



OFFICIAL MINUTES OF THE TUALATIN CITY COUNCIL SPECIAL WORK SESSION FOR APRIL 12, 2023

Present: Mayor Frank Bubenik, Council President Valerie Pratt, Councilor Bridget Brooks, Councilor Maria Reyes (joined via Zoom), Councilor Cyndy Hillier, Councilor Christen Sacco, Councilor Octavio Gonzalez

The meeting was called to order at 6:08 p.m.

1. Update Related to Fiscal Year 2023-2024 Budget Process.

Finance Director Don Hudson provided updates to the Council on various topics, including the parks bond sale, the American Rescue Plan Act (ARPA), the Opioid Settlement, and the FY 23/24 budget process. He noted –specific details and dollar amounts could not be shared until after the budget is released to the Budget Committee.

Director Hudson highlighted the Parks Bond sale and presented the City's financial status to the Council. He mentioned the City has strong financial results with a growing fund balance, which has increased from 61.4% in FY18 to 71.1% in FY22 as a percentage of revenue. Director Hudson stated the City has a large and diverse economy that provides a thriving tax base, with a Real Market Value (RMV) of \$9.7 billion and an Assessed Value (AV) of \$5.4 billion. He stated Moody's gave the City an AA1 rating, the second-highest rating, due to high PERS funding levels in 2018. Director Hudson stated the City has low debt levels, with a per capita debt of \$1,359 and a per capita Real Market Value of almost \$350,000, which increased by almost 50% from the previous time. The City's debt capacity is three percent of RMV, and the recent bond sale puts the City at 11.47% of its debt capacity. Director Hudson stated the pension rate increases are mild and expected to stabilize, and the PERS system funding is better now.

Director Hudson stated the city's economy is highly diversified, with around 1,800 businesses providing approximately 30,000 jobs and a payroll of \$2 billion. He stated in January 2023, the unemployment rate decreased to 3.7% from 4.2% in January 2022. The median household income has also increased to nearly \$98,000, compared to the state's median income of \$66,000, with 46% of Tualatin households earning more than \$100,000. Director Hudson stated the city's property values have shown a robust growth of 15.4% in RMV and 5.0% in AV, indicating a strong capacity to repay the bonds. He stated over the years, the city has improved its credit status, with impressive reserves, a low debt position, and a stable pension position, which could lead to an upgraded rating in the future. Moody's maintains its outstanding Aa1 rating, speaking to the city's strong financial position and positive governance practices.

Director Hudson stated the parks bond sale occurred this morning. He stated all bonds sold and the overall bond yield was 3.44%. Director Hudson stated the city received a premium of \$2,346,615 over the \$15 million, and after expenses, \$17.2 million is available for projects. He stated the bond measure will increase the tax rate by \$0.29 per \$1,000 of assessed value.

Council President Pratt asked how the city manages to obtain a lower rate than the Treasurer's rate. Director Hudson explained it is determined by the market with yield curves, and the city is considered an attractive risk.

Director Hudson stated under the American Rescue Plan Act, the city received just under \$6.2 million, and as of now, \$444,000 has been spent. He stated the city has some commitments for the remainder, such as \$1 million for the water line required for Plambeck Gardens, \$250,000 for the adjacent trail section, and \$2.75 million for the Stoneridge Park renovation design and construction. Director Hudson stated around \$1.75 million remains, which must be committed by December 31, 2024, and spent by December 31, 2026.

Councilor Brooks expressed surprise that ARPA funds could be used for grant writers, as she learned during the National League of Cities Conference. Director Hudson said he would look into it.

Mayor Bubenik stated he learned during the National League of Cities in DC that the funds have to be committed and utilized to avoid being taken back. Director Hudson responded that he would keep that in mind.

Director Hudson stated to date, there have been seven opioid settlements, including distributors: Janssen, CVS, Walgreens, Walmart, Allergen, and Teva. He noted the city has started receiving payments from the distributors and anticipates receiving the rest of the payments this summer. Director Hudson stated he expects to receive \$394,500 by July 2038. He mentioned some other cities have sent the funds to Washington County, but he does not recommend that. Director Hudson stated there will be a discussion later with the Council to determine how the funds should be spent.

Director Hudson stated the budget process for the city starts in January, followed by departmental requests being submitted by March 1. After that, departments meet to discuss requests and needs, with the Budget Committee presentation and adoption of the budget taking place in June. He stated the city has dedicated revenues from various sources, such as water, sewer and stormwater rates, parks and road utility fees, building permits, and system development charges, as well as general revenues that are unrestricted and can be either one-time or ongoing.

Director Hudson discussed utility rates and some increases from FY22/23 to FY23/24, which are based on the city's master plans. He stated water rates will increase from \$37.68 to \$42.18, sewer rates will increase from \$54.42 to \$57.23, stormwater rates will increase from \$11.11 to \$11.47, and road maintenance rates will increase from \$6.25 to \$6.60. Director Hudson stated the park utility fees will remain the same since they are based per household and not on usage. He noted the total increase in rates is \$8.04, with sewer being the largest portion, and three-quarters of that coming from Clean Water Services.

