

CITY OF HUBBARD
BUDGET COMMITTEE MEETING MINUTES
MAY 31, 2022

Budget Committee Members Present: Budget Committee Member Joseph Steiniger (Zoom), Mayor Charles Rostocil, City Councilor James Audritsh, City Councilor James Yonally, City Councilor Robert Prinslow, and City Councilor Tyler Thomas (Zoom).

Staff Present: Contracted Budget Officer Christa Bosserman Wolfe, Public Works Administrative Manager Melinda Olinger, Director of Administration/City Recorder Vickie Nogle, Public Works Superintendent Mike Krebs, Police Chief Dave Rash, and Administrative Assistant/Court Clerk Julie Hedden.

CALL TO ORDER. The Budget Committee Meeting was called to order at 6:30 p.m. Mayor Charles Rostocil.

FLAG SALUTE. Led by Mayor Charles Rostocil.

ELECT BUDGET COMMITTEE CHAIR. MSA/City Councilor James Yonally /Mayor Charles Rostocil motioned to appoint City Councilor Robert Prinslow as the Budget Committee Chairperson. Budget Committee Member Joseph Steiniger, Mayor Charles Rostocil, City Councilor James Audritsh, City Councilor James Yonally, City Councilor Tyler Thomas, City Councilor Robert Prinslow in favor. Motion carried unanimously.

RECEIVE BUDGET MESSAGE. Contracted Budget Officer Christa Bosserman Wolfe gave the Budget Message. She stated the FY 2022-23 Proposed Budget was prepared to accomplish the City's goals and policies as understood by City Management. Total Resources of \$10.3 million balance with Total Requirements of \$10.3 million. Beginning Fund Balance for the Fiscal Year 2022-23 is estimated at \$6.3 million, of which \$1.5 million is estimated for the General Fund. The beginning carry-over Fund Balance in General Fund will be used to pay expenses before receiving property taxes in November. The State and Local Fiscal Recovery Funds allocated to the City from the American Rescue Plan Act (ARPA) have not been included in the FY 2022-23 Proposed Budget. The City is in the process of confirming how it will spend these funds and once finalized, the City will use a supplemental budget process to adjust the budget as needed for ARPA funds and expenditures.

Contracted Budget Officer Christa Bosserman Wolfe said all funds budget for resources and expenditures, including Personnel Services, Materials & Services, and Capital Outlay, are tracked within those divisions. Other resources and requirements, which include Debt Service, Interfund Transfers, and Operating Contingency are not allocated to specific divisions.

Contracted Budget Officer Christa Bosserman Wolfe stated the budget has been prepared with all departments fully staffed. The proposed cost of living increase adjustment (COLA) for the FY2022-23 salary schedule is 4.63% applied to all positions, except for the Police personnel in the union where the increase is an additional 3% for a total of 7.63%. Personnel Services estimates are slightly higher than last year due to annual step increases, compensation adjustments, and the COLA increase. Overtime pay is budgeted in each department to reduce the accumulation of compensatory, holiday and vacation time in excess of the maximum amount allowed.

Contracted Budget Officer Christa Bosserman Wolfe said the City of Hubbard obtains group medical insurance through City County Insurance Services (CIS). CIS has notified the City that Medical and Dental insurance premiums will remain steady through the budget year.

Contracted Budget Officer Christa Bosserman Wolfe explained that during the FY 2021-22 budget, the City made a plan to hire a City Administrator. The City is currently recruiting for this position and is addressing immediate needs by contracting out various finance functions. The FY 2022-23 Proposed Budget continues to assume a full-time City Administrator, to be recruited with a Finance background to also cover key Finance functions. This is a substantial change in the management structure of the organization, creating a bridge between the policy/governance role of the City Council and the implementation of policies and goals by City Management. The new City Administrator will function as the City's Budget Manager and perform other vital Finance functions.

Contracted Budget Officer Christa Bosserman Wolfe stated The City of Hubbard recently annexed an approximate 54.06 acres into the City of Hubbard with 20.39 acres zoned as R3-High Density Residential and 33.68 zoned R3-Medium Density Residential. The City currently does not have any active subdivision applications but may see growth in the near future. The City has estimated two (2) potential Single Family Residences (SFR) for infill lots within the City of Hubbard.

