



CITY OF PHILOMATH

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City of Philomath

BUDGET COMMITTEE

City Hall Council Chambers

980 Applegate Street

May 15, 2019

6:00 PM

AGENDA

1. ROLL CALL

2. APPROVAL of MINUTES

- April 17, 2019
- April 24, 2019

3. VISITORS/PUBLIC COMMENTS

4. REQUEST FOR SALARY SURVEY FUNDING

5. BUDGET REVIEW:

- Development Review Fund
- Land, Building & Equipment Fund
- System Development Charges Fund
- Community Development Fund
- Economic Development Fund

6. MOTION TO APPROVE BUDGET AND TAX RATE

6. ADJOURN

**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

**CITY OF PHILOMATH
BUDGET COMMITTEE
MINUTES
April 24, 2019**

Chair Doug Edmonds called the meeting of the Philomath Budget Committee to order at 6:00 p.m. on Wednesday, April 24, 2019, in the City Hall Council Chambers, 980 Applegate Street, Philomath.

1. ROLL CALL

Present:

City Council Members: Mayor Eric Niemann, City Councilors Marion Dark, Doug Edmonds, Chas Jones (via teleconference at 6:10 p.m.), and David Low.

Citizen Members: Catherine Biscoe, Margie Brown, Ruth Causey, Noelle Cummings, Robert Glathar, Matthew Lehman (via teleconference), 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, and Garry Black, Public Works Operations Supervisor.

Absent: Councilors Terry Weiss and Matthew Thomas.

2. VISITORS/PUBLIC COMMENTS

None.

3. PUBLIC HEARING

Ms. Swanson briefed the Committee on the requirements for the public hearing to receive state revenue sharing funds.

Possible uses of State Revenue Sharing – Chair Edmonds opened the public hearing at 6:02 p.m. to receive public comment on the possible uses of State Revenue Sharing. Seeing no public wishing to testify, Chair Edmonds closed the public hearing at 6:02 p.m.

4. REVIEW GENERAL FUND BUDGET

Administration/Planning – Mr. Workman explained the contract planner position that provides the City with additional hours. He added that this position was created in a partnership with Monroe, Adair Village and Benton County and that Benton County is the actual employer. He also noted the addition of a building permit clerk to absorb some of the building permit processing performed by the city recorder. Councilor Dark questioned if part-time employee benefits are pro-rated. Mr. Workman stated the planner is a Benton County employee and receives no benefits from the City and the building permit clerk does not work enough hours to receive additional benefits.

Building Permits – Mr. Workman reviewed the contract with Benton County for building inspection and plan review services which results in them receiving 70% of revenues and the City retaining 30%. Mayor Niemann questioned if this was related to the fees the City Council has recently reviewed. Mr. Workman confirmed that the code compliance investigation fee is within the same program.

(Councilor Jones joined the meeting by teleconference at 6:10 p.m.)

Mr. Workman reviewed the approved subdivisions and described the infill housing that is still ongoing.

Finance – Ms. Swanson reviewed the staffing in the Finance Department, particularly the part-time utility clerk who currently works the equivalent of 2.5 days per week. She stated the budget proposes to increase that position from 19 hours per week to 32 hours per week due to the workload of the position. She noted that credit card fees are up. She described the functions performed by the Finance Department. There was discussion about the option to add a fee for credit card use and electronic bank transfers that do not have fees. Ms. Swanson explained the advantages of customers paying by credit card. She also explained the administrative overhead transfer from water and sewer funds that covers the expense of the utility billing clerk because all of the work for the position is directly due to providing services for those funds. There was discussion about the long-term costs of an employee position becoming eligible for benefits. There was discussion about using two half-time positions to fill one full-time position. Chief Rueben noted this would be an unfair labor practice in violation of state statutes.

Municipal Court – Ms. Swanson reviewed the Municipal Court operations. There was discussion about the reduction in citations issued and Judge Blake's use of diversion programs to encourage people to keep a clean driving record and his programs to help people get their licenses back.

