

MINUTES
Budget Committee Meeting
November 6, 2017

The meeting was called to order at 6:00 p.m. by Chair Laura Mitchell. Present were Councilors Lacey Beaty, Mark Fagin, and Marc San Soucie, and Members Allen Dawson, Jose Galindez, Bill Kanable, and Laura Mitchell. Councilor Betty Bode, Councilor Cate Arnold and Member Clay Moorhead were excused. Also present were Mayor Dennis Doyle; Patrick O'Claire, Finance Director; Dave Waffle, Assistant Finance Director; Cheryl Twete, Community Development Director; Bill Kirby, City Attorney, and Joanne Harrington, Budget Coordinator.

MINUTES

Councilor Fagin MOVED/SECONDED by Member Galindez to approve the minutes of May 17, 22, and 25, 2017, meetings. Member Dawson abstained from voting. The motion CARRIED (6:0).

REVIEW OF LAST YEAR'S FINANCIAL OPERATIONS

Chair Mitchell turned the meeting over to Mr. O'Claire.

Mr. O'Claire distributed Proposed Amendment packets number 1, 2 and 3 for Supplemental Budget S-18-1.

Mr. O'Claire discussed the financial results of last year's operations.

Mr. O'Claire discussed Schedule 1, Summary Schedule of Fiscal Year 2016-17 Operating Results and adjustments to FY 2017-18 Beginning Fund Balances and Contingencies. He said the General Fund's Beginning Working Capital will increase by about \$3.2 million.

Mr. O'Claire reviewed Schedule 2, Schedule of Revenues and Expenditures By Fund, FY 2016-17 Estimated Compared to Actual. He said the General Fund had an additional \$1.1 million in revenue over what was anticipated and that the General Fund expenditures were underspent by about \$2.1 million.

Mr. O'Claire discussed Schedule 3, Schedule of General Contingency Accounts From Adopted Budget Through Supplemental S-18-1. He said if the supplemental budget is approved as is, the ending General Fund Contingency balance will be about \$4.8 million.

Mr. O'Claire reviewed Schedule 4, Schedule of General Contingency Accounts As a Percentage of Annual Expenditures. He said on a budgetary basis, the General Fund Contingency as a percent of expenditures is 7.3%, and if discretionary reserves are added, the General Fund Contingency is 11.4%.

Mr. O'Claire reviewed Schedule 5, Schedule of Reserved or Dedicated Contingency Accounts From Adopted Budget Through Supplemental S-18-1. He explained that the \$14 million decrease in Capital Development revenue is due to not issuing the \$15 million special revenue bond that was anticipated this year for the Beaverton Center for the Arts. He said the bond issue will be moved to next fiscal year (FY 2018-19) to allow for the private sector fundraising campaign to achieve its funding goal.

Mr. O'Claire reviewed Schedule 6, Narrative of Dedicated Contingency and Reserves for FY 2017-18 Budget Through Supplemental S-18-1.

Mr. O'Claire reviewed Schedule 7, Changes to FY 2017-18 Adopted Budget By Major Category From Transfer Resolutions, Special Purpose Grant Resolutions and Supplemental Budget S-18-1.

Mr. O'Claire reviewed the Schedule of Taxes Assessed, Levy Rates and Assessed Valuations FY 2017-18. He said notification was received from the County Assessor that the City's property tax revenue will

be \$192,111 less than was included in the budget. He said the Urban Renewal budget received more property tax revenue than was budgeted.

REVIEW OF CURRENT YEAR FINANCIAL INFORMATION

Mr. O'Claire discussed Handout 1, Summary Schedule of Fund Balances Revenues and Expenditures FY 2001-02 to FY 2017-18 including Supplemental S-18-1 for the General, Street, Building, and Library Operating Funds. He said it shows the historical percentage of expenditures in relation to contingency. He said if the PERS Reserve and the Accrual Reserve are included in the General Fund, the contingency is 18.35%.

Mr. O'Claire reviewed Handout 2, Schedule of Business License Fee Revenues. He said Business License fees are coming in very good. He said the City also receives a percentage of Metro's Contractor license fees.

