

**BUDGET COMMITTEE  
MINUTES  
May 18, 2017**

Mayor Rocky Sloan convened the meeting of the Philomath Budget Committee at 7:07 p.m. at City Hall, 980 Applegate Street, Philomath.

**1. ROLL CALL**

**Present:**

City Council Members: Mayor Rocky Sloan, City Councilors Doug Edmonds, Candy Koetz, David Low, and Sean Manning.

Citizen Members: Ashley Folgate, Murl Meredith, Brian Noakes, Scott Weaver and Terry Weiss.

**Staff:** Chris Workman, City Manager; Joan Swanson, Finance Director; Kevin Fear, Public Works Director and Marcia Gilson, recording.

**Absent:** Councilors Charla Koeppel and Eric Niemann, Citizen Robert Boss

**2. APPROVAL OF MINUTES**

2.1 May 4, 2017 Minutes.

**MOTION:** Councilor Manning moved, Councilor Edmonds second, to approve the minutes of May 4, 2017, as presented. Motion APPROVED 12-0

2.2 May 11, 2017 Minutes – Amendments as requested

Page 8, paragraph 3

Ms. Folgate stated that when the call for vote to reduce the Parks Department budget by \$16,000 was requested, that she voted yes, not no as recorded in the minutes.

**MOTION:** Councilor Manning moved, Councilor Edmonds second, to approve the minutes of May 11, 2017 as amended. Motion APPROVED 12-0

**3. VISITORS/PUBLIC COMMENTS**

3.1 Robert Ponder, Philomath, OR – Mr. Ponder stated he was confused on how the City gets revenue through fees when only taxes and levies are mentioned in the Department of Revenue pamphlet the Mayor provided him. He stated fees were not mentioned and he asked where fees fit into taxes or levies. Mayor Sloan stated that the City is copying what other municipalities are doing across the country because taxes are capped and costs are going up. Mr. Meredith asked if including fees in the budget had been run by the City Attorney. Mayor Sloan said yes, and it is totally fine to do it. Ms. Weiss read from Oregon Ordinance 294.361 that says, “budget resources do not include taxes, fees or other charges that are uncollectible” and said she felt that since the fee had not been passed, it was “uncollectible.”

3.2 Rod Harvey, Philomath, OR -- Mr. Harvey addressed the Committee and wanted to let them know that he didn't want to pay more taxes but he was willing to pay the proposed fee if it meant keeping things the way they are. He doesn't think the fee is out of reach or reason. Mr. Harvey wanted the Committee to know that there are some people who do not see the fee as something that is wrong.

- 3.3 Mark Weiss, Philomath, OR -- Mr. Weiss stated he felt that the fee does hurt the neediest, those on a limited income of \$800/month and he felt it would be difficult to market ways to get a discount on the fee. Mr. Weiss felt that cutting the bus service does hurt some of the neediest people and that we should encourage more people to use the bus system. He felt leadership should step up and open their contracts voluntarily.
- 3.4 Marion Dark, Philomath, OR - - Ms. Dark announced that she had resigned from the Budget Committee after the last meeting and read a statement giving her reasons for choosing not to remain on the Committee. Her comments included the financial situation that the City has shared with the community and proposed fee to help offset with the deficit in the budget. Eight budget proposals were suggested but the straw poll only considered Mayor Sloan's budget proposal. Ms. Dark commented on how there is a fee in the proposed budget though it has been renamed since it was first suggested; cuts to bus services and city parks and no changes to the administrative wage contracts and benefits being considered.
- Ms. Weiss asked that the budget planning be done differently next year. She also commented that it is difficult to be an employer, as a City Councilor member, when you are friends with the people you oversee.
- 3.5 Jeff Lamb, Philomath, OR – Mr. Lamb acknowledged the service of the members of the Committee. He expressed that he was upset with a social media post that was made by a past mayor, Van Hunsaker. Mr. Lamb stated he did not believe the City was in as dire financial circumstances as was being feared and shared a correspondence from Mountain West, an investment corporation, about a proposed development in the community – Boulevard Apartments. This would bring in development dollars to the City, if the Council allows it. Mr. Lamb wanted to make sure the Budget Committee was aware of the proposed development that could bring in money that might help alleviate some of the potential budget crisis.
- 3.6 May Dasch, Philomath, OR -- Ms. Dasch expressed her concern that eliminating the bus service will have a devastating effect on the lives of many of our residents. She asked that a public hearing be held.

