



Budget Committee Minutes

April 28th, 2016

Members of the Budget Committee met this day in regular session at City Hall, Brownsville, Oregon at 7:00 p.m.

Present: Mayor Don Ware, Councilor Mandy Cole, Councilor Lynda Chambers, Councilor Carla Gerber, Councilor Mike Neddeau, Councilor Gary Shepherd, Councilor Nan Van Sandt, Marilyn Grimes, Kaye Fox, Rick Dominguez, Don Andrews, Mike McDaniel, Allen Buzzard (8:21 p.m.), Administrative Assistant Tammi Morrow and Budget Officer S. Scott McDowell.

Absent: All members were present.

Public: No one was present.

Presiding: Don Ware & Don Andrews.

The meeting was called to order at 7:00 p.m. by Mayor Ware. Ware opened the floor for Committee Chair nominations. A motion was made by Ms. Cole to nominate Mr. Don Andrews. A second was made by Mr. Shepherd. The floor was closed to nominations. Mr. Don Andrews was elected as Committee Chair. The motion carried unanimously. Mr. Andrews conducted the meeting.

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 Committee members. This year the City recognizes the full thirteen (13) member Committee due to a late resignation by Ms. Theresa Wilhelm.

Chair Andrews then turned the meeting over to McDowell for the delivery of the Budget Message. McDowell introduced and welcomed Mr. McDaniel. McDowell thanked all the members of the Committee for their time and effort toward this important task. McDowell reviewed the binder documents. McDowell indicated that all of these 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 know 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 very strongly that it is important for the community leaders to understand the inner workings of the organization and the external impacts that require public expenditures.

McDowell said the presentation this evening would include six parts, 1) the legal requirements & duties of the budget process, 2) how the City budget is built, 3) how to read the budget, 4) bonded debt, 5) adjustments and 6) projects. McDowell explained that he would be expounding on past projects and certain policy decisions made by Council over the last several years for insurance reasons, historical purposes and TMDL implications. McDowell reviewed the



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requested change regarding allocated and non-allocated resources as discussed by the Oregon Department of Revenue (ODR). McDowell explained how the City allocates all expenditures to the appropriate Fund and organizational unit. McDowell explained that it is also linked to payroll and Worker's Compensation calculations. McDowell predicted that ODR will eventually change this recommendation.

Highlights from the presentation included a discussion about tax rates and the Linn County SAL report. Members had several questions with regards to the impending Central Linn School District bond measure slated for May 17th, 2016. McDowell explained how general obligation bonds were not counted toward the permanent tax rate. 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, once again, the Water Bond discussion from the last eight years. The basic issue is that the City has been allowed to bond money over a forty (40) year period and the useful life for the Water Treatment Plant is twenty (25) years which means there will be some legacy debt moving forward as the City plans for the new water treatment plant starting as early as the year 2020. McDowell explained the implications of some new rules implemented by the United States Department of Agriculture (USDA). McDowell said that Central Linn School Superintendent Gardner had inquired about the possibility of refinancing the City's bonded debt. McDowell explained to Mr. Gardner the implications of such a decision.

McDowell said that if the City pays off the debt too early, the City could be in jeopardy of not receiving Federal & State funding in the future because those agencies would view Brownsville as a "self-sustaining utility." The USDA has changed that policy due to the low interest rates that are now available. Mrs. Holly Halligan, USDA, reviewed the City's finance condition and determined that the City was not eligible for "graduation" from the program. The USDA goes through conventional loan process of sorts that will only refinance the debt for a fifteen year term. If the City did that, the increase would be over \$250,000 per year or nearly \$3.50/\$1,000. Mr. Matt Donahue from D.A. Davidson indicated that if the City were to receive a bond rating, his firm could provide a thirty (30) year term as a refinance option. The savings would be between \$.40/\$1000 and \$.65/\$1,000. Council is currently reviewing refinance options. McDowell reminded everyone that there will be major projects included in the next water bond including any reservoir and other major waterlines. He said that USDA no longer allows communities to refinance the old debt into the new debt, so this will have future implications.

McDowell briefly reviewed the wastewater bond information recounting a story from a few years ago about the fluctuation of the annual payment. McDowell explained that the bond amount levied depends on the actual amounts collected by Linn County which fluctuates year to year. The City budgets an amount more than needed in order to make sure that the obligation can be met in full. Members had questions about the impact of the debt service fee which is a major part of how the City covers the annual debt obligation. McDowell explained a few different options. McDowell recommended having a \$30,000 or \$40,000 cushion so that other municipal operations are not adversely impacted by not having enough money to meet the obligation. McDowell explained why the totals do not add up on the slide. The bonded amount plus the monthly debt service fee will be combined with monies already in the fund to meet this year's obligation. McDowell cautioned there could be questions regarding this from the general public.