Police – Chief Rueben reviewed the new reporting system that provides direct connectivity with both Benton and Linn County law enforcement and the expenses in the budget for that, particularly the fiber optic hookup and the records management system. He described the planned purchase of a new police car to replace the used cars that are incurring large maintenance costs. He described the categories of equipment and services that are budgeted for. Chief Rueben explained his recent retirement and the impact on the deferred compensation line item. There was discussion about the incentive pay for passing the annual physical fitness test. There was discussion about the number of sworn officers in the department.

There was discussion about the 9-1-1 Center costs and the effect of the proposed 9-1-1 Center special service district. He explained that citizens who live within Philomath pay 9-1-1 Center costs through their City, Benton County and Fire District property taxes. He described the impact if the service district is approved in November; and, if so, that it would be effective January 1, 2020.

Buildings and Grounds – Mr. Fear explained the Buildings and Grounds Department covers the expenses for City Hall, the Police Building, and Library. There was discussion about the landscaping expense that is contracted out and the additional services the contractor provides free of charge.

Parks – Mr. Fear reviewed the status of construction of the new North 11th Street Park. He stated no additional staff is anticipated to maintain the new park. He described the makeup of the Public Works Department staff and that they cover all types of tasks. There was discussion about the newly donated Skirvin Park having no effect on the Parks Department budget. There was discussion about the cost of vandalism, particularly people who drive through the park grass. There was discussion about the lease agreement between the Frolic and Rodeo and City for the use of the Skirvin Park.

City Council – Ms. Swanson explained the types of services and fees included in the City Council Department budget. Mr. Workman explained the consultant fee for beginning the update of the City's Comprehensive Plan. There was discussion about the different aspects of the plan that are outdated and the process involved in updating. There was discussion about the Council policy to provide funding for social service agencies from a share of the state revenue sharing revenues. There was discussion about the services

provided by the social service agencies that meet service gaps the City does not provide. There was discussion about the election fees line item. Ms. Swanson explained the donations received for the flower basket fund closely offset the expense for that program. She also noted the line item for a labor consultant for union negotiations next spring.

Mr. Workman reviewed the Rural Business Development Grant that has been applied for to continue funding for the RAIN venture catalyst position. He explained the City will be taking the lead this year in managing the grant funds for the 8-city collaboration that supports this position. Mayor Niemann stated this program fits well with the Strategic Plan healthy economy goals.

Transfers and Contingency – Ms. Swanson explained the original amount of General Fund transfer to Land, Building & Equipment (LBE) shown in the Capital Improvement Program has been reduced to only transfer monies needed for equipment. Mr. Workman explained this was an area where it made sense to divert dollars to the PERS side account funding instead of completing any updating projects at City Hall, the Library or Police Department. Councilor Low stated concerns about not setting aside funding for future expenses and the need for next year's budget to resume fully funding that line item.

Chair Edmonds called a break at 7:17 p.m., and the Committee reconvened at 7:24 p.m.

Ms. Causey stated she has been very impressed with the accuracy and thoroughness of the budget document. She commended the work of the Finance Director and stated the City is lucky to have someone of her caliber on staff. She stated the public is sensitive to the benefits of employees and suggested the City contract with a third party to perform a thorough benefits package analysis. She stated she believed the salaries are probably where they should be. She also suggested next year's union negotiations include a freeze on COLA's.

Councilor Dark questioned when the appropriate time to was to recommend changes to the budget. Ms. Swanson explained that changes are best made at the time each section is reviewed.

Ms. Biscoe stated her calculations for the PERS side account total \$1.322 million instead of the stated \$1 million. She questioned what the discrepancy was. There was discussion and Ms. Swanson reviewed the allocations for the PERS side account in each department, referencing the list of allocations that was provided in the meeting packet as requested by Mr. Glathar at the previous budget meeting. After review, Ms. Biscoe agreed that the \$1 million was correct.

