SCIO PUBLIC BUDGET MEETING

Wednesday, June 8, 2020

Please note that the 2020-2021 Budget Hearing took place via Zoom Conferencing

Due to the COVID-19 Meeting Restrictions

**CALL TO ORDER:** 2020-2021 the Budget Committee was called to order at 6:14 p.m. Budget Officer Joey Ferguson and asked Cathy Martin to take roll call.

**ROLL CALL:**  Cathy Martin took roll call with the following members in attendance: Joey Ferguson, Debbie Nuber, Karen Eckhart, Tom Gray, Tom Meyer, Chadd Weaver, John Whalen, Steve Ellis, Sandy Baggett, Nadji Vogel, Dustin Blumenstein, Sue Hecht

**STAFF PRESENT:** City Manager Ginger Allen, Administrative Assistant, Cathy Martin.

Budget Chairman Ferguson began the meeting by opening up nominations for Budget Chair and Budget Secretary for 2020-2021. Sue Hecht nominated Joey Ferguson, seconded by Sandy Baggett, a vote was taken, and it was unanimous 11 yeas, 0 nays.

Ferguson then asked for nominations for Budget Secretary, Tom Gray nominated Karen Eckhart, seconded by Joey Ferguson a vote was taken, it too was unanimous 11 yeas, 0 nays.

Ferguson announced that Secretary Eckhart would not be required to take official minutes given the fact that the meeting was being taped.

Following the nomination of the Budget Chairperson and the Budget Secretary, Chairperson Ferguson turned the meeting over to Scio City Manager, Ginger Allen.

Allen stated that prior to the budget review a vote needed to be taken on last year’s budget minutes. It was at this time that Allen learned that the minutes were mistakenly left out of the budget packets. Allen stated that the Committee could continue on and that the minutes would be sent to everyone after the meeting is over. Everyone would then be able to review the minutes and submit any questions prior to the adoption of the minutes at the June 22nd city council meeting. Ferguson asked if there was any reason that would prevent the hearing from continuing at this time? Allen explained that the minutes provide an overview of what was discussed in last year’s budget committee hearings. The minutes serve as an overview of previous discussions regarding last year’s budget. Allen also offered to hand out the minutes at the meeting and rescheduled the hearing for June 9, 2020. Ferguson said that she is alright with moving forward and would like a show of hands of those who agree to move on without the minutes at this time. Martin announced to Ferguson that everyone raised their hands both on zoom and at city hall. Ferguson asked if staff would be emailing the minutes out tomorrow morning and Martin replied that they would be emailed out before staff leaves tonight.

Ferguson then turned the meeting over to City Manager Ginger Allen. Allen began by thanking all of the budget committee members and asking them if they all read the City Managers Report? Allen stated that she would be going through the budget by departments and that anyone can ask a question at any time, do not be afraid to interrupt.

**General Fund**

Allen began with the General Fund and Martin shared the spreadsheets on the zoom meeting screen. Allen went over the various services supported by the General Fund: Administration, Library, Public Safety, Planning and Building, Park Services and Senior Services. Hearing no questions Allen continued with a quick review of the General Fund Important Highlights listed on page 14 of the budget document.

Allen told the committee that Linn County already told cities that there may be a 7-12 percent decrease in property tax collections due to Covid 19. We will have to wait and see what happens.

Allen also informed the budget committee that there were no interfund transfers this year, that the city would operate on the funds that are collected through the property taxes and any cash carry overs from last year. Allen noted that there was an increase in the General Fund Contingency Line Item $61,562. She stated that the committee will see contingency increases throughout this year’s budget because staff has worked hard to underspend due to the unknowns that COVID 19 might bring.

