



**CITY OF WEST LINN
CITIZENS' BUDGET COMMITTEE MINUTES
MAY 19, 2010**

**Budget for the 2010-2011 Biennium
(2nd Year Budget Deliberations)**

Budget Committee

Members Present: Thomas Frank, Vice Chair; Thomas Griffith, Karen Hensley, Abigail Wojcik, Scott Burgess, Jodi Carson, Jim Mattis

Budget Committee

Members Absent: Ralph Ezagui, John Kovash, Teri Cummings

Staff Present:

Christopher Jordan, City Manager; Kirsten Wyatt, Assistant to the City Manager; Richard Seals, Finance Director; Casey Camors, Assistant Finance Director

Call to Order/Pledge of Allegiance

Vice Chair Thomas Frank called the meeting to order at 6:06 p.m. on May 19, 2010, in the Council Chambers at City Hall, 22500 Salamo Road.

Vice Chair Frank called for introductions around the table and then for a nominating motion.

Burgess moved to nominate Thomas Frank as the Chairman of the Citizens' Budget Committee. Mattis seconded the motion.

Ayes: Burgess, Mattis, Carson, Wojcik, Griffith, Hensley

Nays: None

The motion to nominate Frank as the Chairman of the Citizens' Budget Committee carried 6-0.

Carson moved to nominate Karen Hensley as the Vice Chair of the Citizens' Budget Committee. Mattis seconded the motion.

Ayes: Burgess, Mattis, Carson, Wojcik, Griffith, Chairman Frank

Nays: None

The motion to nominate Hensley as the Vice Chair of the Citizens' Budget Committee carried 6-0.

Approval of Prior Meeting Minutes (April 27, 2009, May 6, 2009, and May 7, 2009) (Budget Agenda Item #4):

Burgess and Carson reported minor editorial changes to be made to meeting minutes.

Chairman Frank moved to approve the Citizens' Budget Committee Minutes dated April 27, 2009, May 6, 2009 and May 7, 2009, as amended by edits offered by Burgess and Carson. Carson seconded the motion.

Ayes: Burgess, Mattis, Carson, Chairman Frank, Wojcik, Griffith, Vice Chair Hensley

Nays: None

The motion to approve the Citizens' Budget Committee Minutes dated April 27, 2009, May 6, 2009 and May 7, 2009, as amended by edits offered by Burgess and Carson, carried 7-0.

Community Comments (Budget Agenda Item #5):

Alice Richmond, 3939 Parker Road, commented that for City beautification, the Chamber of Commerce and the Neighborhood Associations perform this function in other cities. She believes that it is the residents' responsibility to ensure City beautification and some of the Neighborhood Associations are doing a wonderful job at this. She does not understand why pressure should be put on City staff to perform this function.

State Revenue Sharing Public Hearing (Budget Agenda Item #6):

Seals stated that public hearings are required at the Citizens' Budget Committee and City Council level declaring the City of West Linn's election to continue to receive State Revenue Sharing funds in the 2011 fiscal year. State Revenue Sharing funds in the amount of approximately \$220,000 were allocated in the Adopted 2010-2011 Biennium Budget to the Planning Department. The Citizens' Budget Committee recommended this allocation in the prior fiscal year.

Public hearing opened by Chairman Frank.

No public comment.

Public hearing closed by Chairman Frank.

Review of the Budget In Brief (Budget Agenda Item #7):

Burgess inquired about the Planning Department in the Approved Budget as well as franchise fees.

Seals referred him to the "Fund #6" page of the 3rd Quarter Financial Report for 2010. He clarified that these funds are allocated to the Planning Department under the heading of Intergovernmental Revenue.

Jordan clarified that this money is different from State Shared Revenues that include the gas tax, cigarette tax, and liquor tax received from the State as well. He stated that State Revenue Sharing money is considered General Fund monies of the State.

Seals stated that this is the Committee's opportunity to take public comment and consider doing something different with these funds, separate from allocating the money to the Planning Department, if the Committee so desires.

Review of 3rd Quarter Financial Results:

Seals pointed out to the Committee that the City received the GFOA Budget Presentation Award and that Moody's Credit Agency recently upgraded the City's debt rating to the Aa2 level.

He introduced the first section of the 3rd Quarter Financial Results is the Executive Summary. He stated that items discussed here include the Library Levy, a PERS update, the bond measures, a Citizens' Budget Committee update, and an Audit Committee update.