#### **COMMENTS FROM STAFF**

Joan Swanson, Finance Officer, wanted to advise the Budget Committee that she received an email from Marian Dark resigning from the Committee. Ms. Swanson said the reason for so many updated budget pages was to reflect the changes that had been decided on by the Committee at its last meeting. The second set of changes that were handed out prior to this meeting had to do with changes to the debt service for the Sewer Fund, the grant for the park on 11th Street and the grant for the Philomath Police Department e-ticket system.

Ms. Swanson commented on the fee, stating it is not a tax, and that the Council is allowed to pass a fee. Once the Committee has decided what the fee amount should be, then the Council will pass an ordinance on the fee. The City will advertise the low income program through utility bills and the City Newsletter. She stated that on the bus system, the Council will be required to hold a public hearing at the City Council level if cuts to the service are included in the budget approved by the Committee. She also

reminded the Committee that once the budget is passed the City Council can add up to 10% back into a specific fund of the budget prior to its final approval.

#### 4. **PUBLIC WORKS BUDGET**

**4.1 Street Fund** -- Ms. Swanson reviewed this fund stating that there is currently a \$4 utility fee that supports this fund. In response to Mr. Meredith's question about whether we could transfer the two franchise fees out of the Street Fund and into the General Fund, Ms. Swanson replied it can be done but we would need to add \$50,000 in revenue back to the Street Fund to replace it. Mr. Meredith asked about reducing the Street Fund contingency to \$25,000 this year, Ms. Swanson said that we could but, but said it would have additional problems next year. Ms. Swanson said that we never plan on spending the contingency but there is always that possibility. Mayor Sloan asked that Committee members make notes on areas that they would like to adjust and address those at the next meeting after the Committee has gone through the entire budget. Ms. Swanson mentioned that the State tax has gone up about 1.5% per capita, which is not helping us much.

Public Works Director Kevin Fear explained that there is \$20,000 in the budget for chip and crack seal this year and none was contracted last year. This project is based on whether Benton County Public Works, who we partner with, can fit our work in their schedule. This did not happen last year because BCPW did not chip seal last year. North 18<sup>th</sup> Street is beyond salvaging the chip seal. It needs to be ground up and regraded.

Mr. Fear stated that Tree Maintenance is now under the Street Maintenance Fund; it used to be in the Non-Departmental Fund. The line item for medians which also used to be in the Non-Departmental Fund had been removed from the budget. The trees that had been planted in the median were dying, four were saved and moved to one of the parks. Now there is no need to weed at a cost of \$2,000 per day, and there is no need to water. The medians are now low maintenance.

Councilor Edmonds asked about the street that needs additional repair. Mr. Fear said that they hope to trade some labor with BCPW to make this happen. Mr. Meredith asked about the money not utilized on chip sealing this past year. Ms. Swanson said that she knew that they had not used it and was able to utilize it as additional cash carryforward into the 2017-18 fiscal year.

**4.2 Water Fund** - Ms. Swanson explained current water sales, stating the City is anticipating sales to decrease due to a large leak at Georgia Pacific that had been found and fixed this last year. GP will save, and the City will lose approximately \$100,000/year. There is a 2.5% utility rate increase this year. Mr. Fear stated that they do not have any major projects scheduled this coming year. They also hope to finish off the Water Master Plan.

Mr. Fear stated that they start testing the water in August for different E. coli and they do two samplings a month. If E.coli shows up, then the testing process becomes more expensive. In response to a question from Ms. Manning, Mr. Fear stated E. coli can cause severe digestive issues.

Councilor Low asked what the rationale was for increasing the contingency. Ms. Swanson stated that if something bad happens, we need to have money available. If the

contingency is not used, then it will be carried over to the next year. Councilor Edmonds asked about the types of repairs that the contingency fund might be used for. Ms. Swanson explained that if a large repair was necessary, and we didn't have all the funds budgeted, then we would not have the funds available to handle the repair. Mr. Fear said that we have to contract out some repairs because we do not have the equipment or ability to do some of the work. In response to a question from Ms. Weiss, Ms. Swanson explained how the Administrative Overhead costs are spread out including the billing clerk and other personnel costs utilized by the Water Fund.

