

Finance/Administration Committee

February 5, 2019

4:05 PM

1. ROLL CALL:

Ms. Swanson noted that the election of a chair should be the Committee's first order of business. Councilor Low stated he would be willing to continue as committee chair.

MOTION: Councilor Jones moved, Councilor Dark second, to appoint David Low as Chair. Motion APPROVED 3-0 (Yes: Low, Dark and Jones; No: None.)

Committee: Councilors David Low, Marion Dark and Chas Jones.

Staff: Finance Director Joan Swanson, City Manager Chris Workman, City Recorder Ruth Post and Permit Clerk Ashley Howell.

Ms. Swanson introduced Ashley Howell who is training to back up Ms. Post.

2. APPROVAL OF MINUTES:

2.1 Minutes of November 20, 2018 –

MOTION: Councilor Low moved, Councilor Jones second to approve the minutes of February 5, 2018, as presented. Motion APPROVED 3-0 (Yes: Low, Dark and Jones; No: None.)

Councilor Dark requested more information about the Investment Policy discussed in the November minutes. Ms. Swanson provided an overview of the draft Investment Policy and the required review by the State for approval. She explained that the State would be contacting the Council directly with recommended revisions to the draft policy and described examples of those revisions. She noted that the State model policy includes expanded provisions that Philomath is unlikely to use and that the model is designed to serve both small communities like Philomath and large ones like Portland. She explained the remaining process for review of the policy and added that the City does have an existing policy that is out-of-date.

Councilor Dark requested information about the funds located in the Local Government Investment Pool. Ms. Swanson summarized the funds such as the annual property tax revenues that are received primarily as a lump sum in November and must be allocated out for General Fund expenses throughout the course of the fiscal year. She reviewed the banking services the City uses and how that correlates to the funds in the LGIP by way of transfers to maximize interest earnings.

Councilor Jones questioned if the investment policy had been in place a year ago, how the City would have done on interest. Ms. Swanson explained it would have been a good return because interest rates were much higher than they are now. Councilor Low stated the policy will come back as a future agenda item.

3. NEW BUSINESS

3.1 GENERAL FUND FEE REVIEW

Ms. Swanson reviewed the history of the General Fund Fee, including the five year sunset and the required annual review. She explained the timing of the Committee's review and recommendation of the fee to the Council. She explained this is a step in the process for completing the draft budget for the next year.

Councilor Dark questioned if the City has already achieved the goal of \$600,000 in ending cash balance based on the current budget. Ms. Swanson explained that the City does have funds reserved for establishment of a PERS side account through the State. She provided a summary of PERS history and the unfunded liability that exists. She explained that rates are set by the State for the City to pay and the benefit of setting up a side account to earn interest and offset future rate increases. She described the State match program that is being offered at this time for a side account and the positive impact that will also have on the City's PERS rates. There was discussion about the State matching funds program being a short-term option available to cities and the value of taking advantage of it. Ms. Swanson described the one-time revenues last year that resulted in the additional funds, such as unexpected State revenue from marijuana sales and the sale of two city lots, and the intent to try to save up for a one-time deposit into a side account that will receive the most matching State funds possible.

Mr. Workman related the discussion back to Councilor Dark's original question and explained the long term outcome of the ending fund balance being at \$600,000 while also saving towards future building and infrastructure expenses on a consistent basis. Ms. Swanson explained that the \$600,000 is not a random number; it is the amount needed to pay bills from July 1 until property tax revenues are received in late November of each year to avoid the General Fund from running a deficit. Mr. Workman explained the budget is very tight and there is no fallback available on the operating expenses. He stated as much as staff would like to eliminate the fee, it is important to maintain the long-range plan that the prior Council set as a goal.

Ms. Swanson described the effect on the next year's budget if the fee is eliminated. She stated the estimated figures for 2019-2020 as estimated in the 2018-2019 budget are going to be very close. There was discussion about the delay between construction and actual increase to property tax value on the current apartment complexes. Mr. Workman described the timeline for the Oak Springs Apartment that has yet to reach the occupancy stage. There was discussion about the process for new developments to impact the tax rolls. Mr. Workman stated his expectation was in the next two to three years the tax base will be impacted by the apartments and new subdivision construction.

Councilor Jones stated he has a conceptual issue with the General Fund Fee because he believes it is a tax and had concerns about impacts on low income residents. Ms. Swanson stated the Committee last year did review several mechanisms for providing relief for low income residents. Councilor Low described the discount program available and Ms. Swanson stated that nobody who has applied for a discount has been turned down. Councilor Low described his history on the Budget Committee for several years before becoming a Councilor and the long-term knowledge that provides him. He described the minimal infill development that occurred over that period and the need for meaningful revenue to avoid drastic cuts in services. He stated the fee was a method to create a longer range solution until the tax base saw actual growth. He noted the Strategic Plan objectives related to the fee, the ending fund balance and the saving for future building expenses.

Councilor Jones stated he does appreciate the value of having savings in place. He stated a preference for a decreasing fee to show the public that it is truly temporary. Councilor Dark questioned how the amount of the PERS side account was determined. Ms. Swanson explained the amount was based on one-time revenue receipts and the intent to make a one-time deposit to take as much advantage of the State matching funds as possible. Mr. Workman described the incentive the State has for leveraging the deposits into the side accounts with a cash incentive.

Mr. Workman described the operating levies most of the other taxing districts in the County are receiving additional revenue through and the timing to renew them every five years. He noted that Philomath does not have an operating tax levy. Councilor Low stated the consideration that the prior Council gave to a levy and the semi-permanency of those levies. Mr. Workman described the decision to call it a General Fund Fee instead of a Public Safety Fee, Park Fee or Sidewalk Fee. He stated that Philomath has a history of being fiscally prudent and not going out to the voters for levies. He described the park levy over a decade ago that accomplished its stated goals and was not renewed. He described the inequities created by property tax compression that impact the actual amount collected in a levy.

