



BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

November 18, 2024

Present: Will Anderson, Lisa Batey, David Chitsazan, William Johnson, Adam Khosroabadi, Robert Massey, Mary Rowe, Leslie Schockner, Sofie Sherman-Burton, and Rebecca Stavenjord

Absent:

Guest(s): None

Staff: Assistant Finance Director Matt Deeds
City Engineer Jennifer Garbely
Finance Director Michael Osborne

Public Works Director Peter Passarelli
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

It was moved by **Mayor Batey** and seconded by **Councilor Anderson** to approve the August 26, 2024, minutes with scrivener edits submitted by **Chair Schockner**.

Motion passed with the following vote: **Councilor Anderson, Mayor Batey, Member Chitsazan, Member Johnson, Councilor Khosroabadi, Councilor Massey, Member Rowe, and Chair Schockner** voting "aye." (8:0)

Member Sherman-Burton joined the meeting.

4. FOLLOW UP ITEMS FROM PREVIOUS MEETING

Osborne shared there are SDC fees are paid to the county for parks with a 1% administration fee that is withheld by the city. SDC fees paid to Water Environment Services are done twice a year and there is not an administration fee withheld.

Mayor Batey asked if the IGA states the remittance must be done monthly.

Osborne responded that the IGA states remittances must be made every two months.

5. PUBLIC COMMENT

Elvis Clark, Ardenwald neighborhood, commented on the urban renewal program taking too much property tax revenue from the General Fund. The size of the urban renewal district should be reduced to allow increases in tax assessments to help with the General Fund revenue.

6. CIP UPDATE

Garbely presented an update on the CIP. Engineering is currently working on a supplemental budget for the projects that have crossed over the two biennium budgets. The city has been approved for a Safe Streets for All federal grant for the Harrison safety assessment. The Engineering department is fully staffed. Street maintenance 2024 project includes grind, inlay, crack seal and slurry. Washington area improvements are completed along 27th Avenue with construction anticipated to be completed Spring 2025. Ardenwald North project has been awarded to Landis & Landis Construction and projected completion is Fall 2025. The Downtown Sidewalk and Storm project improves the sidewalks on Main Street between Monroe Street and Jefferson Street; documents are being prepared to post to bid website.

Group discussed the impact of trees on the sidewalks.

Garbely continued the presentation with the Monroe Greenway, there was a September open house for the east portion of the project. The waterline that goes under Highway 224 will be replaced as part of this project. Harvey Street improvements are projected to start in FY25, currently working on design and bid documents. Waverly Heights Sewer Reconfiguration project will repair the collection system deficiencies; the city is obtaining proper easements for the system. Waverly South / 26th Avenue improvements project will repave Lava Drive and Waverly Court, upgrade ADA ramps, pipe bursting the sewer line and upsizing the waterline. The Meek North phase project has been delayed due to the railroad requirements; a large change order is anticipated but projecting to be completed by April 2025. Stanley Improvements project will create a side path from King Road to Johnson Creek Blvd; design and construction completion anticipated to be done within the next three years.

Councilor Stavenjord joined the meeting.

Garbely continued with the King Road Improvements project. Design drawings have been received and community impacts are being evaluated. Stanley Reservoir Improvement project includes configuring a new well pipe to send water directly to the distribution system; the reservoir is offline October 2024 to March 2025.

Passarelli provided additional detail of the improvements and reiterated current water consumption demand and fire protection demand is being met.

Chitsazan asked about Passarelli's comment about fire protection demand and asked if winter storms impact the reservoir.

Group clarified and commented on the reservoir protections in place for winter. The cross connects were discussed.

Garbely continued with brief updates on the water engineering services projects including Well #8, water treatment plant improvements, concrete tank improvements and a new reservoir.

Mayor Batey asked about the lead pipe mandate.

Passarelli responded a survey was sent to residents. Those responses along with the GIS system generated a list of 350 services that were physically inspected. There were no lead service lines found from the main to the home.

7. CITY MANAGER UPDATE: FINANCIAL STABILITY STRATEGY, PROGRESS REPORT

Sagor presented city highlights including hiring updates. A tentative agreement has been reached with the AFSCME labor union; progress of the CIP; the FY24 financial audit is underway; business improvement grants have been awarded; gearing up for winter events; and the continued progress on the city's financial stability discussion.

Sagor continued with a graph of the financial stability strategy issue. In the next biennium, programs are in jeopardy of being cut if revenues don't stabilize. Stabilizing costs, maximizing existing revenues, and identifying new revenues will all need to be done to stabilize revenues. To stabilize costs, staff have been monitoring spending. Coming up, department overtime will continue to be monitored, an organizational assessment will be done and look at ways to optimize city buildings to reduce energy costs. To maximize existing revenues, staff will identify places where urban renewal funds can offset the General Fund. Reviewing credit card fees, review of fee schedule, infrastructure upgrades to utility billing along with other possible ideas were presented. To identify new revenue, staff have collated all the revenue ideas into a spreadsheet that outlines criteria related to the revenue source. The General Fund target is \$3-5 million for the next biennium. Emerging ideas for further analysis includes updating parking permit rates, charging a right of way license fee on non-city utilities using the city's right of way, implement credit card transaction fees, and updating the business license tax structure. New revenue includes pursuing a five-year property tax levy or a permanent lid lift, implementing a photo red light program, and implementing traffic speed cameras.

