

BUDGET COMMITTEE MEETING

MINUTES

April 27, 2023

Shane Hunter called the meeting to order at 3:00 pm.

Roll Call

Present:

Councilor Paula Hyatt

Councilor Jeff Dahle

Councilor Dylan Bloom

Councilor Gina DuQuenne

Councilor Bob Kaplan

Councilor Eric Hansen

Mayor Tonya Graham

Mike Gardiner

Linda Peterson-Adams

Eric Navickas

Andy Card

Shane Hunter

Leda Shapiro

David Runkel

Absent: None

Shane Hunter asked if we could approve the minutes individually or as a packet. Sabrina Cotta responded that it could be done as a packet.

Councilor Paula Hyatt spoke that they failed to make a motion at the last meeting with regard to Chair and Vice Chair. Hyatt/Peterson-Adams motioned/seconded the election of Shane Hunter as Committee Chair and Eric Navickas as Vice Chair. Discussion: none. Voice Vote. Motion unanimously approved.

Chair Hunter spoke that he noticed the minutes from April 21, did not have all those present listed. Eric Hansen, Mike Gardiner, Shane Hunter, and Leda Shapiro were there. Councilor Kaplan spoke that Dylan Bloom was there as well. Chair Hunter asked if there was any other discussion. He will entertain a motion to approve all of the minutes as a package as amended. Linda Peterson-Adam/Councilor Hyatt motioned/seconded to approve the minutes. Discussion: none. Voice vote. Motion unanimously approved.

Review of Process and Roles

Sabrina Cotta, Deputy City Manager/finance Director presented to the committee a recap of roles. First, she wanted to take the time to thank the budget team. The budget built was very much a team effort. Particularly City, Hanks our accounting manager, Bryn Morrison and Alissa Kolodzinski. They were the ones who put much of the effort into building this budget, and the document in the binder each councilor has as well as the online budget book. Cotta wanted to commend them for their effort. As well as the department heads and staff, who entered budgets, reviewed their budgets and provided information to us, so thank you to them. **Presentation attached.**

Runkel asked that as we meet next Thursday by what time on Monday do you want the questions? Cotta responded that by noon on Monday would be helpful.

Leda Shapiro asked for clarification on what time the next meeting is. Cotta responded that all budget meetings are 3:00 – 5:00 in Council Chambers.

Chair Hunter spoke about the process. They are all there to recommend a budget to the City Council and set the property tax rates. They are also a vehicle for anyone else to view the budget, ask questions, and make comments. Those comment sections will be at the beginning of meetings going forward. Today's public comment is in the middle of the agenda. There are certain required duties the city has to perform, public safety, utilities, paying their employees and vendors. Then there are the duties they want the city to perform like wildfire risk reduction, economic development, and making our city more affordable. They can suggest other ideas on how the city goes about this. They can question the assumptions behind the numbers and really make sure there isn't a miscalculation. There are some things that as a committee we can't do. They can't do anything with the with the contracts, we can't do anything with setting policies or salaries. Those are all negotiated by the city and the Council and not this body. They will be able to make recommendations to the budget officer to make changes to the budget and budget allocations. They will do their best to ensure a fair, respectful process, and that we all have the opportunity to understand the why behind the numbers. They are all here because everyone wants the city to be a better place for their families, they want to give people opportunities so people will stay in love with the city. That is what this committee is here for.

BN 2023- 2025 City Manager's Recommended Budget Presentation

City Manager Joe Lessard, presented to the Committee a presentation on the recommended budget. The presentation included the processes from which the vision, values and priorities were created and what they are. Lessard reviewed funding sources, which include taxes, franchise fees, charges for services, licenses, and permits, etc. And how the money is to be used which includes personnel services, materials and supplies, capital, debt service etc. Lessard covered recommended changes in staffing and how each division contributes to the vision and values. He then spoke about the six category strategic choices budget priority concentrations, manage for excellence, livable community, risk reduction, economic development, affordability, and investing in the future. Lessard reviewed each point with details on how the city is going to accomplish each category. Lessard went on to say that the city is in a strong financial position. The City's contingency, ending balance and emergency reserve are all funded. Future projections are solid in terms of revenue sources and the City is hitting all the targets for the financial policies. Recommended changes to the general fund, staffing changes, capital improvement projects, and infrastructure were all highlighted. Lessard closed his presentation with a review of the budget committee's authority under state law. As the City Manager, Lessard prepared and administers the budget and administers city utilities and property. The Budget committee reviews and revises

the prepared budget document, approves a final budget, and specifies the tax amount.

