



## **Budget Committee Minutes**

**April 30<sup>th</sup>, 2020**

Members of the Budget Committee met this day via teleconference for a regular session at 7:00 p.m.

**Present:** Mayor Don Ware, Councilor Carla Gerber, Councilor Tricia Thompson, Councilor Lynda Chambers, Councilor Mike Neddeau, Councilor Dave Hansen, Councilor Doug Block, Rick Dominguez, Don Andrews, Gary Shepherd, Kaye Fox, Kim Clayton, Dayna Hansen, Administrative Assistant Tammi Morrow, and Budget Officer S. Scott McDowell.

**Absent:** No one.

**Public:** No one.

**Presiding:** Don Ware & Don Andrews.

The meeting was called to order at 7:03 p.m. by Mr. McDowell. McDowell explained the process and logistics for the teleconference format. Mayor Ware recommended appointing Mr. Don Andrews as Chair. Mr. Andrews has served in that capacity for the last few years. Ware asked if there were any objections. No one commented. Mayor Ware recognized Mr. Andrews as Budget Committee Chair. Mr. Andrews conducted the meeting from that point forward.

Chair Andrews asked Mr. McDowell to recognize Budget Committee Membership. McDowell explained that the seven (7) members of Council are required to count toward attendance/quorum regardless if they are present or not according to State law. If a municipality is incapable of filling the same number, seven (7), of public participants, the Committee membership is based on that total number of members. This year the City recognizes a thirteen (13) member Committee. Quorum will be seven (7) members for business to be conducted.

Chair Andrews then turned the meeting over to McDowell for the delivery of the Budget Message. Dayna Hansen was recognized as a new member to the Committee. McDowell thanked all the members of the Committee for their time and effort in helping with this important annual task.

McDowell reviewed the binder documents. McDowell indicated that all documents are available for the public in two places, in a binder downstairs and on the City website. McDowell said the Budget Message encourages members to be familiar with certain operational realities of the City. McDowell shared the City website where many documents are stored for ease of access and further research as desired by each individual member. McDowell indicated that if any of the members wish to review any additional reports that were mentioned in the Budget Message, they are welcome to review those reports or any other documents upon request. McDowell feels it is important for the community leaders to understand the inner workings of the organization and the external impacts that require public expenditures, hence all the extra documents for review and context.



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McDowell stated that the presentation this evening would include several parts, 1) State Law Review & duties of the budget process, 2) County Numbers, 3) City Numbers & Impact, 4) How to Read & Interpret the Budget, 5) Bonds, & 6) Improvements. McDowell indicated that the purpose of the Committee is to determine if the amounts in the line items are sufficient enough to carry out Council's policies certain requirements.

Highlights from the presentation included a discussion about tax rates and the Linn County SAL report. McDowell explained how general obligation bonds were not counted toward the permanent tax rate. Voter approved general obligation debt is counted separately or cities would have no way of affording major capital improvements such as water and sewer treatment plants and the like. McDowell explained several other State requirements for taxation including the uncollectable tax percentage and shared the Linn County breakdown showing where tax dollars flow.

McDowell discussed the refinancing of the water and sewer debt. The City recently received an upgraded, AA - rating from Standard & Poor's in August 2019. McDowell said that there is a "froth" amount in taxes collected from year to year because more revenue is received on certain things like the sewer debt fee. McDowell reviewed uncollectable taxes. McDowell shared that the tax rate will fluctuate year to year depending on these factors. McDowell also said that Brownsville has "high taxes" because of the bonded debt. McDowell shared a slide showing tax statements and pointed out that the entire tax bill does not go to the City. There are many taxing districts who receive revenue from taxes. McDowell explained that many folks have been upset because they believe the entire amount is coming to the City. McDowell explained the permanent rate with the bond rate and total tax calculation.

McDowell showed a slide that compared utility rates with other communities in the mid-valley. McDowell explained that the cities of Lebanon and Sweet Home recently completed and are getting ready, respectively, to do major utility capital improvements projects. McDowell indicated that utility infrastructure loans are available, not grants. The federal government and the State do extensive rate audits to adjust the rate so that cities are able to pay back the loans for these vital infrastructure components.

Council could not include the IFA or OECD debt instrument in the refinancing because the cost of incorporating this debt was too expensive both from a hard cost standpoint and a timing standpoint. McDowell discussed how he landed on the factors necessary to calculate the debt appropriately for water and sewer. The refinance included both the water and sewer debt. The factor created by McDowell takes into consideration the future schedule and amortization of the previous debt so that it could be properly charged out to each utility.

McDowell discussed the adjustments used in developing this year's budget. He said that he used a zero based budgeting approach and based many calculations on line item performance from previous years. McDowell did manual adjustments to the personnel services object classification throughout the entire budget document. Every few years, an adjustment is done to



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correct these line items. Last year, the classification was cut back too far. Correction was made in this budget.

