

CITY OF MILWAUKIE BUDGET COMMITTEE MEETING
PROPOSED BUDGET BN 2023 – 2024
COMMITTEE MEMBERS SUBMITTED QUESTIONS & STAFF ANSWERS
Published on May 6, 2022

General

Q1: Can there be captions on some of the pictures so that community members know or can visit the location? Especially page 112.

Staff will consider this for the adopted budget as time allows. For future budgets, staff will make a point to add in these captions. Great suggestion! The picture on page 112 is at the Adam Street Plaza off of Main Street near the post office.

Budget Message

Q2: Page 5 and 89: The letter says that a “significant focus” of the climate funds will be used to move all residential accounts to renewable energy through PGE. This is also a performance measure in the Public Works Admin department of the General Fund. Does this have any impact to residents’ bills? Is the climate fund usage included in the public works budget, or elsewhere?

The climate funds will cover outreach costs related to an exploratory community renewable energy product. If developed, resident participation in the product will be voluntary and associated costs will be reflected on residents’ electricity bills from PGE.

The city is interested in partnering with PGE on this product as high participation from residents and businesses will significantly reduce the city’s overall building energy carbon emissions. Staff from the city will use sustainability funds to perform outreach related to community-specific concerns and education to feed back into the product design and will focus on audiences including resident customers, business customers, low-income communities and BIPOC communities. Additional work will be performed with PGE to also perform outreach and explore electrification programs that will complement the above product development.

Financial Policies

Q3: Page 27, #11: Have the fee schedules for the Building Fund been reviewed lately to ensure that they accurately reflect the estimated cost of services?

Yes, building fees are updated annually and consider actual costs, CPI, and Building Fee averages across the state construction sector.

Q4: Page 35, Fund Balance Policies: Board Resolutions are listed as being applicable to the “intent” to use monies for a particular purpose as compared to Ordinances which commit monies for specific purposes. So why on p36 are bonding and leases, etc. authorized by resolution rather than ordinance.

Generally, it depends on the intention and type of the debt. All debt is required to be approved by Council via Resolution. But not all debt requires an ordinance. Full faith and credit bonds (FFCO) do not require an ordinance, only a resolution with public comment. General obligation (GO) bonds are levied and therefore require a vote of the people (ordinance). These become ‘committed’ or ‘restricted’ based on intent. The only way to reverse or redeploy that money is to follow the same due process to reverse.

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Q5: Page 37, #2: Has the City and/or City Council ever considered a reserve refund policy when proprietary fund reserves exceed prudent amounts? (See Fund balances on pp. 163, 167, 172)

The city has not considered reserve refund policy to date. Minimum cash reserves attempt to quantify the minimum amount of cash the utility should keep in reserve, actual cash reserves may vary substantially above the minimum and is dependent on the life cycle of assets that are currently in service. The methodology used in set the target is based on certain assumptions related to percent of operation and maintenance, rate base, capital improvements, and debt service. The establishment of minimum cash reserves consider a number of factors including:

a. Working capital lag - Timing differences between when expenses are incurred, and revenues received from customers. Establishing a minimum cash reserve helps to ensure cash exists to pay expenses in a timely manner.

b. Investment in assets – Catastrophic events may occur that require substantial amounts of cash reserves to replace damaged assets. Some examples of catastrophic events include ice storms, earthquakes, windstorms, floods, or tornadoes. Many of these catastrophic events may allow the utility to recover the cost of damages from FEMA; however, FEMA reimbursements can take between 6 months to 2 years to recover. The utility should ensure adequate cash reserves exist to replace the assets in a timely fashion. The minimum reserve levels are often combined with emergency funding from banks or bonding agencies.

c. Annual debt service – Debt service payments do not occur evenly throughout the year and often occurs at periodic times typically every six months. The utility has to ensure adequate cash reserves exist to fund the debt service payment when the payment is due.

d. Capital improvement program – Some capital improvements are funded through bond issuances and some through cash reserves. The establishment of a minimum cash reserve level helps to ensure timely replacement or construction of assets.

Financial Trends

Q6: Page 43: The population chart does not seem to tie to the narrative: “Currently, the city’s population is estimated at 21,235.” The graph shows 20,600 for FY23 and FY24.

The graph needs to be updated with the correct population # of 21,235. Thank you for catching the oversight.

Q7: Page 50, Capital Outlay chart. Should this chart tie to the totals on page 6 of the CIP document? Also, is there a reason why the document switches from bar graphs to this style just for this section?

