

TOLEDO BUDGET COMMITTEE  
May 18, 2009

Budget Committee (BC) present: Glen Mackenroth, Rod Cross, Mark Camara, Wes Chadwick, Nancy Lynne, Monica Lyons, Mary Young, Stephen Wilson, Julie Rockwell, and Chuck Gerttula.

Excused: Bob Emmett, Billy Jo Smith, Bob Deming, and Jerry Pryor.

Staff Present: Budget Officer/City Manager (BO/CM) Michelle Amberg, Finance Director (FD) Polly Chavarria, Assistant City Recorder Nancy Bryant, Public Works Director (PWD) Adam Denlinger, Fire Chief (FC) Will Ewing, Police Chief (PC) Mark Fandrey and Library Director Peter Rayment.

Visitors: Jim Chambers and Don Amberg.

**PUBLIC HEARING 2009-2010, TOLEDO MUNICIPAL BUDGET, INCLUDING STATE REVENUE SHARING**

BC Cross opened the public hearing for the 2009-2010 Toledo Municipal Budget, including State Revenue Sharing at 5:30pm.

**Election of Presiding Officer:**

**Motion-** it was moved and seconded (Cross/Rockwell) to appoint Glen Mackenroth as Presiding Officer. **Motion passed unanimously**, noting the absence of Bob Emmett, Billy Jo Smith, Bob Deming, and Jerry Pryor.

BC Wes Chadwick declared a potential conflict of interest because his law firm is a potential contractor of legal services for the City of Toledo.

**Budget Message:**

BO/CM Amberg stated the proposed budget for FY 2009/2010 is fairly conservative with little difference from the current year's actual budget. Other than the implementation of the Street Utility Fee there are no new programs included in this budget proposal. Because of the current economic circumstances, including possible losses due to foreclosure and possible lower property values, staff estimated a moderate increase in property tax revenues. Overall General Fund revenues and expenditures are projected to increase 4.3% over the current fiscal year. The General Fund is balanced and there are no increases or decreases proposed to City staffing levels. There is a change of duties for one position in Property Maintenance from Custodian to Building Maintenance Worker and this includes a small hourly rate increase. During the current fiscal year the City was included in the Oregon Main Street Program and this has resulted in an increase in travel and training within the Community Planning and Development budget. The proposed budget also contains an additional \$18,000 in transfers to reserves for future replacement of aging or obsolete fire equipment. Additionally, public safety personnel cost will increase due to a 2.4% COLA in accordance with their current labor contract. The

proposed budget will continue the practice of closing City Hall on Fridays to save on costs.

The General Fund unappropriated surplus will decrease by \$2,779 in the proposed budget. When the contingency is added, the carry forward for the following fiscal year is estimated to be \$753,646 which is \$26,574 less than optimal. While the impact to the City's carry forward will be small in the coming fiscal year it underscores the need to continue to search for additional ongoing revenue to support the General Fund. We will continue to see a decline in the beginning fund balance if new sources of revenue are not forthcoming. Additionally the budget proposal will transfer \$22,400 to the General Reserve and \$67,950 to the Retirement Reserve from General Fund.

There has been significant change to the department structure within the General Fund. The City Attorney retired in March. He began his tenure with the City as a full-time employee but over the years has been reduced to part-time. The City Council has decided to limit legal cost by executing a contract with a legal firm that can adequately provide a variety of legal services and specialties. The contract amount is included under General Services.

Other funds deserving mention are Streets, Water and Sewer. The street fund has an increase of \$82,500 for FY 2009/10 and is balanced. The increase is due to the implementation of the Street Utility Fee that is expected to be charged to utility bills starting in October 2009. The water fund will be balanced by a 3.8% rate increase, on average, and a flat rate increase of 4.2%. The sewer fund will be balanced by a 12% rate increase, on average, and a flat rate increase of 11.5%. The water and sewer rate increases will be presented to the City Council at its first meeting in June.

The total for all budgeted funds for FY 2009/10 is \$10,463,744 which is \$338,808 more than was adopted for the current fiscal year.

The City's authorized property tax rate for general fund operations is \$5.18 per \$1000 assessed value. The amount to levy for bonded debt is \$165,500.