Burgess inquired about the PERS update, and the term "collar". Seals responded that PERS had a rough investment year in 2008 and as a result PERS had to increase their rates to compensate for such poor investment earnings. He clarified that the PERS terminology, "collar", represents a rate increase maximum ceiling. This maximum is dependent upon where an entity is at with their funding level status with PERS. If an entity is funded at greater than 80% (as the City of West Linn is), the collar is only 3%, therefore, the rates can only increase 3%. If an entity is below 80%, the collar is 6%. Most Oregon cities and counties were funded at around 75% and were therefore faced with a 6% rate increase, so the PERS Board voted to pro-rate this 6% increase. The City of West Linn is at a 3% collar and will remain there, meaning that the City's budget will need to absorb approximately \$300,000 as opposed to \$600,000. Seals confirmed for Burgess, that the City did not sell any PERS bonds for funding.

Jordan added that in the Adopted 2010-11 Biennial Budget, Seals developed a 5-year Financial Plan that anticipated a 3% increase in PERS effective July 2011.

Seals referred to the first four pages in the 3rd Quarter Financial Results, beginning on page 1 of 4. He pointed out that the first City-wide report shows total revenues by type, which show historical revenue trends and the current tracking with budget. Revenues are tracking very well overall showing right at 75% for the first 9 months of the year. Property taxes are at 94% which is due to the receipt of the majority of property taxes in November.

Carson inquired about the "One-time funding for capital" on City-wide page 2 of 4. Seals responded that this is the library funding from the County for a one-time capital allocation.

Carson also inquired about the low Interest income amount and Seals responded that much of the City's money is held with the Local Government Investment Pool where the interest rate is approximately .005 at this time. He added that the bright side is that the City is not invested in any equities so that the City has no loss of principle.

Vice Chair Hensley commented that it would be highly beneficial to see the actual year-to-date numbers compared with a floating budgeted year-to-date column. For example, with this quarterly report, she would like to see a 9-month budget as apposed to a 12-month budget column. She added that a seasonalized budget would also be very helpful.

Seals responded that he would work on alternative formats with future reports.

Burgess added that for national data, building permits were down and housing sales were up. It appears that people are buying up what is on the market but not building new homes.

Seals then referred to the expense reports, City-wide pages 3 of 4, and 4 of 4. On these reports, he looks for "% of budget" to be below 75% at the 9 month mark and he is pleased with these percentages. He pointed out that "Personal Services" which is the City's biggest expense, is tracking at 71%. "Debt Service" appears low but this is due to the debt service payment schedule where payments are due in December and June. He stated that overall, expenses are tracking under expectation, and no supplemental budgets or budget adjustments are expected.

Vice Chair Hensley inquired as to the Finance Director's thoughts of where the City would end up at year-end for fund reserves and the overall budget. Seals responded that he thought that there would be slightly higher fund balances than expected, particularly in the SDC Fund and General Fund. He doesn't foresee any funds going below the previously estimated ending fund balances. He also pointed out that on City-wide page 4 of 4, under "Debt Service: Refunded debt" you can see that in FY09 the City had a debt refunding which saved several hundred thousand dollars.

Seals continued through the reports:

- Fund #1 – General Fund
 - Seals reported that the General Fund contains many different departments as shown on the 3rd Quarter Financial Results. He added that all General Fund departments are tracking under budget.
 - Carson inquired about the contents of "Miscellaneous revenue" with 155% of budget and Seals responded that this is predominately a worker's compensation refund (\$112,000) based on the last 3 years of excellent worker's compensation history.
 - He added that "Ending fund balance" was budgeted to be at \$801,000, but actual "Ending fund balance" is currently at \$1,507,260 and that the majority of the revenues have already been received in the General Fund to date, so it is not

expected to stay this high through June 30th. Seals estimated that “Ending fund balance” should end up around \$1,000,000.

- Fund #2 – Public Safety Fund
 - Seals reported that the “Personal Services” line is being watched since it is tracking slightly high at 78%. He added that we currently have a few vacancies in this area and we expect this amount to shore-up in the second year of the biennium.
 - Carson inquired as to the timing of franchise fees. Seals responded that most of the City’s franchise fees come in only once a year, and that is the reason that this category is tracking at 101%.
 - Vice Chair Hensley inquired about the mix of overtime versus regular time for the “Personal services” line time. Seals responded that you can see a bit of this breakout on City-wide page 4 of 4, with a special line just for overtime. He confirmed that overtime is tracking at 78%, which falls mostly in the Public Safety Fund. Vice Chair Hensley requested to see additional detail illustrating the overtime as a percentage of total salaries and wages since the move to fully staff the Public Safety Fund was partially to achieve the goal of reducing overtime. Seals responded that he would gather that detail and provide it to the Committee, but that he could tell that overtime is in fact tracking down by approximately \$150,000.

