

**CITY OF JOHN DAY
BUDGET COMMITTEE MEETING
COUNCIL CHAMBERS
7:00 P.M.**

April 4, 2017

BUDGET COMMITTEE MEMBERS PRESENT

Dale Rininger
Tom Olson
Mike Miller
Ron Hasher

BUDGET COMMITTEE MEMBERS ABSENT

Robert Raschio
Mike Cosgrove
Carol Page

COUNCILORS PRESENT

Ron Lundbom, Mayor
Steve Schuette, Council President
Paul Smith, Councilor
Gregg Haberly, Councilor
Donn Willey, Councilor
Lisa Weigum, Councilor
Dave Holland, Councilor

COUNCILORS ABSENT

STAFF PRESENT

Nicholas, City Manager
Richard Gray, Police Chief
Valerie Luttrell, Dispatch Manager

GUESTS PRESENT

Anna Bass, Oster Professional Group

Agenda Item No. 1 – OPEN AND NOTE ATTENDANCE

Mayor Lundbom opened the meeting at 7:00 p.m. He welcomed and introduced the members of the Budget Committee present being Dale Rininger, Tom Olson, Mike Miller, and Ron Hasher. Mike Cosgrove and Robert Raschio were absent and excused while Carol Page resigned from the committee. Members of the City Council were all present.

Agenda Item No. 2 – ELECTION OF A COMMITTEE CHAIR

Budget Committee Member Mike Miller nominated Committee Member Ron Hasher for Committee Chair. Councilor Willey seconded the nomination and the motion passed unanimously.

Agenda Item No. 3 – ELECTION OF COMMITTEE SECRETARY

Committee Chair Ron Hasher opened the floor for nominations for the Committee Secretary.

Councilor Schuette nominated Committee Member Miller. Councilor Holland seconded the nomination. The motion passed unanimously.

Agenda Item No. 4 – BUDGET MESSAGE

City Manager Green recognized his staff for collectively putting thought into the budgeting process for the next year while also focusing on the long term goals. City Manager Green emphasized how the economic condition of the community does not reflect the traditions and values of the county. Grant County has become a victim of the macro-economy that is hurting rural communities. To fight this, we have to get more creative, be more sophisticated and make some hard decisions.

There are three mantras City Manager Green used to help develop the budget. The first mantra is *manage costs not budgets*. The costs included in this budget message are transparent and include the full costs, not just portions of the costs. The second mantra is *flat is the new up*. Green addressed failing tax policies for rural communities and the need to create new revenue sources to get back on a financially sustainable position. The third mantra is *Oregon home rule is based on the principle “show me where it says I can’t, not where it says I can*. If we collectively decide on something that will benefit our community and cannot find a statute that says we can’t do it, then we can do it. If we cannot find a statute that says we can’t do something then we need to do what works for the City of John Day.

City Manager Green believes where the City can grow is attracting people who do not have to have employment located in Grant County to live in John Day. In the information age economy, digital commuters can decide where they live and what quality of life is important. Californians are pushing out the Oregonians in communities like Bend. Those Oregonians are looking for new places to live and this is a great spot. City Manager Green believes we can absorb some of these active retirees. Grant County demographics are lacking in young working age adults. We have to figure out how to get that core back. It will be hardest one because they do need jobs. To attract these demographics we will have to market our city as a place to live which has not been done before. Let’s rebrand John Day into an active community. This may require putting money into recreational amenities that digital commuters, active retirees and young families want. We have a beautiful river running through our city but little access. Opening up access to our natural environment through strategic investments only increases our value.

City Manager Green is actively petitioning the state for broadband funding and thinks we will get it. If we have a 100 mbps to 1 gbps symmetrical data rates in Grant County, it will put us on the map. We will redefine John Day and Grant County with competitive broadband.

More diversified housing options is the hardest situation to address. The last housing development to scale was in the ‘90’s and many houses are from the 1950’s to 1970’s. In the past 10 years, there have been three site built homes constructed and one condemned. We cannot grow if we are adding two houses per decade. Councilor Haberly said we need to find a way to get a handle on permits from the state. Permit costs are making it hard to build. City Manager Green agreed that there are many hurdles for home building including ones created by the City. If we can solve the housing and add 100 homes over 10 years, in 2027 our population inside the City of John Day would be about what it was in 1977. 10 years of hard population growth can overcome half a decade of population decline. City Manager Green emphasized that when he is discussing “grow”, he is not talking about becoming Bend. He is simply talking about bringing John Day back to when it was prosperous.