BO/CM Amberg thanked the Budget Committee for their service to the City of Toledo, the City's Department Directors who worked very hard to provide rational and reasonable proposals during these difficult economic times. Also she thanked Polly Chavarria, Teresa Jenkins and Nancy Bryant for helping her through her first budget preparation.

Presiding Officer PO Mackenroth called for a dinner break at 5:43pm. The meeting resumed at 5: 59pm.

## **Budget Document**

### **Review of Department Budgets**

PO Mackenroth noted that the committee will review the budget by department but refrain from any changes until the entire budget has been reviewed. BC Camara

suggested using the white board to list any items that the committee may want to return to.

BO/CM Amberg provided historical data including charts of Toledo's tax history, selected General Fund Revenue Sources, General Fund expenditures and percentages by categories.

BO/CM Amberg reviewed the proposed 2009/2010 budget by department funds. The budget highlights for Fiscal Year 2009/2010 in each department were as follows:

**General Fund** revenue is up by a moderate amount but staff continues to worry about the state fees and how much the City will receive. The City continues to rely on the Fire Protection District, Siletz Dispatching and the Library District to provide funds to off set the cost to provide those services. There is a new telecommunications franchise but the revenue from that franchise is unclear to date. The Natural Gas franchise may increase collections because the Georgia Pacific Mill is now included at a collection rate of 3%.

**Administration** budget has an increase of \$13,145 for the 2009/2010 fiscal year. This increase is due to increases in personnel costs and absorbing the cost of the City Attorney's support personnel.

**Community Planning & Development** department has an increase of \$4,410 for the 2009/10 fiscal year. The increase is due to an increase in travel and training required for the Oregon Main Street Program and budgeting \$2,000 in capital to replace the plotter used to print large maps.

**Legal Department** has been zeroed out this year. The Legal Services expenditure has moved to General Services.

**Police Department** budget has an increase of \$9,040 over the 2008/09 fiscal year. The increase is due to increasing staffing costs. Treasurer Chavarria noted that there is a vacant Detective position built into the budget in case they fill it during the 2009/10 fiscal year.

**Fire Department** has an increase of \$37,640 over the 2008/09 fiscal year budget. The increase is due to an increase for capital equipment, transfer to general reserve for future equipment purchases, and increases in personnel and operating costs. Capital Expenditures include 10 Fire voice pagers, structural turnouts, and hose appliances/intake suction.

**Recreation** department has an increase of \$6,445 for the 2009/10 fiscal year. The increase is primarily due to transfers to General Reserve which will be used to replace the building heater at the pool as well as additional funds to paint the pool tank.

BC Camara stated if the recreation department is asking for more staff time and council is interested in encouraging volunteers maybe it is time to put in for a part time volunteer coordinator. The item was placed on the white board.

**Property Maintenance** department has an increase of \$10,704 for the 2009/10 fiscal year. This is due to reclassification of the custodial position to Building Maintenance Worker. The capital expenditure for Property Maintenance is to seal-coat asphalt around the grandstands at Memorial Field.

**Library** budget has an increase of \$5,890 from the 2008/09 fiscal year budget. The increase is due to increased staffing costs and operational costs.

**Municipal Court**-It is anticipated that the Municipal Court will generate approximately \$50,000 in fine revenues for the 2009/10 fiscal year. While the purpose of the Police department and the court system is not to generate dollars for the city, it does more than pay its own way, which is not the case in all communities.

In answer to questions posed by PO Mackenroth, FD Chavarria said that the outstanding fines are at \$330,000. All of the defendants who have outstanding fines are suspended from driving privileges. The City has not had success with collection agencies and there is little more that staff can do, beyond filing license suspensions, to collect those fines.

**General Services** net operating budget is \$158,260 higher than the 2008/09 fiscal year budget. Almost half of this increase is due to increased transfers to General and Retirement reserves. Additionally the City's legal services will be provided by contract during this fiscal year and this expenditure is also included. Contributions to local non-profits have doubled over last year and unemployment payments are expected to rise. The remainder is due to increases in contingency and operation costs. The unappropriated surplus is estimated to be \$12,779 below last year, but is still above \$500,000. The Capital Expenditure for General Services of \$5,000 is for installing fiber optics at City Hall.

