

**CITY OF PHILOMATH
BUDGET COMMITTEE
MINUTES
April 18, 2018**

2017 Chair Robert Boss called the meeting to order at 6:20 p.m.

1. ROLL CALL

City Council Members: Mayor Rocky Sloan, City Councilors Doug Edmonds, Jerry Jackson Sr., Charla Koeppe, Candy Koetz, and David Low.

Citizen Members: Robert Boss, Margie Brown, Matthew Lehman, Brian Noakes, Mark Rasmussen and Robert Glathar (arrived 6:55 p.m.).

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

Absent: Councilor Eric Niemann.

2. ELECTION OF CHAIR

MOTION: Jerry Jackson Sr. moved, Charla Koeppe second, to nominate Robert Boss as 2018 Budget Committee Chair. Motion APPROVED 11-0.

3. APPROVAL OF MINUTES

MOTION: Doug Edmonds moved, David Low second to approve the minutes of May 30, 2017. Motion seconded and APPROVED 11-0.

4. VISITORS/PUBLIC COMMENTS

None.

5. BUDGET MESSAGE

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

Ms. Swanson distributed and reviewed the FY 2017-2018 Third Quarter report, particularly focusing on revenues for the year to date. She explained the General Fund revenues including cash carryover, property tax revenues, marijuana tax revenue from the State, building permits, and miscellaneous revenue from the sale of two city-owned lots. She noted there were some unexpected and unusual one-time revenue instances that have occurred in the current year: Expenses in the prior year were held down, resulting in an increased cash carryover; property tax revenues came in higher than anticipated, showing that some growth is happening to the tax base; the City received unexpected marijuana tax from the State; building permit revenues have been boosted by both an increase in building activity and some fees from the two new apartment complexes; and the City sold two surplus lots on Industrial Way.

6. REVIEW GENERAL FUND BUDGET

General Fund Revenues – Ms. Swanson summarized the effect of the revenue status from 2017-18 on the cash carryforward for the proposed budget. She reviewed the prior

downward trend that the cash carryforward was in and emphasized that the long-term goal is to have a cash carryforward of \$600,000. She noted that there is an opportunity this year to do a set aside that would positively impact the City's PERS expense. Mr. Workman noted the need to have the carryforward sustained at \$600,000 on a continuing bases. Ms. Swanson reviewed the estimated property tax revenue increase of 4.5%.

Ms. Swanson explained that the City is currently eligible to receive the State tax revenue for marijuana dispensaries because they are allowed, even though there actually are none located in the City. She reviewed the General Fund Fee and explained the steps staff takes to ensure citizens know about the fee waiver. She reviewed the five-year sunset for the fee and the annual review required by the City Council. She stated the Council approved continuation of the fee for the 2018-19 year at the \$10 per month per household at the March 14 City Council meeting.

Councilor Edmonds questioned if the construction of the expected apartment complexes will impact the need to continue the General Fund Fee. Ms. Swanson explained the conservative budget estimating used and the extensive timeline, years even, that construction requires before seeing the effect on the property tax base.

Ms. Swanson reviewed building permit, franchise fee and municipal court revenues. She explained the administrative overhead that is collected from the other funds that use the Finance and Administration Department's for services such as accounts payable, utility billing, and payroll.

Ms. Swanson noted that no new full time positions are being added in this budget. She stated that a 0.25 FTE position is budgeted for building permits to provide assistance to the City Recorder. She noted the two union agreements in place with no changes. She reviewed health insurance, dental insurance and PERS rates for 2018.

Administration – Mr. Worker reviewed the Administration Department budget noting that planning activity continues to increase. He noted that prior Planner Jim Minard had retired and the City has moved forward in partnership with Benton County, Adair Village and Monroe for a full-time Planner to cover all of the local jurisdictions. He stated that, when hired, the new Planner will be located in Philomath for 12 hours per week.

Building Permits – Ms. Swanson reviewed the estimated construction for 2018-19 and the addition of the small Chapel Drive subdivision. She noted the effect of the substantial building permits for the two apartment complexes, with Conser's Oak Spring in the 2017-18 budget year and Mountain West's The Boulevard in the 2018-19 budget year. Mr. Noakes questioned how many apartments are anticipated in each complex. Mr. Workman stated 84 in Oak Springs and 256 in The Boulevard.

(Robert Glathar arrived at 6:55 p.m.)

Mr. Workman described the expected highway improvements on Highway 20 for The Boulevard including the extension of the middle turn lane from Clemens Mill Road to beyond the access to The Boulevard. He noted the latest version of the improvements includes a pedestrian island refuge at the highway crossing location to connect to the west side bike path and noted that all of the improvements are being paid for by the developers.

Finance – Ms. Swanson stated there are no major changes anticipated in the Finance

Department for 2018-19. Mr. Workman noted that many expense lines such as credit card expense have an associated revenue, such as increased court fine collections resulting in higher credit card expenses. Ms. Swanson described the differences in credit card rates. There was additional discussion about the use of credit cards as a service.

Municipal Court – Ms. Swanson explained the transition the court staff is currently making to a new software management program. She noted the citations typically average around 1,000 per year. She reviewed the additional court statistics, including the impact of three particular DUII cases that heavily impacted the days of jail time ordered and served. She noted that defendants ordered to serve days in jail are typically billed for it, although actual collections are somewhat limited.

Police – Chief Rueben stated the budget increases in the Police Department budget this year are from outside sources, including the 9-1-1 service and the radio fees. He described the potential for a 9-1-1 Service taxing district and noted that cost has increased \$26,000 over the past two years. He stated support for the potential service district. He stated that citation revenue is down this year and the long construction project may have impacted that due to traffic congestion. He stated that they have assigned an officer for traffic enforcement. He noted that the importance of citations is to drive accident rates down and improve traffic safety. He suggested using forfeiture funds to target traffic issues with enhanced tools.

