

BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

February 10, 2025

Present: Lisa Batey, David Chitsazan, William Johnson, Adam Khosroabadi, Robert Massey, Leslie Schockner, and Sofie Sherman-Burton

Absent: Will Anderson, Mary Rowe, Rebecca Stavenjord

Guest(s): None

Staff: Assistant Finance Director Matt Deeds
Finance Director Michael Osborne

City Manager Emma Sagor
Accountant Judy Serio

1. CALL TO ORDER

Chair Schockner called the committee meeting to order at 5:34 pm.

2. INTRODUCTIONS

Committee members and staff introduced themselves.

3. APPROVAL OF MINUTES

It was moved by **Member Chitsazan** and seconded by **Member Johnson** to approve November 18, 2024, minutes with scrivener edits submitted by **Chair Schockner**.

Motion passed with the following vote: **Mayor Batey, Member Chitsazan, Member Johnson, Councilor Khosroabadi, Councilor Massey, Chair Schockner, and Member Sherman-Burton** voting "aye." (7:0)

4. FOLLOW UP ITEMS FROM PREVIOUS MEETING

Osborne followed up on the first quarter's Library expenses being low. There was a formula error within the report which was fixed. The second item, what is the rate of pay for police overtime. The Milwaukie Police Employees Association (MPEA) contract states that overtime is paid at the rate of 1.5 of salary. The third item was a request to explain property tax compression. Clackamas County has been contacted but has not responded; once a response has been received it will be emailed to the members.

5. COMMUNITY COMMENTS

Elvis Clark, Ardenwald neighborhood, commented on the General Fund's financial stability. An inquiry was made with the Clackamas County tax assessor's office about the relationship between the city's urban renewal take of property tax proceeds from the city's General Fund. The full-time employee (FTE) difference between the budget and the quarterly report is four positions, hire police officers which would decrease the police overtime costs. The final point is the Building and Water Funds have very high reserves, use the excess in these funds for the General Fund.

6. CITY MANAGER UPDATE

Sagor began her update with some hiring and personnel updates. There are new council goals for the next three years; the timeframe will align with the biennial budget. They are economic development, affordability, and parks and green space. Police staffing management includes some officers on administrative leave, injured, and new officers still in field training. Staff continue to monitor the federal orders and potential impact to the city. There is continued progress on the city's financial stability strategy.

Member Johnson asked if the affordability goal would focus on single family residential properties and not just multi-family properties.

Sagor responded that the goals are in the early stages and in the next few months an action plan will be scoped for each goal. All types of properties will be evaluated.

Member Chitsazan asked about the police officers currently on administrative leave and the group discussed the status of the officers on leave.

7. QUARTERLY REPORT UPDATE

Osborne began the presentation with the FY 2024 audit results. The city received a clean audit report, and it was completed by the December 31, 2024, deadline. The Annual Comprehensive Financial Report (ACFR) is on the city's website and the People's Annual Financial Report (PAFR) is in its final review. The audit requires a lot of review, including annual accruals and true up of revenue and expenses. Socrata will go live on the city's website in July; it is a financial dashboard that will provide community members with department expense details.

Osborne presented the second quarter fund summary. The General Fund revenue reflects most of the property taxes as received. Franchise fees are received on a quarterly basis. Investment earnings reflect a higher interest rate than what was budgeted.

Mayor Batey asked how the franchise fee is calculated.

Sagor responded it is based on gross revenue.

Osborne mentioned the decrease in Comcast and telecom franchise fees; with the wireless trend increasing this will affect those revenues. General Fund expenses were presented to the committee. All departments' personnel services reflect the retro pay and cost-of-living increases paid during the second quarter.

Osborne presented a graph of police overtime costs, actual vs. projected.

Mayor Batey asked if the issue is that the city cannot hire fast enough or that the city needs additional positions.

Sagor responded that it is both scenarios. The city is below the ideal number of officers per thousand thresholds. The Behavioral Health Specialist position has reduced some of the officers' case load. Filling officer positions is a national issue.

Councilor Khosroabadi asked what was last year's overtime cost.

Osborne responded for the biennium it was \$821,000.

Member Sherman-Burton asked if one of the open positions could be converted to another Behavioral Health position.

Sagor responded there are statutory requirements for the number of police officers on patrol. Will need to research before responding.

Committee discussion ensued.

Osborne continued with the Debt Service Fund; the Construction Excise Tax fund balance of \$1.3 million reflects \$443,000 for affordable housing and \$819,000 for economic development.

