



BUDGET COMMITTEE MINUTES

February 01, 2023 at 6:00 PM

Wilsonville City Hall & 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 1, 2023. Acting Chair Sam Scull called the meeting to order at 6:00 p.m., followed by member introductions.

PRESENT:

Member Fitzgerald
Member Akervall
Member Linville (arrived after Roll Call)
Member Dunwell
Member Berry
Member O'Neil
Acting Chair Scull
Member Moulton

EXCUSED

Member Hamm

ABSENT

Member Russell

STAFF PRESENT

Bryan Cosgrove, City Manager
Keith Katko, Finance Director
Katherine Smith, Assistant Finance Director
Cricket Jones, Finance Operations Supervisor
Vania Heberlein, Accountant
Dillion Jenkins, Senior Accountant
Dwight Brashear, Transit Director
Delora Kerber, Public Works Director
Chris Neamtzu, Community Development Director

Dan Carlson, Building Inspector
Andy Stone, IT Director
Zach Weigel, City Engineer
Jeanna Troha, Assistant City Manager,

Acting Chair Scull called for public comments. There were none.

FINANCE INTRODUCTION

Keith Katko, Finance Director introduced the Finance team and reviewed the agenda, noting that tonight's focus would be on the City's operating funds because those funds contained the City's resources. He also introduced City Engineer Zach Weigel and Public Works Director Delora Kerber, who would be presenting on major capital improvement projects (CIP), and Community Development Director Chris Neamtzu and Building Inspector Dan Carlson who would be providing an update on development projects.

FY 2022-23 MID-YEAR REVIEW

Director Katko began the mid-year review of the FY 2022-23 budget via PowerPoint. His presentation included details of the City's fund accounting structure (Slide 4), budgetary control measures (Slide 5), metrics and benchmarks (Slide 6) and an overview the CIP Fund (Slide 7).

Zach Weigel, City Engineer, reviewed the following CIP projects, describing the key components of each project, with Director Kato noting the funding sources for each project: Willamette River Water Treatment Plant Expansion (Slide 8), 5th Street/Kinsman Road Extension (Slide 9), Boeckman Road Corridor (Slide 10), and Street Maintenance (Slide 11).

Member Linville asked how many people attended the middle school meeting about the Boeckman Dip project. Mr. Weigel said he estimated 40 to 50 people attended.

Member O'Neil asked if rising interest rates were directly impacting the projects. He also wanted to know if contractors were locked into a commitment of what they would provide. Mr. Weigel responded that the contractors working on the 5th Street/Kinsman project were locked in because that project began just before the cost increases. Some of the subcontractors have requested change orders to cover the cost increases, but no change orders have been issued.

- Mr. Weigel also confirmed that supply chain issues have affected the rail signal, which the railroad would be purchasing, not the City. Staff and contractors were planning for supply chain issues on the Boeckman Road project by repurchasing sewer pipe.

Acting Chair Scull asked for details about the contractor's process of negotiating with the City when inflation or supply chain issues impact the project. Mr. Weigel said the contract guides, which cost increases a contractor, could request.

Member Moulton asked how the budget for such a large project, like the Boeckman Road project, was prepared before the planning was completed. Mr. Weigel explained that costs were estimated at the master planning level. The estimates are ranges based on other similar work. The cost estimates continue to be refined as the project moves forward and the goal is to keep costs within the originally estimated range. If there are cost increases, Staff looks at revenue levels to find ways to accommodate those increases.

Member Akervall requested an update on the Brown Road project, which was one of the large projects located in part of the Urban Renewal Area (URA) that was closing. Director Katko stated that was the last remaining project in the West Side URA. He noted that the tax increments for the Year 2000 URA would end this year, but tax increments for the West Side URA would continue to be collected through June 2024, when the Brown Road Project would be complete. For FY 2024-2025, \$5 million will be released back into a pool for general allocations to all of the taxing entities. He believed \$1 million of that would be deposited into the City's General Fund.

Director Kato briefly reviewed the funding sources for the Public Works Complex project (Slide 12).

Delora Kerber, Public Works Director presented details of the Public Works Complex project (Slides 13-15). Her presentation included an overview of the work done to date, design considerations, site layout, and facility amenities.

Member Dunwell asked what percentage of the set-aside was for future expansion. Director Kerber explained that determining a percentage would be difficult due to the way the complex was designed. The administration building would be two stories and 1,600 square feet and could be expanded to the north by about another 2,000 or 3,000 square feet. The warehouse in the yard included an area along the west edge where the warehouse could be expanded by an additional two bays.

Member Linville asked for the completion date and move-in date. Director Kerber confirmed that the final inspection should occur in February 2024 and she hoped Staff would be fully moved in by March 2024.

Member Dunwell asked if any City services other than Public Works would be utilizing the facility. Director Kerber said space would be shared with Parks and Recreation Staff. Park's main facility would be located on the east side of I-5, but allowing Park's to keep some of their equipment at the complex would avoid the need to move mowers back and forth.

