

FINANCE/ADMINISTRATION COMMITTEE MINUTES

December 5, 2016

Meeting called to order on December 5, 2016, at 6:00 p.m. in the Philomath City Council Chambers by Chair Jason Leonard.

1. ROLL CALL

Present: Councilors Jason Leonard, Charla Koeppel and Candy Koetz.

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

Guest: Councilor-Elect David Low.

2. MINUTES

2.1 Minutes of September 14, 2016

MOTION: Councilor Koeppel moved, Councilor Koetz second, to approve the minutes of September 14, 2016, as presented. Motion APPROVED 3-0.

3. NEW BUSINESS

3.1 General Fund ending balance and forecasting discussion

There were no specific questions about the memorandum included in the agenda packet. Ms. Swanson reviewed the 5-year Cash Flow spreadsheet. She explained franchise fees have remained fairly flat due to lack of population growth. She described the impact of building permits on the property taxes as construction eventually translates into increased property tax base. There was discussion about the buildout of Neabeack Hill culminating in 2008 at the same time as the recession and the impact of not having substantial new subdivisions come on-line since then. Ms. Swanson explained the City's history since the recession of holding the line, cutting expenses and hoping that growth would begin to happen to keep pace with expenses. She noted that personnel costs amount to approximately 75% of expenses in the General Fund.

Ms. Swanson explained that the need for a cash carryover balance is because the fiscal year ends June 30th and the majority of the City's revenue comes in the form of the property taxes received in mid-November. A cash carryover of approximately \$600,000 is actually needed to cover the City's General Fund expenses from July 1 to November 15 and the ending fund balance for the past 5 years has been diminishing every year.

Ms. Swanson reviewed the 5-year Projection spreadsheet based on the typical current 3% increase in property taxes based on minimal growth and being offset by compression. She noted that no monies are currently being set aside for transfers to buildings and equipment and that approximately \$150,000 per year should be going into that effort.

Ms. Swanson reviewed potential options to change this cycle by cutting expenses, fee increases and/or a local option levy. She stated that the City has tried diligently to control costs by providing core services but most other taxing districts are using a local option levy, including the school district and fire district.

Ms. Swanson stated that the City's departments do an excellent job of controlling expenses by looking for the best deals and not spending money frivolously. She

described the minimal potential savings of cutting the Philomath Connection bus service. She explained that the only significant expense savings would be to cut employees. Mr. Fear explained the problem with cutting a part-time summer grass mower and replacing a \$10 per hour employee with a full-time employee who costs more to perform a job that still needs to be done. Chief Rueben explained that many of their expenses are driven by unavoidable overtime due to call outs. He explained that the officers respond to calls in the community irrespective of hours because it's the right thing to do. Mr. Workman stated that benefits such as PERS and health insurance are the major driver and apply to full-time employees, hence the only significant effect being achieved by laying off a full time employee such as an officer.

Ms. Swanson reviewed the staffing covered by the General Fund, including administration, finance, municipal court and the police department. There was discussion about the police department currently being fully staffed and trained.

Ms. Swanson reviewed the option of adding fees to customer utility bills, with a roughly \$16.50 per month per customer bill raising sufficient funds but creates the problem of also needing to increase water, sewer, storm drain and street fees. She clarified that the utility billing fees for these funds are sufficient as long as they continue to be annually reviewed.

Ms. Swanson distributed a simplified calculation for a local option tax levy with scenarios for a \$1.50 levy per \$1,000 of assessed value (AV) and \$1.10 levy per \$1,000 AV. She noted that using a fee would impact all properties equally but would have an adverse impact on low income residents.

Ms. Swanson distributed a 5-year Projection showing that a \$1.0 levy would generate approximately \$400,000; but if growth increased the property tax base, levying the full amount might not be necessary.