She went on to say that The City has entered into an Intergovernmental Agreement with Marion County for a program called Community Prosperity Initiative. This program is to implement projects within Marion County that have economic development significance. The funding is made possible through proceeds received from the Oregon Economic Development Video Lottery Grant Program. This agreement was amended in January 2022 and the agreement now ends June 30, 2024. The total amount received under this agreement will be \$75,000, distributed in \$15,000 payments for each year of the agreement. The funds must be used on a project that has economic development significance and will help accomplish at least one goal outlined in the Marion County Development Strategic Plan.

Contracted Budget Officer Christa Bosserman Wolfe explained early in FY 2015-16 it was brought to the Council's and Budget Committee's attention that the General Fund's ending fund balance was not sufficient to cover requirements for the start of the next fiscal year. The chart below shows a positive incline for the City for the past 5 years, with changes leveling off and decreasing the next year, respectively and the General Fund has a sufficient ending fund balance to cover unanticipated expenditures. The City's long-term goal is to ensure that annual expenses remain lower than projected revenues, while providing the services our residents expect from their local government. The proposed General Fund budget for FY 2022-23 targets current expenditures exceeding current resources by approximately \$267,186 (operating deficit).

Contracted Budget Officer Christa Bosserman Wolfe said the FY 2022-23 proposed budget expects the City's resources to be relatively steady, including franchise fees, intergovernmental and state shared revenues, and fines/fees. The City's permanent Property Tax rate is \$3.9772 per \$1,000 of assessed market value. Marion County estimates continued property tax growth of approximately 4% for FY 2022-23. Property tax revenue is estimated at \$1,020,000, net of the effect of delinquent payments, for FY 2022-23. She went on to say overall, given current economic trends of runaway inflation and continued supply shortages, I expect increases in expenditures to

continue to outpace increases in resources, which could eventually erode the City's General Fund unrestricted fund balance if left unchecked. City Council and Management will need to carefully monitor this trend and respond timely, finding solutions to increase resources and/or reduce ongoing expenditures. When the new City Administrator is hired, the City Administrator will be able to focus on these challenges and consider all possible options, including levies.

Contracted Budget Officer Christa Bosserman Wolfe stated staff anticipates Public Works' service levels to remain relatively static in FY 2022-23. However, as our community continues to desire and support additional park amenities which can significantly increase the amount of staff time needed for ongoing maintenance and as regulatory agencies for water and wastewater continue to increase mandatory requirements, Public Works will continue to explore options to allow Staff to accomplish more with less resources in order to meet the increasing workload and operating costs. Public Works administration and operations continues to move forward with numerous projects throughout parks, streets, sewer and water. She went on to say as FY 2021-22 comes to a close, we have seen unprecedented inflation that has a direct impact on available funds for both operations and capital projects. In addition, certain types of supplies and equipment have been in short supply, with extended wait times for delivery. The Covid-19 pandemic has entered its third year. It has become increasingly difficult to fill vacant positions, and certain capital project contractors and vendors remain in short supply, potentially causing significant delays. Public Works' budgets were prepared conservatively as these factors continue to impact Public Works.

Contracted Budget Officer Christa Bosserman Wolfe said each year, Staff evaluates and adjusts the Gas Tax split for the Streets and Street Construction Funds. The FY 2022-23 budget reflects a 65/35 split, respectively. This is a 10% increase from prior years going into the Street Construction Fund to support additional sidewalk improvement matches. The Street Construction fund reflects the above-mentioned funding for sidewalk improvement matches; "A" Street improvements between 3rd and 5th Streets; "G" Street Sidewalk Improvements (across R.R. tracks); and its share of the SDC Methodology Update Project. A \$100,000 SCA grant application will be submitted for the "A" Street improvements project. A Rate Study Update Project has been budgeted in both water and wastewater operations funds, to be completed following the completion of the Wastewater Facilities Plan Update Project. Funds have been budgeted in the Sewer Construction Fund for engineering costs related to anticipated mandatory NPDES permit renewal system improvements, and its share of the SDC Methodology Study Update Project. Funds have been budgeted in the Water Construction Fund for the Water System Improvements Project and its share of the SDC Methodology Study Update Project. The Water bond was paid off in FY 2021-22. The FY 2022-23 Proposed Budget includes paying off the Water and Sewer bonds to save on interest charges and free up debt capacity.