Presentation attached.

Committee Questions

Councilor Hyatt reminded everyone that on May 1 there is a budget committee meeting, and all are expected to attend as a regular budget meeting.

Michael Gardiner, asked about the outstanding issues slide in the presentation. Are the unmet needs at all tied to the food and beverage tax or franchise fees uses? Lessard spoke that the answer to that is, potentially.

Eric Navickas asked when you are hiring new employees, when are they funded or is the assumption, they will start with the beginning of the budget date? Lessard said that generally speaking they will start at the beginning of the budget date. For instance, we have already advertised some positions for the EMS single role, there is a list of potential candidates, and we are waiting for the green light and the new fiscal year to bring them on board.

Councilor Kaplan asked as a follow up to Mike Gardiner's question. If the food and beverage tax ballot measure pass this will allow the funding of parks capital and parks and recreation and senior service operations. And therefore, free up general funds to be used for those unmet priorities. Is that understanding, correct?

Lessard responded that the current budget uses Food and Beverage tax to pay for the \$1.6 million additional funding in the biennium to go to Parks, which is the 25% that is currently in the ordinance. Specifically for Parks capital expenses. The balance of those funds is going to street debt so that we can maximize the availability of the franchise fees to be used in the general fund to pay for operations. If the Food and Beverage tax passes, then we can move the street debt back to the franchise fees and that the 73% of the Food and Beverage tax would have a broader use as far as O&M as well as capital. We would retain the \$1.64 for capital and the available funding would go back into the park's operations. The purposes that are specified in the ballot, City parks operations, recreation, open space, and senior operations. That shift makes funding available to the general fund for some of the unmet needs or potentially other uses that this body may recommend.

David Runkel spoke that there is no new revenue, that we're just shifting money around. Lessard spoke the uses of the money changes. That means some of the funding is now available for operations. It wasn't before and had to go to capital. It was historically used for wastewater debt, street debt and parks debt and now that 73% is available to shift from capital use to operational use.

David Runkel spoke that there are different numbers in various parts of the budget book for the general fund. Can Lessard go over what this budget does for the general fund? Lessard spoke that we can address that in another of the presentations and put it all together. Runkel spoke it looks

like the general fund is in a deficit. Lessard spoke that is not correct as it has to be a balanced budget. Bryn Morrison spoke the revenue by type chart does not include the carry forward it is only the revenue. Runkel asked how much the carry forward is. Bryn Morrison spoke it will take a moment to look up that information.

Leda Shapiro spoke she had a question that might clarify things related to the franchise fees. When talking about the food and beverage taxes it was stated that the franchise fees cover the streets. She noticed the franchise fees went up this year. She doesn't know what else is in there and whether it covers all the big projects in streets. That is where she thinks there is some confusion. Lessard spoke that currently the food and beverage is being used, not the franchise fees, to pay for street debt and the street debt for major projects in the street plan. If food and beverage funds become available for operating, then we will take the franchise fees and put it back to use for street debt and potentially move that money into the general fund operations. Because we treat franchise fees as if it is a general fund revenue. That means additional revenue will be available to the general fund. Shapiro spoke she thought the franchise fees covered the regular maintenance. Lessard spoke there is still some funding for that. Only the debt is to be used by the food and beverage tax. The current ordinance specifies that the street debt, related to our street plan, uses food and beverage tax. That means the debt issuance is tied to food and beverage which freed up the franchise fees to be treated like general fund revenue. If the ballot measure passes, that relationship will switch. The food and beverage tax will become an operating revenue and we will go back to using the franchise fees for street debt.

Bryn Morrison spoke the carryover for the general fund that is being estimated is \$17.8 million. The ending fund balance from this year becomes the carry over for next year. Runkel asked where in the budget that information appears. Morrison responded that it's in the summary section at the front of the book.

Erik Navickas asked, if the food and beverage tax doesn't pass how do you justify using the franchise fees for the general fund considering there are supposed to be earmarked for what they are spent on and what they are charged for. Lessard spoke there is no legal requirement that they be used in that way, it's at the city council's discretion. Most cities use franchisee fees as the general funding source. Really is up to the city's discretion whether to use it as a general source or use it only for streets. The city would like to do that but in order to maximize the funding available to the general fund operation we have gone back to treating it as a general fund revenue.