Yes, with the exception of the Milwaukie Redevelopment Commission which is a separate entity. When you add in the MRC, the totals agree on page 6 of the CIP. The chart is difficult to read in a bar graph and staff chose this layout to reflect the differences in each fund. City staff also works with a graphic designer on the final document and this graph will change using their expertise.

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Q8: Page 51, Legal Debt Limits. With a legal debt limit of \$108 million, this seems to imply that the City of Milwaukie’s true market value is \$3.6 billion. How was that estimated?

The legal debt limit is a calculation that is audited by the city’s financial auditors based on state statute. The calculation is highlighted in the Annual Comprehensive Financial Report that is published annually. Below is from the fiscal Year 2021 (p114).

	Fiscal Year Ended				
	2017	2018	2019	2020	2021
Debt maximum limitation	\$ 84,146	\$ 97,075	\$ 104,971	\$ 104,964	\$ 118,206
Debt applicable to maximum limit	12,125	12,654	11,095	29,594	28,131
Legal debt margin available	<u>\$ 72,021</u>	<u>\$ 84,421</u>	<u>\$ 93,876</u>	<u>\$ 75,370</u>	<u>\$ 90,075</u>
Debt applicable to the maximum limit as a percentage of debt limitation	14.41%	13.04%	10.57%	28.19%	23.80%

Legal debt margin calculation for fiscal year ended June 30, 2021:

Total property real market value	\$ 3,940,188,152
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>118,205,645</u>
Amount of debt applicable to debt limit:	
Total debt	39,110,122
Less debt excluded from debt limit:	
SPWF loan	(377,454)
PERS UAL bonds	(2,650,000)
Full Faith and Credit Obligation bonds	(24,621,921)
Oregon DEQ loan	(964,578)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>-</u>
Net amount of debt applicable to limit	<u>10,496,169</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 107,709,476</u>
Percentage of City’s indebtedness to total allowed	8.88%

¹ Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.

Source: Clackamas County Department of Assessment and Taxation

Q9: Page 51, Legal Debt Limit – Please highlight how moderate Milwaukie is in terms of outstanding debt compared the amount available for future indebtedness.

Thank you, staff will add this in for the adopted budget.

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City-wide Budget

Q10: In all the budgets, the final column of the schedule for Resources the Beginning Balance is always only the amount for the first year of the biennium, but every other line item totals the years for that last column. What's the rationale for that?

The beginning fund balance needs to show the first year of the biennium as all of the resources and requirements either add or subtract from the beginning fund balance. It is essentially the starting amount or balance for all of the activity that will occur in the next two years.

Q11: Multiple funds reference the new permitting system. Is this all the same system, with the costs being split out?

Yes, the new permitting system is a multi-department citywide effort to streamline and bring forward to community members a centralized location to obtain building permits, business registration, event permits and much more.

General Fund Summary (Page 69 – 74)

Q12: We have a very large, planned increase in Capital Outlays. What planning/procedures are we putting in place to improve the chances we can complete this aggressive program?

I believe our controls (project charters, interdepartmental review, etc.) have continued to improve as our team has gained more experience delivering the city's integrated capital program. Additionally, the next budget includes several larger projects that will rely on external design and inspection services. The size of such projects increases the total capital outlay but does not change the internal resources needed to deliver the program.

Q13: General Fund contingency line: Is this a placeholder for unforeseen items, and if so, what factors are considered when deciding on this amount?

Yes, the contingency line is a reserved amount as outlined in the financial policies starting on page 36. The purpose of the reserve is to absorb any volatility or unanticipated operating needs for the city. The city uses the Government Finance Officers Association (GFOA) as the basis for setting what the reserve amounts are as well as feedback from external auditors. These reserves additionally give the city a stronger foothold when rating agencies are evaluating the cities financial health in anticipation of acquiring debt.

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Q14: Page 73, note # 10: The decrease is due to trends for traffic and court fines on page 115 one goal is to prepare for an increase in citations and court activity. Can someone explain the difference?

The decrease in overall revenue acknowledges what has occurred over the last biennium where revenues from citations have declined. This downward trend in revenue is almost completely due to the impact of COVID-19 and social changes around policing. When the pandemic hit in 2020 court dates were canceled and fewer individuals were on the roads or doing things in public due to social distancing protocols. This altered behavior led to fewer citations being issued. At the same time, the nationwide discussion about law enforcement and policing led to a drop in the number of citations issued by the Milwaukie Police Department (MPD). Both of those global issues combined with the historic movement of the American workforce (the 'great resignation') of staffing court and police departments led to less revenue from citations for traffic, parking, and other violations of the municipal code.