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McDowell then reviewed what the Charter says about the authority of the City Administrator and how that relates to benefits and compensation. McDowell explained that he has always had an open policy with the Budget Committee and Council about these issues. McDowell explained that there will more than likely be some serious changes over the next few years with the way the benefits are delivered to employees. No one can predict the full impact of the Affordable Care Act (ACA). As one measure of assurance, CIS has eliminated insurance coverages that would qualify as "Cadillac plans" under the ACA. McDowell mentioned that the City's plan will be discontinued in December of 2017 or next fiscal year. Options will include a higher deductible and a higher percentage being paid by the employee.

McDowell discussed the adjustments used in developing this year's budget. He said that he used a 0% approach and based most of the calculations on past experience this year. The City has spent a lot of money on capital projects over the last nine years. It is important to allow the treasury to rebound a bit before taking on more major projects. McDowell praised Staff for their ability to look for bargains and being efficient with City resources. McDowell indicated that the budget includes 0% increase for utility rates. McDowell said he would leave the decision to the Committee and to Council. He explained that the City has been keeping pace for the last four fiscal years.

McDowell then explained that it was necessary to discuss some policy decision Council has made over the last several years. The City's insurance provider, Auditor and the State's Department of Environmental Quality (DEQ) require documentation and this is the best place to provide such information. Below are the areas Mr. McDowell reviewed:

Recent History & Near Future Capital Improvements

Earthquake Insurance

Last year the City added additional coverage for this exposure. Due to grave predictions by the State Geologist, Oregon rates have greatly increased causing CIS to not insure at historic levels cities and counties had been experiencing. The City added an additional \$5 M for a premium of \$14,592.75. I have included this amount for inclusion in this year's budget.

Pioneer Park River Bank

The City spent most of 2011 dealing with the erosion of the river bank in Pioneer Park. The problem had gotten so extensive that a restroom and a major water line that crossed the river, and served the entire west side of the City, had been destroyed by the erosion. The City hired River Design Group (RDG) out of Corvallis, Oregon to evaluate options. RDG had extensive experience working specifically on the Calapooia River and had a thorough knowledge of the river's dynamics.

Many Federal & State agencies were also involved in the review of the erosion situation. The City incorporated the State's Regional Solutions team to assist on this issue. The outcome was that the City could spend about \$600,000 to "shore up" the river using the new, approved techniques for bank stabilization. The problem with this option was improvements implementing these new techniques were "washed away" during an above average flood event. The Calapooia Watershed Council had completed two projects in the general proximity of the Park, both structures were destroyed due to high water and flooding.



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The other options was to spend over \$1.2 M to armor the bank to the standards of the Army Corps of Engineers. The problem was simply cash flow. Council decided that it was not appropriate to spend this kind of money on a project that could be lost due to a major flood event. The City would have had to ask the voters for a general obligation bond to cover the construction costs associated with such a project. The City received help from Senator Lee Beyer, Representative Phil Barnhart, U.S. Senator Jeff Merkley and U.S. Representative Peter DeFazio.

Council decided to implement a retreatment strategy that would abandon the west road around the playground structure and would eventually relocate the playground structure if necessary. The City has lost real estate since, but nothing like what was experienced in 2010 & 2011.

Total Maximum Daily Load (TMDL) & Storm Drainage

The State of Oregon continues to require communities to invest in storm drainage and to prepare for the possible treatment of storm drainage through the National Pollutant Discharge Elimination System (NPDES). On January 26th, 2016, Public Works Superintendent Karl Frink and I met with representatives from the Oregon Department of Environmental Quality (DEQ) which was precipitated by an article written by Alex Paul of the Albany Democrat-Herald. Staff explained all of the capital improvements projects the City had completed over the last five years and outlined the backlog of projects that still needed attention.

The outcome of the discussion was that the City would rewrite the TMDL plan to suit the needs of the City. According to a drainage study performed by Lee Engineering in 1996 the City does not have a storm drainage system. Staff estimates that if the State required full implementation of the NPDES process, it would cost the City between \$12 M and \$18 M; the project would include a collection system that would be tied into a treatment facility. The implications are far reaching for the City budget.

Washington Street and other storm water drainage projects have been considered over the last ten years, however State Law does not allow for the cleaning of ditches all the way to the source/outfall. If the City would develop a storm water utility, there would be no place for the water to go due to these limitations. Washington Street was estimated to cost \$250,000 two years ago. The City does not have the capacity to handle these types of projects without going out for a major bond.

