



BUDGET COMMITTEE MEETING MINUTES

February 02, 2022 at 6:00 PM

City Hall Council Chambers & Remote Video Conferencing

CALL TO ORDER

1. Roll Call

The Wilsonville Budget Committee mid-year review was held at the Wilsonville City Hall beginning at 6:00 p.m. on Wednesday, February 2, 2022. Member Fitzgerald called the meeting to order at 6:02 p.m., followed by member introductions.

PRESENT

Member Fitzgerald

Member Akervall

Member West – Arrived at 6:07 p.m.

Member Lehan

Member Linville

Member O'Neil

Member Scull

Member Hamm

Member Legarza

Member Moulton

STAFF PRESENT

Bryan Cosgrove, City Manager

Cricket Jones, Finance Operations Supervisor

Delora Kerber, Public Works Director

Dillion Jenkins, Senior Accountant

Dwight Brashear, Transit Director

Keith Katko, Finance Director

Katherine Smith, Assistant Finance Director

Kimberly Veliz, City Recorder

Zoe Mombert, Assistant to the City Manager

FINANCE INTRODUCTION

Keith Katko, Finance Director, introduced himself and the Finance team, noting each person's professional experience and expertise.

FY 2021-22 MID-YEAR FINANCIAL REVIEW

2. Presentation

Finance Director Katko presented the Mid-Year Financial Review, via PowerPoint, which was included in the record. He highlighted tonight's overall agenda and the City's fund accounting structure, noting tonight's review would focus on the Operating Funds, which were aligned with the City's mission and goals. The three overall takeaways are that the budget is on target, interest rates are low, inflation is high and local growth, permit and construction activity were strong. (Slides 2-5)

Member Linville asked what funds could be charged back to the Capital Improvement Project (CIP) Funds and if employees' time and effort were charged back. Director Katko explained when an employee works on a specific CIP project, their hours are billed to that project, and then, a direct transfer is made when the accounting is done. The General Fund houses all the essential departments, and those functions are assessed to the appropriate operating funds through indirect charges. The City uses an allocation methodology that is reviewed annually by independent auditors to ensure the transfers are reasonable.

Member West asked how long inflation would continue to rise, how inflation impacts the budget, and how can the City mitigate the effects of inflation. Director Katko responded the City outsourced water treatment plant, wastewater treatment plant, and police services, which were the three largest services in the Materials and Service budget. The contracts for the two treatment plants contained clauses to index to the consumer price index (CPI). When the CPI increases, service rates will increase the following year. He could not attest to where inflation was going.

Member Scull asked if inflation was causing project delays and if so, how did those delays affect the budget. Director Katko said supply chain issues were affecting project costs, but the cost of borrowing has never been cheaper. The current economic issues and fiscal policies are out of the City's control. City Manager Cosgrove added that cost increases meant that projects, materials, and services would cost more. In the past, Staff has always budgeted for a 1 percent increase over the prior year, but that might not be reasonable for the next fiscal year and might have to vary for each budget. No one knows when the supply chain issues and inflationary pressures would back off, but Staff would have a better idea of what would be needed in the Operating Fund by April or May.

Director Katko continued the PowerPoint presentation, along with Assistant Finance Director Katherine Smith, reviewing the revenues and then requirements or expenditures, along with the Budget, Year-End Estimate, Remaining Balance, and Budget Variance for each of the City's Operating Funds. Comments were also provided in the PowerPoint to update and discuss what was happening with the funds.

Questions from the Budget Committee members and key responses by Staff about the following funds were as noted:

Transit Fund

Member Linville asked if the City's policy was to transfer money into individual funds to cover variances that are below the budgeted amount. City Manager Cosgrove said the City uses the bottom line total of the program budget to determine whether contingency funds needed to be moved. As long as a program stays within budget, it does not matter if more or less is being sent on specific line items within that budget. This allows flexibility for emergencies and unforeseen financial impacts. However, programs always come in under budget with very few exceptions. Director Katko added that a budget authority was only needed to spend money, so the resources are listed to conceptualize how the fund is doing.