Upon hearing no questions regarding the General Fund Highlights Allen moved into the actual Budget Spreadsheets of the General Fund. Allen went over the projected revenues with the Budget Committee, by using the screen shots of the spreadsheets where revenues had increased and where expenses were maintained or less than what was expected. Allen spoke to the committee about the importance of the Friends of the Scio Public Library and the monetary support and volunteer hours that make the Scio Public Library a success. Allen went over the expense drawing attention to the fact that operations were cut to the extend possible, but made mention of the fact that the city does not control the expenses associated with employee insurance or taxes. Allen explained that the salaries and cost of living would be covered when she presents the FTE chart that follows the departmental fund spreadsheets. Sue Hecht asked if the city needed to place any extra money in the budget to cover additional temporary workers, do you have to do that anymore? Allen explained that in the past the extra money had been placed in salaries for contract workers. The City was corrected by the auditors and instructed to place money in “contract services”, not in salaries for this type of work. Thus, you will see an increase in the contract services. Allen ended by stating that this year staff (LaVonne, Cathy and Ginger) made a conscience decision not to add money for additional help, that they would make it a point to cover for one another. Joey Ferguson asked if there was going to be an increase from the City Attorney’s office. Allen said they requested an increase and I said no, I did not feel it was appropriate to ask for an increase during this COVID year. Allen said that Mayor Weaver was involved in this decision and asked Mayor Weaver to weigh in on this discussion. Mayor Weaver told the committee that he talked with the City Attorney about the current situation and they were fine with no increase and that the city attorney’s office was very pleasant about the decision for this year. Allen drew attention to the slight increase in Police Services to make sure that the city can afford additional police support should it become necessary. Allen shared that the city would be upgrading the telephone system and that cost for the upcoming year will be around $2000.00. Allen continued on going over all of the individual expense line items with the committee including a separate budget sheet for the Library Expenses. Allen concludes her discussion of the General Fund by pointing out that there would be no increased to the Capital Outlay, described the purpose of the Debt Service line item, for interest due on building loan when signed.

Allen told the committee that she made a decision not to put more money into a reserve account, but that her intentions are to build department contingencies and make sure the funds are healthy.

Allen asked if there were any questions before proceeding on the Road Department. Ferguson asked what percentage of contingencies is the General Fund at this time, Allen said the city is currently at 12.3% in contingencies. Mayor Weaver asked where the City was in contingencies when Allen first took over. Allen said she could not recall but that she would report that back to the committee. Mayor Weaver stated he would be interested in seeing that. Martin reported that in 2017-2018 was $20,000.00 and that it has continued to rise over the years.

Before going into the Road Fund Allen wanted to have a short discussion with the Budget Committee about the building of a new public works shop and new city hall. Allen stated that people are already questioning whether or not the city can afford to build these buildings. Allen told the committee that over 10 months ago, fall of 2019, discussions about these buildings took place at several public city council meetings. Three meetings were held and the public was invited to hear what the two loaning institutions has to say about the City’s financial state. Both Columbia Bank and Washington Federal were had nothing but praises for the City and both banks wanted to loan us the money to build the two buildings. The other things to keep in mind is the fact that we have the lowest interest rates in my life time, Allen stated. To pass up this opportunity to cash in on such a low interest rate would be negligence on the city’s part given the fact that the current building is 64+ years old and is failing in many places. Allen stated that even if we do not build the city will still be borrowing a million plus to fix the current building. Allen concluded with describing the fact that both water and sewer fund will pay their share of the building expenses.

**Road Fund**

Allen then addressed the Road Department Description stating that nothing had changed from last years’ description and also went over the highlights for which she discussed: Crack Sealing in the Thomas Creek Sub-Division; no transfers in or out of the Road Fund and reviewed the large reductions made in the Materials and Services ($16,525), Capital Outlay ($29,750) and ended with the increase in contingency line item of $40,133.

Allen then began reviewing the Revenue Projects. At this time Chairperson Ferguson asked Allen how the projects are made, where do the funds come from and why is the projection less than last year. Allen shared with the committee that cities had received a letter from Governor Brown stating that the State of Oregon will be suffering a 3-billion-dollar shortfall due to Covid and that some of the loss will be felt by the cities as well. The percentage of shared taxes with cities and counties will more than like suffer a shortage due to the state shortage. Due to the shortfall Allen reduced the revenue projections for the road fund. Sue Hecht asked about the shared taxes in the General Fund and why those taxes did not go down. Allen said, that the projections for next year are less than the amount collected this year due to the Governor’s notification and the possibility of projected shortfalls in the shared taxes. Allen continued by informing the committee that the revenue franchise fees are split between the General Fund and the Road Fund.

Allen then moved forward by going over the Road expense line items ending with a short discussion about Road Fund Contingencies. Allen said that some money could be transferred into the Road Reserve Fund and Chairperson Ferguson stated that she thought we should leave it in the Road Fund one more year to see what the difference might be and the other committee members agreed so not dollars will be transferred into the Road Reserve fund at this time.