FD Chavarria explained that the retirement reserve increase is due to the PERS rate adjustment. The new rates are much lower than the 6.3%. The way the reserve account works is if you are above 6.3% you draw out of it and if you are below the 6.3% you pay the amount that gets you to 6.3%. By adding all of the retirement expenditures including the reserve the total is 6.3% each year, sometimes more to the reserve and sometimes more to PERS.

BO/CM Amberg noted the \$5,000 capital expenditure for funding an agreement with the Council of Governments is to provide Information Technology (IT) support for the fiscal year.

BC Cross noted there is an increase in the City Council line item to provide funds for televising City Council meetings. He said the Toledo High School has provided a bid of \$1,300 to provide that service for the entire year.

BO/CM Amberg also noted that the Contribution Committee was able to double the amount of funds donated to non-profit agencies who requested funds. The contribution amount went from \$3,000 to \$6,000.

**PO Mackenroth called for a brief break at 6:57pm. The meeting resumed at 7:05pm.**

PO Mackenroth noted this an appropriate time to suggest any monetary changes in the General Fund that the committee members may not agree with.

BC Young questioned the approval of televising the City Council meetings.

BO/CM Amberg said that it was approved as a part of the Council Goals.

BC Camara noted that he remembered conversations regarding broadcasting meetings but they may have been before Councilor Young became a council member. He did not remember a specific vote on the matter.

PO Mackenroth noted that this is an issue for Council to resolve.

BO/CM Amberg noted that the expenditure is not considered a line item so it is not specifically earmarked for that purpose.

BC Camara pointed out that each year the city talks about the need for more code enforcement. It is not provided for in this budget and questioned if it warrants a discussion.

BO/CM Amberg said she has had experience with code enforcement being funded by the solid waste franchise. There is a possibility that the local franchise fees could be applied to code enforcement. She said a code enforcement officer is one of her priorities and if she can find a way to support one she will.

BC Camara also noted the need for a volunteer coordinator to facilitate adult supervision in youth parks and recreation programs.

PO Mackenroth asked if this was something BC Camara was envisioning for appropriation in this budget or something that council and staff should discuss and present in the next fiscal budget.

BC Camara stated that it is a worthwhile topic and he is interested to know if anyone else is interested.

BO/CM Amberg said that a volunteer coordinator is going to be a large consideration and will need a lot more thought.

Chadwick noted that it is worth discussion in a future council work session but too soon to allocate funds this year.

The committee agreed to dispense with the code enforcement officer issue and the volunteer coordinator for this fiscal budget.

**Public Works** is an internal service fund that receives its revenues from transfers from the funds it provides services to including the water, sewer, and streets funds. The public works staff and related personnel costs are included in this fund. The public works fund has an increase of \$41,335 over the 2008/09 fiscal year. The increase is due to increases in capital outlay for equipment purchases and increased transfer to the retirement reserve. Capital Expenditures include a high pressure washer, tube, valve and other attachments on the 1993 vacor combination cleaner, portable generator, and HP Design jet printer (plotter).

**Streets Fund** has an increase of \$82,500 for the 2009/2010 fiscal year. Capital Expenditures from this account include Street System Development Charge Study, Stormwater SDC Study, and Special City Allotment Paving Project.

**Water Fund** has a \$7,600 decrease for the 2009/2010 fiscal year. The Water Fund is financed through water utility charges to customers and sales of water to the Seal Rock Water District. It funds the operation of the distribution system and the water treatment plant which is included in the overall fund but is separated within the fund to track total costs of each function. CM Amberg noted the City should have a Water Master Plan in place by next year.

**Sewer Fund** has an increase of \$147,851 for the 2009/2010 fiscal year. The Sewer Fund is financed through utility charges. It funds the operation of the collection system and the wastewater treatment plant which are both included in the overall fund but are separated within the fund to track the total costs of each function. This fund also makes payments on the sewer bonds. The payments are allocated to both the plant and the collection system with a higher amount attributed to the plant due to the higher cost of plant improvements.

**PO Mackenroth called for a brief break at 7:42pm. The meeting resumed at 7:49pm.**

**Special and Reserve Funds** include reserve funds for water, sewer and equipment. The main purpose of the reserve funds is to accumulate resources over time to allow the city to complete larger projects and make major equipment purchases without having to obtain outside financing.