5. REVIEW OF PUBLIC WORKS BUDGET

Street Fund – Ms. Swanson reviewed revenues from the state highway tax, street utility fee and franchise fees. She explained the effect of the PERS side account on the individual funds in the Public Works budget.

Councilor Dark recommended not making a \$40,000 transfer from the Street Fund to the LB&E Fund and instead, making a transfer to the General Fund. Ms. Swanson explained that the revenues in the Street Fund from the street utility fee and state highway tax must be used for street purposes and cannot be transferred to the General Fund. There was discussion about the funds having to be used for street projects or expenses. There was discussion about the correlation between the Capital Improvement Plan and the transfers to LB&E. There was discussion about the contingency balance retained in each

fund to cover an emergency and the process of the City Council approving any allocation from contingency in any of the funds.

Water Fund – Ms. Swanson reviewed the Water Fund revenues, particularly the increase to the metered water sales to prepare for the water treatment plant construction. She reviewed the loan program that has been offered by the Oregon Finance Authority for construction of the new water treatment plant and new reservoir. Councilor Dark suggested separating the portion of water sales earmarked for the new plant to track the funds gained over and above the usual. Ms. Swanson clarified that, other than the one-year effect of the PERS side account on the budget, the other Water Fund expenses are essentially flat, resulting in the increased revenue being devoted to the treatment plant project as shown in the \$500,000 transfer to the LB&E for infrastructure. There was discussion about the contingency being available for an emergency. There was discussion about the incremental water rate increases scheduled to reach the necessary funding to meet the debt service for the water treatment project. There was discussion about the use of the City newsletter to communicate the rate increases to the community.

Councilor Dark stated opposition to the process the City Council used to increase the water rates and the preference to put a levy out to the voters. She requested increasing the water per unit rate instead and taking a levy to the voters next year. Mayor Niemann stated the decision was made by a vote of the City Council and is not a decision within the Budget Committee's purview.

There was discussion about the contract with the City of Corvallis for water usage from the Rock Creek intertie. Mr. Workman explained the usage fee for the first five years after which the fee will go to a significantly higher monthly charge and that the intent is to have the water treatment plant constructed before that point is reached. There was discussion about the 11th Street well.

Sewer Fund – Ms. Swanson reviewed revenues, including the transfer of Sewer SDC funds into the Sewer Fund to help pay annual bond debt service payments. There was discussion about the replacement of 1950's sewer pipe and the transfers being accumulated to complete projects in larger segments. Mr. Fear noted the Strategic Plan goal to make the annual transfers and continue to replace the old sewer pipe.

Storm Drain Fund – Ms. Swanson noted the storm drain user fees are basically flat. Mr. Fear discussed the new statewide storm drain discharge permit requirements and the financial impact it is having on other area cities. He stated the goal in Philomath is to manage the new State requirements without any added expense if possible. He explained the use of a temporary clerical employee to do the data entry for the permit documentation. Mr. Fear reviewed the significant increase in both the Street and Storm Drain Funds for dump fees due to new regulations on disposing of debris collected by the street sweeper and sewer vac truck.

6. ADJOURNMENT:

Chair Edmonds adjourned the meeting at 8:35 p.m. The tentatively scheduled May 8, 2019, meeting was cancelled. The next meeting of the Budget Committee is scheduled for May 15, 2019, at 6:00 p.m.

SIGNED: Doug Edmonds, 2019 Chair

ATTEST: Ruth Post, MMC, City Recorder

**CITY OF PHILOMATH
MEMO TO BUDGET COMMITTEE**

RE: ADOPTION OF 2019-20 BUDGET

ACTION REQUESTED: Adopt Budget

INITIATED BY: Joan Swanson, Budget Officer

I. BACKGROUND:

II. LEGAL CONSIDERATION:

III. RECOMMENDATION:

Recommend adoption.

III. SUGGESTED MOTIONS:

I move the Budget Committee approve the 2019-20 budget for the City of Philomath as presented. Furthermore, I move the Budget Committee approve the tax rate of \$5.3005.