



Budget Committee Minutes

April 25th, 2024

Members of the Budget Committee met this day for a regular session at 7:04 p.m.

Present: Council President Lynda Chambers, Councilor Trapper Solberg, Councilor Mike Winklepleck, Councilor Sean LaCoste, Councilor Michael Humphreys, Councilor Dave Hansen, Rick Dominguez, Don Andrews, Dayna Hansen, Wendy Toshitsune, Felipe Eversull, Matt Shoemaker, Administrative Assistant Elizabeth Coleman, Administrative Assistant Tammi Morrow, and Budget Officer S. Scott McDowell.

Absent: Mayor Adam Craven & Kaye Fox.

Public: No one present.

Presiding: Councilor Chambers & Felipe Eversull.

The meeting was called to order at 7:00 p.m. by Councilor Chambers. Councilor Chambers opened the floor to nominations. Lynda Chambers moved for Dave Hansen to serve as Budget Committee Chair. Dave Hansen nominated Felipe Eversull. Chambers removed her nomination from the floor, and seconded Mr. Hansen's motion to appoint Mr. Eversull. Nominations were closed. The vote to appoint Mr. Eversull passed unanimously. Lynda Chambers recognized Mr. Eversull as Budget Committee Chair.

Councilor Chambers/Chair Eversull 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 of 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 fourteen (14) member Committee. Quorum will be eight (8) members for business to be conducted. McDowell recognized the veteran committee and thanked everyone for their service to the City.

Chair Eversull then turned the meeting over to McDowell for the delivery of the Budget Message. McDowell thanked all the members of the Committee for their time and effort in helping with this important annual task. McDowell and Administrative Assistant Tammi Morrow began the visual budget presentation.

McDowell indicated that all documents are available for the public in two places, in a binder downstairs and on the City website. McDowell shared the City website where many documents are stored for ease of access and further research as desired by each individual member or the general public. 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.



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Highlights from the presentation included a discussion about tax rates and the Linn County SAL report. Morrow reviewed all State law requirements of the City and Committee. 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. Morrow reminded everyone that the budget includes estimates of revenues and expenditures. McDowell explained the fact that the proposed budget is built in March, after 75% of the current fiscal year is completed.

McDowell discussed the refinancing of the water and sewer debt. The City recently received an upgraded, AA - rating from Standard & Poor's in September 2022. McDowell said that there are varying amounts of taxes collected from year to year because more revenue is received on certain items such as the sewer debt fee. McDowell reviewed uncollectable taxes. McDowell shared that the tax rate will fluctuate year to year depending on these factors. The City will be assessing the water bond portion of the bonded debt this year. The City has not had to do this over the last three years due to fund accumulation due to interest, low estimates, and higher tax yields.

Don Andrews asked McDowell a question from the annual prospectus concerning salaries. Andrews asked what employees thought about only receiving cost-of-living-adjustments over the last several years. McDowell explained that the City has had high COLA adjustments that made giving raises impractical. The health care costs continue to rise as well. McDowell said that everyone would like to make more money, and if the opportunity comes available to provide an increase the City will do so. The other major factor in the raises is that many of the City's employees have been here so long that they are already above the top end of the pay scale.

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.

Morrow showed a slide that compared utility rates with other communities in the mid-valley showing Brownsville was the second lowest. Morrow shared that the City's costs to operate the utility system have increased significantly. Other communities have had to complete major utility capital improvements projects that have led to the higher rates. The City's rates will have to go up once capital improvements are completed. Hopefully, not substantially.

General obligation bonds are not counted toward the full permanent rate of \$6.9597 because general obligations bonds are voter approved and, thereby, exempt by State law. Council successfully refinanced all general obligation bonds in September 2016. Council also refinanced the OECD loan through Government Capital that saved the taxpayers over \$20,000 over the remaining life of that instrument in February 2021. The City received an initial A- rating from Standard & Poor's in 2016 which made this refinancing possible. The City's rating was improved from A+ to AA- in August 2019 and maintained at AA- this past September. The City is reviewed



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every three years by S & P. Dayna Hansen asked when the City's next Standard & Poor's review was due. McDowell thought the next review would be at the end of FY 2025.

Mike Winklepleck pointed out that the United States governments bond rating is currently D+ due to the massive spending and out of control inflation.

Significant changes were made in calculating the bonded debt several years ago due to the refinancing. The bonded debt was combined. I used a factor to determine which portion of the debt should be paid from water and which portion should be paid from sewer. The ratio is 0.1419305 for water and 0.8580695 for sewer. These figures were based on the previous percentages and calculations used by the City.

McDowell discussed the adjustments used in developing this year's budget. He said that he always uses a zero-based budgeting approach and bases many calculations on line-item performance from previous years, however this year was difficult to predict due to the continuing national inflation discussed earlier by Mr. Winklepleck.