**Projects Fund** is used as the funding mechanism for special community projects and economic development projects. Examples include development and sale of the TIP property, the Highway 20 project, and the Park & Ride. Proposed expenditure for the Projects Fund is the Hwy 20 improvements at \$8,350.

Jim Chambers requested funding for paving stones at Orphan Park from the projects fund as Public Improvements. He said in an effort to reduce park maintenance he would like to replace all of the grass with sand and paving stones. The estimated cost for the project is \$3,000. BC Young requested anchors for the seasonal displays that are placed in that area. Chambers noted that the anchors protruding from the pavers would cause a safety hazard.

BO/CM Amberg noted an \$8,350 Capital Expenditure in the Projects Fund that will be used for partial completion of the Hwy 20 project.

PWD Denlinger stated that there is a request for Federal Stimulus funding that will also be used on the Hwy 20 project if awarded.

In answer to PO Mackenroth's question of how much of the Hwy 20 project is left to complete PWD Denlinger said the original design included curb gutter and side walks on both sides of Hwy 20 to Ridge Drive. The north side of Hwy 20 from 3<sup>rd</sup> Street to Ridge Drive is not complete.

FD Chavarria noted that \$10,000 was set aside near the end of the original Hwy 20 project to clean up small issues like the bases on the street light poles. \$1,700 of those funds were expended and the \$8,350 is a carry over from that project.

**Debt Services Fund** accounts for the payment of principal and interest on all general obligation long-term debt. Currently the City's only outstanding general obligation bond issue is the twenty year series 2005, used to construct the Fire & Rescue Station. The change in Debt Services this year is an unappropriated amount of \$5,000 which will carry over each year to correct a cash flow issue.

**Forfeiture Revenue Fund** is a special revenue fund used to track the proceeds from drug related forfeitures and seizures.

**HUD Special Revenue Fund** has served as a pass through to fund the City's Housing Rehabilitation Loan Program. In fiscal year 2004-2005, the City Council chose to draw part of the loan proceeds that have been repaid to the program, to make them available for other City programs. Proposed expenditures for this fund include \$10,000 for Abatement Costs and \$807 for Lincoln Community Land Trust.

FD Chavarria noted that there have been two kinds of housing rehabilitation grants. The first one had no restrictions and the second grant changed allowing the city to recycle the funds. The HUD Special Revenue funds are from first set of grant funds.

Jim Chambers voiced his concern that the money in this fund is not being utilized. He proposed three projects for these funds; 1) create a city emergency building fund to take care of current City owned building issues, 2) an asphalt parking area for the Police

Department, and 3) rebuild the storage building at Memorial Field Park to use for holiday decorations and a storage space for grounds maintenance equipment.

BC Camara disagreed with the suggestions from Chambers. He believes that the spirit of the funds is to circulate the funds in the community in affordable housing types of issues. He believes programming should be in place continue low income housing improvements. He acknowledged the need for Chamber's proposal but does not think this fund should be used in that way.

Chambers noted that the proposals do not use the entire budget and there are new revolving loan funds available for low income housing improvements.

BO/CM Amberg stated the City has an entire floor above the Council Chambers that is not being used. She would like to see the decorations taken out of the building at Memorial Field and stored upstairs (with building modifications for direct access to the upper story) to make use of that space. She would like to see reserves set up to rebuild the storage building at Memorial Field as well as a building maintenance reserve for long term maintenance of all City owned buildings. These funds can be used to offset System Development Charges for non-profit organizations such as Habitat for Humanity or the Lincoln Community Land Trust. The City can't waive building fees but it can pay them for the non-profit organizations. This use of the funds would also meet the council goal to encourage affordable housing. This is a significant amount of money that the City won't be able to generate again for affordable housing.

BC Camara noted that the City has talked about urban renewal and it will take an investment for studies and a plan. If these funds would be an appropriate use it could be used for long term dividends.

BC Gerttula stated that Chambers had some good points in his proposal. He believes storage in an upstairs of a building is never a good idea.

BO/CM Amberg noted that a door would be placed on the roof to access the upstairs storage from outside the building.

PO Mackenroth noted there have been many good ideas brought forth. The intent is to fully appropriate this fund so that Council can discuss how to make the appropriate expenditures. He said unless someone at this meeting is adamant about directing council and staff to fund a particular project the Budget Committee will leave it as it is appropriated.