The municipal court goal outline on page 115 describes how to prepare for an increase in citation activity based on the things listed in the budget document such as the use of body worn cameras, additional code enforcement staff, and a new e-ticketing system. Additionally, we also expect increased citation activity to come from the city's recently adopted tree code and police staffing levels returning to a consistent number. The court's goal around increased activity is forward looking, acknowledging factors that will impact the court staff's workload anticipating for growth in citations.

General Fund – City Council Department (Page 76)

Q15: Note # 3 it talks about money for a contract lobbyist. What is the purpose of this position? Is it addressed to a particular issue? Or?

In recent years the city had considered hiring a lobbyist to help promote various causes that are important to Milwaukie in addition to the city's memberships in statewide associations – such as the League of Oregon Cities and the Metro Mayors Consortium – have provided a limited degree of lobbying representation in Salem for the city. Council has also contributed time and energy in speaking for the city's interests at the state capitol. For the proposed budget, staff worked with council to include funds to hire a lobbyist and provide a level of professional representation the city has not to this point had.

General Fund – City Manager Department (Page 77)

Q16: There is discussion about Engage Milwaukie and community information sharing. [Although this isn't necessarily budget], can the city website be enhanced?

Staff will discuss this more at the budget hearing.

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General Fund – Community Development Department (Page 86)

Q17: Page 86, For example and in other places where a position is being added I think it would be clearer if the narrative specifically stated that the increased cost was for both years of the biennium; for example, "The new position accounts for \$xx over both years, or yy% of the cost.

Great suggestion and staff will incorporate these changes for the adopted budget.

General Fund – Public Works Admin Department (Page 88)

Q18: I thought the most interesting thing in the PW narrative was the reference to developing a climate program financing document and I am eager to hear more about what it will consist of and how it will be used.

In 2018, the City of Milwaukie adopted a Climate Action Plan (CAP). The CAP presents a strategic roadmap outlining 53 city, organizational, and community actions towards mitigating and adapting to the effects of climate change. The CAP process was a collaborative effort between the city and community members; with over 200 residents and community members participating in the process. Development of the CAP was facilitated by the City with policy guidance by a 17-member Climate Action Plan Committee.

The city is working with the FCS Group to identify revenue options to provide a future funding source for some of the administrative costs of the program. The project is broken into two phases. The first phase is to identify revenue options, review administrative and policy implementation considerations, analyze the potential revenue yields of the options and conduct an interjurisdictional survey. The second phase of the project is to conduct a triple bottom line analysis of the options through a lens that evaluates the options and considers the following.

1. The social framework that focuses on the impact of organizational decisions upon community, individual, and employee welfare.
2. The environmental framework that focuses on the impact of organizational decisions upon the natural environment, potential environmental impacts, and resource preservation.
3. The economic framework that focuses on the impact of organizational decisions upon costs and revenues to the City, economic impact to the community, and promotion of community development.

The FCS Group will summarize the finding in a technical memorandum

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General Fund – Code Enforcement (Page 121-122)

Q19: What are the lien foreclosure policies are being revised to do. What wasn't working that these policies will address?

Oregon Revised Statutes 18-901-985 dictates how lien foreclosures are done. The goal is to turn the requirements of the law into an internal policy and procedure. Currently, the city does not have a dedicated process for lien foreclosures as it pertains to which staff member does what or the criteria for which the city may decide to do a lien foreclosure. Liens are placed on properties for many reasons, but for this, department citations and abatements (clean ups) are often placed as liens for recovery. There are times where properties are cleaned up just to return to a nuisance property. The goal is to have a policy in place (on the books) for when the City decides that it is in the best interest for the environment, neighborhood, and City to force the sale of a property.

Q20: I don't understand what the measure "% of cases generated where no violation exists" means, let alone how the count will go from 9% to 99% from the first to the second year - I suspect a typo.

Thank you for the catch. Yes, this is a typo and should be 9%. These are relative to complaints that upon inspection there was no violation of the code, and the case was closed. Staff will correct the typo for the adopted budget document.

General Fund – Library (Page 131-134)

Q21: The 3rd paragraph under description talks about the Library Board and the Friends of the Library as if they are the same entity. My recollection is that they are two different entities, have they been combined?

The Library Board and the Friends and the Foundation are all three different entities. The Library Board is a city board, its members approved by city council. The Friends of Ledding Library and the Foundation are both separate non-profit organizations run by volunteers that provide financial support for the library.