Mr. O'Claire reviewed Handout 3, Schedule of State Gas Tax Receipts. He said the schedule shows that we are about 4% ahead of revenues year to date through September than we were last year.

Mr. O'Claire reviewed Handout 4, Schedule of Building Permit Fees, Revenue Collection Analysis. He said through September revenue is up about \$219,000 over that the same period last year.

Mr. O'Claire reviewed Handout 5, Water Consumption Revenues Analysis Through September 30, 2017. He said water consumption is up 77,720 units over this time last year. He said the water utility fund is healthy.

Councilor San Soucie asked about withdrawal from Tualatin Valley Water District (TVWD) and whether water revenues exceed water costs.

Mr. O'Claire said there are about 5200 customers who are Beaverton residents that are served by TVWD. He explained that the City is currently working with TVWD to withdraw from the district and provide an interim wheeling rate where the City would pay the cost of moving the water through the TVWD system to the customers using our Joint Water Commission water.

Mr. O'Claire reviewed Handout 6, Schedule of Water Fund's Annual Debt Service Coverage (FY 2005 to FY 2016 Actuals, FY 2017 Pre-Audit Actuals, and FY 2018 Adopted and Supplemental Budget). He said the debt service coverage ratio is projected to be 7.35 for FY 2017-18.

Mr. O'Claire distributed and then reviewed the following schedules regarding PERS: Schedule of Financial Impact of Projected PERS Rates Using PERS System Wide Average Employer Rate Projection of 24.42% Using FY 2017-18 Budget Prep Wages, Schedule of Additional PERS Contributions Over the Base Biennium – FY 2013-14/FY 2014-15 to FY 2019-20 FY 2020-21 Biennium, and Schedule of PERS Actuarial Reviews CY 1982 Through CY 2013. He said our current PERS rate is:

- 24.39% for Tier 1 and Tier 2
- 15.72% for OPSRP General
- 20.49% for OPSRP Fire and Police.

He said that 1% is added to those rates in the budget system.

For the FY 2109 to FY 2021 Biennium, rates are estimated to be:

- 30.42% for Tier 1 and Tier 2
- 17.62% for OPSRP General
- 23.05% for OPSRP Fire and Police.

Mr. O’Claire then reviewed the Schedule of Additional PERS Contributions Over the Base Biennium FY 2013-14 to FY 2014-15 including the estimated PERS costs increases for the FY 2019-20 to FY 2020-21 Biennium.

There was a brief discussion of the PERS rates and the PERS Reserve.

Mr Waffle reviewed Key Revenue Indicators for FY 2017-18 which included Court Fines & Forfeitures, Right-of-Way Fees, Interest Earnings, Water Revenue, State and County Gas Tax, Building Permits, WCCLS – Library, and Business Licenses.

REVIEW OF SUPPLEMENTAL BUDGET S-18-1

The following proposed amendments to the supplemental budget were distributed earlier in the meeting:

PROPOSED AMENDMENTS TO FY 2017-18 SUPPLEMENTAL BUDGET (S-18-1)

S-18-1 Amendment Packet No. 1:

1. Water Fund – Water Services Program:

Correction to Request Number 2161 - Adjustment to Beginning Working Capital to reflect preliminary audited figures at June 30, 2017, resulting from FY 2016-17 operations.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
501-03-0000-301	Beginning Working Capital	\$675
501-85-0741-991	Water Fund Contingency - Unreserved	\$675

2. General Fund – Revenue – City 3% Marijuana Taxes

Record estimated City 3% Marijuana Sales Tax revenue for the fiscal year as the Adopted FY 2017-18 Budget did not reflect this revenue source.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-03-0000-302	City 3% Marijuana Sales Tax	\$351,000
001-13-0003-991	General Fund Contingency - Unreserved	\$351,000

3. General Fund – Revenue – State Marijuana Taxes

Record City’s portion of the State Marijuana Sales Tax revenue for the period 18 month period from January 1, 2016 to June 30, 2017. This revenue was received on October 11, 2017 from the State.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-03-0000-563	State Marijuana Sales Tax	\$271,875
001-13-0003-991	General Fund Contingency - Unreserved	\$271,875