Director Kato continued the presentation, reviewing the details of the Transit Fund (Slides 16-17), comparing the budget to the year-end estimates, noting the starting fund balance, revenues, and expenses, and projected ending fund balance.

Member Fitzgerald asked if the City was still waiting on the State Transportation Improvement Funds (STIF). Director Katko confirmed that the delay had been resolved and explained that the funds were a pass-through from TriMet. Dwight Brashear, Transit Director added that the City had an intergovernmental agreement with TriMet, which was renewed every two years. For the next renewal, the City has requested that no changes be made other than the scope of work and the budget. TriMet has indicated they are not sure they can do that.

- Director Kato noted that all of the grants came with a lot of responsibility and accountability. The federal governments to make sure funds are spent appropriately and all of the requirements are met audits the City, adding a layer of financial administration to grant funds. The STIF funds have similar oversight.

Member Linville commented that members hear concerns about the employer tax portion used to fund SMART, which is coupled with the City's policy of not charging for transit services. She reminded the City's employer tax rate is 5 percent and TriMet's is 8.037 percent. She believed the City was very judicious in setting that rate. If TriMet provided services for the City, the City's employers would be paying TriMet's rate.

- Director Brashear noted that TriMet's rate increased every year, but the City's rate had not increased since about 2008.

Member Dunwell asked if the driver shortage, which was increasing over time, was caused by constraints from a competitive standpoint on the pay scale or just overall economic conditions. Director Brashear responded that it was overall economic conditions. TriMet was about 300 drivers short and about 50 mechanics short. The City is about five drivers short.

Member Dunwell referred to Slide 16 and asked if the benefits to the Transit Fund's beginning fund balance that were driven by the transit tax, ARPA funding, CARES funding, and CRRSAA funding would carry forward into the next fiscal year. Director Katko responded that the favorable results were unusual for the Transit Fund. He explained that transit grants are focused on capital items and the funds received via congressional acts, like ARPA and CARES, pay for operational costs, which significantly helped the bottom line. Director Brashear added that his goal was to build up the fund for the long-term. Other agencies did not take that approach and experienced a day of reckoning. Director Katko noted that by tabling the funds to reserve them for future use, the City would not be encumbered by the federal restrictions required by normal grants.

- Director Brashear explained that many of the grants were competitive, so having a healthy fund balance and a supportive City Council allows the City to be more competitive because they can buy down a grant. He was proud that his department had built up a healthy budget over the last five years.

Member O'Neil commended Director Brashear for his leadership and expressed appreciation for the City Council. Member Fitzgerald agreed and noted that Wilsonville's transit system was seen as a collaborator and partner with other small cities as they discussed greenhouse gases, diesel pollution and congestion on freeways. Additionally, she was glad the routes continued despite the challenges of getting new people to start riding transit.

Member Berry commented that Salem City Councilors had said they were impressed by the presentation on Wilsonville's SMART Transit given at a recent League of Oregon Cities meeting. She also noted she was impressed by the cleanliness of the shelters and buses.

Katherine Smith, Assistant Finance Director, continued the presentation, reviewing the following Public Works Funds: Road Fund (Slides 19-20), Water Fund (Slides 21-23), Sewer Fund (Slides 24-26), Stormwater Fund (Slides 27-29), and Street Lighting Fund (Slides 30-31). For each fund, she compared the budget to the year-end estimates, noting the starting fund balance, revenues and expenses, and projected ending fund balance.

Acting Chair Scull asked if the total savings in the Street Lighting Fund included power consumption, replacement lamps, and all of the associated hardware. Brian Cosgrove, City Manager responded that Assistant Finance Director Smith was referring to energy savings. Director Kerber added that PGE maintained the streetlights and converting from high-pressure sodium to LED lights requires a different maintenance schedule, which does result in a savings of how much the City pays PGE to maintain each pole. The old lamps lasted three to five years, but it will be 10 years before the LEDs need to be re-lamped.

Member Dunwell asked how many phases were involved in the lamp replacement project. Director Kerber said the City had 1,000 lights left to replace. Phases 1 and 2 were completed by December of 2022. For Phase 3, the City was waiting for savings to accrue so the work could be paid for with cash on hand. She estimated that total energy cost savings would be about \$127,000 a year once the project was completed.

- Director Katko noted that all of the Public Works Funds had healthy reserves well above the Council's financial policy minimums.

Chris Neamtzu, Community Development Director gave an overview of residential and industrial development activity in the City.

Member Dunwell asked if there was anything, the City could do to push development forward on the Fry's site. Director Neamtzu said Staff had discussed controlling the site, but the required investment would be at least \$25 million. The City could also play a more significant role in economic development at that site. Development proposals were brought forward and The Calida Group did due diligence, which resulted in the deal between the ownership and The Calida Group falling apart. Since then, there had been no activity.

Acting Chair Scull understood that any tenant of the Fry's site would demolish the property and rebuild. City Manager Cosgrove clarified that the building could be used as is for commercial use. However, a change of use would trigger additional requirements. Director Neamtzu added there was a delicate balance between making modifications and triggering the new Code.