Rowe asked if the numbers on the emerging ideas equal the \$3-5 million amount. Why was the previous photo radar program dismantled.

Osborne responded the property tax estimate is still being worked on with the county.

Sagor responded cities are trending back to a photo radar program due to traffic fatalities; enforcement is the factor to use to reduce deaths. The program aligns with city values and goals and would create safer streets. The previous program required an officer to be in the photo radar van where these possible programs would be installed on infrastructure and not require staffing.

Group discussed property tax compression.

Chair Schocker asked if city has enough traffic lights to generate the projected revenue amount.

Sagor responded this would be included in the analysis.

Group discussed photo red light and traffic speed cameras as it relates to personnel and the logistics of the programs.

Chitsazan commented the fee increases may impact lower income community members.

Rowe added that staff should be clear on the goals and how they relate to community members.

Group discussed police staffing and overtime costs.

Massey commented the easiest new revenue would be the cost recovery ideas, such as the credit card fees. How does the comprehensive rate study fit into this discussion.

Sagor responded the focus of the analysis is the General Fund. Although the same discussion can apply to the utility funds, where the comprehensive fee study is being done.

Group discussed a possible food and package delivery fee.

Anderson commented on an increase to the gas tax.

Sagor responded a gas tax increase falls under the Transportation Fund.

Group discussed the vacant property tax potential.

Mayor Batey stated the potential revenue on short-term rentals is low. The photo radar program would need to be evaluated. The property tax's permanent rate increase would be beneficial.

Khosroabadi asked what the high risk is related to a big box store tax.

Sagor responded corporations earning over \$1 billion is the threshold in Portland; Milwaukie does not have those types of businesses in city, so it would need to be scaled down, and with that it may prompt lawsuits from the smaller large corporations.

Osborne added there must be a reason around this type of tax.

Khosroabadi asked if the luxury development tax is a development and a sales tax and is it prohibited in Oregon.

Sagor responded the city attorney stated the sale and development is prohibited by state statute.

Johnson asked how many big corporations are in the city.

Sagor responded it would need additional research to determine a number.

Osborne offered that maybe the business registration tax could tailor the fee structure to have the bigger businesses pay their fair share.

Chitsazan commented that a permanent property tax levy would capture most of the revenue needed instead of implementing several smaller revenue options.

Anderson commented the proposed revenues matrix should also include the tax burden on community members.

Sagor summarized feedback from the committee. Revenue options must have an equitable design. The February meeting will have a more robust look at the revenue analysis.

Group commented the current political environment may affect our city's goals and budget. The revenue options that are less of an impact on the community would be preferable as it related to city values.

8. CUAB UPDATE

Passarelli discussed the comprehensive rate study steps that were presented at the Citizens Utility Advisory Board's meeting early November. The Good Neighbor program guidelines were presented to the committee.

Mayor Batey asked about the available funds.

Passarelli responded with financial information that is available after the debt service payment is paid.

9. QUARTERLY REPORT UPDATE

Osborne presented the FY25 first quarter report. Questions from committee members were emailed to the committee. The FY24 audit is currently taking place; city is on track to issue the audited financial report by December 31, 2024. For the quarterly report, items on the finance radar includes police overtime, tentative agreement of the union contract, and Cereghino Farms' property taxes. The union's cost of living increase and retro pay will be reflected in the second quarter. Clackamas County needs a resolution to begin the assessments on the Cereghino Farms homes. Pre-2020 resolution, property tax assessments would ramp up over several years, in 2025 the first year of assessment would be 28%, to account for the last fiscal year's zero assessment.

Sagor clarified Cereghino Farms was annexed into the city, and at that time the 10-year incremental tax rate was approved.

Osborne presented the FTE count as of September 30th. A table summarizing each fund's ending balance was presented. General Fund's revenues and expenditures were presented. The five-year forecast remains very similar as when the budget was adopted.

10. OTHER BUSINESS

Osborne explained the election of a chair for this committee was last done in 2021 but are typically done every two years. When would committee members like to have an election, at the February or August meeting.

Schocker suggested August to align with the beginning of the fiscal year.

Osborne stated a link to the West Linn financial dashboard was emailed to committee members.

Johnson asked if annexing more land into the city was considered as a revenue strategy.

Group discussed annexation logistics and areas.

11. ADJOURN

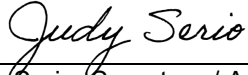
Milwaukie Budget Committee

It was moved by **Member Chitsazan** and seconded by **Member Rowe** to adjourn the meeting.

Motion passed with the following vote: **Councilor Anderson, Mayor Batey, Member Chitsazan, Member Johnson, Councilor Khosroabadi, Councilor Massey, Member Rowe, Chair Schockner, Member Sherman-Burton and Councilor Stavenjord** voting "aye." (10:0)

Chair Schockner adjourned the meeting at 8:18 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant