Finance/Administration Committee
February 20, 2018
5:30 PM

The meeting was called to order at 5:36 p.m. by Chair David Low.

ROLL CALL:
City Councilors: Charla Koeppe, Candy Koetz, and David Low.
Staff: City Manager Chris Workman, Finance Director Joan Swanson, and City Recorder Ruth Post.

APPROVAL OF MINUTES:
MOTION: Councilor Koeppe moved, Councilor Koetz second, to approve the minutes of August 16, 2018. Chair Low questioned the status of the Alyrica proposal that was presented on August 16. Mr. Workman stated that Alyrica is looking at several communities for their next project, so no further action is required of the City at this time. Motion APPROVED 3-0.

NEW BUSINESS:
COLA increases for non-represented staff:
Ms. Swanson explained the two union contract agreements have negotiated a 2% COLA in the second year of each contract. There was discussion about maintaining the equal separation of salary levels by allotting the same percentage for management as the represented employees. There was discussion about COLA rates both statewide and nationwide. Ms. Swanson explained that she does intense comparisons during union negotiations. She explained that the comparables last year resulted in the police steps being increased during those negotiations. She added that the League of Oregon Cities does comparables also. Councilor Low questioned if the 2% was middle ground at the time. Ms. Swanson explained that only the first year of the contract can be based on actual inflationary statistics and subsequent years are based on a best estimate.

There was discussion about the compression that results if the management salaries don't keep pace with the negotiated union rate. Ms. Swanson explained her preference that staff be compensated a fair salary for the work performed; and if there is a need in the budget, to look at other expenditures. There was discussion about the longevity pay, and the institutional knowledge brought to the table by those employees. It was clarified that the three staff members receiving the longevity pay are the Finance Director, City Recorder and Public Works Director who have all been with the City more than ten years. There was discussion about the longevity pay having originally been a program designed by the City Council itself, not by staff. There was discussion about the five salary steps for each position.

Councilor Low described the importance of members of the Council understanding the dynamics involved in making staff salary decisions. Ms. Swanson explained that competent staff that is trying to do the best for the City can make decisions that save the City large sums of money. Councilor Koeppe stated she agreed and felt that all of the City's managers are focused on the City's best interests. Mr. Workman stated he appreciated the Councilors acknowledging the bigger picture of what staff does on a daily basis and the value that they bring.

MOTION: Councilor Koeppe moved, Councilor Koetz second, the Finance/Administration Committee recommend a 2% cost-of-living increase effective July 1, 2018, for non-represented staff. APPROVE 3-0.

General Fund Fee Review:
Ms. Swanson explained the need to do a preliminary review of the General Fund Fee as required in the ordinance. She stated the first seven months of the fee show it is doing as intended: building the General Fund ending balance and providing for savings transfers to the Land, Building and Equipment Fund. She described options for review and recommendations by the City Council and Budget Committee. Councilor Koeppe stated her preference that the Committee make a recommendation to the City Council and have the Council review it before development of the budget. There was discussion about the timing and options to ensure a transparent public process. Ms. Swanson explained that maintaining the $10 fee would keep the City on the path to accomplishing the original goals because the developments that have recently been approved won't increase the property tax base for another two or more years.

Councilor Koeppe questioned what the public feedback has been since the fee was implemented. Ms. Swanson explained the outreach that has gone on by her staff to ensure customers both old and new understand the fee and the discount program that is available. There was discussion about one person having recently commented to the Council regarding the City's finances. Ms. Swanson explained the need to differentiate the fee discussion from the next agenda item regarding PERS because the potential to create a PERS side account is an extraordinary situation and does not change the need to increase the General Fund ending balance. She also noted that since the fee was instituted, water usage has decreased. She suggested that customers are conserving more water to save on their overall bill. There was discussion about the positive aspects of citizens conserving on water.

There was discussion about being able to discontinue the General Fund Fee coinciding with new development that increases the property tax base but that it would take two to three years before that increase is actually realized on the tax base. Councilor Koetz noted that a full year's worth of data doesn't yet exist on the impact of the General Fund Fee. There was discussion about the improved status of the General Fund year-end balance but that it still isn't sufficient to pay the City's expenses each year from July 1 until property taxes are received in November.

MOTION: Councilor Low moved, Councilor Koetz second, the Finance and Administration Committee recommend a $10 General Fund Fee to the City Council for the fiscal year 2018-19 to be presented at the March City Council meeting. Motion APPROVED 3-0.

PERS Side Account Discussion:
Ms. Swanson reviewed the PERS Side Accounts that have existed but required a minimum $1 million deposit and that the size of the minimum had historically made it difficult for smaller governmental entities to afford to take advantage of them. She described the benefits in a Side Account as a type of PERS prepayment distributed over a 20 year period that reduces the entity's unfunded PERS liability. She explained the State legislation to create a matching fund for PERS Side Accounts that Governor Brown has proposed. She explained that the matching funds benefit is being targeted at smaller communities and Philomath would meet that definition.

She discussed the City's unfunded liability and that the majority of the current employees do not impact that unfunded liability because they are not in PERS Tier 1 or 2. She explained that the Governor's proposal doesn't call for actually funding a Side Account until 2019, allowing the City time to save money for that purpose. There was discussion about the State's matching contribution being a significant financial benefit for the City to take advantage of.

Ms. Swanson reviewed the effect of the Moro decision on the statewide unfunded liability problem. Councilor Koeppe stated she is familiar with the funded retirement liability issue on another non-governmental board she sits on and it is not exclusive to PERS.

Ms. Swanson reviewed the proposed Employer Incentive Fund currently targeted to provide a 25-cent match per $1 with a $250,000 minimum contribution by the City. Councilor Low questioned where the State was going to come up with the money to fund the program. Ms. Swanson commented there are some unusual sources being presented.

Ms. Swanson described the unanticipated revenues this fiscal year from building permits, sale of the two surplus properties and one-time marijuana shared revenue that should bring the City close to the minimum funding requirement. She reviewed the spreadsheet projections and the savings the City would realize from a Side Account. There was discussion about the State matching program potentially only being a one-time deal and the ability to save two years towards the City's contribution. Ms. Swanson explained that a contribution would be allocated proportionally from each of the City's funds that have payroll in them: General Fund, Street Fund, Water Fund and Sewer Fund.

Ms. Swanson explained the intent to save the money this year from the unanticipated sources and the addition of a new line item for the establishment of a Side Account. There was discussion about the significantly different goals of the General Fund Fee and the Side Account. Councilor Koeppe noted that the General Fund Fee could possibly be eliminated within a short timeframe because of growth in the property tax base and the Side Account is a long-term plan to mitigate increasing PERS expenses. There was discussion about the inclusion in the budget of a new Side Account line item.

Mr. Workman noted the argument that could be made to use those dollars to eliminate the General Fund Fee and the need to recognize the advantage of taking advantage of the potential State program. Councilor Koeppe described the major differences between governmental financial statements and personal finances. Mr. Workman stated that staff is always happy to provide additional information when requested by any citizen.

ADJOURNMENT:
Seeing no further business, Councilor Low adjourned the meeting at 6:50 p.m.

Meeting minutes taken by Ruth Post, MMC, City Recorder