**4.3 Sewer Fund** – Ms. Swanson reviewed how the revenue is expected to remain this year. There is \$100,000 transferred in from the SDC Fund to go towards repayment of the bond used to construct the sewer lagoons. Mr. Fear said that there are no major plans except finishing up the sewer waste water master plan which is being reviewed at the State now and he hopes to have back in a couple of months. Ms. Swanson mentioned that the debt service was refinanced this last year at a much lower rate, which will save the City about \$340,000 over the life of the bonds. Mr. Edmonds asked what a loan company looks at when the City applies for refinancing. Ms. Swanson said that there was more scrutiny this round. The loan company looks more at our General Fund and the City looked at improving their credit rating and being on the positive side.

**4.4 Storm Drain Fund** – Ms. Swanson reviewed the fund, stating that there was no rate increase proposed for this year. Mr. Fear stated that Public Works had just received their updated TMDLL (Total Maximum Daily Load Limit) that defines the requirements for sampling of water that flows into the river. Most of the testing can be done in house so there is just a minimal cost for supplies. They have a few pipes that need repair and they will be focusing on these projects this year. Mayor Sloan asked for an explanation on where the major backup is when we have a storm. Mr. Fear explained how Timber Estates pump station is unable to pump against the pressure of the other pumps to pump out to the lagoons. During the heavy storms, Public Works must call in personnel to manage this pump site. It is in this year's budget to make this a gravity fed line and eliminate the Timber Estates pump station. This will cut down on the maintenance of the pump station. Ms. Weiss asked about the work that is going to be done on the Main Street pipes and how this project will be funded. Mr. Fear explained that money for the City portion is included in the budget and that most of the project will use Urban Renewal money. Ms. Swanson explained that there is \$1.2 million budgeted for this project from the Urban Renewal Fund plus there was some money transferred from the Sewer Fund to the Land, Building and Equipment Fund that will be used.

**4.5 Development Review Fund** – Ms. Swanson explained that this is a new fund that was set up just this past budget year. Mr. Fear explained that when developments are proposed they used to be sent to the State DEQ and Water Development Departments, but these agencies did not always have the City's interest in mind during their reviews. The result was sometimes new systems that would not work well within the existing system. Mr. Fear explained that the City has engaged the services of an engineering firm, Westech Engineering, to review development plans for sewer, storm and water lines prior to being approved. In doing so, the City is charging the developer the cost of these reviews to the developer, and not the citizens of the City, since the developer is the one who will financially gain from the project. An example of this is Starlight Village pump station which was not sized correctly and did not include power backup. This project was reviewed by the State agencies prior to approval, but the agencies did not catch these as issues.

Mr. Fear says that the engineering firm has already found a few items in developments that would not work and they have been able to ask for changes prior to construction. Developers pay a \$1,000 fee for a pre-design review and are advised on what changes they must make, prior to having their plans approved for development. The developer can then decide if they want to continue and move ahead, if so, they are required to pay a 4% fee, which is based on the value of the total cost of the infrastructure for the development project, and that goes into the Development Review Fund. When bills are received from Westech Engineering, the City uses the funds deposited by the developer into this fund to pay for the engineering costs. If a review requires more staff time than normal, Mr. Fear bills some of his time towards this fund as well. Once the development is done, if not all the funds were used, they are returned to the developer. If the costs of review were higher than collected, the developer is billed for the remainder. In response to a question from Councilor Low, Mr. Fear explained that the Public Works Committee set this fee at 4% since it is what other cities were charging. He didn't feel there was a need to increase the fee as it seems to be working out for most developments. Ms. Swanson explained that this fund is not viewed as a revenue fund but a fund to collect the development fees, pay for the engineering review charges, and refund or request additional funds from the developer. Ms. Weiss asked about System Development Charges and how this fund is different. Ms. Swanson explained that the System Development Charges that are collected can only be used for reimbursement or improvement projects as outlined in the SDC Methodology. Councilor Edmonds explained that the Public Works Committee hopes to not have problems in the future, with the current way the development process is set up. The process has been tested with four or five projects so far, and it appears to be helping.