- Fund #3 – Parks and Recreation
 - Seals reported that “Personal services” are tracking a little high so this area is being watched as well.
 - He added that “Ending fund balance” is right where it should be.
 - Carson inquired as to what makes up “Intergovernmental revenue” and why those amounts are so low compared to the budget. Seals responded that this is the Metro grant money that has not yet been received. Jordan added that this funding is project specific, and the funding for the project will be received when the project is started. He added that these projects have not been started yet but will include Marylhurst Park, Robinwood Park, Midhill Park and Douglas Wood Park.

- Fund #4 – Library Fund
 - Seals reported that the annual Library funding from Clackamas County came in this quarter.
 - He added that the “One-time funding for capital” has a corresponding “Capital outlay” for \$1,050,000. Burgess inquired as to if there was a time limit on this funding and Jordan responded that he is not positive, but does not believe so. He stated that he will be checking on this as there is a project to begin soon. Seals added that he does not believe we would lose this money if the project is not completed in the first year of the County’s 5 year plan.

- Fund #5 – Building Fund
 - Seals reported that in prior years the City had an interfund loan that was converted to a bank loan. This bank loan was paid off this year in the amount of \$119,552.
 - He added that “Ending fund balance” in this Fund was expected to be at a deficit at the end of the fiscal year but since building revenues have turned around a bit, the City currently has a positive “Ending fund balance” of \$92,502 including the pay-off of the bank loan.
- Fund #6 – Planning Fund
 - Seals reported that “Franchise fees” are down a little due to timing but should come in right around the expected amount.
 - He added that overall, the Planning Fund is doing well.
- Fund #7 – Communications Fund
 - Seals reported that this Fund includes the allocation of some Comcast “Franchise fees”, which are then allocated to WFTV.
 - Chairman Frank added that last year the Committee changed the service type fee and inquired as to the status of that. Jordan stated that City Councilor Mattis is working on a Memorandum of Understanding (MOU) along with Oregon City to assume a greater roll in managing WFTV. The financial management responsibility will likely come to West Linn as Oregon City currently helps in the financial management of South Fork Water Board. The City Finance Department will likely become the financing agent for WFTV. He added that service fees will then be analyzed to determine the proper way to move forward. Vice Chair Hensley commented that considering this possible MOU, it appeared that the City may have higher expenses related to WFTV while City resources allocated to WFTV increase. Jordan responded that WFTV would be reimbursing the City for handling their finances.
- Fund #8 – Park Bond Fund
 - Seals reported that bond monies from prior years are reserved here for siting an aquatics center and some other Parks Department projects.
- Fund #9 – Debt Service Fund
 - Seals reported that the City has received debt service revenues and yet the City’s expenses only reflect the December payment. He added that the other payments are due in June and have not yet been paid.
- Fund #10 – Systems Development Charges Fund
 - Seals reported that revenues have already reached the 12 month budget mark through the first 9 months.

- He added that the two-thirds match for the Savannah Oaks Property purchase is included in the “Intergovernmental grants” line item and the expense side of this transaction is shown under “Capital outlay.”
- Seals stated that the yellow box at the bottom of the page reflects the “Ending fund balances” for each of the SDC Fund types. He added that there is a new SDC Fund type called Bike/Ped which is a component of the revised Street SDC methodology. Burgess inquired as to why we have a deficit under the Parks SDC type. Seals responded that because of the Savannah Oaks Property, this SDC type is a bit short. Seals anticipates that this should shore up by the end of the next fiscal year. He stated that since all the SDC types are within the same fund and in total, “Ending fund balance” is a positive number, the overall budget category is fine.
- Fund #11 – Street Fund
 - Seals reported that all areas appear to be doing fine. He added that the “Intergovernmental – grants” reflects the stimulus money (\$900,000) which will be coming from ODOT when the project is started and moving along.
- Fund #12 – Water Fund
 - Seals reported that revenues are right at 75% for “Water service charges.”
 - He added that expenses look good except for “Capital outlay” where the funds allocated for the first fiscal year have already been spent. He stated that the Water Fund has plenty of budget authority in the second year, so there are no real concerns about this as there has just been an acceleration of projects into the first fiscal year.
- Fund #13 – Environmental Services Fund
 - Seals reported that for revenues, both “Sewer services charges” and “Surface water service charges” are tracking very well at 77% each and expenses are under 75%.
 - Burgess inquired as to what is in “Licenses and permits” line item. Seals responded that it is likely meter installation and sales.