Contracted Budget Officer Christa Bosserman Wolfe explained the Police Department has requested an increase in their budget for necessary inflation, training, equipment, personnel increases and overtime (total increase of 6.2%). During the FY 2021-22 budget, the Police Department was requested to take a budget cut in their overtime budget from \$30,000 to \$20,000. However, the overtime is still needed for various programs and public safety. The overtime incurred to date is estimated to be approximately \$30,000 for FY21-22. The Police Department has requested a total overtime budget for FY 2022-23 of \$42,300, of which \$12,000 is expected to be reimbursed through various grants.

Contracted Budget Officer Christa Bosserman Wolfe said in closing the City's General Fund has been moving forward in a positive direction with healthy fund balances, which has allowed the City to focus on setting goals and funding the services/projects desired by the residents of Hubbard. However, as noted in the discussion above, the growth has leveled off as costs are now rising faster than revenues. Declines are expected to begin in FY 2022-23. City Management and Staff continue to work diligently to keep expenditures at a minimum and to streamline procedures to increase productivity. The City continues to focus on keeping priorities balanced in the face of rising costs and uncertain revenues. I would like to acknowledge and thank the City of Hubbard's management team and staff for their efforts in developing this budget. This year was a very compressed timeline and everyone was extremely responsive and professional, making this project a success. I would also like to thank the City's Budget Committee member for volunteering their time to this important public process.

Contracted Budget Officer Christa Bosserman Wolfe recommended to move the Budget Review and Discussion before the Public Hearing, which would allow the public to hear all the budget discussion first, before the comment on Shared Revenues and comment or testimony on the Budget. The City Council agreed.

BUDGET REVIEW AND DISCUSSION. Contracted Budget Officer Christa Bosserman Wolfe presented a power point presentation of the highlights of the FY 2022-2023 Proposed Budget.

Budget Officer Christa Bosserman Wolfe said we have a balanced budget of \$10.3 million, which is up slightly from the previous budge of \$10.2 million.

Budget Officer Christa Bosserman Wolfe shared the budget assumptions that were made through the process. In regards to Revenues, no new revenue sources were included in the budget. She went on to say the property tax growth was estimated at an increase of 4%, and the State shared revenues were estimated from the League of Oregon Cities annual report.

Budget Officer Christa Bosserman Wolfe said other budget assumptions had to do with expenses regarding personnel and Material & Services. In regards to personnel, all vacant positions are budgeted as filled for the entire year, with compensation range increases & step increases, and a 7.63% COLA for police union employees, and a 4.63% for all other positions. No increases in PERS this year and insurance costs are level. She went on to say all departments budgeted for increases in materials & services, inflation assumed of 8% over current year costs (for goods, utilities, gasoline, etc.), 10% increase for liability insurance from CIS, contracted services has been re-classed to professional services (accounting clean up) and it was budgeted for the possible payoff of the Sewer Bond.

Police Chief Dave Rash asked why the COLA was 7.63% for the police union employees. Director of Administration/City Recorder Vickie Nogle said that it is the 4.63% for this year, plus the 3% from the prior year.

Budget Officer Christa Bosserman Wolfe said the one of largest sources of revenue for local government is property taxes, and generally the biggest source of revenue inside of a general fund. She went on to say she is seeing a very healthy trend and continuing to climb, and Marion County is forecasting continued growth in assessed value at the rate of 4% per year.

Budget Officer Christa Bosserman Wolfe shared the expenditure trends in all funds in the proposed budget. In personnel services there is an 8% increase for a total of \$159,705, material and services is coming in at a 10% increase for a total of \$114,350, and the increase in Capital Outlay is about 11% for a total of \$107,438. She went on to say these increase from a financial professional's point of view are very reasonable seeing all the inflation, supply chain issues, and the increase in the cost of goods.

Budget Committee member Joseph Steiniger asked for the definition of Capital Outlay.

Budget Officer Christa Bosserman Wolfe said Capital Outlay are items that will eventually become an asset with a life of more than a year and a value of more than \$5000, that need to be depreciated over time such as building sidewalks and roads or maintaining a building.

Budget Officer Christa Bosserman Wolfe said in regards to the General Fund operating surplus, for this year she is projecting for the operating deficit to increase and start to trend in 22-23. She said last year Budget Officer Summer Sears project we would see that in 21-22, but that projection did not come to fruition because the City Administrator position was not filled, and since that position was not filled the General Fund came in as a surplus. She went on to say the trend could be impacted and continue to grow potentially as other personnel and costs increase, factors that would slow or reverse this trend and shift the trend to a positive direction are increasing development and property tax growth, raising rates, or other new sources of revenue. Furthermore, she said things shift during the year, we budget for things and then decide not to spend the money after all and so often times projections seem to come in looking worse than what reality actually is.