Member Fitzgerald asked Staff to describe the types of uses that could be applied to the site. Director Neamtzu explained that the Town Center Plan opened up the entire district for a wide variety of housing types over 100 acres. The Fry's site could have buildings up to four stories tall. Mixed-use developments are allowed and have been incentivized. Drive-through and big box retail have been discouraged.

Dan Carlson, Building Inspector, reviewed development trends and statistics on building permits and project valuations (Slides 33-35).

Member Berry asked where the multifamily permits were. Mr. Carlson stated the multifamily permits were included in either the Commercial TI, Remodel, Additions category or the New Commercial Permit category on Slide 35.

Member Moulton asked for an explanation of the total number of permits by category on Slide 33. Mr. Carlson explained that the total number included plumbing, mechanical, and other trades permits, which are not captured separately because that would clutter the graph.

Acting Chair Scull referred to Slide 34 and said he understood the City had near-term inflationary headwinds and supply chain issues. He wanted to know the reason for that, noting that single-family permits had been declining since 2015. Mr. Carlson confirmed that the peak in 2015 was Villebois. From 2013 to 2018, the mass Villebois was developed at a rapid level. The City could see that in Frog Pond however, Frog Pond had paced out development quite a bit more than Villebois and Frog Pond East and South were not yet ready for development.

Acting Chair Scull asked what the turnaround time was for the existing permits for commercial and single-family development. Mr. Carlson stated the City's performance standard for residential plan review of lots that were ready to build on was two weeks. The standard for commercial was three weeks. When Staff does not hit their targets, adjustments are made quickly with contract help. He also noted that the time between when the permit is issued, and the project is complete could be as quick as 90 days for a residential project. However, Frog Pond Primary School was estimated to take 18 months to two years due to the size and complexity of the project.

Member Linville recalled that an increase in permit fees had been approved in 2020, prior to the pandemic. She asked if that was reflected in the project permit, valuation amounts listed on Slide 35. Mr. Carlson clarified that the chart only represented the value of projects, which did not correlate to permit fees. The increase in 2020 was the first increase in 14 years and an annual cost of living adjustment was built into the fee schedule that allows the City to keep pace with the market.

- He also confirmed for Member Linville that there was no increase in staffing in 2020 and noted that staffing would be decreasing as the City gained efficiencies by doing more work electronically. Member Fitzgerald commented that savings through increased efficiency was something the City should be proud of.

Director Katko continued the presentation, reviewing the resources, requirements, beginning and ending fund balances of the Building Inspection Fund (Slides 36-37) and Community Development Fund (Slides 38-40). He and Assistant Finance Director Smith presented the details of the General Fund's resources, requirements, and five-year forecast (Slides 41-48).

Member Linville asked for the definition of a franchise fee, which she understood was passed onto citizens. Director Katko stated that it was a fee assessed on certain entities in exchange for access to the rights-of-way, for example to run electrical lines. City Manager Cosgrove explained that a certain percentage above what the State Statute allowed was passed on to citizens.

Member Dunwell asked if the ARPA funding was over. Director Katko confirmed the funding would end this fiscal year. The City received \$2.8 million the prior year and this year's. The funding was nice but was never considered recurring revenue. However, the \$1.4 million received as part of the Clackamas County Library District IGA included state shared revenues.

Member Linville asked for details about the opioid settlement money. Director Katko responded that the City needed a plan of action to comply with spending requirements.

Member O'Neil asked if franchise fees covered everything that went through Wilsonville. City Manager Cosgrove confirmed they were federally regulated and were exempt from franchise fees.

Acting Chair Scull noted that the Council required the ending fund balance to be 15 to 20 percent. He asked if that amount was adjusted for inflation each year. Director Katko said yes and explained that when the budget is established for each fund, the ending balance is a percentage of the materials, services, and personnel in that fund. When expenses increase, the restriction increases as well.

Member Fitzgerald noted that ARPA funds would be used to hire a behavioral health specialist. She asked if ARPA funds would be used for anything else in the near future. Staff confirmed the behavioral health position would be covered for three years by ARPA funds. ARPA funds would also be used to buy down system development charges (SDCs) for the transit development project, Parks and Recreation janitorial staff, and broadband.

Assistant Finance Director Smith noted that the General Fund Five Year Forecast (Slide 48) demonstrated that City fund balances were significantly higher than the Council's financial policy minimums and updated financial forecasts for all City funds would be included with the annual budget presentation in May.

Director Katko reviewed the important upcoming dates listed on Slide 49 and encouraged Committee Members to contact him anytime with questions about any financial issues. Quarterly financial reports would be sent to Committee Members throughout the year.

Member Berry understood the gasoline tax had decreased due to the number of electric vehicles increasing. She asked if that was a concern for revenue. Director Katko responded that the State was considering alternatives because electric vehicles use the roads that the gas tax is used to maintain. City Manager Cosgrove added that the League of Oregon Cities was also discussing the issue.

Acting Chair Scull thanked Staff for doing such an excellent job.

ADJOURN

The Budget Committee meeting adjourned the meeting at 8:14 p.m.

Respectfully submitted,

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

DRAFT