Chambers encouraged using these funds for something that will benefit the community.

PO Mackenroth asked for a consensus of the Budget Committee to make a recommendation regarding the HUD Special Revenue fund. Seeing none, he suggested moving forward with the budget review

BC Cross suggested council conduct a long discussion with input from staff regarding this subject.

Chambers said he agreed with Cross but does not think it should wait another year for a decision. He believes these funds shouldn't be interest free if loaned out again.

Gerttula questioned which project would do more good for the community, building certain projects that will be here for a long time or paying one system development charge for Habitat for Humanity.

PO Mackenroth noted that a 20 year property tax on a house through Habitat for Humanity will be a substantial benefit to the City. He said the Budget Committee is not in a position to make a decision on this fund tonight. The council needs to make a decision about expenditures from this fund and what the community output will be regarding this fund.

**Solid Waste fund** purpose is to pay the City's share of the costs associated with closing the Agate Beach Landfill. Revenue from the fund comes from Dahl Disposal, based on the amount of waste hauled each month. Expenditures are made to the Lincoln County Solid Waste Consortium as needed to cover closure expenses.

**911 System** is a special revenue fund used to enhance the City's 911 system. Revenue into the funds comes from 911 tax receipts. Expenditures are limited to those uses allowed by state law for 911 tax funds.

**General Reserve Fund** detailed list includes future expenditures for each of the departments.

BC Cross recommended budgeting for the library roof. He would like to aggressively reserve fund for that starting next year.

FD Chavarria noted that there hasn't been a transfer to the reserve for the Library roof because there are already funds in the General Reserve for that purpose.

BC Young noted the listed Skatepark Camera System. She said it will do no good to have a camera system without enforcement of what goes on at that skatepark.

PC Fandrey said the general idea is to view the general area for vandalism as well as run the live streaming on the city network so that anyone can click online and watch their kids' behavior at the skate park. Any kind of recording and capturing of video will be helpful to catch a crime in progress.

BO/CM Amberg noted that this is a property maintenance request. It is focused more on watching for vandals and cutting down on the city liability. Cameras could be put all over to catch people who are destroying property. These are risk management issues with possible additional benefits to policing.

BC Camara asked if it is possible to purchase a system now that can be added onto later.

PC Fandrey said the proposed system is expandable using wireless modems through large areas of the park.

BC Gerttula noted that the recordings he has seen on television are not very clear. He asked how much graffiti can the city clean up for \$13,000.

BC Young noted that she would like to see a reserve fund for this expenditure.

FD Chavarria explained that this is a reserve fund for this expenditure and this is the third year that funds have been appropriated to this item.

PO Mackenroth said that he doesn't see any invasion of privacy in placing cameras at the park as long as they are directed at city owned property.

PWD Denlinger stated the City will purchase 2 fixed position cameras with clear night vision of that facility. The plan is to expand to outlying areas near the Library. It will be a great deterrent to vandalism and theft at the park.

BC Young suggested lighting the darkest areas of the park for less expense.

**Public Works Equipment Repair Capital Reserve Fund** is used to save money toward the purchase of major pieces of equipment and vehicles for the Public Works Department. The two proposed expenditures for the 2009/10 are a Fleet Maintenance vehicle and a TV Camera Van.

**Water Reserve Fund** is used to set money aside for future major expenses pertaining to the water system. It is also used as contingency funds for unforeseeable system repairs. The proposed expenditures for 2009/2010 include SCADA Improvement program, replace 100 foot section Siletz raw water line, 2 Miox cells-WTP, streaming current monitor, replace sludge collection system, replace 24 inch drain valve and actuator, rebuild motor and pump at Siletz pump station, replace 12" water line on South Bay Road, and complete Water Master Plan.

**Sewer Reserve Fund** is used to set money aside for future major expenses pertaining to the sewer system. It is also used as contingency funds for unforeseeable system repairs. The proposed expenditures for 2009-2010 include wastewater DO Analyzer, electric motor and blower, repair Butler Bridge Pump Station building, Inflow & Infiltration repairs, and Rural Development (RDA) loan repayment.

