



## BUDGET COMMITTEE ORIENTATION WORKSHOP

Thursday, February 15, 2024, at 5:00 PM

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### DRAFT-MINUTES

<b>Members Present:</b>	Mayor Rick Scholl Council President Jessica Chilton Councilor Mark Gundersen Councilor Russell Hubbard Councilor Brandon Sundeen Vice Chair Lew Mason Committee Member Ivan Salas Committee Member Jennifer Gilbert Committee Member Jennifer Massey Committee Member Steve Toschi
<b>Members Absent:</b>	None
<b>Staff Present:</b>	Gloria Butsch, Finance Director - Budget Officer John Walsh, City Administrator Jamie Edwards, Accountant II- Budget Committee Secretary Jennifer Johnson, Accountant III Suzanne Bishop, Library Director Tina Curry, Contracted Event Coordinator Bill Monahan, Contracted City Attorney
<b>Others:</b>	Brady Preheim Stephanie Patterson Nick Hellmich Molly Matchak

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**5:00 P.M. Call to Order-Continued from January 11, 2024**

#### Review of Minutes

1. January 11, 2024, Minutes

#### Review Submitted Questions and Staff Responses

Finance Director Gloria Butsch read all Committee questions and answers, a copy of which is included in the archive packet for this meeting.

#### Additional questions/comments:

**Question 1** – Butsch Directed the Committee to page 54 of the 2023 final audit showing the actual ending balance and stated there was a page like this for each of the funds in the audit document. Butsch advised, the final document was received yesterday, February 14, 2024, and provided to the Budget Committee today.

**Question 2-** Butsch shared a revised QRT 2 budget report. Committee Member Steve Toschi asked if the QRT 2 budget report was in their handouts, Butsch said it was. Toschi asked if the QRT 2 report was in the budget audit, Butsch advised it was not, as the QRT 2 report is for fiscal year 2024 and the audit is for fiscal year 2023. Butsch further stated the beginning fund balance on the QRT 2 2024 report is the ending fund balance in the audit report for fiscal year 2023.

Toschi asked what the ending balance was from ARPA funds. Butsch did not have that available. Butsch advised page 6 of the audit document was the balance sheet for government funds. The line item of unearned revenue, in the General Fund, is a combination of property tax receivable, and ARPA. It shows again in the Community Development Fund. Unearned revenue is attributed to ARPA as well.

**Question 3** – Page 29 for the 2023/2024 Budget is a chart showing all the authorized positions.

**Question 4-**Toschi asked what the current projections are for year-end 2024; Butsch advised that was not available at this time.

**Question 5-**Butsch will review a presentation at the end of all the Q&A's on the reserve balances, rules, and definitions.

**Question 6** – No additional comments/questions

**Question 7** - No additional comments/questions

**Question 8** - Committee Member Jennifer Massey asked where to find the rules for the ORS. Butsch answered on the Secretary of State website. Contracted City Attorney Bill Monahan advised that it might be the Department of Revenue.

**Question 9** - No additional comments/questions

**Question 10-**Toschi asked when they would be available. Butsch advised at the April 25 meeting.

**Question 11-**Toschi asked what the title of the revised report was called, Butsch advised it was 2nd QRT report, printed for those who asked. Toschi, asked to have it in electronic copy, Butsch advised we will send this report electronically.

**Question 12-** Massey requested to discuss the funds that do not require reserves, Butsch advised will discuss that during the reserves review.

**Question 13-**Butsch advised in the audit, on page 72 it showed how to identify shortfalls in the variances. All the budget to actuals shows in the same format. Massey asked what 'miscellaneous' line items were for. Butsch would need to run a report to know what was in there.

**Question 14-** Massey asked if the \$150K was a wash from the lease revenue and asked to clarify that. Butsch advised, per the agreement with Boise, if the City was not making revenue, the City would not pay Boise revenue sharing. Mayor Rick Scholl clarified, it was not a wash, the total revenue was \$350K, \$150K would be going to Boise, \$150K would go to the General Fund.