GASB 54 Pronouncement (Budget Agenda Item #8):

Seals stated that GASB 54 is a new pronouncement that requires the City to officially commit to its fund structures via a resolution. The City’s current fund structure is made up of 13 funds and allows for 3 year trend analysis. If the Committee and Council like the fund structure currently in place, Seals recommended that a resolution be passed at the Council level. The draft resolution, included in the committee agenda packet, maintains the City’s current fund structure. If any Committee member or Council member does not like the existing fund structure, this is the opportunity to discuss a change.

Burgess commented that he does not see the solid waste franchise fee on the end of the draft resolution. Seals responded that this resolution does not require the identification of all revenue streams but instead, it has to identify just the significant major revenue streams in certain funds. Seals confirmed that he believes that the solid waste franchise fee is likely in a fund that has already been substantiated through another major revenue source.

“Issues and Options” Papers (Budget Agenda Item #9):

Dog Licensing – Seals reported that dog licensing is a low revenue generator, Clackamas County already has a dog licensing program causing overlapping service issues with City residents, impounded dogs already go to the County, and Gladstone recently turned their dog licensing function over to the County. City staff has already contacted the County and they are willing to take over the program. Seals stated that as a reminder, the overall purpose of a dog control program is to ensure that dogs in the City have their rabies vaccinations.

Carson commented that the City does not take a very active stance to have dogs licensed and inquired as to if the County is more actively involved than the City has been. Seals responded that yes, he believes that the County seeks dog licensing more actively. Carson then inquired as to the time it takes for City personnel to perform this function and Seals responded that it takes roughly 1/4 FTE estimated on an annual basis.

Burgess inquired about the CSOs and whether the CSO will continue to provide services to our citizens. Seals responded that the City’s CSO would still actively work the dog control program.

Vice Chair Hensley inquired if making this change will likely result in a higher percentage of West Linn residents having their dogs licensed and if the City will have a change in customer service. She sees this as a win/win situation as it currently is operating at a loss.

Seals responded that there will likely be no change in dog safety because the City will still have a CSO and police force working this program but that the County has more robust licensing software and capabilities so that the online service to citizens will likely increase.

Jordan clarified that these “Issues and Options” papers affect the Master Fees Document and therefore recommendations from the Budget Committee for the Council would be included in the Master Fees Document in June for the Council to approve.

Vice Chair Hensley moved to recommend option #1, to remove the dog licensing requirement from Municipal Code and delegate the dog licensing function to Clackamas County. Burgess seconded the motion.

Ayes: Burgess, Mattis, Carson, Chairman Frank, Wojcik, Griffith, Vice Chair Hensley

Nays: None

The motion to recommend option #1 for dog licenses carried 7-0.

Business Licensing – Seals stated that we are responsible for licensing businesses and the annual renewal of licenses. He reported that with the economic downturn and the formation of our new Economic Development Committee (EDC), the City could offer a “stay” on the renewal fee for the FY11, and then charge the EDC to develop this program further.

Jordan added that when the Council formed the EDC, the City was spending some money on consulting time. He added that the Council wanted a means by which businesses would contribute to the EDC and the thought is that if the City offers a “stay” on the renewal fee, it would show that the City is trying to help local businesses while simultaneously, allowing time for the EDC to develop a program to get businesses to better fund economic development.

Mattis inquired as to the amount of the renewal fee. Seals responded that it is a function of employees and ranges between \$30 and \$60 per year.

Jordan recalled that discussions with the Council had been made and the fees for the program barely cover the programs administrative expenses, therefore, the businesses are not benefiting from this program. He added that if the City reduces the current year fee and comes up with a value-added program, then the City can justify the program and move forward.

Mattis commented that currently it looks like the City doesn’t really consider business licensing to be a revenue stream. He inquired as to how management looks at this program. Seals responded that currently, management is not sure we are offering businesses anything of true value for their fee and that it would be better to develop a value-added approach to business licenses. Jordan clarified that for home occupation business licenses in their first year, the City reviews the license to make sure the business meets City code. For renewals, the City merely charges a fee and sends out a reminder request.

Chairman Frank inquired as to how much revenue is from renewals as apposed to new licenses. Seals responded that he estimates 70% is from renewals and 30% is from new businesses.