Ms. Swanson described the impact of waiting until November 2017 to go to the voters results in a nearly 2-year delay in any fiscal impact; versus going to the voters in May 2017. Mr. Workman stated the concern of continuing to hope for growth in the future and the delay in the fiscal impact because construction takes time to reach fruition and become part of the property tax base. He stated the hope would be that if growth and development happened down the road, there might not be a need to renew a 5-year levy. There was discussion about development at Starlight Village and potential multi-family construction; but Mr. Workman explained those developments, if and when they take place, are still years away from having any impact. He stated the prudent thing at this point is to use the actual history as a projection for the future.

Mr. Low questioned if the Chapel Drive annexation had been approved would it have avoided this issue. Mr. Workman stated it did create a different scenario and the discussion would be different if that property was actively being developed, but it still would have been years before any actual impact occurred on the property tax base.

Ms. Swanson explained the option of cutting one police position and proposing a \$300,000 levy. She noted this option shows that cuts have already been made; and without passage of the levy, additional cuts will be required. She explained that there is no miracle pot of money to salvage the cuts.

Mr. Low questioned the reaction of citizens to fees. Ms. Swanson explained the history of the use of fees and customer reactions. She stated more calls were received this year due to fee increases on the utility funds. She explained the street fee and storm drain fees currently in place.

Ms. Swanson reviewed each of the departments funded in the General Fund, particularly the Police Department. There was discussion about the Police Department staffing. Ms. Swanson stated that since 2006, the City has had 7 sworn officers; but during recent years there was always training underway. This resulted in officers either being at the police academy or working one-on-one with a training officer. There was discussion about backup service provided to and by the Benton County Sheriff's Department through a mutual aid agreement. Chief Rueben stated that both departments assist each other.

Chief Rueben described the impact on the remaining force of laying off an officer, including overtime. He described the impact on morale of laying off an officer and the preference to use attrition based on retirement; but stated that isn't an option for this department. There was discussion about the minimal effect of pay freezes and cutting budget numbers in small amounts. Mr. Workman stated there aren't large things to cut in the budget with the exception of the bus because the City has never embarked on the type of programs that go beyond core services, like green programs or rebate programs.

Mr. Workman questioned how the Committee members believe the community views the need for the Police Department. Councilor Leonard stated his support for a department that operates at the lowest staffing possible. Councilor Koeppe stated concerns over Municipal Court revenues decreasing if there aren't officers available to enforce traffic laws.

Ms. Swanson suggested the Committee could provide some preferred direction and she could then provide scenarios for those preferences. She described the timeline involved and the use of a work session to present the information to the full Council.

Chief Rueben described the challenges of passing a levy because State elections statute prevents staff from making any comment. He described the importance of someone picking up the cause and advocating for it. Mr. Low stated valuable lessons were learned in the last general election. There was discussion about different approaches between instituting a fee versus going out for a levy and different fee structures. There was discussion about other area agencies going to the voters in the near future for new or renewal levies, such as the school district.

Mr. Workman summarized the discussion, stating the Committee did not recommend making the cuts and was considering some form of new revenue. Ms. Swanson suggested convening another meeting of the Committee to allow members to consider the options. She described holding a Council work session and setting a public hearing to allow for public input.

There was discussion about alternatives and all of the other districts that have already passed operating levies. Mr. Workman stated it's a credit to the City that the recession was endured without resorting to new revenue sources up to this point. Councilor Koetz suggested that providing the public with expense increases over the past 5 years for insurance, PERS and other specific personnel costs would be helpful.

Mr. Workman provided an overview of the current state of legal challenges to SB 1573 regarding annexations. There was additional discussion about fees versus taxes. The Committee agreed by consensus to move the issue to the City Council to discuss the options of new revenues by either fee or levy. Mr. Workman stated a work session will be scheduled for the Council and encouraged any new questions that arise be brought forward.

4. ADJOURNMENT

Meeting adjourned at 7:49 p.m.

Recorded by: Ruth Post, City Recorder