Chief Rueben described the effect of increased truck traffic in slowing traffic down. Mayor Sloan described new detection technology installed at the 53rd Street intersection to try to keep trucks moving through the intersection.

Chief Rueben described the aggressive work the department performs on property crime. He stated there are no major changes in the Police Department budget. He stated you want the bad guys to know you're aggressive on crime and the good people to know this is a safe place to live.

There was discussion about both the City of Corvallis and Benton County having open recruitments for officers that pay substantially more than Philomath. Chief Rueben described the two year timeline involved in hiring and training an officer. Councilor Jackson questioned if there are any reserves currently. Chief Rueben stated there are currently no active duty reserves but there are two potential reserves currently in the interview process. He described the training involved in reserves and the potential for them to get hired away to full employment when another agency has a position available.

Ms. Swanson noted that Philomath has not lost any officers to the other agencies with openings even though they could make substantially higher salaries. Chief Rueben described the sense of family community and positive environment that retains staff.

Buildings & Grounds – Mr. Fear reviewed the maintenance and operations for City buildings that are expended out of the Building & Grounds Department. Councilor Jackson questioned potential for the library building expansion or replacement. Ms. Swanson noted that funds transferred to Land, Building & Equipment are saved for building projects. There was discussion about the Friends of the Library having an impact on the library operations and keeping an open dialogue with the Library Director. Mr. Workman described the use of City facilities such as City Hall by the library for events.

Parks – Mr. Fear reviewed the park maintenance and repairs that Public Works performs. He stated that they are not involved in events such as Music in the Park. Ms. Swanson stated that park reservations are handled in the Finance Department and the Kugler Community Hall is very popular and heavily rented. Mr. Workman described the efforts of the Park Advisory Board including putting on the Music in the Park program and their advisory role in the creation of the new North 11th Street park. He stated that construction of that park will be wrapped up and paid for by the end of October to meet the Oregon State Parks grant requirements.

City Council – Ms. Swanson explained this was previously called Non-Departmental and is a catch all for everything else. She summarized the special services funded out of the City Council Department including attorney retainer, bus services, and contributions to non-profit social service agencies. Mr. Workman reviewed the new economic development project that is a collaboration with seven other small cities to grow entrepreneurs within those cities. He described the \$70,000 grant and the \$20,000 match, of which \$2,461 is Philomath's share. He reminded the Committee of the testimony at last year's budget meetings about the need for the City to do more to attract and assist businesses and economic growth. He stated there may be opportunities for future grants to extend this program. Councilor Edmonds questioned what the timeline is for the project. Mr. Workman stated he would have more details in two weeks.

Councilor Jackson questioned if there could be more outreach to promote donations to the flower basket program. Ms. Swanson thanked former mayor Dale Collins for his efforts to spearhead this project including collecting donations and coordinating weekend flower waterers. Mr. Workman noted there is a revenue stream associated with the flower baskets from collected donations.

Ms. Swanson described the addition of tracking software for the website and social media.

Councilor Koeppel questioned the cuts that were made to last year's budget including the Frolic sponsorship for fireworks and the miscellaneous expenses. She questioned if there was any support for adding the Frolic support back in. Mayor Sloan stated that until the General Fund Fee is removed, he wouldn't support the addition of that support.

Reserved for Future Expenditure – Ms. Swanson explained the opportunity through the State legislature for cities to create PERS side accounts. She reviewed the source of the unfunded liability that exists and stated the City of Philomath's share of unfunded liability is \$2.6 million. She noted that the unfunded liability is primarily due to retirees and not the current employees. She described a PERS side account that is managed by the PERS Board and is then allocated back to the City over a twenty year amortization period. She stated the major problem in the past has been that the minimum to create an account was \$1 million but the 2018 legislature lowered that minimum to \$25,000. She further explained that the State created a one-time 25% match to entities that create a side account. She described the rules for accessing the match and emphasized it is a one-time opportunity. She described the effect of using the side account that would double the actual contribution amount. She noted the goal of allocation of \$500,000 to put into a side account using an apportionment from all of the City's funds and that the General Fund share would be \$349,000. She described the advantages of waiting until next year to fund an account in hopes that additional funds could be derived in the 2018-19 budget that would add to the total to be matched, noting building permits as one particular source of additional funds. Councilor Jackson questioned if the HP appeal is settled. Ms. Swanson stated that she believed it is fully settled. He also questioned if this

would put the City in a better position for future loans and bonding. Ms. Swanson stated that it absolutely would and described the analysis of the health of the City's funds that a bonding agency looks at. Mr. Workman stated the importance of not using the one-time revenues that were received this year to fund ongoing expenses and the importance of taking advantage of the match. He stated this is a long-term view towards the fiscal health of the community.

Councilor Low questioned if the PERS is the only unfunded liability that the City has. Ms. Swanson stated it is. Mr. Workman stated the State's goal is to encourage major investment that will ultimately drive rates back down. Mr. Noakes clarified that this is a benefit for Philomath irrespective of whether the State realizes an investment gain. Mr. Workman agreed that both the match and the amortization over the 20-year period impacting the Cities PERS rates are both benefits to Philomath irrespective of investment gain.

7. **ADJOURNMENT:**

There being no further business to come before the Budget Committee, Chair Boss adjourned the meeting at 8:07 p.m.

SIGNED: Rocky Sloan, Mayor

ATTEST: Ruth Post, MMC, City Recorder