Chairman Frank asked for clarification as to how the renewals will then be handled, i.e. will business owners still receive a renewed business license and just not pay for it or will they not receive anything?

Seals clarified that businesses would still receive a renewed business license, they just won’t be charged for it.

Burgess stated that he has no desire to collect money for a program just to cover the administrative costs of that program and not to provide value. However, it looks like the City will still have the administrative costs but not receive any revenue to cover the cost.

Carson moved to recommend option #2, to make no changes to the business licensing program. Vice Chair Hensley seconded the motion.

Ayes: Burgess, Mattis, Carson, Chairman Frank, Wojcik, Griffith, Vice Chair Hensley

Nays: None

The motion to recommend option #2 for business licenses carried 7-0.

City Beautification – Seals reported that in the past few years, the City has had increased citizen interest in coming up with City beautification. He continued that this “Issues and Options” paper includes some beautification ideas as well as funding ideas.

Burgess clarified as to if it is staff’s recommendation to increase streets maintenance \$.75 per month. He stated that he thinks it would be a good thing to begin more City beautification but that the City might not be ready to move forward quite yet and with the economy being as it is, the City may want to avoid charging more for non-necessary things.

Vice Chair Hensley moved to recommend option #2, to not increase the Street Maintenance Fee by \$.75 and continue the City’s minimal beautification efforts for medians and other public spaces. Mattis seconded the motion.

Ayes: Burgess, Mattis, Carson, Chairman Frank, Wojcik, Griffith, Vice Chair Hensley

Nays: None

The motion to recommend option #2 for City beautification carried 7-0.

Community Grants – Seals reported that the citizen members of the Citizens’ Budget Committee met on May 10, 2010, to review the requests and continued with the existing guidelines created in the prior year and added a few additional guidelines. Seals explained the Community Grant Requests recommended listing. He stated that in total, the City received \$52,000 in grant requests and the Citizens’ Budget Committee was able to bring the final recommended amount down to \$23,750. Carson mentioned that the Lockfest will continue to request funds as it cannot be a fundraiser since it is on federal property. She also clarified that the shuttle service did occur in West Linn. Vice Chair Hensley clarified that the portion of the request for the Lockfest that was for a shuttle was for shuttle services in Oregon City and therefore, were not applicable. Chairman Frank added that the information provided by Carson on the fundraising status of the Lockfest is very useful information and will be taken into account next year.

Carson noted that multi-year festivals are limited in funding from the City as the Committee discourages complacency with applications. Vice Chair Hensley clarified that the Committee wants to allocate more funds and support to high priority community service events and that 30% was the event cap.

Seals added that we requested a “report back” from grantees on the current year applications.

Burgess commented that the AWOL (#7) are the dancers in the trees for Arts Festival in the Forest (#20). Because of this, it appears that this event is actually being granted \$3k (together). Vice Chair Hensley responded that these organizations have a separate setup but that they share advertising.

Burgess moved for approval of the recommended Community Grant allocation as presented. Mattis seconded the motion.

Ayes: Burgess, Mattis, Carson, Chairman Frank, Wojcik, Griffith, Vice Chair Hensley

Nays: None

The motion to approve the Community Grant allocation as presented carried 7-0.

Burgess inquired as to how the biennial budget is working from a staff perspective. Seals responded that it allows staff to perform value-added activities in the offseason. He stated that for this year, for example, Finance is focusing on its software implementation. He added that having this extra time also helps to keep the long-term forecast perspective.

Vice Chair Hensley asked about the five-year financial plan and how often is it updated. Seals responded that it is a living document and that if there was a significant event, the forecast would be updated. He added that a typical update of the five-year financial plan happens every two years leading into every biennial budget. He also responded that we are not experiencing the same staffing cuts as other cities since we did not staff-up two years back.

Burgess inquired as to the property sale. Jordan responded that the City Attorney and City Manager have been directed to prepare and execute all documents for the property sale to the School District and that this is in process.

Vice Chair Hensley commended City staff for all their work related to up to date audits and awards.

Jordan commended the Citizens' Budget Committee on all the pre-work they did which assisted in making the Community Grant process very clear.

In closing, Seals noted that the resolutions discussed tonight will be brought to Council on June 14, 2010 including:

- GASB 54 Resolution
- State Revenue Sharing Resolution
- Master Fees and Charges Resolution

Public meeting adjourned 8:48 pm.

Respectfully submitted,

Casey Camors /s/

Casey Camors
Accounting Manager

PENDING APPROVAL BY THE CITIZENS' BUDGET COMMITTEE:

on _____

DRAFT