

BUDGET COMMITTEE

In-person and Video Meeting
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MINUTES

February 12, 2024

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

Absent: None

Guest(s): None

Staff: Community Development Director Joseph Briglio Public Works Director Peter Passarelli
City Engineer Jennifer Garbely Assistant City Manager Emma Sagor
City Manager Ann Ober Accountant Judy Serio
Assistant Finance Director Michael Osborne Assistant City Engineer Jeff Tolentino

1. CALL TO ORDER

Chair Schockner called the committee meeting to order at 5:31 pm.

2. INTRODUCTIONS

Committee members and staff introduced themselves.

3. APPROVAL OF MINUTES

It was moved by **Member Rowe** and seconded by **Mayor Batey** to approve the August 14, 2023, minutes as written.

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

It was moved by **Member Chitsazan** and seconded **Mayor Batey** to approve the November 13, 2023, minutes with the redline edits.

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

4. PUBLIC COMMENTS

None

5. CITY MANAGER UPDATE

Ober acknowledged that Sagor and Osborne are acting as finance director due to a vacancy of the position. Audit documents have been submitted to the audit firm for partner review. The budget document is in process. Bonnie Dennis is under contract to assist

with the budget preparation. Merina & Co is under contract to review the budget document for compliance once completed. Historic city hall has been sold and work has begun in the building; with approximate opening date of April 2025. A joint North Clackamas School District and City Council meeting last week the non-profit low-income housing tax exemption was discussed. Capital improvement plan (CIP) will be presented at this meeting. Community outreach to begin discussion on criteria for the next CIP. Lastly, during budget preparations in the past the city has provided forecasts that illustrate in the coming five years things will be bad, this biennium it is now three years due to inflation and rising costs.

Councilor Stavenjord arrived at the meeting at 5:45 pm.

6. BUDGET DEVELOPMENT UPDATE

Osborne stated finance has been working on the budget for the last six weeks. The budget calendar timeframe was provided to committee members. Bonnie Dennis and Merina & Co. have both been contracted as consultants to provide support services to advise on the budget process and quality control of the entire document. The document's design and layout will remain the same as the prior budget. The document's professional graphic design will be postponed until after the committee's deliberations.

Mayor Batey will not be at the April 27th meeting.

Sagor continued with a forecast update. The methodology will be consistent with the current biennium budget. The forecast will be clearer as proposed budgets are entered and FY23 and FY24 actuals are trued up. The general fund will be facing a deficit starting FY28, along with the SAFE and Water funds. Personnel impacts are unknown as contract negotiations are ongoing. Staff have been told to budget using a hold the line methodology in terms of FTE and materials and services.

7. UTILITY RATE DISCUSSION

Passarelli presented the utility rate recommendations by the Citizen Utility Advisory Board (CUAB). Proposed increases are a 3% increase in water for each year of the biennium, no increase for wastewater and stormwater and SAFE and SSMP have automatic increases of 5.64% for each fee. The water fund will be at a deficit by FY28 given the CIP projects and needs of the utility with the water treatment facility and future reservoir needs.

Councilor Massey clarified there will not be an increase in wastewater and stormwater.

Passarelli responded that is correct, the wastewater treatment costs have remained flat and energy consumption is considerably less than water. There will be a cost-of-service rate study in the upcoming biennium. Stormwater master plan may require a rate increase in the future. SSMP & SAFE rates are calculated using the Seattle CCI five-year average. SAFE bond proceeds will have been expended during this upcoming biennium.

Mayor Batey did not realize ARPA money was being used to fund the Stanley Reservoir project.

Passarelli responded that the entire project cost of \$2.7 million is being funded by ARPA money. Ardenwald North project will also be using ARPA money.

Ober clarified the ARPA funds that were city direct allocation had more restrictions attached.

Councilor Khosroabadi asked how the percentage increases for the utilities are determined.

Passarelli responded it depends on inflation and how the city expends the funds for projects.

Councilor Khosroabadi stated the city has time to figure out how to take steps to minimize the increases in wastewater and stormwater.

Passarelli clarified that the 3% increase is what is needed for revenue; some customers may see less than a 3% increase. The next CUAB meeting will discuss the rate increase structure.

Ober clarified that there will be a separate fee discussion.