**Water Fund**

Again, Allen began by reviewing the fund description and reviewing the department highlights. Allen specifically spoke about the DEQ requirements to have a Water and Wastewater Masterplan. The highlights projects in the water fund match up with some of the Water Masterplan projects: Water Testing Stations and Smart Meters. Allen shared that the cities of Aumsville, Aurora and Brownsville have all installed the same Smart Meters and the meters will have paid for themselves within three years. Allen also talked about the reduction in Materials and Services (32,980) and increase in contingencies by (45,094) and no transfers in or out of the Water Fund.

Allen then reviewed the revenue sources for the Water Fund: Cash carry forward from the previous year, user fees, late charges, connection fees, reconnections and 24-hour late notices. Sue Hecht asked if the 3% water fund increase is built into the water user fees? Martin answered by stating that two years ago the city council voted to increase water rates to 7% for four years and then it will go down to 6% the fifth year and be reviewed by city council at that time. There was a discussion on the projected Users Fees for 2020-2021, Mayor Weaver inquired about the $314K and if we could actually reach that projection. Martin explained that you have to take into account the 7% increase and then more people being able to pay and the school district coming back, the amount is reachable.

Allen moved onto the water expenditures and went quickly over each line item. When Allen reached the education line item, she explained that every year there will be money set aside for continued education for the two public works employees in order to stay certified. Sue Hecht asked how long the water loan would go? Allen said that the loan is a 20-year loan and the city will have it paid off in seven and half years. The contingency line item is $18 K short of have 20% in the fund. This completed the Water Fund review.

Chairperson Ferguson then took a 10-minute break.

Allen skipped the Sewer Fund and went to the Reserve Funds to allow time for Dave Kinney to join in and do a Sewer Rate presentation.

Allen then went over the following reserve funds:

**Sewer Reserve Fund:** It has been difficult to put money into this fund due to the failure in the infrastructure and maintenance requirements every year.

**Water Reserve Fund:** In good shape

**Equipment Reserve Fund:** In good shape

**Road Reserve Fund:** Just started the fund in 2019-2020

Allen pointed out to the committee that any spending from reserve accounts must be declared in the expense sheet. If you don’t spend the money, it’s okay, but it is not okay to spend it without declaring the expense.

**Full Time Employee Schedule (FTE’s)**

Following the review of the Reserve Accounts Allen went over the FTE Schedule for 2020-2021. Allen stated that the FTE chart is the same chart used since she began working for the City of Scio. The chart breaks down the amount of money paid by each fund for Salaries, Taxes and Benefits. Allen explained that she uses what other cities use for cost-of-living increases, West Coast Consumer Price Index. This year the increase is 2.8, Allen recommends a 2.5 cola increase for employees this year. Allen also placed money for increases for certified employees. Sandy Baggett asked if money was being placed in the budget prior to certifications? Allen said yes, because they are both studying to test and if and when they pass, they will receive an hourly increase for that certification level. The employee will not get an increase until they pass the test. Chairperson Ferguson, do we see any reflection of Covid 19 in these figures? I am referring to any impact of reduction of salaries due to covid 19. Ferguson said, we have had our Library closed and we are still paying full wages to our Librarian? Allen said, yes that is true. After having a discussion with Mayor Weaver and Councilor President Nuber and after receiving a notice from Governor Brown stating that employees should not have to suffer any salary losses due to Covid 19, that employees can use their sick leave. Mayor Weaver announced that the sick leave banks are very high and this help reduce the banked hours. Allen also announced that the public works employees have usually worked a full 40+ hours and very seldom used banked hours to fill out a full work week. Tom Gray asked about the benefits and why the amounts vary? The difference in the benefits amongst employees has to do with the amount of insurance coverage they need to cover themselves and their family. Gray, do we have a group type of insurance? Scio is in a small cities pool through City County Insurance. Allen stated that she has researched other insurance companies and has not found anything comparable to CIS. Allen asked if there were any other questions and hearing none moved back to the Sewer Fund.

**Sewer Fund**

Once Mr. Kinney joined into the zoom meeting Allen began going over the Sewer Fund Highlights. TV-ing of sewer lines, which consists of the video taping of the pipes to determine where pipes are failing, leaking and possibly clogged. A discussion about how often the city would need to TV lines took place and Allen informed the committee that due to the poor condition of the sewer system TVing lines would take place every two to three years. Once improvements are made to the sewer system that will change to 3-5 years for TVing Services. Hearing no more discussion Allen reviewed the other fund highlights:

* Reduction in Materials and Supplies by $13830
* Reduction in Capital Outlay of $20,000
* Contingency increase of $29,907

Allen stressed that the reductions in expenses and the increase in contingencies is an effort to prepare for a sewer line replacement between the city hall building and Rocky’s Coffee Corner. The sewer line in that adjoining alley way is failing. Allen then went over the Sewer Fund, line item by line item. There was a good conversation regarding the Equipment Maintenance line item pertaining to Vactor Truck Services. Efforts will be made to establish an Intergovernmental Agreement with a neighboring city for these services. Allen asked if there were any other questions regarding the Sewer Fund and hearing none Allen turned the meeting over to David Kinney to present the Sewer Rate Study.

**Sewer Rate Study**

Dave introduced himself to the budget committee and spoke a little bit about his 45 years of experience in municipal service (i.e., City Manager, Public Works Director and City Planner). Dave then moved on to a power point presentation outlining all of the data that he used in the Sewer Rate Study.

Highlights from presentation:

* Reviewed Sewer Fund Revenues/Expense chart explaining that you want the green line (i.e., revenues) to consistently be higher than the red line (expenses) in order to have the fund in good shape. Unfortunately, the chart showed that the expenses over the past five years have been higher than the annual revenues causing an inability to make infrastructure improvements and falling behind on establishing a healthier beginning fund balance.
* Spoke about the Sewer System and its current operation
* Future Capital Improvements that are needed & how they impact sewer rates

Allen interjected to inform the committee that the Sewer Master Plan is a document mandated by DEQ and cities must ensure that the Master Plans are reviewed every twenty years.

Kinney than went on with his slide presentation by reviewing study conclusions for the review period of 2016-2020 (slides 4 & 5)

Following the presentation of the conclusions drawn from the Sewer Rate Study, Kinney presented his recommended Operations and Maintenance Projects (slide no. 6 & 7)

Kinney stated that the City cannot afford to do this routine maintenance improvements with the current rates. Kinney shared with the committee funding options available for infrastructure improvements, but only after a sewer rate increase is established and the City begins to build the Sewer Operating Revenues. (slide no. 8-10)

Kinney proposed a sewer rate increase to the budget committee. The details of that increase and how Kinney arrived at the actual rate can be seen by reviewing slides 13 – 17.

Allen inserted Scio’s sewer rate history by using a data chart. The budget committee could easily see that sewer rate increases are historically low and have not kept up with consumer price indexes for 39 years.

Kinney then concluded his presentation by stating that according to the study and to Dyer Partnership, the sewer system is failing and improvements are imminent. Dave asked the committee if they had any questions and there were none.

Several of the budget committee members thanks Dave and the community members for attending the meeting. Mayor Weaver thanks Ginger and Cathy for the hard work and budget preparation. Weaver also thanks the citizens for taking time out of their busy scheduled to attend the meeting via zoom.

Allen then spoke and once again apologized for not having the last years minutes sent out prior to the meeting.

Budget Officer Joey Ferguson then asked if there was any discussion? Whalen then shared that he did not feel the city had an option on a rate increase. It is so crucial to get the message out to the public about the need for the sewer improvements. Blumenstein agreed completely with Whalen, asking what other options do we have? Weaver said, “no you are right, we do not have options”. Weaver went on to say we don’t have options. Unfortunately, our sewer system has not been taken care of over the years and most of us were not on the committee during those years. We could say they didn’t do their job, but it is what it is and now we have to do our responsibility and fix this. We don’t want to pass it onto our kids. We don’t have a choice”. Nuber interjected and stated, “the buck stops here”. Weaver, stated that the message must get out to the public about the conditions of the sewer. Eckhart stated” people need to be informed and must be made aware of what is going on, you could even tell them about the sewers backing up”.

Following the discussion about the sewer system Allen directed the committee on two other points of business:

1. Adoption of the Linn County Tax Rate: Debbie Nuber moved to adopt the Linn County Tax Rate as presented, it was seconded by Steve Ellis, Allen asked for any discussion, hearing none moved forward with the vote: The vote was unanimous.
2. Allen then asked for a motion to approve the budget as modified with the sewer rate increase: motion was made by Nuber, seconded by Ellis. Gray reconfirmed the sewer rate increase of15% and minutes of 2019-20 will be sent to budget committee members via email. The vote was unanimous.

Allen closed the budget hearing by thanking everyone for their time and support and said that it was an honor working with them. Councilor Gray thanked Ginger and Cathy for the budget process and how stated that what he once hated has not turned into a process that he doesn’t mind it at all.