McDowell reviewed the City's capital assets, current goals, and reviewed future needs. The City has about \$22,000,000 in deferred maintenance on capital assets with a total amount of assets at over \$56,000,000. The City has been committed to 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 taxpayers 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 future financing of certain infrastructure even more difficult.

Mr. McDowell indicated that the following projects are included:

GENERAL FUND

✓ Park Rock <i>p. 4</i>	\$ 10,000
✓ Rec Center Landscaping <i>p. 4</i>	\$ 30,000
✓ Playground Relocation <i>p. 4</i>	\$ 100,000
✓ Library E-Books & Circulation Software <i>p. 6</i>	\$ 7,500
✓ Library Improvements Schedule <i>p. 6</i>	\$ 64,000
✓ Land Use Inventory <i>p. 8</i>	\$ 45,000

BUILDINGS & EQUIPMENT FUND

✓ Grader & Vactor <i>p. 23</i>	\$ 165,000
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DEBT SERVICE

✓ RCRP Gap Financing <i>p. 20</i>	\$ 60,000
▶ Moved from General Fund	

COMMUNITY PROJECTS

✓ Replenish Past Expenditures <i>p. 35</i>	\$ 30,000
▶ Moved from General Fund	



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CEMETERY TRUST FUND

- ✓ Auditor Correction | *p. 31* \$ 85,322

WATER FUND

- ✓ GR 12 Engineering | *p. 11* \$ 20,000
- ✓ GR 12 Waterline Construction | *p. 12* \$ 50,000
- ✓ Water Management & Conservation
Plan Implementation | *p. 12* \$ 55,000

SEWER FUND

- ✓ New SWWTP Lagoon Engineering | *p. 15* \$ 60,000
- ✓ New TMDL DMA Requirements | *p. 15* \$ 20,000
- ✓ Sewer System Repairs | *p. 16* \$ 75,000

SEWER SDC FUND

- ✓ Reserved Sewer | *p. 27* \$ 500,000
[*New Lagoon & Chemical Change*]

STREET FUND

- ✓ Street Improvements | *p. 19* \$ 15,000
- ✓ Street Sweeping Contract | *p. 19* \$ 12,500
- ✓ Street Painting | *p. 19* \$ 22,500
- ✓ Street Signs | *p. 19* \$ 7,500
- ✓ Sidewalks | *p. 19* \$ 5,000
- ✓ Mill Race Pump Replacements | *p. 19* \$ 40,000

STORMWATER SDC

- ✓ New Stormwater Improvements | *p. 28* \$ 250,000

COMMUNITY PROJECTS

- ✓ City Hall Improvements | *p. 35* \$ 15,000
 - ▶ Security | *p. 35*
 - ▶ Other Improvements | *p. 35*
- ✓ Beautification [Code Enforcement] | *p. 35* \$ 20,000
- ✓ Tree City Requirement | *p. 35* \$ 12,000
- ✓ Partnerships [Partial] | *p. 35* \$ 10,000

McDowell suggested a ten (10) minute recess. Eversull said the meeting would reconvene at 8:10 p.m.

Following the recess, Mr. Eversull reconvened the meeting at 8:10 p.m. All members remained present; no public joined the meeting. Mr. Eversull asked McDowell to proceed to the Budget pages. Members went through the entire budget page by page.



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

Page 1 | Tax Calculation

- ★ McDowell showed the totals for each fund and explained the permanent tax levy and how bonds were calculated.

Page 2 | General Fund Resources

- ★ McDowell explained budget practices for estimating revenue.

Page 3 | Administration

- ★ McDowell said there are several pages with zeroes across the page, but McDowell did not remove them this year due to time constraints. The line-item level of detail is at the discretion of the City. The State is interested in Personnel, Materials & Services and Capital Outlay as the broader categories for budgetary purposes.

Page 4 | Park & Cemetery

- ★ Line 20 shows the \$130,000 reserved for the Rec Center landscaping and the new playground in Pioneer Park.

Page 6 | Library

- ★ The City offers E-books now and money has been included for the continuation of this new program.

Page 7 | Law

- ★ Police line item is a placeholder that will reflect that actual increase experienced by the LCSO. McDowell explained that Council has made the decision to transition the Court to Linn County Justice Court.

Page 8 | Operations

- ★ McDowell talked about Dave Kinney's consultation fees for the Land Inventory project that Administrative Assistant Elizabeth Coleman and the Planning Commission have been working on for several years.

Page 12 & 13 | Water Administration & Operations

- ★ McDowell explained the need for some carryover funding for the GR 12 Waterline.

McDowell talked about State requirements for the Water Management & Conservation Plan (WMCP) and the Department of Environmental Quality (DEQ) requirements for the



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City being deemed a Designated Management Agency (DMA) caused increases so the City can comply with these requirements.

Page 15 & 16 | Sewer Administration & Operations

- ★ McDowell explained the practice of borrowing between certain funds that some cities employ. Fortunately, the City allows funds to be used for whatever the need is without keeping track internally of debt service.