Member West confirmed the Transit Fund Resources had a deficit of \$344,000. Director Katko said despite the deficit, the fund is very healthy. Staff did not anticipate receiving the intergovernmental state revenue funding this year, but it would be re-budgeted next year; that resource would not be spent until the revenue was received. He added the anticipated \$5.2 million in transit tax represents \$1 billion in wages and self-employment earnings in the local area. Intergovernmental revenue is typically the second largest revenue source for SMART. He explained the \$4 million received in American Rescue Plan Act (ARPA) funds was not reflected in the Transit Funds Resources Year-End Estimate for this fiscal year and would likely be shown next fiscal year. The \$2.7 million shown for Intergovernmental Federal resources assumed SMART's buses would be delivered by June 30, if not the intergovernmental revenue and expense would be pushed to the next fiscal year. The long lead-time around purchasing buses made budgeting tricky. (Slide 6)

Member Linville said she heard there were concerns about the transit tax on total payroll, but that revenue was only about 30 percent of the total Transit Fund Resources. Additionally, the amount of transit tax charged for SMART is lower than if Tri-Met was in Wilsonville. Director Katko confirmed she was correct, noting Wilsonville benefitted from having large, high-tech oriented multinational companies that had been somewhat more immune from the economic difficulties faced by some smaller and mid-sized companies, resulting in a stable revenue source in that transit tax. SMART has also been receiving federal funding at increasing higher levels, which generally must be spent on capital outlay, which meant buses.

Member Fitzgerald reminded how the City has chosen to invest in and develop new areas like Coffee Creek and Basalt Creek and other industrial development areas that City Council and the citizens have supported developing. Looking at other cities one realizes how important it is that people have been forward thinking and looking at ways to attract and retain those higher wage jobs.

Councilor West asked how much revenue the City typically receives from transit fares. He assumed the current number was low due to the pandemic. City Manager Cosgrove clarified that no fares were charged during the pandemic because the City received federal funding to offset that. However, fares were an infinitesimally small part of SMART's budget. Given the staff time involved in managing the fares, it was worth not charging fares. The only fare that made sense was the 1X between Salem and Wilsonville. He noted this Transit budget is inflated due to extenuating circumstances with stimulus and Statewide Transportation Improvement Funds (STIF).

Road Operating Fund

Member Akervall asked if the City had been conservative with the budgeting because people were driving less during the pandemic and that was why the Beginning Fund Balance was higher than anticipated. Director Katko stated there was a slight dip in gas tax in 2021, which is reflected in the Beginning Fund Balance. However, there was also a reduction in expenses in the prior year, which rolled forward, and the gas tax increased \$.02 in January 2022. City Manager Cosgrove added the City's population increased, which resulted in higher state shared revenues. (Slide 9)

Member Akervall asked if the City was behind on some road projects and if so, was that a result of supply chain issues or other reasons. Director Katko explained the City experienced staffing vacancies as a result of the pandemic, most of which were in the Community Development Department, engineers in particular, which triggers movement on CIP projects. Being near fully staffed now has triggered movement on many of the capital projects. City Manager Cosgrove noted the City was down two engineers. He also explained that CIP Plan is a 5-year plan. After Year 5, projects move into the design phase, after which construction begins. Any project could be delayed for any number of reasons and during any phase. However, Staff does a good job of maintaining its assets and the Street Maintenance Program was a good example.

Water Operating Fund

Member Legarza confirmed with Staff that contracted service contract increases were based on CPI and the Committee had not seen those yet. Director Katko noted the increases would be discussed during the budget meetings in May. Director Kerber added that for the water and wastewater treatment plants, the contracted personnel increases are made up of a split of the CPI for West Coast Class A Cities and the Employee Cost Index (ECI). Both contracts renew on July 1 of each year, but numbers from the previous 12 months of January through December are used to calculate those increases. She believed that the next increase would be between 3.5 percent and 4 percent.