Budget Officer Christa Bosserman Wolfe said the Operating Contingency applies to Operating Funds only and it has been set at 15% of operating expenditures which is consistent with prior years. She went on to say this category is appropriated by that governing body and can be spent after moving it into another category.

Budget Officer Christa Bosserman Wolfe said the categories Reserve for Future and Unappropriated Ending Fund Balance are very similar. Reserve for Future Expenditures is carried forward to subsequent fiscal years, is not appropriated by a governing body and can be moved through a supplemental budget. Unappropriated Ending Fund Balance covers cash flow after the end of the budget year until Property Taxes arrive in November, is not appropriated by a governing body and cannot be used during the fiscal year unless for a true emergency such as a natural disaster.

Budget Officer Christa Bosserman Wolfe explained the allocation methodology used for the overhead allocation in the budget. She said there is some overhead that is allocated to the operating departments and operating funds and that is the Administration and City Council expenses because those help support the entire government so those costs are allocated out to the other operating funds, and the General Fund is covering those departments that live in the General Fund such as Police, Parks, Court, and Community Development. Street, Sewer and Water Funds have large operating funds that are separate and stand-alone so those funds transfer dollars back to the general fund to help pay for the overhead allocation.

Budget Officer Christa Bosserman Wolfe said in regards to the Reserve Fund on page 35, there are some transfers in this year, but there are no planned expenditures this year.

Budget Officer Christa Bosserman Wolfe showed a slide from last year regarding the recommendations to hire a full-time City Administrator and to start with a 2-year contract to ensure this new structure will work. She went on to say she is in agreement with last year's recommendation to hire a City Administrator and the first priority of the City Administrator would be to look at the budget and start to figure out how to make it sustainable moving forward.

Budget Officer Christa Bosserman Wolfe made some recommended budget adjustments to the proposed budget. The first one being to remove Contingency dollars from the non-operating funds and add that to Reserve for Future Expenditures. This is a no impact change to the total budget amount, it simply changes line items in the categories. The second item is to increase gas tax revenue in the Street Construction Fund in the amount of \$32,949, for a total of \$93,000, the offset to keep in balance would be to Reserve for Future Expenditures. The impact is an increase to the total budget of \$32,949, for a revised total budget of \$10,365,187.

City Councilor James Yonally commented he likes what he is seeing but when looking at an operating deficit this year, we will need to keep mindful of this in the future and work at keeping expenditures down and looking at increasing revenues.

Budget Committee member Joseph Steiniger said he was concerned about the deficit and asked how it gets paid for and if it is in the fund we already have. Budget Officer Christa Bosserman Wolfe explained the deficit is being paid for within the General Fund, and what happens this year is because the revenues are not coming in at the same pace as expenses are going out, the Fund will start to get lower and the balance will start to get smaller.

Budget Committee member Joseph Steiniger asked how long we can sustain a loss.

Budget Officer Christa Bosserman Wolfe said there is a graph on page 3 of the Budget message that shows the beginning fund balance of 1.5 million and in about 5 years, projections show it will be down to around \$300,000, and that is why she recommends when the city hires a City Manager, they make sustaining this their number one priority.

Budget Committee member Joseph Steiniger he was glad to see we had a buffer to find the answer and it is not immediate.

Mayor Charles Rostocil said he agrees with everyone's concerns, and when we drop below a million it could be a concern, but hopefully by then we will have a forecast and idea of how the 55 acres south of town will be developed, and if we don't see any movement on that property we will need to take a serious look at how to curtail costs.

City Councilor Tyler Thomas said his only input is the same as it was last year, you look at your own household budget, because we are representing the people of Hubbard, we were elected to manage their money, how many of us run our household budgets negatively.

PUBLIC HEARING.

A. STATE SHARED REVENUES. Budget Committee Chairperson Robert Prinslow opened the 2022-23 Budget Hearing on State Shared Revenues at 7:22 p.m.