Councilor Khosroabadi asked for clarification of why the large difference between the affordable housing and economic development numbers.

Sagor responded that affordability funds were given to ShortStack and Hillside projects in the last biennium.

Osborne continued with the Building Fund; the building inspector vacant position is having difficulty being filled so the department is having to use an outside company for certain services. The Transportation Fund revenues reflect a lag of when they are received from the state and county. The Safe Routes to School grant was budgeted for and now the city will not be receiving those funds. The expenses in this fund are lower since capital outlay has not been spent as of the second quarter. Projects are starting to ramp up so capital outlay will increase; obligated funds by project were shared with the committee members.

Member Chitsazan commented the project status report at the end of the quarterly report would offer more perspective on funds spent for city projects.

Osborne continued with the Water Fund; obligated funds by project were shared with the committee members.

Committee discussion ensued.

Osborne continued with the Wastewater Fund and its obligated funds table. The Stormwater Fund's obligated funds table was shared with the committee members. The System Development Charge (SDC) Fund will have a semi-annual payment to Water Environment Service (WES) that will be reflected next quarter. The Milwaukie Redevelopment Commission's financials were shared with the committee.

Sagor added the MRC Community Advisory Council will be meeting to go over the five-year action plan and budget.

Mayor Batey asked if the Milwaukie Redevelopment Commission (MRC), the urban renewal agency (URA), had taken on debt and **Osborne** responded that the URA had taken on debt in 2023.

9. FORECASTING

Osborne presented an updated fiscal year (FY) 2025-2026 forecast. The highlighted numbers reflect expenses outpacing revenue.

Chair Schockner asked for the forecast to be included in the quarterly report.

Osborne presented tables that reflect the city's funding by major revenue type. Intergovernmental revenue is mostly from the county, not federal level. The Monroe Greenway project is federally funded and currently obligated and under contract. Projects

at risk include Railroad improvements funded by RRFA grant. Staff will know more as the year progresses.

Member Johnson asked if federal American Rescue Plan Act (ARPA) funds that the city had receive are in jeopardy. **Sagor** responded that the funds had already been received and allocated.

Osborne continued with the presentation for Cereghino Farms staggered property tax rates after the area was annexed into the city. City staff were unaware the property tax rate had to be declared to the county for it to begin to be assessed to property owners. The lost revenue is \$42,000 from property taxes in FY23 and FY24. FY26 will bring in \$44,000 in property tax revenue for this area. The city cannot collect the lost revenue.

Councilor Khosroabadi asked if Axel Tree Apartments was granted the same deferral.

Sagor responded that Axel Tree Apartments was given the vertical housing tax exemption for 10 years.

8. FY25 BUDGET ADJUSTMENT

Osborne presented the anticipated budget adjustment. During the budget hearings there was some uncertainty related to labor negotiations and Public Employee Retirement System (PERS) and benefit rates. The biennium budget reflects \$1.7 million that was moved to contingency to cover the pay increase. The budget adjustment proposed will be to move \$500,000 from contingency to the General Fund to cover the cost increases. The budget adjustment will be presented to the City Council on March 4, 2025.

Sagor clarified the adjustment will not require new revenue and it is not a supplemental budget and will not require committee vote. The dollar amount meets the threshold for a budget adjustment.

10. OTHER BUSINESS

Osborne mentioned the format of the utility bill will be changing July 1, 2025. With this change customers will have the ability to view and pay their bill using one site. Customers will be encouraged to sign up for paperless billing.

Member Johnson asked if there is a cost savings. **Osborne** responded yes but that is not the main reason for the change. **Committee** discussion ensued.

Member Chitsazan asked who was responsible for payment of damages awarded in a civil case. **Sagor** responded that the city's insurance would cover a certain amount.

Member Chitsazan commented on Mayor Batey's email regarding Palestinian issues and announced his resignation from the Budget Committee effective immediately.

Committee members responded to Chitsazan's comments.


11. ADJOURN

It was moved by **Member Sherman-Burton** and seconded by **Member Johnson** to adjourn the meeting.

Motion passed with the following vote: **Mayor Batey, Member Chitsazan, Member Johnson, Councilor Khosroabadi, Councilor Massey, Chair Schockner, and Member Sherman-Burton** voting “aye.” (7:0)

Chair Schockner adjourned the meeting at 7:26 pm.

Respectfully submitted,



Judy Serio, Secretary / Accountant