Councilor Gonzalez asked what CCF is. Director Sykes explained that it equals 748 gallons, with the average household using about seven CCFs.

Councilor Sacco asked what a typical increase is. Manager Lombos responded the water rate had a 4.25% increase, with the typical increase being \$2-5.

Councilor Reyes asked about the cost of the Stoneridge Park renovation, which is \$2.75 million, and the funding source. Director Hudson stated it would be paid for from the ARPA funds that the city received.

Director Hudson explained expenditures. He stated Personal Services make up a significant portion of the general fund budget. Director Hudson stated each position is analyzed with individual details, including projected health and dental benefits and added paid leave in Oregon to establish these numbers. He stated Materials and Services expenditures need to have consistency across budgets. It was noted, requests to departments was to keep expenses as flat as possible to plan for expenditures out of the city's control. Director Hudson stated Capital Outlay is based on one-time dollars, while transfers between funds are for services provided between departments.

Director Hudson stated on the revenue side, property taxes are seeing increases, while Materials and Services expenses are staying flat. Mayor Bubenik asked how materials are staying flat despite inflation. Director Hudson stated most increases are seen on the Capital Project side of expenses, but they are managing increases in materials and services in other areas of the budget.

Director Hudson spoke to add package requests, which included a website redesign, climate action implementation, pavement condition index assessment, a parks bond project manager, a strategy to recruit and retain sworn police positions, utility billing low-income assistance, and legislative advocacy and grant writer. He stated the city is proposing to take some money from water and sewer to help assist with low income and determine the magnitude of those who need this type of program.

Councilor Hillier expressed her concern about stabilizing the billing for senior citizens and low-income individuals and asked about best practices from other cities.

Councilor Reyes asked how the income assistance program would be implemented in apartments where water is distributed based on the number of people living in each unit. Director Hudson mentioned discussing the matter with Community Action and checking with Tigard to get a better idea of what the program would look like.

Councilor Pratt asked if there was a built-in relief program for apartment dwellers. Director Hudson suggested asking for something from the landlord indicating what they pay. Councilor Hillier mentioned Tigard Tualatin School District has a service providers meeting bi-monthly, which could be another resource to gather information.

Director Hudson asked if there is a scope to determine the need regarding Legislative Advocacy and Grant Writing Assistance. Mayor Bubenik suggested the legislative advocate should be a representative in Salem and DC and mentioned that Sherwood received over \$7 million in grants for a \$65,000 salary. He also mentioned there are firms that are shared within cities that provide these services as well.

Councilor Brooks said now is a historic time to receive federal money, especially for drinking water infrastructure and climate action. Mayor Bubenik mentioned earmarks and the importance of having an advocate in DC who can represent the city's needs and contact heads of agencies. He added the majority of the money is available in the first five years.

Director Hudson explained the ongoing alignment of revenue and expenses in Tualatin is currently stable, with ongoing revenues higher than ongoing expenditures. He also emphasized the importance of maintaining a comfortable level of revenue by not spending the entire budget. Director Hudson shared a chart stating the expenses line may appear higher than the revenue line, it is still within the comfort level. Manager Lombos noted other jurisdictions are experiencing structural deficits for years to come, with rumors of layoffs in some cases. She stated Tualatin, on the other hand, has been using this model that only allows ongoing expenses to be paid with known ongoing dollars, without relying on savings accounts. She stated this approach has required difficult conversations and decisions, but it has kept Tualatin in better financial health than other jurisdictions.

Mayor Bubenik inquired about the expense line going above the revenue line in the future. Director Hudson responded by saying there are many assumptions made for future expenses, but conservative models are necessary and requires ongoing management of revenue and expenditure growth.

Councilor Pratt asked who handles the Council's budget. Director Hudson responded it is the City Manager's department.

Councilor Brooks asked about funding for staffing. Manager Lombos mentioned different potential impacts to staff including funding from Washington County Cooperative Library Service (WCCLS) funds, funding to the Washington County jail, and Washington County building and development fees.

Councilor Gonzalez mentioned the Tigard-Tualatin School District budget meeting, as they are going to have a tough time with the district being down 1,100 students, which will impact their budget. He asked how that affects the City. Director Hudson there are no areas were our budgets overlap.

Councilor Pratt asked about the library receiving significantly less, and how it will work with their budget. Director Hudson said that if the library's funding is reduced significantly, they will have to evaluate the amount to see if it is one-time or ongoing before making a decision.

Adjournment

The meeting adjourned at 7:47 p.m.

Sherilyn Lombos, City Manager

_____ / Teresa Ridgley, Recording Secretary

_____ / Frank Bubenik, Mayor