Contracted Budget Officer Christa Bosserman Wolfe shared a slide presentation for State Shared Revenues. She said for a city to receive State Shared Revenue they have to provide at least 4 services; police protection, street construction/maintenance, sewer and storm services, utilities, and planning, zoning and subdivision control are services that the City provides. She went on to say that trends around revenue remain stable with the exception of the State marijuana dollars, as these are now paid differently than in prior years and will result in reductions. The city is budgeting to received \$6000 this year which is smaller than prior years, and the reason why this estimate is so low is the City just got a quarterly payment not long ago and the amount was only \$1700. The local tax is estimated to remain fairly stable and it is budgeted at \$32,000 for the local marijuana taxes.

Contracted Budget Officer Christa Bosserman Wolfe said there are two additional sources of revenue the City receives, the State Revenues funds that come in every year and is split 50/50 between the General Fund and the Park Improvement Fund, and is holding steady at approximately \$40,000 each year. The other is Gas Taxes, and those are split with 65% in the Street Fund and 35% in the Street Construction Fund and those are restricted dollars and have to be used for certain items.

Budget Committee Chairperson Robert Prinslow asked for comments and questions from the Budget Committee.

City Councilor Tyler Thomas asked if we are in a public meeting.

Budget Committee Chairperson Robert Prinslow responded with yes.

City Councilor Tyler Thomas then referred City Council and Staff to the Council rules and procedures 2.10.120, Council conduct with one another Section 1, under use of title, Council should refer to one another during public meetings as Mayor or Council Member followed by the individual's last name.

Budget Committee Chairperson Robert Prinslow asked for comments and questions from the Public. There were none.

Budget Committee Chairperson Robert Prinslow closed the State Shared Revenue section of the Public Hearing at 7:27 p.m.

B. 2022-23 BUDGET. Budget Committee Chairperson Robert Prinslow opened the Public Hearing for the 2022-2023 Budget at 7:27 p.m.

Contracted Budget Officer Christa Wolfe said the City is presenting a proposed budget for 2022-23 of \$10.3 million. She went on to say the budget is balanced and complies with Oregon Local Budget Law.

Budget Committee Chairperson Robert Prinslow asked for comments or questions from the Budget Committee. There were none.

Budget Committee Chairperson Robert Prinslow asked for comments and questions from the Public. There was none.

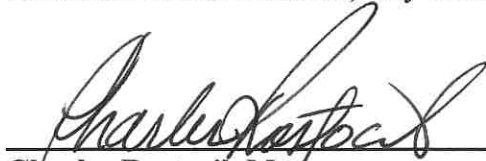
Budget Committee Chairperson Robert Prinslow closed the 2022 – 2023 Budget section of the Public Hearing at 7:28 p.m.

COMMITTEE APPROVES THE TAX LEVY AMOUNT. Contracted Budget Officer Christa Wolfe reminded the Committee the Tax Levy is \$ 3.9772 per 1000 of assessed market value.

MSA/City Councilor James Audritsh / City Councilor Robert Prinslow made a motion to impose the property tax levy rate of \$3.9772 per \$1,000 of assessed value. Budget Committee Member Joseph Steiniger, Mayor Charles Rostocil, City Councilor James Audritsh, City Councilor James Yonally, City Councilor Robert Prinslow, in favor. City Councilor Tyler Thomas was against. Motion carried 5-1 in favor.

COMMITTEE APPROVES THE BUDGET FOR FY 2022-2023. MSA/City Councilor James Yonally / City Councilor James Audritsh made a motion to approve the FY 2022-2023 proposed budget of \$10,365,187, with the recommended changes as presented. Budget Committee Member Joseph Steiniger, Mayor Charles Rostocil, City Councilor James Audritsh, City Councilor James Yonally, City Councilor Robert Prinslow voted in favor. City Councilor Tyler Thomas voted against. Motion carried 5 – 1 in favor.

ADJOURNMENT. MSA/ City Council James Audritsh / Mayor Charles Rostocil moved to adjourn the Budget Committee Meeting at 7:31 p.m. Budget Committee Member Joseph Steiniger, Mayor Charles Rostocil, City Councilor James Audritsh, City Councilor Tyler Thomas, City Councilor Robert Prinslow, City Councilor James Yonally in favor. Motion carried unanimously.



Charles Rostocil, Mayor

ATTEST:



Vickie L. Nogle, MMC, Director of Administration/City Recorder

Julie Hedden, Administrative Assistant, Transcribing/ Recording