Electric Fund Presentation

Director of Electric Utility, Tom McBartlett, presented to the Committee a presentation on the electric budget. An overview of responsibilities was discussed. There are three divisions, distribution, supply, and transmission. A fishbone diagram was presented which laid out how the electric department plans to meet City Council priorities. All staff positions are funded out of the enterprise funds. Significant changes were highlighted, and the overall budget numbers presented. **Presentation attached.**

Committee Questions

Mayor Graham spoke her question is around the energy conservation programs. Council has talked about programming to help local residents with a particular focus on low-income residents and how to access the funding that's coming through the Inflation Reduction Act. Most likely in the form of tax credits. How do we figure out a way to help low-income residents access those funds because they typically need to be front loaded then paid back over time with tax incentives. To what extent is the ability to perform that type of work included in the electric budget? Mc Bartlett responded that with the CEAP type goals we have funded around \$300,000. There is also the conservation budget required by the BPA because we get reimbursed for that. Mayor Graham spoke those are numbers seem that are similar to what we have spent in the past. Mc Bartlett spoke that is correct. Mayor Graham spoke that her question is more around a surge investment given the timing in which the Inflation Reduction Act funding is expected to move which is immediately. Is there capacity in the electric department's budget to add some investment so that we could support a program that would help take the information to renters and low-income residents so we could help them take advantage of the Act. Mc Bartlett was unsure of the capacity to do so with the ending fund balance and the question went to Sabrina Cotta to be answered at a later time.

Water, Wastewater and Stormwater Funds Presentation

Public Works Director Scott Fleury and Deputy Director of Operations Mike Morrison, presented to the Committee a presentation on Public Works department which includes water, wastewater and stormwater. Staffing, significant changes, priorities and the departmental budgets were discussed. **Presentation attached.**

Committee Questions

Mayor Graham asked a question around the water conservation specialist. Is that a full-time position given the intergovernmental agreement with Medford conservation? Where are we in regards to having a conservation specialist for water? Fleury spoke he wanted that position to stay in the budget as a full-time position as we go through the next phase with Medford water commission. Medford Water commission has actually increased their staff to support conservation related services and conversations are happening regarding a regional coordinated effort. With Medford taking more of a lead role and the other partner cities providing administration support and other tasks at that level. Part of that is to understand do we want someone who is an analyst or more a technician position. Fleury is working on what makes the best fit for our needs moving forward.

Chair Hunter has a question on page 22 of the PDF budget book which shows most of the charges for services as flat or going down a little bit. What are the rate changes? Fleury responded now that we are going through the budget process, we will be going through the process of having our financial consultant create an updated rate model for the biennium including a projection up to the four and six year period for rate increases. It will take a couple of months to put the study

together and put it before the council, but he expects there to be a rate increase put forward as we haven't had a rate increase since 2019.

Chair Hunter asked if there were any changes in the SDCs. Fleury responded that the SDC methodology was updated for wastewater in 2019. Water and stormwater are on the docket to bring the methodology update forward after the budget process.

Navickas spoke he was curious about the contingency dropping and why. Fleury spoke contingency is a policy limit level and each fund has their own minimum threshold. Bryn Morrison spoke that the contingency was broken into two, three percent of the operation expenses. Navickas asked about the increase in the capital outlay if it is part of the Hardesty property. Fleury responded we have a percentage allocation for storm for the Hardesty property development in the CIP about \$386,000 and for streets and wastewater just under \$80,000 each to make up the total combined cost to relocate the B street building and build a new steel building. The reason we need to build a new building there is because we have critical equipment that has to be housed internally in the winter to keep it from freezing.

Chair Hunter asked if the number of personnel increased much. Fleury spoke that number was the combination of the addition of COLAs and the half FTE into that fund. Chair Hunter spoke he had a big picture question. Is it easier, because it was mentioned that stormwater and wastewater are separate, is it easier that way as a city to manage? Fleury spoke for our size community with what we are obligated to do from the regulatory standpoint, it's becoming more evident we need to build up that fund and separate it more and more. Eventually it's going to need a supervisor and non-commingled staff from a programmatic level. It becomes difficult sharing the resources between streets and wastewater and the crews have obligations that they need to meet as well. This is the third biennium the stormdrain fund has been a standalone fund, so we are learning as we go and as part of the process especially now that the regulatory requirements have become mandated.

PUBLIC FOURM

None submitted.

Announcements- the next budget meeting is May 1 at 5:30 pm in the Council Chambers. The following meeting is May 4th at 3:00 pm

ADJOURNMENT

chair Hunter called the meeting adjourned at 5:02 p.m.

Respectfully submitted,
Alissa Kolodzinski
Management Analyst