**Question 15-** Massey asked what the average in the decline was within Oregon, if there was any kind of benchmark. Butsch advised there are economic reports the State puts out. Massey asked if Butsch had reviewed them. She responded, she receives updates at conferences. Massey asked, in her opinion how St. Helens compared. Butsch stated probably a little worse with everything going on with the loss of industry. Massey referred to hearing the City's budget is where it's at because of Cascade closing. She asked to confirm that was not the entirety of the budget problem. Butsch and Scholl confirmed it was not. There are multiple factors such as the decline in multiple industries closing over the years, added to the low property tax rate, increase in price to do business, and the ARPA funds all contributing to the budget short falls. Scholl agreed the city cannot keep up at this rate with inflation, while deserved, the cost to provide services is exceeding revenues.

Toschi stated it goes back to petitioning the State on our established property tax rate. Committee Member Jennifer Gilbert stated there was a meeting at State for this issue and as Butsch had stated, the shortfall is seen in other cities. Councilor Hubbard stated it was all based on Measure 5.

Monahan shared in response to question #8 where the legal authority was on State Shared Revenues. It is within ORS221.760, there is also a document titled 2023 League of Oregon Cities State Shared Revenue Fund Report.

**Question 16-**Butsch shared the ARPA tracking report. Toschi asked for an electronic copy. Butsch advised it will be sent out. Massey asked if staff were hired with temporary funds. Butsch confirmed there are. She believed the intent and goal was that after ARPA the City would be able to continue to pay for those positions.

**Question 17-**Massey stated the assumption was correct. The question was meant to be for 2023/2024 budget and if there was an estimated available right now. Butsch said no it is typically done around the 15th. Massey asked if it will be sent out when it's done. Butsch confirmed it will be sent out.

**Question 18-**Massey asked to have them sent out.

**Question 19-**No additional questions or comments

**Question 20-**Massey asked if there were any apartments/housing that are not paying for it. Butsch said they all are paying for it. Chair Lew Mason heard units like the new apartments were not being charged the fee. Butsch advised that was not correct, they are, they do not pay property taxes.

**Question 21-**Butsch reviewed page 34 of the budget document to show where to identify revenue. Gilbert asked why the library was not collecting fines. Library Director Suzzane Bishop stated it was a national movement to help serve the community. Gilbert asked about paying a lost fee. Bishop stated that was a different fee that goes to the General Fund account.

**Question 22-** No additional questions or comments

**Question 23-** No additional questions or comments

**Question 24-** Butsch shared the rate scheduled created by Donovan Enterprises. Massey asked to confirm citizens could expect a rate increase, Butsch advised yes.

**Question 25-** Butsch advised the report received on January 17, did not have the closing entries for December 31, 2023. Toschi asked about tourism since that runs through December 31, 2023.

**Question 26-**Massey asked if that (Oregon Budget Manual) was something they had, Butsch advised it was included in the welcome packet.

**Question 27-** No additional questions or comments

**Question 28-** No additional questions or comments

**Question 29-** Massey confirmed that the storm and sewer projects were not special projects but covered in rates.

**Question 30-** No additional questions or comments

**Question 31-** No additional questions or comments

**Question 32-** Butsch stated the loan documents Massey asked about on the funds not spent yet, and what has been spent. Toschi asked about the funds that have not been expended and would like some evidence on where those are. Butsch advised that was a new question that can go into the next Q&A.

**Question 33-** Massey stated it looked like the Recreation program was self-sustaining. Butsch advised it is between grants and program fees. Toschi asked if Parks & Recreation Manager Shanna Duggan could provide a report on the number of kids in the program. Scholl said she provides that in Council reports, believes it was around 70 currently. Council President Jessica Chilton said Duggan would present to the Committee. Butsch advised at the April 25, meeting the Committee would have a chance to talk to all department heads and their programs.

**Question 34-** Massey stated she thought Butsch had stated previously the retiree was accounted for, Butsch said it is something they track, and it changes based on their vacation accruals. It is not in the 2024 budget as the retirees are

estimated to retire in FY2025, if they retired in 2024, that would come out in contingencies. Gilbert asked if that estimate was accounted for somewhere, Butsch reiterated it was not in the FY2024 budget.