4. General Fund – Revenue – State Marijuana Taxes

Record City's portion of the State Marijuana Sales Tax revenue for the fiscal year as the Adopted FY 2017-18 Budget did not reflect this revenue source.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-03-0000-563	State Marijuana Sales Tax	\$180,000
001-13-0003-991	General Fund Contingency - Unreserved	\$180,000

5. General Fund – Designation of a portion of the General Contingency to the Contingency Reserve Right of Way Future Use Account

This is a true up of the amount that should be in Contingency Reserve Right of Way Future Use Account based on the actual revenues received from Portland General Electric and Northwest Natural Gas in FY 2016-17 for the privilege portion of the Right of Way Fees and the actual uses of those funds as authorized by the City Council. The Contingency Reserve Balance from the true up should be \$1,899,035 from the budgeted amount of \$1,644,233.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-13-0003-991	General Fund Contingency - Unreserved	<\$254,802>
001-13-0003-980	General Fund Contingency – ROW Future Use	\$254,802

6. Street Fund – Revenues – State Gasoline Taxes

Record City's portion of the 4 cent increase in the State Gasoline Tax and two \$13 Surcharges, one on Registration Fees and one on Title Fee. Each of these increases will be effective on January 1, 2018. With the 4 cent increase in gas taxes the total State Gasoline Tax will be 34 cents. The additional \$644,700 in revenues was estimated by ODOT and represents only one half of the year from January 1, 2017 to June 30, 2017. Our current budgeted State Gas Tax and Fee revenues are \$5,770,000 and with this increase the total amount of estimated State Gas Tax and Fee revenues will be \$6,414,700. Also, ODOT estimates that for FY 2018-19 the additional gas tax and fee revenue for the full year will be \$1,401,800. The State Gas Taxes will increase by an additional 2 cents on January 1, 2020, January 1, 2022 and January 1, 2024 and registration and title fee surcharges will increase by \$5 each on January 1, 2020.

In addition, Washington County has estimated that Beaverton will receive \$1,590,000 in FY 2018-19 under the new County Vehicle Registration Fee which will be effective July 1, 2017. This revenue will also be deposited in the Street Fund.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
101-03-0000-323	State Gasoline Taxes and Fees	\$644,700
101-85-0732-991	Street Fund Contingency - Unreserved	\$644,700

7. Library Fund – Revenues – WCCLS Contribution

Record additional \$76,270 contribution from WCCLS representing Beaverton’s portion of the Pool 2 distribution. As a comparison, last year’s Pool 2 distribution was \$48,358

Account No.	Account Title	FY 2017-18 Supplemental Amendment
115-03-0000-329	Intergovernmental Revenue	\$76,270
115-35-0551-991	Library Fund Contingency - Unreserved	\$76,270

8. BURA General Fund – Property Management

Additional appropriation for property management expenses related to the upcoming acquisition of the Ludeman’s property including demolition of the property last occupied by the fire place shop.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
901-95-0691-518	Property Management Expense	\$90,000
901-95-0691-991	BURA General Fund Contingency - Unreserved	<\$90,000>

9. General Fund – Sustainability Program

Additional appropriation for the residential energy efficiency project (incentives and matching grants for homes). Funding was previously awarded by the U.S. Department of Energy from the Energy Efficiency Conservation Block Grant (EECBG). The funds were recovered by the City from Unlimited Choices when they were unable to utilize the funding in their programs.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-03-0000-327	Federal Grants	\$80,013
001-10-0656-334	Energy Efficiency Grants (EECBG)	\$80,013

10. General Fund – Municipal Court Services – CJC Grant Program

Additional appropriation for a DUII Court Assistant position to assist the B-SOBR program administrator and the Court Administrator with administrative/logistical tasks due to program enrollment growth and increases in the complexity of services provided. This position is funded by the State’s Criminal Justice Commission (CJC) grant to the B-SOBR program and the position is funded through the current Biennium which ends June 30, 2019. Staff will be applying to the CJC to continue the grant funding for the next Biennium FY 2019-20 to FY 2020-21.