Passarelli added that wastewater may have a revenue neutral adjustment due to a previous study. Some of the assumptions used to propose the rates include considering minor growth mainly in multi-family, there have been no large new water customers, no change in customer water usage, expenses have increased for electricity and materials costs.

Member Chitsazan clarified the next CUAB meeting is April 1st at 5:30 pm.

Passarelli briefly presented the policy reserve requirements for each fund. Water will be below reserves in FY28, wastewater will be above reserve through FY30, stormwater will be above reserve through FY30, SAFE will be below reserve by FY28 and SSMP will be above reserve through FY30.

8. CAPITAL IMPROVEMENT PLAN

Garbely presented details on capital projects in the upcoming CIP.

- Washington Street area improvements will cross over budget years; the projected cost is \$7.9 million. Funds will roll over through a supplemental budget.
- The east Monroe Street greenway project will receive money from Metro to assist in funding the project; the projected cost is \$5.7 million.
- The central Monroe Street greenway project will receive money from ODOT and urban renewal funds; the projected cost is \$3.1 million.

Mayor Batey asked about timelines on Monroe Street.

Garbely is estimating 2026 completion. Highway 224 will be completed in 2026.

Garbely continued with

- Harvey Street improvements scope added wastewater project and paving of surrounding dead-end streets; the projected cost is \$5 million.

Councilor Massey asked if dead end streets will be fully paved.

Garbely responded that they will be a grind and inlay process.

- Ardenwald north improvements added paving of additional streets; this is the next project to go out for construction. American Rescue Plan Act (ARPA) funds will be used for this project; the projected cost is \$4 million.

Committee members discussed the logistics of the project including curbs, streets, and parking.

Garbely continued with

- King Road improvements include additional water and stormwater improvements, for failing drywells and addressing double lines that will need to be fixed prior to paving the street. The street will remain open during construction since this is a bus route but will have a reduced speed posted; the projected cost is \$8.2 million.

Councilor Massey asked the cause of drywell failures.

Passarelli responded that it is sediment buildup.

Councilor Massey asked if drywell standards have changed with new climate protections.

Passarelli responded staff is discussing future system needs.

Garbely continued with

- Stanley improvements is a new project and an inter-governmental agreement with the county is being drafted. A grant will be funding part of this project; the projected cost is \$6 million.
- Waverly Heights sewer reconfiguration has been in the CIP for a long time. Water Environment Services (WES) is paying for 33% of this project that is in the middle of residential properties, in which the city has obtained easements. There has been quite a bit of root intrusion in the lines; lining the pipes would be a cost savings but this ultimately depends on the project design. The projected cost is \$3.4 million.

Garbely continued with

- Water projects
 - Well 8 bring back online; projected cost is \$300 thousand.

Staff and members discussed the background on Well 8 along with the process of cleaning a well.

Garbely continued with

- Water treatment plant improvements include conditioning assessment, update electrical; projected cost \$775 thousand.

Mayor Batey clarified the locations of the two treatment plants.

Garbely responded yes, and continued with

- Concrete tank improvements will add a new liner and have seismic upgrades; projected cost \$850 thousand.
- The new reservoir includes finding a location, evaluating pressure zones, and design; projected cost \$200 thousand.

Councilor Massey asked if the water treatment plant improvements include the controls systems.

Passarelli responded that is correct and added the numbers presented reflect design costs.

Garbely ended with the Logus Road at 40th and 42nd Ave improvements; after going through the numbers, this can be designed but not built with this tranche of the bond funds.

Staff and members discussed the effects of not doing the Logus Road project and the area of King Road and 42nd Avenue.

9. QUARTERLY REPORT PRESENTATION

Osborne presented the highlights from the quarterly report.

Chair Schockner commented on the property tax chart that was revised.

Mayor Batey commented on the engineering memo provided within the report.

Councilor Khosroabadi asked about the policy reserves compared to fund balances.

Ober responded that Passarelli did that for the utility funds.

Chitsazan asked about the miscellaneous revenue increase and DEQ citation.

Ober explained it was an air quality violation that funded EV chargers.

Councilor Stavenjord left the meeting at 7:20 pm.

10. OTHER BUSINESS

None.

11. ADJOURN

It was moved by Councilor Khosroabadi and seconded by Mayor Batey 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 voting "aye." (8:0)

Chair Schockner adjourned the meeting at 7:04 pm.

Respectfully submitted,

Judy Serio

Judy Serio, Secretary / Accountant