McDowell reported that the City was able to put back money for the future new sewer lagoon. McDowell explained that the City is experiencing growth related challenges requiring another sewer lagoon to deal with additional capacity along with chemical delivery challenges.

Page 20 | Debt Service

- ★ McDowell said that this fund was activated to accommodate the payment for the gap financing the City received to complete the Rec Center Renovation project. Money will be transferred annually for this obligation.

Page 21 | Water Bond

- ★ McDowell explained the City will levy a bond amount this year. It has been three years since monies were levied for this obligation. The City saved over \$20,000 for the next ten years by refinancing. In 2016, the major refinancing led to a \$2,200,000 savings our tax and rate payers over the life of those obligations.

Page 22 | Sewer Bond

- ★ McDowell explained the amount levied.

Page 23 | Buildings & Equipment

- ★ McDowell talked about monies reserved for a used grader and vector truck. Public Works Superintendent Karl Frink is shopping for those two pieces of equipment.

Page 26 | Water SDC

- ★ No money was appropriated for this FY.

Page 27 | Sewer SDC

- ★ Money has been appropriated for new sewer construction.

Page 28 | Stormwater SDC



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- ★ Money has been appropriated for new storm sewer construction. The City has been exploring Ash Street due to excess surface water in the area. The project has slid down the priority agenda due to other, more pressing needs.

Page 31 | Cemetery Trust

- ★ The City Auditor required funds to be moved from the Cemetery Trust Fund to the General Fund in 2019. Staff worked with the auditor to move the funds back to the Cemetery Trust Fund as required by the Brownsville Municipal Code. Staff will make an Adjusting Journal Entry in the amount of \$85,322 to the General Fund at the end of this FY so the money can be made available for this Fund and correct the previous error.

Page 32 | Transient Room Tax

- ★ Council repealed this ordinance making this fund irrelevant. McDowell explained that the page will stay in the budget until it is zeroed out in a couple of years.

Page 35 | Community Projects

- ★ McDowell reviewed the nuisances, junk and weeds program, the Tree City program, and programming through Cascade West Council of Governments as examples to explain the types of expenditures that are made from this Fund. Money was transferred into this Fund from General Fund this year due to expenditure needs.

No one was present from the public to speak or comment on the State Revenue Sharing. Acting Chair Chambers noted that no members of the public were present for the public comment period.

POSSIBLE & PROPOSED USES OF STATE REVENUE SHARING. McDowell indicated that the City has historically used State Revenue Sharing funds to help pay for streetlights for public safety. The money can be used for any general purpose.

BUDGET DISCUSSION, OVERVIEW & QUESTIONS. Chair Eversull then turned the meeting over to McDowell for any questions. McDowell also said that there is some padding in the salary accounts to help with beginning cash balance at end of the fiscal year. He also said that it is wise to have money appropriated in the event of an unforeseen emergency. The City does not want to have to go through some nonsensical bureaucratic supplemental budgetary process to access funds in the event of an unforeseen emergency.

McDowell indicated that the next steps will be publishing the LB1 in the local newspaper. Council will hold a public hearing at their special May 23rd, 2024, Council meeting. Council will adopt the budget at their June 25th, 2024, regular Council meeting. No one had any further questions or comments.

APPROVE THE 2024.2025 BUDGET & RECOMMEND TO COUNCIL.



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1. *Lynda Chambers moved to approve the full permanent tax rate of \$6.9597 per \$1,000 assessed valuation. The motion was seconded by Matt Schoemaker and was approved unanimously.*
2. *Don Andrews moved to approve the levy amount needed for the Wastewater Bond Debt in the amount of \$183,225. The motion was seconded by Matt Schoemaker and was approved unanimously.*
3. *Don Andrews moved to approve the levy amount needed for the Water Bond Debt in the amount of \$36,645. The motion was seconded by Sean LaCoste and was approved unanimously.*
4. *Don Andrews moved to approve a 3% Utility Rate increase for the upcoming fiscal year. The motion was seconded by Lynda Chambers and was passed unanimously.*
5. *Dave Hansen moved to approve the historic use of State Revenue Sharing levy for public safety needs, specifically street lighting. The motion was seconded by Mike Winklepleck and was approved unanimously.*
6. *Matt Schoemaker moved to approve and recommend the continued use of all designated funds and line items contained in this FY 2024.2025 budget document. The motion was seconded by Mike Winklepleck and was approved unanimously.*
7. *Dave Hansen moved to approve the 2024.2025 Budget as presented and to recommend the same to Council. The motion was seconded by Mike Winklepleck and was approved unanimously.*

In closing, McDowell thanked everyone again for taking their time to review and approve the City budget. McDowell thanked Felipe Eversull and Lynda Chambers for serving as Chair.

ADJOURN. *The committee adjourned by consensus at 9:03 p.m.*

ATTEST:

APPROVED:

S. Scott McDowell
Budget Officer

Adam Craven
Mayor