To achieve these strategies, we have to figure out how to finance it all. You have to spend money to make money. City Manager Green has renegotiated many of the City's interagency agreements. While all the agreements have not been completed, he believes we are getting there. The Canyon City agreement has been renegotiated; the 911 is disadvantageous to the City, it need to be reworked and Green said this is the year we fix it; the fire protection agreement went smoothly; and we have a good down payment and potential outside investors for the new treatment plant. The City's debt is in a decent position; his only worry is the industrial park. In order to get the direct costs back in tax revenue, each of the one-acre lots would have had to created 30 jobs and hold them for the entire 26 year amortization period of the loan. City Manager Green is hoping to get Business Oregon to work with the City to reinvest the balance of the loan. City Manager Green is suggesting the City increase payments on the West End Water system Improvements to save the City about \$90,000. While this would mean taking cash out of the reserves to pay the loan, it would save almost a year's worth of interest payments for taxpayers. This is a one time savings.

City Manager Green stated that if the city can achieve and maintain an 8% cost reduction in personnel costs, the City would net \$96,000 per year. This is an annual savings. Over ten years that equates to \$960,000 that can be put into investments that could have a multiplier effect. The goal with the proposed LGPI study is to try and identify an 8% cost savings. It will require some shared sacrifice but the increase in revenue will go a long way. Between this and the \$90,000 from paying the west end water loan early, the City will be in good shape. There are also technology investments included as well. Technology is the only place costs are not increasing. If we invest in technology, we will be able to do more with less staff, which allows us to have a broader impact and saves us money in the long-run.

City Manager Green stated that his understanding is the 911 vote in September would require a double majority vote where November would require just a majority. The Council and Committee were unsure if a November vote would be held and the requirements. City Manager Green said he would get clarification from Judge Myers and update the Council. Councilor Smith questioned when would be the best time to hold the vote for a 911 local option levy with the different voting requirements. Green said he would seek clarification from the County. Green also said he has requested two years of bridge funding, but it has to bridge to something. If local voters turn down paying countywide, the last chance is the 2019 biennium legislature to raise the state tax. If legislation fails, the City will need to outsource. If the local option levy passes, we get five years to find a solution and lobby the state legislature. Worst case scenario is the local option fails, the legislature does not come through and we are done at the end of this fiscal year. City Manager Green is very optimistic that we will receive broadband and 911 bridge funding from the State but will not know until the last budget passes at the state level.

City Manager Green talked about the development of the new Community Development Fund as a part of the budget. Commissioner Britton strongly believes the City should continue to pay into the Economic Stabilization Department for the County. This is Sally Bartlett's group. City Manager Green has applied for \$2.6 million in external funding since coming to the City. He said he wants to see the same sort of results from the County department. It is hard to pinpoint the direct economic impact of the Department for John Day. The Department has helped some small business establish in the City. Committee Member Rininger has gone to the Department for assistance with grants but did not received much help. Mayor Lundbom met with Ms. Bartlett who believes Grant County should be funding the department. The department has helped residents of the county with grants. Councilor Weigum stated she knows small business owners who have received a lot of help from the department in establishing their business. She does not know if the direct benefits are equal to what the City pays. City Manager Green suggested having the Department come to the City to request funding for specific

projects from Community Development Fund. This would give the City more control over which projects are invested in. Committee Member Olson believes keeping the funding in John Day will go along way with citizens and having people be able to come to the council meetings to present their projects for funding will open doors that may not be available through the Department. The Committee felt that would be a good compromise that would allow us to co-invest with the County.

Agenda Item No. 5 – REVIEW OF BUDGET

City Recorder Bass explained to the Committee the layout of the budget. The 2014/15 historical data is the expenses and revenues for that specific year, the 2015/16 is for that specific year, the 2016/17 budget is what we are currently operating in, the estimated revenues and expenses is what the department heads and City Manager estimate will be spent. There is always cushion in the budget that will flow into the next year if not used. The proposed budget is for the 2017/18 year with comments on changes.

The Committee reviewed the 2017-2018 Budget.

General Fund

Administration

Page 1: The Council and Committee reviewed the budget for 2017/18. Ms. Bass clarified that the General Fund Administration department line Employer Paid Employee Benefits is insurance and taxes.

Police Department

Page 3: City Manager Green pointed out that General Fund Police Department line 64400, Towing Fees, should be \$300 not \$3000.

Police Chief Gray clarified that General Fund Police Department line 64270, Special Events, is for extra police services that may be needed for the eclipse, fair and/or fun day. This line item is higher than it will be in the future because of the eclipse.

Fire Department

Page 5: City Recorder Bass explained that the General Fund Fire department line item 61050, Wages and Salaries, is the combined part time and full time wages to simplify the budget.

City Recorder Bass explained that General Fund Fire department line 63800, Operating Supplies, was \$15,000 last year due to a special grant and the committee could choose to put the \$2,700 from the Towing Fees in the 63800 line item if they choose.

**Committee Member Rininger moved to add \$2,700 from line item 64400 to line item 63800.
Committee Member Olson seconded and the motion passed unanimously.**

City Manager Green clarified that General Fund Fire Department line 65600, Fire Fighting Equipment, has a proposed budget of \$142,000. He clarified this is a FEMA grant he applied for to provide turnout gear and new communications equipment. The grant can be awarded for up to \$142,000 and is pending.

