CITY OF WILSONVILLE
BUDGET COMMITTEE MEETING MINUTES
WILSONVILLE CITY HALL
29799 SW TOWN CENTER LP E

February 15, 2018

A regular meeting of the Wilsonville Budget Committee was held at Wilsonville City Hall beginning at 6:00 p.m. on Thursday, February 15, 2018.

Budget Committee members present:
Tim Knapp, Mayor
Kristin Akervall, Councilor
Andrew Karr, Committee Member
William (Bill) Amadon, Committee Member
Paul Bunn, Committee Member
Sam Scull, Committee Member

Budget Committee members absent:
Charlotte Lehan, Councilor
Scott Starr, Council President
Arthur Park, Committee Member
Susie Stevens, Councilor

Staff present included:
Bryan Cosgrove, City Manager
Susan Cole, Finance Director
Pat Duke, Library Director
Kimberly Veliz, City Recorder
Jeanna Troha, Assistant City Manager
Andrea Villagrana, Human Resources Mgr.
Margie Trader, Accounting Technician

Mayor Knapp called the meeting to order at 6:14 p.m. followed by the Pledge of Allegiance.

Bill Amadon introduced himself to the Budget Committee, briefly providing his professional background.

CITIZEN COMMUNICATIONS
Mayor Knapp called for public comment. There was none.

Mayor Knapp noted the election of officers would be conducted at the May 30, 2018 meeting.

CITY MANAGER INTRODUCTION
City Manager Cosgrove briefly explained the purpose of the meeting.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) OVERVIEW
Susan Cole, Finance Director, introduced, Carol Samuels, Managing Director of PiperJaffray and associate member of the Oregon Government Finance Officers Association. She noted the City does not contract with PiperJaffray adding that she knew Ms. Samuels through the Association.

Carol Samuels, Managing Director, PiperJaffray, presented the PERS Overview via PowerPoint to give the Committee a broad understanding of how the State's retirement system worked. The presentation detailed current and predicted future costs, the actuarial process used, how funds are

invested, cost of living adjustments, significant changes made to the system since 2003, and the three PERS programs, Tier 1, Tier 2, and OPSRP. During the presentation, she and Staff responded to questions and comments from the Committee with the following key comments:

- Wilsonville pays the employee's share of 6 percent of payroll. However, not all cities pay this, also known as employee pick-up. Cities that do not pay the pick-up offer higher salaries to their employees, but also have higher payroll costs. If the City wanted to stop paying the pick-up, negotiation would be required with the labor union.
- Tier 1 members were guaranteed an assumed earnings rate of 8 percent in 2003 because the economy was good at that time. However, that percentage continued to be guaranteed even in years when the economy was not so good.
- The State has discussed switching from a fixed rate to an annual rate adjustment, which would require the State to adjust their biennial budget cycle, so there has not been a lot of support for changing rates every year.
- Rate changes applied against covered payroll take effect 18 months after the valuation date. However, cities can pay more than the current rate to offset future rate increases, which has to be done in accordance with certain restrictions.
- State statutes require employee contribution rates to remain at 6 percent.
- Oregon is funding a high proportion of the annual required contribution (ARC), which is much higher than other states. Any portion of the City's contribution not paid incurs interest charges.
- Combining all of the actuarial pools into one would be extremely complicated. The School Pool was created the same day PERS was created, in the 1940s. The State and Local Government Pools were created in 2003, when every municipality that joined the pool was assigned a transition charge based on their own economic situation at that time.
    - For public sector employees who move from one government job to another, PERS tracks where they worked and for how long and charges a portion of their retirement to each employer.

Director Cole gave a brief PowerPoint presentation about how she used data analytics to incorporate PERS into the City's financial planning. She explained that about 80 percent of the payroll budget was labor, so she strives to estimate labor costs as accurately as possible. It was easy to estimate PERS using the same model.

Mayor Knapp asked what was within the City's control and what scenarios could be considered. He also wanted to know more about how side accounts worked.

Ms. Samuels said one of the City's options was to pay more money into the system, either from cash, reserves, or by borrowing the money. She offered to give another presentation in the future about the City's options, but the analysis for each option was similar. If the City believed PERS would provide better returns than the City could get on its cash and/or the cost of funds was lower than what PERS would return, then the City could defray its costs by that difference. She explained how this could benefit or hurt the City's finances.

Committee members briefly discussed the State's matching funds account, which would make the City's analysis simpler. The account had not yet been funded, but the legislature had said that only cash deposits, not borrowed deposits, would be matched.

Director Cole confirmed that Staff had not discussed setting any money aside for a side account. Wilsonville had a broad array of financial commitments that come with specific financial reserves. She was not clear the City could take advantage of a side account with its current debt covenants. A sophisticated cash flow analysis would be necessary to determine whether the City could benefit from a side account.

The Committee discussed the risks involved with borrowing funds for a side account and agreed the biggest benefit to the City would be to fund a side account with cash. They also agreed that an analysis should be completed to determine what that benefit might be. If a side account were funded with cash, the City should ensure it retains enough cash on hand for other expenditures because monies sent to PERS could not be returned to the City. Healthy cash reserves benefit the City in many ways.

Ms. Samuels explained that if the City did a pension bond, federal tax law required it be sold on a taxable basis because it was considered bonding for operations. The City could consider borrowing for a capitol project at a tax-exempt rate and send cash to PERS, which might also qualify the City for a match.

The Committee agreed it was best to manage funds and cash on hand as they have been because their methods have put the City at an advantage in numerous ways. They briefly discussed recent changes made to the PERS system and how those changes would impact the City.

Ms. Samuels explained that any changes the legislature could make now would not substantially affect the current rates. The City was doing its due diligence to plan for both the known and unknown expenses. Currently, all of the City's operating funds met or exceeded the financial policies. This was one benefit of doing five-year forecasts. Understanding the City's current condition was critical to continuing financial health, despite financial issues at the State level that impact the City.

Director Cole noted the PowerPoint presentation given by Ms. Samuels would be published on the City's website.

ADJOURN
Mayor Knapp adjourned the meeting at 8:02 p.m.

Respectfully submitted,

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