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-03-0000-554	Grants – State CJC B-SOBR	\$30,420
001-45-0574-281	DUII Court Assistant (.60 FTE)	\$16,670
001-45-0574-299	Payroll Taxes and Fringe Benefits	\$13,750

S-18-1 Amendment Packet No. 2:

1. Transient Lodging Tax Fund and Capital Development Fund – Beaverton Center for the Arts Construction Project Program 3521:

Ratify the Transfer of Appropriation Resolution that was approved by the City Council on October 24, 2017 under Resolution Number 4470 as follows:

RESOLUTION NO. 4077

A RESOLUTION APPROVING TRANSFER OF APPROPRIATION WITHIN THE TRANSIENT LODGING TAX FUND AND THE CAPITAL DEVELOPMENT FUND OF THE CITY DURING THE FY 2017-18 BUDGET YEAR AND APPROVING THE APPROPRIATIONS FOR THE FUND

WHEREAS, the City Council reviews and approves the annual budget; and,

WHEREAS, during the year the Council must authorize the transfers of appropriations from one category of a fund to another fund or from categories within a fund; and,

WHEREAS, an additional appropriation of \$1,255,435 is needed in the Transfer to Other Funds Category within the Transient Lodging Tax Fund and the Capital Outlay Category in the Capital Development Fund for continued pre-construction services on the Beaverton Center for the Arts Construction Project, and the expenditure appropriation is available in the Contingency Category of the Transient Lodging Tax Fund; now therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF BEAVERTON, OREGON:

Section 1. The Finance Director is hereby authorized and instructed to transfer the following appropriations:

- \$1,255,435 out of the Contingency Category of the Transient Lodging Tax Fund into the Transfers Out to Other Fund Category and Record the Transfer In Revenue in the Capital Development Fund to fund additional appropriations in the Capital Outlay Category as indicated below:

Transient Lodging Tax Fund		
Transfer to the Capital Development Fund	107-20-0802-815	\$1,255,435
Contingency City 4% TLT Tax	107-20-0802-991	< \$300,000>
Contingency County 2.5% TLT Tax	107-20-0528-991	< \$955,435>

Capital Development Fund – Beaverton Center For the Arts Construction

Transfer From the Transient Lodging Fund	301-03-3521-442	\$1,255,435
Construction	301-70-3521-682	\$393,560
Construction Design/Engineering	301-70-3521-683	\$861,875

S-18-1 Amendment Packet No. 3:

1. General Fund – Site Development Division:

Additional appropriation in Personnel Services and Materials and Services to “right size” the Site Development Division to implement significant system improvements, provide prompt responses on permits and quality customer service. The Site Development Division is experiencing a large increase in workload.

This amendment will add a Senior Engineer position, a Permit Technician position, a Senior Field Inspector position, effective January 2018, and the associated office equipment, professional services and training. Site Development Permit Revenue accrues to the General Fund (account #001-03-0000-337) and the following shows the increase in permit fees over the past five years:

FY 2012-13	\$ 565,661
FY 2013-14	\$ 688,237
FY 2014-15	\$1,307,507
FY 2015-16	\$1,360,524
FY 2016-17	\$2,163,767
FY 2017-18	\$1,550,000 Budgeted

Account No.	Account Title	FY 2017-18 Supplemental Amendment
001-85-0701-053	Senior Engineer (1 FTE)	\$55,675
001-85-0701-225	Permit Technician (1 FTE)	\$24,676
001-85-0701-143	Senior Field Inspector - Engineering (1 FTE)	\$45,945
001-85-0701-299	Payroll Taxes and Fringe Benefits	\$83,630
001-85-0701-303	Office Furniture & Equipment	\$10,800
001-85-0701-317	Computer Equipment	\$4,515
001-85-0701-341	Communications Expense	\$360
001-85-0701-511	Professional Services	\$100,000
001-85-0701-525	Payments to Other Governmental Agencies	\$50,000
001-85-0701-321	Travel, Training, & Subsistence	\$15,000
001-13-0003-991	General Fund Contingency - Unreserved	(\$390,601)

Mr. O’Claire reviewed the proposed amendment packets and said he would answer any questions regarding the amendments if there were any.

Mayor Doyle said that he supports Amendment Packet No. 3.

