne

Public Works Director Peter Passarelli
Assistant City Manager Emma Sagor
Accountant Judy Serio

1. CALL TO ORDER

Chair Schockner called the committee meeting to order at 5:32 pm.

2. INTRODUCTIONS

Committee members and staff introduced themselves.

3. APPROVAL OF MINUTES

Schockner requested the August 14, 2023, minutes be pulled from the agenda due to lack of detail on some of the agenda items discussed.

Schocker commented on the proposed Citizen's Utility Advisory Board (CUAB) meeting dates and suggested a meeting be scheduled to discuss CUAB roles and responsibilities.

LaFrance pointed out there was an agenda item to discuss the CUAB but the Committee could discuss the matter now. The first tentative CUAB meeting on December 4 is scheduled to be an orientation to discuss roles and responsibilities. The CUAB will have additional meetings with respect to the upcoming budget as it pertains to utility rates and the Capital Improvement Plan (CIP). Staff wants to make sure the Budget Committee and CUAB balance their responsibilities and meet City Council expectations. There will be quarterly meetings of the CUAB ahead of scheduled Budget Committee meetings.

Chitsazan commented it would be beneficial to have separate meetings of each committee to allow the public to attend to speak on utility rates specifically.

Schockner requested historical documents of prior CUAB meetings and asked who the staff liaison for the CUAB is. **LaFrance** would be the primary staff liaison and **Passarelli** or a public works staff person would attend meetings. Staff confirmed that historical CUAB documents would be provided to the committee.

Batey encouraged City Councilors to attend the CUAB's January 8, 2024, meeting to receive an in-depth review of the CIP for the upcoming budget.

4. PUBLIC COMMENTS

Elvis Clark, Milwaukie resident, commented on the property tax graph on page 6 of the quarterly report.

Committee members discussed the graph, possible additional data or graphs that could be provided, and city revenues generally. Members were directed to the biennium budget document for additional information on revenue. **Mayor Batey** commented that the property tax section of the report is important as it pertains to state measures 5 and 50 that have made it difficult for cities to balance budgets. **Ober** noted this is the public comment part of the meeting and discussion should be continued later in the meeting.

William Anderson, Milwaukie resident, commented on state measures 5 and 50 and what cities need to focus on for additional revenue streams.

5. STRATEGIC PLAN AND VISION/MISSION/VALUES PROCESS

Sagor updated members on the internal process of developing an operational strategic plan. The plan will bring the community vision to staff and daily operations. There are no plans to make staff reductions, nor will there be new departments created; the goal is to be strategic and focused. Statements of the vision, mission, and values and next steps were shared with members.

6. CITY MANAGER UPDATE

Ober welcomed the committee to the new city hall. Ober then presented her report, starting with currently, there are several large construction projects underway, including King Road improvements, the Henley Place Apartments, the county's Hillside redevelopment, and a new Bonaventure senior care facility. Materials and services spending has increased considerably compared to the prior six years due in part to state testing issues for police, the cooling system at the library, inflation, and several issues that will be discussed later in the meeting.

Batey asked for additional details about the library's cooling system and why it would not be covered under warranty. **Ober** explained that the system parts are under warranty but determining the issue is the out-of-pocket cost for the city. **Passarelli** stated staff had been working with the installer and the cooling system's builder to identify the issue.

Committee members discussed the cooling issues, cost, and logistics of the system.

7. QUARTERLY REPORT

LaFrance began with the quarter's highlights of the fund balances, the high interest rate of the Local Government Investment Pool (LGIP), and the outstanding utility receivables table that is no longer included in the report due to the status of past due utility payments having returned to pre-covid levels. The property tax graph on page 6 reflects the library's portion of property taxes now in the General Fund. Page 7, franchise agreements with Portland General Electric (PGE) and NW Natural Gas are converting to right-of-way (ROW) code. Page 8, staffing level table illustrates 3% of positions were vacant during the quarter.

Schockner requested the table on page 9 be updated for all city revenues. **Lafrance** responded that the city receives revenues that do not have a specific timeframe of receipt and therefore are not included in the table. The threshold for adding notes is based on 20% over/under revenues and expenses.

Lafrance continued to page 10, fund balances reflect property tax revenues not received yet and the Construction Excise Tax (CET) Fund distributed a large grant for development. Going into the financial statements, the notes are based on a threshold and

that is what drives each fund's comments in the report. The General Fund summary reflects property taxes, intergovernmental revenue and beginning of the fiscal year (FY) expenses in some departments. The Transportation Fund reflects a two-month lag in gas tax revenue. Obligated fund tables reflect capital projects and expenditures which are significantly higher in the utility funds.

Chitsazan stated that most of the expenses in non-departmental funds are insurance and dues and subscription expense and asked to have each in separate categories. **Lafrance** responded the date would be displayed differently in the upcoming budget. A big portion of the expenses in non-departments are debt service, insurance, and transfers.

Committee discussion ensued on the property tax graph and other items to include in future reports.

8. REVIEW PROPOSED SUPPLEMENTAL BUDGET

LaFrance stated the supplemental budget is being presented to the committee for informational purposes only and will be going to City Council on November 14. The supplemental budget includes a reassignment of a community development position to the Building Fund and will add materials and services budget in the Building Fund. An addition to the facilities budget for increased and unexpected costs, one expense being the library's cooling system. Parks and solar grants work being funded, and centralizing office supplies budget are included in the supplemental budget.

Batey asked if the addition of a building department position coming from community development, is the potential parks position. **Ober** responded that community development still has a vacancy that will be available to support Council goals.

9. CITIZEN'S UTILITY ADVISORY BOARD

Schockner stated that the members should be provided access to the presentation slide decks..

Committee members did not have any further discussion on this agenda item as it was discussed earlier in the meeting.

10. REVIEW INITIAL DRAFT OF FINANCIAL FORECAST

LaFrance began the discussion by providing history on previous years' financial forecasts which were budget-based forecasts. The forecast handout to the committee attempts to forecast actual expenditures. This will result in lower expenses against forecasted revenues that will provide a longer horizon of sustainability. Revenues will be based on historical trends. Expenditures will be based on historical growth and expenditure rate. Expenditures exceed revenues by approximately \$1 million per year. **Ober** was not concerned with the shortfall and suggested staff should be able to balance the budget.

LaFrance clarified that some of the funding gap is related to the use of federal American Recovery Plan Act (ARPA) funds the city received. The budget process will kick off with staff in November with department pursuing a hold the line budget.

11. OTHER BUSINESS

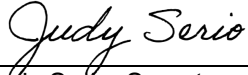
None.

12. ADJOURN

It was moved by Member Johnson and seconded by Member Rowe to adjourn the meeting. Motion passed with the following vote: Mayor Batey, Member Chitsazan, Member Johnson, Councilor Massey, Councilor Nicodemus, Member Rowe, Chair Schockner, Member Sherman-Burton, Councilor Stavenjord voting “aye.” (9:0)

Chair Schockner adjourned the meeting at 7:04 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant