

The following minutes are in draft form and subject to minor changes upon City Council approval. The official City Council minutes can be viewed for free at City Hall or obtained for the cost of copying by calling City offices at 541-336-2247.

TOLEDO BUDGET COMMITTEE
May 19, 2008

Budget Committee (BC) present: Mayor Jim Chambers, Rod Cross, Mark Camara, Wes Chadwick, Ron Beckham, Sarah Cole, Stephen Wilson, Jerry Pryor, Billy Jo Smith, Julie Rockwell, Chuck Gerttula. Councilor Bob Emmett arrived at 5:50pm

Excused: Glen Mackenroth and Bob Deming.
Stephen Wilson and Chuck Gerttula left the meeting at 6:45 pm.

Staff Present: Budget Officer/City Manager (BO/CM) Pete Wall, Treasurer Polly Chavarria, Utility/Recording Clerk Nancy Bryant, Public Works Director (PWD) Adam Denlinger, Fire Chief (FC) Will Ewing, Police Chief (PC) Mark Fandrey and Library Director Peter Rayment.

Visitors: Kendall Cable and Michelle Christensen.

PUBLIC HEARING 2008-09, TOLEDO MUNICIPAL BUDGET, INCLUDING STATE REVENUE SHARING

Mayor Jim Chambers opened the public hearing for the 2008-09 Toledo Municipal Budget, including State Revenue Sharing at 5:30pm.

Election of Presiding Officer:

Motion: It was moved and seconded (Camara/Cross) to appoint Mayor Jim Chambers Presiding Officer.

The motion passed unanimously, noting the absence of Glen Mackenroth, Bob Emmett and Bob Deming.

Presiding Officer (PO) Chambers called for a dinner break at 5:32pm. The meeting resumed at 5:47pm.

Budget Message:

(BO/CM) Wall reported that the budget for the 2008-09 fiscal year has little change from the 2007-08 fiscal year budget, and unlike that budget, did not require major revenue increases to bring it into balance. Many of the steps taken last year to increase revenues and reduce expenditures have strengthened the city's financial picture in the short term. The general fund is balanced with no reduction or increases in staffing levels. This fund has a net increase of \$124,282 or 4.1% over the previous fiscal year. Almost all of the increase can be attributed to the cost of living adjustments included in our labor agreements and additional costs for health insurance. We have increased the amount of unappropriated funds in the general fund this fiscal year by over \$100,000. This is a necessary move due to the long-range financial outlook of the general fund. Treasurer

Chavarria created a spreadsheet looking at each of the next five years of the general fund's future. This fiscal year is stable however, in each of the following four years, the ability to balance the general fund grows weaker without developing new sources of revenue or reducing services. In year five, for example, expenses could exceed revenues by over \$300,000. By putting more money into unappropriated funds, the impact will be less severe in the next five years.

In addition to the general fund, there are a few other areas that need to be mentioned. The street fund is balanced, but revenues are not increasing to any degree. The beginning fund balance will continue to decline without new revenue sources. The City Council has included, as one of its goals to develop and implement a street utility fee. Depending on how the street utility fee is structured and the amount of revenue generated, the financial condition of the street fund could be improved but will not reach the point where we will realistically be able to meet everyone's desire in overall street maintenance. The water fund is balanced and staff will present a 4% water rate increase to the city council at their meeting on June 4th. The sewer fund is balanced by an 8% increase in rates. The rate increase last year did not raise the amount of revenue expected. Expenses have been increased less than the CPI but the receipt of lower revenue than expected this fiscal year makes the rate increase necessary. The 8% increase only balances the sewer fund budget. It does not provide any additional revenue to transfer to the sewer fund for future improvements to the system. This is a long-range financial issue for this fund particularly as the collection system continues to age.

There is one change to the financial policy in the 2008-09 budget. This involves the loan payment for the city's sewer system upgrades. The timing of the loan payment, which is due fairly early in the fiscal year, has caused the sewer fund to have a deficit balance for several months. The payment will now be made from the sewer reserve fund when due and the loan payment made by transfer from the sewer fund once revenues are available. By making this adjustment, both funds will have a positive balance throughout the fiscal year.

The total funds budgeted for the 2008-09 fiscal year is \$10,124,936 which is an increase of \$733,869 over the 2007-08 fiscal year.

The city's authorized property tax rate for general fund operations is \$5.18 per \$1000 of assessed value. The amount to levy for bonded debt for the fire station general obligation bonds is \$162,000.

(BO/CM) Wall thanked Treasurer Polly Chavarria and Executive Secretary/City Recorder Teresa Jenkins as well as the City Department Directors for their work on the budget.

A general discussion followed regarding rising fuel costs as well as other unexpected costs associated with the Confederated Tribes of Siletz police contract.

Review of Department Budgets

(BO/CM) Wall reviewed the proposed 2008-09 budget by department funds.

Discussions followed regarding the following:

- Water rate increases; Treasurer Chavarria explained that the City is still in the process of analyzing the water rate with Consultant Engineer Ray Bartlett. She suggested waiting for the results to see what the rates need to be in the future.
- Staff explained the Retirement Reserve Fund was established to set aside money for future retirement expenses. Anytime the City's PERS rate is below 6.3% the difference is deposited in this fund to off set future expenses. If at anytime the PERS rates are over 6.3% these funds will be used to offset contributions. Treasurer Chavarria informed the committee that the City might want to look at this in the future. Next year the City will know what our rates are for the next 3 years. That will allow time to look at whether we want to continue to contribute to this fund.

(PO) Chambers stated that the Council has set new goals, some have not been accomplished. This budget addresses goals set two or three years ago. We are still moving forward, sometimes it takes time. Council and staff worked well together to come up with reasonable projects. It is very important to look at reserve funds.

Jerry Pryor acknowledged the work that has been put into this budget and expressed his gratitude to staff and council.

Motion-It was moved and seconded (Cross/Pryor) to accept the 2008/09 proposed budget and recommend its adoption to the City Council. The motion passed unanimously, noting the absence of (BC) Chuck Gerttula, Glen Mackenroth, Bob Deming and Stephen Wilson.

Motion-It was moved and seconded (Pryor/Cross) to approve a rate of \$5.18 per \$1,000 and \$162,000 for bonded debt of total ad valorem property taxes to be certified for collections. The motion passed unanimously, noting the absence of (BC) Chuck Gerttula, Glen Mackenroth, Bob Deming and Stephen Wilson.

The meeting adjourned at 7:30pm.

ATTEST:

APPROVED:

Utility/Recording Clerk

Mayor