**Question 35-** Massey stated she was confused on the subscriptions, set up, and start up. Massey asked if the start-up fee was already paid. Butsch advised it was paid in FY 2024. Scholl shared that the Council was informed that Massey had to excuse herself from discussion on Police Budget. Monahan stated he is hearing discussion today on past budgets to get information and that Massey would need to declare a conflict or potential conflict of interest if discussing police compensation. Monahan said at this time, the discussion was not placing the budget process in jeopardy. Massey said on page two of the Ethics document the City provided that the document discusses the potential or actual conflict of interest is on budget considerations for fiscal year 2025. Monahan referred all people to the Ethics Commission. Toschi asked Monahan that at the beginning of the budget process in April that if anyone has concerns on conflicts that it should be disclosed at the beginning, Monahan reiterated that bringing up potential conflicts at the beginning meeting was a good practice, but the individuals would need to make a declaration every time at every meeting a discussion item comes up. Further stating the meeting today was not relevant as this is a workshop going over past information. Scholl wanted it discussed for potential ex parte contact and that it should be declared every meeting. Mason asked for a definition of ex parte; Monahan states it means from outside. It is advised that members get information and feedback from the community members, share the knowledge that is gained during the meeting. Mason asked if he talks to a member of the Committee outside meeting if that was ex parte. Monahan said not necessarily, when a meeting with a quorum is held not in a public meeting as it could lead to a serial meeting in violation of public meeting law. Example would be person one, talks to person two, then two talks to three, if it goes on to person five, could be going towards serial meeting violation. Toschi asked to clarify, the committee should not be talking about the 2025 Budget, Monahan said the orientation to provide foundation information, so the Committee is up to date on Oregon Budget Law and what information the City has now, so when the proposed budget is presented, they had the information needed to decide.

**Question 36-** No additional questions or comments

**Question 37-** No additional questions or comments

**Question 38-** No additional questions or comments

**Question 39-** No additional questions or comments

**Question 40-** No additional questions or comments

**Question 41-** No additional questions or comments

**Question 42-** Butsch advised the ending fund balance cannot be used in supplemental budget or in the case of contingencies, but reserves can. This is why ending fund balances are budgeted in reserves. Massey asked if reserves have been used, Butsch advised not this year and did not know yet if it would be needed for supplemental budget.

**Question 43-** No additional questions or comments

**Question 44-** No additional questions or comments

**Question 45-** No additional questions or comments

**Question 46-** No additional questions or comments

**Question 47-** No additional questions or comments

**Question 48-** Butsch reviewed ARPA spreadsheet to identify recurring positions. Gilbert asked if IT was in General Fund and that was why it wasn't in the IT budget. Butsch advised it used to be accounted for in a different fund, it is now in the General Fund. Toschi asked if the \$315K for this year has been received. Butsch advised it is in the unspent funds. Chilton asked to confirm there is a plan for the funds to be spent this year, Butsch confirmed.

Councilor Sundeen asked if the time frame was known when the funds were received. Butsch advised the money was given in large lump sums and then allocated to spend over a three-year plan.

**Reserves**

- Butsch shared a slideshow on what reserves are. When the reserve was set at 20% it was not a law. It is the best practice to account for unexpected expenses. It is the City's goal to maintain 20% reserve, but it can be used. Toschi stated there were consequences to not maintaining 20% reserve as our policy states such as bond ratings. Chilton said it's important to know, the purpose of reserve funds is for emergent situations. Butsch stated we needed a Budget that does not dip into reserves for recurring expenses. Mason asked what percent will have dipped into reserves. Butsch advised did not have that information at this time.
- Toschi said at looking at the adopted budget for last year, it has starting reserves of \$1.89 million in reserves in the General Fund, but the ending audit has reserves of \$1.25 million with a shortfall of \$660,000 in reserves in the General Fund. He said it looks like our General Fund is short about \$1.1 million and asked if that sounded accurate. Butsch declined to answer as was not on topic. Toschi said, acknowledged, that questions would be for the next meeting. Toschi stated for the next meeting, he wanted to know what the actual shortfall in the General Fund is, and to see charges to the other funds for the General Fund. Continued discussion on hypothetical charges and revenue sources to the different funds.