**Street Reserve Fund** is used to set money aside for future major expenses pertaining to the street system. The proposed expenditures for 2009-2010 include Business Highway 20 maintenance as needed and reserve for future expenses.

**Library Reserve** fund holds general gifts, donations, and bequests given to the City that are intended specifically for the Toledo Library. Proposed expenditures for 2009-2010 include 4 unit 90” double-sided steel shelving, fiber cable installation, monitoring cameras, and paving in front of the library.

**Footpaths & Bicycle Trails** funds are collected from the State for construction of footpaths and bicycle trails. The funds are held in this fund over a period of years until enough is accumulated for a project. There are no projects scheduled for this fiscal year.

**Water Systems Development** fund is used to hold funds for expansion of the water system due to increased burden from new development. Revenue into this fund is generated from fees paid by new users connecting to water service, as their “buy-in” to the system. The proposed expenditure for 2009/2010 is for a Water SDC Study.

**Sewer Systems Development** fund is used to hold funds for expansion of the sewer system due to increased burden from new development. Revenue into this fund is generated from fees paid by new users connecting to sewer service, as their “buy-in” to the system. Proposed expenditure for 2009/2010 is for a Sewer SDC Study.

**Transportation Systems** fund is used to hold funds for extension of the city street system due to increased burden from new development. Revenue for the fund comes from system development charges. The City currently does not charge an SDC for Transportation, so the money in the fund is carryover from previous years. The proposed expenditure for 2009/2010 is a portion of the Street SDC study.

**Grant Fund** is used to track proceeds and expenditures from any general grant the City may receive.

FD Chavarria noted that the Petroleum Trust fund is money the City receives from a petroleum lawsuit that was filed years ago regarding overcharging for gas. Instead of paying every citizen a few cents for what they were overcharged, allotments were made to municipalities. The City has been holding the funds for a number of years and the project that was chosen by previous council was a foot bridge across the Olalla Slough between East Slope Road and Sturdevant Road. The foot bridge is sitting at the City Shops.

BC Cross noted that the original plan was designed when the existing Elementary School was a Middle School. Now that a much younger youth group would be using the bridge there is a public safety issue with placing the bridge in that area.

FD Chavarria also explained the \$41,000 in Planning Grants is also real money holding in the account. The City receives \$4,000 per year from the State to offset planning expenses. It was determined a number of years ago, instead of using those funds in the general fund to set aside the money in this account because without a full time planner on staff a day will come when the City will need these funds for large planning projects. The

\$100,000 is money for miscellaneous grants that the city would receive that are small enough that would not warrant a supplemental budget.

**Insurance Reserve** fund was established to help offset unanticipated insurance expenses, including rate increases and deductibles. Safety program expenses have also been paid from this fund. Revenues into the fund have come from dividends and refunds of premium paid for worker's compensation coverage. Proposed expenditure for 2009-2010 is for Safety Committee expenses.

**Retirement Reserve** was established to set aside money for future retirement expenses. This item was discussed in the general fund.

**Fire Station Construction** fund was created to track the expenses related to construction of a new fire station. The station has been completed and this fund will be deleted after the history has been carried for three years as required by State budget law.

BC Young commended Finance Director Polly Chavarria for her remarkable job in working with the budget.

### **Budget Committee Motions**

#### **Motion to accept the proposed budget and recommend its adoption to the City Council**

**Motion**-It was moved and seconded (Gerttula/ Rockwell) to accept the 2009/10 proposed budget and recommend its adoption to the City Council.

**The motion passed unanimously**, noting the absence of Budget Committee members Bob Emmett, Billy Jo Smith, Bob Deming, and Jerry Pryor.

#### **Motion to approve a rate (or amount) of total ad valorem property taxes to be certified for collection**

**Motion**-It was moved and seconded (Cross/Chadwick) to approve a rate of \$5.18 per \$1,000 and \$165,500 for bonded debt of total ad valorem property taxes to be certified for collections.

**The motion passed unanimously**, noting the absence of Budget Committee members Bob Emmett, Billy Jo Smith, Bob Deming, and Jerry Pryor.

The meeting adjourned at 8:58 pm.

ATTEST:

APPROVED:

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Assistant City Recorder, Nancy Bryant

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Presiding Officer, Glen Mackenroth