Mr. Meredith asked about the \$30,000 transfer from the General Fund to the Development Review Fund. Ms. Swanson explained that before the fund was set up, money had been collected prior to the new fiscal year that was in the General Fund, so the transfer was just the previously collected funds. Mr. Weaver asked about all the unallocated and contingency funds in the various public works funds, which adds up to half a million dollars in cash. Ms. Swanson explained that each fund stands alone and each fund is separate. She explained that we can borrow from other funds but we can't commingle the funds. Councilor Low referred to the auditor's report and how governmental funds work and stated he found it helpful to understand the accounting behind how government budgeting is structured.

**4.6 Land, Building and Equipment** -- Ms. Swanson recapped that this is a capital projects fund. Money is transferred into this fund from the various funds and the expenditures out of this fund are for large purchases. All the monies from the various funds are still held separately in this fund, as referred to page 71 in the budget document. There is approximately \$2.5 million in this fund but it will fluctuate depending on whether we have any large projects planned for the budget year or not. Money is included for two grants that the City hopes to be awarded this next year. One is for the e-citation grant that the Police Chief is hoping to get. Ms. Swanson explained the purchases identified for this year including: new court software, the e-citation program, new rifles, and a new (used) police car. Money is also allocated to upsize the 12<sup>th</sup> Street water line to 10 inches, repave Cedar Street between 13<sup>th</sup> and 15<sup>th</sup> Streets, and replace sewer pipe between 15<sup>th</sup> and 18<sup>th</sup> Streets. Mr. Meredith asked if when the reduction in the transfers was done, would the expenditures shown still be done. Ms. Swanson explained that money which had been transferred in to this fund in prior years could be

used for expenditures. Money must be appropriated in order to be spent during a fiscal year. A contingency line item can only be spent if staff goes to Council to ask for permission to spend these funds on an unexpected expense.

**4.7 System Development Charges** – Ms. Swanson explained that when a new building is constructed SDCs are collected. A single-family house currently pays about \$23,000. Currently, Ms. Swanson has based this years' budget on 15 new homes. The City was awarded a grant for a new park on N 11<sup>th</sup> Street. Mr. Workman explained that the engineering work will be done this year and we hope to start the park next spring. This is a matching grant and the City's match is \$30,000, though we are hoping to provide our match with time and donated materials rather than the cash we have allocated. Since it is a pass through, the project needs to be completed to get the funds. Mr. Workman explained that it is common to use donated labor and materials as part of matching grant numbers. Councilor Edmonds asked who will be doing the maintenance on the park. Mr. Fear didn't feel there was a need to add personnel to manage the park and said he felt his staff could easily handle the mowing. The play equipment will be replaced as needed – it is expensive since it needs to be certified. Ms. Swanson explained that expenditures in the other two categories were the Water Improvement and Sewer Reimbursement and they are tied to other projects that have already been discussed.

**COMMENTS, CLARIFICATION** – Ms. Weiss asked about the deferred compensation line on page 44 in the Public Works section. Ms. Swanson explained that it is for Kevin Fear and Garry Black. It is deferred compensation and equal to 6% of their salary. Ms. Weiss asked how long Kevin Fear had worked for the City. Mr. Fear said that he had worked 10 years for the City, 8 of which as the Director.

Mayor Sloan asked the Budget Committee to please email their questions to staff, not him. Ms. Swanson asked for discussion on an additional meeting on May 24. Ms. Swanson felt the extra meeting is necessary so the Committee can think about any changes that may be proposed at the next meeting. Mayor Sloan asked members to look back and see what has been turned down, overlooked or passed. Ms. Weiss said she has concerns about the decision that was made about the bus service and would like to revisit this issue. May 30<sup>th</sup> will be saved as a date for the final meeting of the Committee.

**ADJOURNMENT:**

Mayor Sloan adjourned the meeting at 9:00 p.m.

SIGNED:

ATTEST:

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Robert Boss, Chair

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Ruth Post, MMC, City Recorder