Stormwater Fund

Member Fitzgerald asked how the Stormwater Master Plan fit into the upcoming fiscal year's budget. Director Kerber said Staff was in the process of updating the master plan, which will help inform future capital improvement projects and major repair and maintenance projects. After the master plan is complete, Staff will look at the user rates and SDC rates to determine how those rates will need to be changed.

Member West asked if the unexpected construction project related to the stormwater issue in Charbonneau was paid for out of this year's budget, and if Staff had assessed such things in an effort to avoid future issues. Director Kerber replied the project was the storm line that ran along Miley Rd to the south of Charbonneau, noting the previous Master Plan had pointed out that as a potential area for repairs. In addition, Staff was trying to identify areas around the City with challenges to address them before emergency repairs are necessary. She believed the project in Charbonneau was likely two fiscal years ago.

Building Inspection Fund

Member Legarza noted some projects would carry over into next year and asked if project timeline extensions were expected to continue, especially with inflation increasing. Director Katko responded that is difficult to determine. This fund's revenue can be feast or famine because the fund is dependent on the timing of when permits are pulled. For example, permits pulled in May would be for developments in the next fiscal year, which would likely result in a dip in revenue next year when inspection costs are incurred. As far as development going forward, Frog Pond was a ways from being built out, and Wilsonville in general is a very attractive geographical area for development as well as to some of the economic policies embraced here. City Manager Cosgrove added that for the Building Inspection and Community Development Funds, the money comes in on the front end and the work happens on the back end, so there were wild fluctuations in both funds. Therefore, Staff tries to maintain a healthy Ending Fund Balance.

Member Linville asked if this was one of the funds on a watch. Staff had been added to the department so the City could meet requirements for the requests and increase its timeliness for meeting building inspection requests. City Manager Cosgrove clarified the Community Development Fund was on a watch, not the Building Inspection Fund, which always had a healthy reserve, though resources were added to the Building Inspection Fund. Permit fees were increased for the first time in 15 years to capture the true cost of the labor involved in providing services to the development community. The fees are tied to employees' billable hours. Director Katko added several variants were involved, noting there are three staff vacancies in this Department, which was why a huge influx of revenue was shown. The need has been so tremendous the Department has outsourced some building inspections, which goes in the Materials and Service budgets so it kind of nets.

Member West understood contracting services was more expensive and asked if there would be additional savings by filling the contracted positions with Staff. Director Katko responded it was absolutely more expensive, noting Building Inspector Dan Carlson would address the contracted work and expense in more detail during the budget meetings in May.

General Fund

Member Fitzgerald asked for details about the investment in more law enforcement personnel. She understood the City would be hiring another deputy. City Manager Cosgrove clarified the City has no immediate plans to hire another deputy. Chief Wurpes completed an analysis of staffing needs, shift coverages, and supervisory capacity, and he is not recommending the addition of any new deputies. A second traffic unit was added two fiscal years ago in response to citizen complaints about speeding in neighborhoods. He noted behavioral health needs really drain the Police Department's resources. A behavioral health professional does a lot of welfare checks and responds to mental health related calls and adding that position would free up a lot of capacity for the sworn officers to do more traffic enforcement.

Member West asked if the behavioral health specialist would be included in the line item for police officers and what the additional staffing cost would be for that position. City Manager Cosgrove stated the position would be reflected under Contract Services for law enforcement. He believed the total costs were around \$190,000 a year.

Director Katko reviewed the budget timeline for the rest of the fiscal year. (Slide 34)

City Manager Cosgrove said Committee Members could email him or Director Katko with any questions. Questions and Staff's responses would be distributed to all Members in advance of the budget hearing.

ADJOURN

The Budget Committee meeting adjourned the meeting at 7:49 p.m.

Respectfully submitted,

DocuSigned by:

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Paula Pinyerd, ABC Transcription Services, LLC.
for Kimberly Veliz, City Recorder