**Conversation on Budget Process**

- Mason asked when they will receive the proposed budget. Butsch advised, during the April 25 meeting. Mason asked if they could receive it any sooner. Butsch said, that is the goal.
- Scholl asked Butsch to discuss the process of putting together the budget. Butsch said staff have until March 15th to put together their budgets as Butsch works on revenue estimates and Public Works puts together Capital Improvement plans. Once everything is ready, Butsch puts them all together and reviews with staff to identify any changes needed. Gilbert asked if that was a process the Committee could attend. Butsch said not really, they are working internally. Scholl advised the department heads will be at the April 25 meeting to present. Butsch stated the goal is to have the proposed budget to the Committee by April 15, so they had 10 days to review it and come up with questions before the April 25 meeting.
- Gilbert asked to confirm they do not have to approve the budget on April 25, that they had until June 30. Butsch advised that the Committee must approve in time for the Council to adopt on June 5 and went over the Budget calendar and three meetings currently scheduled.
- Mason asked to confirm that at the April 25 meeting that they would be presented with a balanced budget adding to the reserve. Butsch stated that wasn't being answered and reminded that they cannot talk about the future budget in this meeting.

**Urban Renewal Agency (URA)**

- Massey asked if any of the project expenses currently being paid could have come out of URA instead of Community Development Fund. Butsch advised the URA will be paying the debt, while Community Development Fund has been paying for administrative services. City Administrator John Walsh shared, the URA has been accumulating funds and has not had an expense. Massey asked if any of the expenses paid out of the Community Development Fund could have been paid out of URA. Walsh responded to be paid out of URA, it would need to be part of the URA plan.
- Butsch said when URA was established it started at zero. Getting projects going, the expenses were paid out of the Community Development Fund until URA grows. Then they could charge back the URA. Mason asked what the charge back looks like. Walsh said the URA will be paying the debt service for the waterfront debt. Chilton asked how far they can back bill. Walsh stated they can go back to the start of the URA.

**Other Business**

- Councilor Russ Hubbard asked if the next budget would reflect the Cascades payout. Walsh said that came in this fiscal year. Toschi asked where that was being applied to. Butsch stated, it was going into Community

Development. Gilbert asked if it could be moved. Butsch said there is a process of interfund loans that she did not like doing.

- Massey asked what Timber Revenue was used for. Walsh advised it was used to economic planning. Massey asked if the central waterfront could be used in URA, Walsh said no.
- Toschi asked what the number is the City is contractually obligated to pay the Police. Butsch advised personal services are in the budget. Toschi stated the plan this current year, sounded like Council is considering shifting the public safety fee to cover police. Chilton said this is not the place to discuss this and it is not in Butsch's scope. She said it is not her place to answer a question like that. Massey stated they thought it was already decided to do that. Butsch stated it was not voted on. Toschi stated it was on the agenda for the next Council meeting.
- Mason, stated back to this meeting, he feels we have enough information to review and can wait until the April 25 meeting. Massey said since they just received the audit today, she feels they need an additional meeting to ask questions on the audit and URA before the presentation. Butsch stated she prefers not to have another orientation meeting as it takes a lot of staff time, and the staff is trying to work on the proposed and current budget. Scholl said he would like to make a recommendation following Mason's comment, to submit questions and have staff email the responses out. Gilbert would prefer a meeting but was okay to submit questions and have them emailed back to all. Butsch said could take and respond to the Q & A within two weeks and could post the Q&A on our website, so it was available for the public.
- Gilbert asked what happens if it is not adopted by June 30 and is it government shut down. Butsch responded, she did not foresee that happening.

**Motion:** Motion made by Mayor Scholl to have the Committee submit questions to staff by February 29 and have answers provided a week later, emailed to Committee, and posted online. Committee Member Ivan Salas seconded.

**Discussion:** Toschi thinks should allow two weeks for responses. Scholl amended motion to allow two weeks on response.

**Vote:** Yea: Mayor Scholl, Council President Chilton, Councilor Gundersen, Councilor Hubbard, Councilor Sundeen, Chair Mason, Committee Member Gilbert, Committee Member Toschi. Nay: Committee Member Massey

**Adjourned-** 7:46 p.m.

Respectfully submitted by Jamie Edwards, Accountant II