Mr. Workman stated the preference would be to reduce the fee as needs increase for the water treatment plant replacement. Councilor Jones questioned why the decision is not made during the budget process. Ms. Swanson explained the difference between the elected Council and the Committee including citizen volunteers and that fee decisions should be made by the elected representatives. Councilor Low explained the effect of cutting the fee out of a proposed budget and the need to reduce services.

Councilor Dark questioned the transfers to the Land, Building & Equipment fund and stated the buildings don't seem that bad to her. Mr. Workman described foundation issues at the Police Station that will require substantial repair. There was discussion about the Library floodplain and space constraint issues and space issues at City Hall. Councilor Dark questioned if System Development Charges could be used for building expansions such as the library. Ms. Swanson explained that they can only be used towards those specific purposes they were collected for such as water, sewer, streets, parks and storm drain systems.

Councilor Dark questioned why a school excise tax isn't being collected. Mr. Workman described concerns the school district has for adding a fee while they currently have taxpayers repaying bonds. He stated the school district has chosen not to act on that option at this time. He described future potential scenarios that could result in the school district taking a different path.

Mr. Workman explained that, at this time, the State hasn't expanded SDC's to include building facilities. There was discussion about the SDC methodologies for water, sewer and parks currently being reviewed and the expense of the priority project list for water projects alone. Mr. Workman also described the opposite situation where the Park Master Plan priority list is mostly SDC ineligible and finding ways to use collected SDC's.

Councilor Low summarized the timeline for review of the General Fund Fee, including the recommendation by the Committee and further review by the Council. Ms. Swanson stated the review of the fee would be at the March 11 City Council meeting. Mr. Workman described the process of the Committee vetting the issue, answering questions and the Committee taking their recommendation to the Council. He explained the importance of the Committee's recommendation.

Councilor Jones stated his understanding of the need for the fee but his preference for it to be reduced. He suggested that a \$9 fee would be more palatable and would have a minimal revenue impact. Councilor Dark stated the need to show the citizens that the Council is concerned and would support a reduction to \$8.

Mr. Workman stated a reduction in the fee would result in substantial cuts that would impact that public. Councilor Low stated his preference for the Council to begin with a \$10 fee and, from there,

consider any reduction in the amount. Councilor Jones stated his agreement. Councilor Dark discussed the history of the original implementation of the fee. Mr. Workman described the low ridership in the Saturday Philomath Connection bus service but that eliminating that service wouldn't equal a \$1 fee reduction. He described the value of maintaining the \$10 fee and completing the goal of reaching the ending fund balance target.

MOTION: Councilor Low moved, Councilor Jones second, the Finance and Administration Committee approve renewal of the \$10 per month General Fund Fee and propose the City Council consider the fee for fiscal year 2019-20. Motion APPROVED 2-1 (Yes: Low, and Jones; No: Dark.)

3.2 ANNUAL COST OF LIVING ADJUSTMENT

There was discussion about the 2018-19 increase for all employees having been 2%. Ms. Swanson explained the effect of keeping consistent COLA's throughout the organization and maintaining the spread between represented employees and non-represented employees. There was discussion about this recommendation being used to develop the budget. There was discussion about which non-represented employees do not receive the longevity pay.

Councilor Dark questioned other benefits provided to the City Manager, including cell phone and deferred compensation. She stated unhappiness about the General Fund Fee and suggested management make a symbolic move to take a smaller COLA increase. Mr. Workman described one of the effects of having the City Manager live within the city limits makes him also subject to fee increases the Council approves. He stated that there are other residents who make more than he does and are also impacted by the fees. Councilor Dark restated the value of a symbolic reduction by management. Ms. Swanson explained the other non-represented staff that are impacted by a COLA reduction beyond managers, including part-time hourly staff. Councilor Jones stated concerns that any reduction should not be directed at individuals. Councilor Dark stated she is not suggesting all of the non-represented staff take a symbolic reduction, only some. Mr. Workman noted the question is not about any bonus or incentive but is about keeping up with inflation with a cost of living adjustment.

MOTION: Councilor Jones moved, Councilor Low second, the Finance and Administration Committee recommend a 2% cost-of-living increase effective July 1, 2019 for non-represented staff. Motion APPROVED 3-0 (Yes: Low, Dark and Jones; No: None.)

3.3 MODEL TELECOMMUNICATIONS FRANCHISE AGREEMENT

Ms. Swanson explained that Peak and Alyrica are the two telecommunication entities who would like to operate within the City that do not currently have franchise agreements. She noted that they are both considering product enhancements that would make a franchise agreement applicable. Mr. Workman added that the Pioneer Telephone franchise agreement is due for review and renewal. He provided an overview of franchise agreements and the fees collected for them. He explained that Peak has approached the City with a franchise agreement that they have recently signed with the City of Corvallis, while Alyrica has provided one from Brownsville. He described discussions with the City Attorney's office regarding preferences for a model code to maintain consistency between the three entities. He explained that final agreements will come to the City Council for approval.

Mr. Workman described provisions built into the model agreement and minor corrections noted. Mr. Workman described the importance of treating companies equal in contract terms. He explained the difference between this type of agreement and an exclusive franchise such as Republic Services has for garbage service.

MOTION: Councilor Dark moved, Councilor Jones second, to approve the model telecommunications franchise agreement and direct staff to prepare franchise agreements for each franchisee to be presented to the City Council for consideration. Motion APPROVED 3-0 (Yes: Low, Dark and Jones; No: None.)

4. ADJOURNMENT:

Meeting adjourned at 5:49 p.m.

Meeting notes recorded by Ruth Post, City Recorder