Q22: Under "Accomplishments": The circulation number is just 2021 circulations, but the library cards issued number is the biennium total. Should this be consistent, or at least labeled so readers don't need to reference the performance measure chart?

Thank you for this, staff will make the update for the adopted budget to illustrate that one is by year and the other is biennium.

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General Fund – Library (Page 131-134), continued

Q23: Financial summary: I see that the book budget ran over significantly while the personnel costs were way under. I am wondering if that was a conscious decision to take advantage of the low personnel costs during the pandemic to enhance the books and materials budget.

The increase in the book budget was due to increasing the contribution to the district's eBook budget, online subscription, and to the increased number of grab-n-go kits for children providing materials to be accessible during the pandemic. As such, the on-call costs were low while the library and world was in quarantine which did allow the opportunity to build up the library collection using those funds.

General Fund – Police Department (Page 135)

Q24: Page 135, I am interested in hearing more about the first Accomplishment listed related to body cams and City Protect. When will they be implemented? One would hope that the City Protect program might help to foster neighborhood joint efforts and sharing. Although I have to say that as a randomly selected participant in a Census Bureau crime survey that is conducted every six months for 5 years, I really never have anything to report.

The Motorola Body Worn Camera Program (BWC) has a tentative deployment date set for June 27th and June 28th to “build” the system. The BWC footage is stored in a cloud-based system. The program to manage the video collected is called “Command Central Vault” which will be built to fit the department needs and policies. The program will be set up with customizable permissions, a searchable audit log, an exporting video evidence system to transfer video to the court systems, and so forth. Once the system is built and tested, staff will begin issuing BWC's to sworn officers. Staff will also be integrating the CAD (Computer Aided Dispatch System) into another program called City Protect. This is a separate system Motorola offers which will allow staff to have a public facing program where community members could log in to and see police activity and crime data for Milwaukie. This public facing program is a strong step towards transparency and to better inform our citizenry on public safety issues in the community. Staff anticipates the project build will go smoothly, and the goal would be to have the program fully implemented by July to September of 2022.

Construction Excise Tax Fund (Page 147)

Q25: What is the 35% of net revenue for affordable housing programs and activities will do. Is this assistance to individuals/families, or does this fund programs targeted to one service or another, such as providing information on available rentals or some such?

The 35% net revenue can go toward organizations/projects that are either building income restricted units and/or providing supportive housing services. In all likelihood, these funds, which will be dispersed through a competitive bid process, will go toward the development of affordable housing restricted at 80% or lower median family income (MFI) levels.

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Construction Excise Tax Fund (Page 147), continued

Q26: Page 149, Transfer of \$800,000 from general fund for affordable housing. How are we defining that, and what sort of performance measures will we use to evaluate whether the money we spend gets the desired results?

The city defines affordable housing as housing that is restricted for 80% and below of the median family income (MFI). These funds will be awarded through a competitive bid process (Request for Proposals) and would only be allocated to affordable housing projects that can definitively restrict their units to the income level.

Water, Wastewater and Stormwater Funds (Starting on page 164)

Q27: Page 164, for the Water Fund, and likewise for the Wastewater and Stormwater funds, a line item has been added for possible write-offs of utility bills that were not collected during the pandemic. I am wondering what the thinking is with regards to who makes a decision to cut utilities rather than write off the debt, and what the criteria for that decision would be. Would it be different for business than residents? It seems from the quarterly report that people are starting to pay. I'm interested to hear how it would work.

The city recently sent out letters to all utility customers that have not been current on their payments. Those letters included that the city will automatically place them in a payment plan status so that they can start paying down their balances. Since the letters have gone out, several customers have either paid or have started receiving utility assistance.

Milwaukie Redevelopment Commission (Page 211)

Q28: Invest \$750,000 in eligible affordable housing projects in the district, similar question, how do evaluate this spending?

Similar to question #27 of this document with the addition that city council generally has a preference for affordable housing projects that are "deeply affordable" (i.e., 30% MFI) and where the developer can restrict their units for the longest term. Most affordable housing projects restrict their units between 30-60 years, while some are restricted in perpetuity.

Capital Improvement Plan

Q29: Page 7, Capital Improvement Plan: Are the ARPA projects in the table included in the totals on the summary table on page 5 and 6?

Yes, all of the ARPA related grant funds are included in the totals for the projects. Since ARPA is federal dollars tied to large projects, staff decided to split this table out for transparency.