Councilor Fagin said increasing staff in the Site Development Division was part of the budget discussion so he would like an update.

Ms. Twete, Community Development Department (CDD) Director, gave an update on the Site Development Division and an explanation of Amendment Packet No. 3.

Councilor Beaty said that she thinks Ms. Twete needs an assistant director or more senior staff.

Councilor San Soucie said he is glad to see that CDD is looking at improved processes and not just more staff.

Member Dawson asked Ms. Twete what she will do in the future to make sure that CDD is staffed adequately so there is not a shortfall.

Ms. Twete said the challenge is to hire enough people but not too many to avoid layoffs. She said in the upcoming budget year process, CDD staffing will be addressed to ensure they are setting themselves up for long term success.

Member Galindez asked Ms. Twete for the number of direct reports that are reporting to her.

Ms. Twete said she has eight direct reports.

Chair Mitchell then conducted a review of the Transmittal Memo for Supplemental Budget S-18-1 page by page.

Councilor Fagin asked for a more detailed description for Request Number 2107. He also said that he would like everyone to be aware of Request Number 2111.

Mr. O'Claire explained that in the past the Right-of-Way Fees recorded in the General Fund from city billed utilities were combined into one account, and that Request Number 2107 reallocates the fees into separate accounts so they can more easily be tracked.

Regarding Request Number 2111, Mayor Doyle responded that it reflects Beaverton's contribution toward the Family Justice Center's operations which is a safe place for people in need of help.

After completing the page by page review of the Transmittal Memo, Chair Mitchell called for a motion to approve Supplemental Budget S-18-1 as submitted.

Councilor San Soucie MOVED/SECONDED by Member Kanable to approve the Supplemental Budget S-18-1 as submitted. The Chair called for discussion.

Chair Mitchell recognized that there are three amendment packets to Supplemental Budget S-18-1 so the Chair entertained a motion to approve Amendment Packet No. 1 as submitted by the Finance Director.

Member Galindez MOVED/SECONDED by Member Kanable to approve the amendment in Amendment Packet No. 1 to Supplemental Budget S-18-1. Chair Mitchell called for discussion. The Chair then called for a vote to approve Amendment Packet No. 1. The motion CARRIED.

Chair Mitchell entertained a motion to approve Amendment Packet No. 2 as submitted by the Finance Director

Member Kanable MOVED/SECONDED by Member Dawson to approve the amendment in Amendment Packet No. 2 to Supplemental Budget S-18-1. Chair Mitchell called for discussion. The Chair then called for a vote to approve Amendment Packet No. 2. The motion CARRIED.

Chair Mitchell entertained a motion to approve Amendment Packet No. 3 as submitted by the Finance Director.

Member Galindez MOVED/SECONDED by Member Dawson to approve the amendment in Amendment Packet No. 3 to Supplemental Budget S-18-1. Chair Mitchell called for discussion. The Chair then called for a vote to approve Amendment Packet No. 3. The motion CARRIED.

Chair Mitchell called for a vote on the main motion as amended by Amendment Packets No. 1, 2 and 3, and that the Supplemental Budget S-18-1 as Amended be forwarded to the City Council for approval at a Special Council Meeting. The motion CARRIED.

At 7:30 p.m., Chair Mitchell then turned the gavel over to Mayor Doyle to conduct a Special Council Meeting.

Mayor Doyle convened the City Council for a Special Council Meeting at 7:30 p.m. All City Councilors were present except Councilor Bode and Councilor Arnold who were excused.

Mayor Doyle opened the public hearing regarding Supplemental Budget S-18-1 at 7:30 p.m.

No one was present to speak. The Mayor closed the public hearing at 7:31 p.m.

Councilor San Soucie MOVED and it was SECONDED by Councilor Beaty to adopt the Supplemental Budget S-18-1 and the amendments as presented. The motion CARRIED.

There being no further business to discuss the Mayor adjourned the Special Council Meeting at 7:32 p.m.

The Budget Chair then called for any other business of the Budget Committee. Hearing none, the Chair adjourned the Budget Committee at 7:32 p.m.

Recorded by
Joanne Harrington

APPROVED BY Jose Galindez, Secretary