

**CITY OF PHILOMATH
BUDGET COMMITTEE
MINUTES
April 17, 2019**

City Council President Low called the meeting of the Philomath Budget Committee to order at 6:37 p.m. on Wednesday, April 17, 2019, in the City Hall Council Chambers, 980 Applegate Street, Philomath.

1. ROLL CALL

Present:

City Council Members: Mayor Eric Niemann (via teleconference), City Councilors Marion Dark, Doug Edmonds, Chas Jones, David Low, and Terry Weiss.

Citizen Members: Catherine Biscoe, Margie Brown, Ruth Causey, Noelle Cummings, Robert Glathar, Matthew Lehman, and Brian Noakes.

Staff: Chris Workman, City Manager; Joan Swanson, Finance Director; Ken Rueben, Chief of Police; Kevin Fear, Public Works Director; Ruth Post, City Recorder, David Gurski, Police Sergeant, and Garry Black, Public Works Operations Supervisor.

Absent: City Councilor Matthew Thomas.

2. ELECTION OF CHAIR

MOTION: Councilor Low moved, Mr. Noakes second, to appoint Doug Edmonds as 2019 Philomath Budget Committee Chair. Motion APPROVED 13-0 (Yes: Biscoe, Brown, Causey Cummings, Dark, Edmonds, Glathar, Jones, Lehman, Low, Niemann, Noakes, and Weiss; No: None).

3. MINUTES

MOTION: Councilor Weiss moved, Councilor Low second to approve the minutes of May 16, 2018 as presented. Motion seconded and APPROVED 13-0 (Yes: Biscoe, Brown, Causey, Cummings, Dark, Edmonds, Glathar, Jones, Lehman, Low, Niemann Noakes, and Weiss; No: None).

4. VISITORS/PUBLIC COMMENTS

Mike Sprouse, Philomath, OR -- Mr. Sprouse stated he attended the Budget Committee training last week and considered it very helpful. He encouraged the use of the City's website to provide more detailed information about the budget.

Mark Weiss, Philomath, OR -- Mr. Weiss stated that the Committee has a right to make any decisions they want to and should not let anyone tell them they can't make them. He expressed displeasure with management salaries and benefits and the manager to employee ratio. He described the tax rate in Philomath as high and encouraged the Committee to look for ways to lower fees for citizens.

Lawrence Johnson, Philomath, OR -- Mr. Johnson described his background as a CPA and attorney. He stated the City acts like it has money when it doesn't. He described displeasure with employee salaries and benefits and the increasing water rates. He

stated the responsibilities of the Budget Committee and City Council are not being met. He stated displeasure with the increase in the Police Department budget and made suggestions to reduce it, including replacing all of the officers with cameras. He stated the citizens should make the rules about where money can be moved and spent.

Robert Biscoe, Philomath, OR -- Mr. Biscoe described living within a budget. He encouraged the Committee to review the budget for consistently increasing expenditures. He requested the individual departments shrink their budget to help pay towards the water treatment plant.

Councilor Edmonds stated there would be an opportunity for public comment before each Budget Committee meeting. He described the importance of the City's new credit rating from Standard & Poor's. He noted the fiscal management policies that led to that higher rating which can result in better interest rates for financing the water treatment plant.

5. **BUDGET MESSAGE**

Mr. Workman provided the budget message as included in the proposed budget document.

6. **PERS PRESENTATION**

Ms. Swanson and Mr. Workman provided a PowerPoint presentation on the PERS system and the savings to be realized over 20 years by setting up a PERS side account. Ms. Swanson noted the allocation in the 2019-2020 budget for a PERS side account has a significant impact throughout the budget in each department with personnel salaries.

Ms. Swanson requested the Committee make a decision to provide staff with confirmation that the PERS side account allocations should be included in the budget.

Councilor Weiss stated she approved of the PERS side account but wanted to suggest that the Committee consider eliminating the City paying the PERS employee portion and the management deferred contribution. Mr. Glathar stated requiring the employees to pay their contribution is a salary cut. Chair Edmonds requested that the discussion at this time focus on the establishment of the PERS side account and save other discussion items for appropriate times.