Councilor Cole asked about the possible implications of the Canal Company. McDowell said that there would certainly be implications but the City really needs that key partnership to manage the existing storm water problem on the east side of town.

Streets

Council has acknowledged the general condition of the transportation system several times over the last ten years. The reality is simple. Road construction in the past consisted of putting asphalt over rocks and, in some cases, dirt. Road bases were not constructed to any sort of acceptable standard. The result is that many of the City's streets are crumbling and in a state of ill repair. Without the proper drainage infrastructure in place, it makes it next to impossible to improve the roads properly due to the sheer costs associated with such an endeavor. The City has been replacing asphalt in certain areas where drainage does exist. The City cannot afford to



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reconstruct the roads properly without assessing massive costs to abutting property owners through the local improvement district (LID) process.

Water Treatment Plant Bond

The Budget Committee and the Council has acknowledged the need for a bond for a new Water Treatment Plant, improvements to the City's distribution system and for a new 1.1 M reservoir. Planning for this major improvement should begin in the year 2020.

Utilities

Council has been working diligently on the implementation of a capital improvements plan that is focused on fixing major issues with the water distribution and the wastewater collection systems. Highlights over the last few years have included the construction of the Millhouse Sanitary Sewer, the S. Oak Street Water Line, the School Avenue Water Line, the Averill Street Water Line, the Calapooia Crossing Water Line and the redevelopment of the GR 12 wellsite which is projected to provide enough water rights for the next thirty (30) years. McDowell discussed the implications of how the City has chosen to handle the replacement of sewer collection lines and water lines.

Buildings, Equipment & Property

Council has also worked heavily in these areas taking care of City Hall, the Central Linn Recreation Center, the Library, Pioneer Park and adding key pieces of equipment like a new backhoe and a needed service truck. Council is also contemplating acquisitions that could have considerable implications on the General Fund.

McDowell indicated that there will be a few accounts added to account for deposits. He explained how that will impact the amount of checking accounts the City currently uses to conduct business. He said that when he attempted to make those changes that it changed too many formulas causing a lot of work to be lost. The changes will be made for the upcoming fiscal year and documented during the budget process.

The following project list was presented and discussed for the upcoming fiscal year:

Projects

I have designed this year to be a bit of a breather due to the fact that financial resources need to replenish. With that in mind, the Budget contains the following proposed projects for the upcoming fiscal year:

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|--------------------------------------|------------------|
| 1. Streets | \$100,000 |
| 2. Downtown Wastewater Collections | Engineering |
| 3. General Ledger & Utility Software | \$50,000 (Total) |
| ▶ General has \$20 K | |
| ▶ Water Admin has \$10 K | |
| ▶ Sewer Admin has \$10 K | |
| 4. Rec Center – Project Options | \$20,000 |
| 5. Library Roof | \$20,000 |
| 6. Library Computers | \$6,500 |



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7. Street Trees Plan	\$18,000
8. Earthquake Insurance	\$15,000
9. Well Electricity	Engineering
10. City Hall Mini Subs	\$10,000
11. Fireproof Filing Cabinets	\$6,000
12. OPRD Grant Match	\$10,000
13. Internal Procedures	\$6,000
14. WTP Filter Media	\$40,000
15. Water Plant Internet	\$7,500
16. Sidewalks	\$15,000
17. Park & Misc. Equipment	\$18,500
18. Council Chairs	\$2,500

Total without Engineering \$345,000

McDowell explained that several of these expenditures have been left in the General Fund. The Government Accounting Standards Board (GASB) are encouraging municipalities to leave money for expenditures within the General Fund, for example, instead of transferring it to other funds such as Buildings & Equipment and Community Projects. McDowell indicated that he is implementing that practice this year, however it will take a few years until some of these capital purchases are made before those other funds can be eliminated from the City budget.

Councilor Cole asked about starting the sidewalk program. McDowell reviewed how that process would work and indicated that the City really does not have the funds to start that physical project this year, but that the City could consider the public education piece this year for implementation next fiscal year. Cole also asked about the condition and placement of the City Shop. McDowell said there are a lot of strategic planning conversations Council should be having this year. The last two years have been wrought with Council conversations regarding marijuana, the Willamette Country Music Festival & Linn County Commissioners, trying to locate in new bank and the Central Linn School District bond measure to name a few. McDowell encouraged Council to review these major capital improvements.

McDowell thanked the Budget Committee, Council and Staff for playing their vital roles in saving money while provided excellent service. Mr. Andrews indicated that the meeting will reconvene Thursday, May 7nd at 7:00 p.m. The discussion was tabled until that time. The meeting recessed at 8:56 p.m.

Attest:

S. Scott McDowell
Budget Officer

Don Andrews
Budget Committee Chair