McDowell shared a video on Measure 5 & Measure 50. Insurance costs, utility costs, service costs all continue to rise disproportionately to the amount of money collected by the City. McDowell said that Council will be faced with difficult decisions in the next few years if the City is going to continue to operate at the same service level.

McDowell reviewed the City's capital assets, current goals, and reviewed future needs. The City has about \$17,000,000 in deferred maintenance on capital assets with a total amount of assets over \$42,000,000. The City has been self-funding improvements, but the costs are so high it is impossible for the City to keep pace without raising rates to an unaffordable level for tax payers and rate payers. Council and the Committee have agreed that certain items such as the new water reservoir will have to wait until a bond comes around. McDowell explained some legacy decisions that have made financing infrastructure even more difficult.

Mr. McDowell indicated that the following projects are included:

GENERAL FUND	
✓ Park Rock   p. 4	\$ 5,000
✓ Park Utilities Relocation   p. 4	\$ 5,000
✓ Future Playground   p. 4	\$ 60,000
✓ Park Board: Remington Park   p. 4	\$ 20,000
✓ Pioneer Park & Rec Center Facilities Reserve   p. 4	\$ 800,000
✓ Library Improvements Schedule   p. 6	\$ 18,000
✓ Backup Generator City Hall   p. 8	\$ 20,000
✓ Land Use Inventory   p. 8	\$ 30,000
COMMUNITY PROJECTS	
✓ City Hall Improvements   p. 35	\$ 35,000
✓ Beautification [Code Enforcement]   p. 35	\$ 20,000
WATER FUND	
✓ Re-investigate Water Plant Generator   p. 11	\$ 7,500
✓ Water Management & Conservation Plan   p. 12	\$ 20,000
SEWER FUND	
✓ Downtown Sewers   p. 16	\$ 400,000
SEWER SDC FUND	
✓ Seven Mile Lane Sewer   p. 27	\$ 180,000
STREET FUND	
✓ Center Street Improvements   p. 19	\$ 50,000
✓ Street Signs   p. 19	\$ 3,500
✓ Sidewalk Program   p. 19	\$ 10,000



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McDowell shared that Council is actively working on all the capital assets in Pioneer Park and the Central Linn Recreation Center. Fortunately, the City has a few years to plan for these future improvements and are looking at every option. McDowell placed an additional \$400,000 for future expenditure on this project bringing the total to \$800,000.

Mr. Andrews asked McDowell to proceed to the Budget pages. Members went through the entire budget page by page.

McDowell reviewed each page pointing out changes and asking for questions, comments and input. Below are highlights from each page:

### Page 1 | Tax Calculation

- ★ Councilor Block asked about the Buildings and Equipment Fund. McDowell explained that Staff has budgeted money for the purchase of a used vector truck and a used grader. Council attempted to purchase those two pieces of equipment recently to no avail. Staff is recommending looking into the used market. The City does not own a vector truck and the 1947 grader is no longer operational.

### Page 4 | Park & Cemetery

- ★ Line 20 shows the \$800,000 reserved for the Rec Center and the Pavilion. Also includes \$20,000 for potential improvements at Remington Park, and money to be saved for a new playground in Pioneer Park.

### Page 5 | Community Room

- ★ Was consolidated into General Operations.

### Page 6 | Library

- ★ Money is being saved toward future capital expenses.

### Page 7 | Law

- ★ Police line item is a placeholder that will reflect that actual increase experienced by the LCSO.

### Page 8 | Operations

- ★ Includes a backup generator.

### Page 16 | Sewer Operations

- ★ McDowell explained the Downtown Sewer project challenges and time frame.

### Page 18 | Streets & Drainage



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- ★ Councilor Gerber shared a communication from ODOT indicating that due to the Coronavirus, the State may not give cities the annual State Highway allocation. If this happens, it could dramatically impact the Street Fund.

### Page 22 | Sewer Bond

- ★ McDowell showed the lower amount requested this year and explained fluctuation.

### Page 23 | Buildings & Equipment

- ★ See note above; Page 1.

### Page 24 | Water System Reserve

- ★ May be used to help pay for the GR 12 Waterline in future years.

### Page 26 | Water SDC

- ★ May be used to help pay for the GR 12 Waterline in future years. McDowell explained System Development Charges for review.

### Page 27 | Sewer SDC

- ★ Money has been appropriated for new sewer construction.

### Page 31 | Cemetery Trust

- ★ Reflects the shift in funding as requested by the City Auditor.

Mr. Andrews opened the floor for public comment and for the purpose of taking any comment on the State Revenue Sharing monies. No one was present to speak. No one had any other questions on the materials as presented.

Chair Andrews tabled the meeting at 8:41 p.m. The meeting will reconvene on Thursday, May 7<sup>th</sup> at 7:00 p.m.

### **Attest:**

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S. Scott McDowell  
Budget Officer

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Don Andrews  
Budget Committee Chair