There was discussion about the rate calculation, State rules for side accounts, and the actuarial decisions involved in choosing the terms for a side account. Ms. Swanson explained the recommendation for a 20-year term based on available projections. Ms. Swanson explained that a side account will only be used for City of Philomath PERS costs. Mayor Niemann noted the figure that 70% of Philomath's PERS unfunded liability costs are for retired former employees and any changes instituted by the State legislature for PERS would have no impact on those retirees. Ms. Biscoe questioned what the City's current PERS liability is on an annual basis. Ms. Swanson explained the 2016-17 expenditure was \$273,931. Ms. Biscoe questioned if the majority of the funds for the contribution was generated from the general fund fee. Ms. Swanson explained that monies allocated for the proposed side account were generated from one-time revenues that were not anticipated when the budget was prepared, including sale of properties and marijuana tax revenue. There was discussion about the reduction in PERS cost increases that the City would receive by establishing the side account. Councilor Dark suggested borrowing money from one fund to another in order to

generate revenue. Ms. Swanson clarified that \$108,000 in PERS savings per year from a side account would not be exclusively in the general fund but would instead be allocated throughout all of the funds with salaries. Mr. Glathar requested a single list of the allocations for the PERS side account throughout the budget.

MOTION: Ms. Biscoe moved to table the remainder of discussion until the list requested by Mr. Glathar was provided. The motion did not receive a second.

Councilor Edmonds requested a hand vote to proceed with the money in the budget for the PERS side account. There was a consensus to proceed with the allocations as proposed.

Chair Edmonds called a recess at 7:35 p.m. and brought the Committee back to order at 7:42 p.m.

7. REVIEW GENERAL FUND BUDGET

General Fund Revenues – Ms. Swanson reviewed the cash balance forward that includes funds previously reserved for a PERS side account. She reviewed the 4% increase in property tax assessments that does not include any increase for the apartment complexes due to the timing of construction completion. She explained that the cigarette, liquor and state revenue sharing are a per capita calculation. She explained the process for receiving state revenue sharing. She reviewed the general fund fee revenue anticipated from the apartment complexes. She stated that all of the franchise fees are down slightly with no obvious trend or reason. She reviewed anticipated reduced revenue from municipal court due to less citations. She explained the administrative overhead revenue charged to other funds that is increased due to the effect of the PERS side account. She explained the Oregon RAIN grant administration shares to be received from the other seven cities in that collaborative grant that the City will administer.

Ms. Cummings questioned the increase in bus fee revenue if the bus ridership is down. Ms. Swanson explained the increase in the negotiated contract with OSU for bus services. Councilor Low questioned if any changes to the bus route or increase from the apartment complexes will result in increased user fees. Mr. Workman stated that the intent is to budget conservatively; and if that happens, it will be a positive situation.

Councilor Dark questioned the transfer from the Community Development Fund to the General Fund. Ms. Swanson provided more detailed explanation that there are funds that charge user fees that cannot generally transfer to other funds, such as the Water Fund to the General Fund but can be transferred from the Water Fund to the Land, Building & Equipment Fund to pay for capital water projects; and there are funds such as the Community Development Fund that are not restricted and can be transferred to another fund, such as the General Fund.

Ms. Swanson explained that the State sets the rules for calculation of property taxes and it is administered by Benton County. There was further discussion about the impact of the apartment complex construction on the property tax base in coming years. Ms. Swanson clarified that the water treatment plant is a capital project and will come out of Land, Building & Equipment and System Development Charges which are both capital project funds.

There was further discussion about using loans from one fund to another and the repayment requirements. Ms. Swanson provided a brief explanation of the transfers from the General Fund into Land, Building & Equipment Fund for capital projects and equipment purchases. Councilor Jones questioned if there has been consideration of loaning monies from one fund to another to reach the PERS side account match maximum of \$300,000 from the State. There was discussion about the advantages and disadvantages of borrowing money from one fund to another. Ms. Swanson cautioned that this type of borrowing, particularly for operating expenses, creates twice the issues in the subsequent budget year.

Chair Edmonds suggested that members of the Committee contact staff between now and the next meeting if they have specific questions that could be addressed in order for the Committee to make efficient progress on April 24th.

8. **ADJOURNMENT:**

Chair Edmonds adjourned the meeting at 8:13 p.m.

SIGNED: Doug Edmonds, 2019 Chair

ATTEST: Ruth Post, MMC, City Recorder