Page 6: City Recorder Bass explained that General Fund, Fire Department line 44720, Rural Fire District, has a large increase due to the RFD agreeing to pay a portion of the Lang Loan on the new fire station property and the adjustments for actual billing based on the RFD's share of calls for service.

City Recorder Bass explained that the General Fund, Fire Department line 45260 decrease was due to architectural portion of the bond being complete.

Water Fund

Page 9: City Recorder Bass explained that Water Fund, Water department line 44831 is a transfer from the Water Reserve fund to simplify the budget and correlate to financial statements.

Sewer Fund

Page 11: City Recorder Bass explained that Sewer Fund, Sewer department line 67700 is for the operation of the plant.

Page 12: City Manager Green explained that Sewer Fund, Sewer department line 45280 is for two grants received totaling \$70,000. These are expended on line 66250, Sewer System Improvements (pg. 11).

City Manager Green suggested paying the additional \$20,000 on Sewer Fund, Sewer department line 68251, Airport Loan Principal, for this year and see how we can negotiate in the future. He explained an option with the committee to potentially place modular steel buildings and rent them out.

Page 13: City Manager Green explained that Joint Sewer Facility Fund, Administration department line 63825, Other Professional Services, includes money for a local income tax survey. The survey could determine if John Day is eligible for federal Community Development Block Grants with the potential of \$4 million towards the new treatment facility. If President Trump eliminates funding for Federal Block Grants, hopefully he will put other money into infrastructure as he has said.

Page 14: City Manager Green corrected Joint Sewer Facility Fund, Sewer department line 63200 should be \$20,000. This will increase the Total Materials and Service by \$18,000. This will have to be transferred out of the Sewer Contingency Fund.

City Recorder Bass explained the Joint Sewer Facility Fund, Sewer Department line 61050, Wages and Salaries, increase is for an employee whose training requires a higher percentage of his wages to be out of this fund.

Treatment Plant Equipment Fund

Page 16: City Recorder Bass explained that the Treatment Plant Equipment Fund is a fund that is being closed and will be in the sewer fund.

Street Fund

Page 18: City Recorder Bass explained the increase in Street Fund, Street department line 61253, PERS IAP Expense, as being for increased wages during the eclipse causing higher contributions. She will look into this line item to clarify further why the increase is so high.

City Recorder Bass explained Street Fund, Street department, line 643000, Street Repair/Maintenance, is high because we received \$180,000 from Grant County Forest Receipts that was not budgeted for. City Manager said he would like to use these funds to put back into our City streets.

Page 19: City Recorder Bass explained Street Fund, Street department line 40110, Net Working Capital, shows the receipt of the Forest Receipts but we are not budgeting for them this year.

Community Development Fund

Page 20: City Recorder Bass explained the Community Development Fund is the newly created fund. City Manager Green explained that this fund has taken some of the costs of other departments, but this fund may not be spent this year. It may accumulate until there is a comprehensive plan on how to invest it.

Motor Pool Fund

Page 21: City Recorder Bass explained Motor Pool, Police line 63100, Gas-Oil-Lube, was budgeted less because fuel prices have gone down.

Water Replacement Reserve Fund and Sewer Collection Replacement Fund

Pages 25 & 26: City Recorder Bass explained the Water Replacement Reserve Fund and the Sewer Collection Replacement Fund will be closing and transferring into the Water and Sewer Funds.

9-1-1 Fund

Page 27: City Manager Green explained that Administration costs have been reintroduced into the 9-1-1 Fund to recapture the administration costs.

Page 28: City Recorder Bass explained the increase in 9-1-1 Fund, Dispatch line 63550, Miscellaneous Expense, is to accommodate two physicals for new hires. Dispatch Manager Maynard explained that ESD is not charging for their services but will likely begin.

Page 29: City Recorder Bass explained 9-1-1 Fund, Dispatch line 44540, Dispatch Services, has increased due to the new formula based off per capita. This takes into account the parts we are asking the cities to pay per person for their population.

Unpaid Comp Fund

Page 30: City Recorder Bass explained the Unpaid Comp Fund is for vacation over 200 hours. This lessens the financial hit if someone needs to take extended leave.

Safe Communities Coalition

Page 31: City Recorder Bass explained the Safe Communities Coalition Fund is specifically for Safe Communities Coalition. There is no city money in this account but Safe Communities Coalition does pay the City \$100 per month to maintain the fund.

Councilor Schuette moved to approve the proposed budget as amended approving taxes for the 2017-2018 fiscal year at the rate of \$2.9915 per \$1,000 of assessed value for operating purposes, and in the amount of \$57,000 for payment of bond principal and interest. Councilor Weigum seconded the motion and the motion passed unanimously.

Agenda Item No. 6 - Adjourn

Councilor Willey moved to adjourn. Councilor Haberly seconded and the motion passed unanimously. The meeting was adjourned at 8:27 p.m.