

The Budget Committee for the City of Junction City, met at 6:30 p.m. on Thursday, October 8, 2015, in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

**PRESENT: Council Members:** Chair, Bill DiMarco; Mayor, Michael Cahill; Councilors Karen Leach, Jim Leach, Randy Nelson, Steven Hitchcock, and Herb Christensen; **Citizen Members:** Mr. Jack Sumner, Ms. Sue Huntley, Dr. Dale Rowe, Mr. Jason Thiesfeld, and Mr. Kenneth Wells; (Absent: Shirley Smith and Kara McDaniel). **Staff:** City Administrator, Jason Knope; Finance Director, Mike Crocker; Public Works Director, Gary Kaping; Community Services Director, Tom Boldon; and City Recorder, Kitty Vodrup.

### 1. **Call to Order**

Chair DiMarco called the meeting to order at 6:30 p.m.

### 2. **Fiscal Year 2014-15 Year End Results**

Director Crocker reviewed:

- The FY 2014-15 numbers presented were unaudited, but it was unlikely that there would be changes.
- The General Fund (GF) Ending Fund Balance (EFB) was \$2,141,334, which was more than had been expected; staff estimated \$2,034,700. The higher EFB included a final payment from Department of Corrections, higher Pacific Power Franchise Fees, and higher Planning and permit fees.
- There was a Court Revenue shortfall of \$88,445.
- The gain in EFB from FY 13-14 to FY 14-15 was \$125,338.
- \$50,000 had been left unspent in GF contingency.
- Unspent Budget Amounts = 11.7% in Personnel and 12.44% in Materials and Services.

### 3. **Fiscal Year 2015-16 Budget Status Update**

(Monthly Revenue and Expense Report for July, August, and September 2015 were distributed).

#### **a. Revenue Analysis**

Director Crocker reviewed:

- Property taxes for FY 15-16 had not yet been received.
- Past property tax payments received:
  - FY 14-15 Actual Received = 4.96% increase. Budgeted Amount = 4%
  - FY 13-14 Actual Received = 4.11% increase. Budgeted Amount = 4%
  - FY 12-13 Actual Received = 2 % increase.
  - FY 11-12 Actual Received = 3.48% increase.
  - There were also slight increases in FY 07-08 and FY 08-09
- The packet included property tax averages around the state, and for a city the size of Junction City, the average increase was 2.5% and other cities in the valley averaged a 1.88% increase.
- Franchise fees were down 2.37% in FY 14-15, but over a 10 year spread, the City has received an average increase of 6.19% each year.

- Building and Planning Fee Revenue were 37% of budget at \$104,000. Revenue receipt was seasonal, so it was expected that revenue would drop through January.
- The EFB in the September report was 1.47 million and it was likely that the Fiscal Policies minimum fund balance of 35% of operating expenditures might dip in October, but would bounce back up after property taxes began to be received in November.
- The City was 25% through this year's budget, and Personnel Services were being watched closely. There was a bit of a buffer at this point; an example was the Police Department was at 22%. It was noted that the FY 15-16 budget included full staffing of 11 officers, with the 11<sup>th</sup> officer position frozen for the first three months.

**b. Event and Operations Update**

Administrator Knope reviewed:

- Unanticipated changes in the FY 2015-16 budget:
  - The Council approved a \$215,000 loan from the Revolving Loan Fund to the Water Fund for the construction of the 11<sup>th</sup> and Elm Well. The Water Fund would repay the loan over the next 10 years, and the first payment would start next fiscal year.
  - A recent vacancy in the Community Services Department created an opportunity to reorganize by eliminating that position and creating a Community Services Coordinator position. This position would be a second in charge under the Community Services Director, and impacts to the budget were not certain as this was still underway.

**4. Potential Issues and Concerns****a. PERS**

Director Crocker reviewed:

- A recent court decision restored cost of living adjustments for PERS retirees that had been limited in a previous reform.
- A reduction in Assumed Earnings Rate (AER) would increase the amount employers must pay to meet system liabilities.
- An increase of retiree longevity of one year would add an additional \$1.8 billion in liability.
- With increased liabilities from the AER and mortality adjustments, public employers would see an increase in PERS rates of 3.8%. When combined with the rate hike from the court ruling, the total increase would be 7.75%; however, PERS employs a rate collar that protects against drastic rate fluctuations.
- The rate increase would be effective July 1, 2017.
- An example of the possible impact if taking a 3.8% increase with the current FY 2015-16 budget, there would be a \$100,000 increase citywide.
- PERS would publish advisory rates for Junction City next month.

Director Crocker added that on a separate topic, there would be ongoing discussions on how the Affordable Care Act Cadillac Tax could impact the City, and staff would be working

closely with the City's insurance company, (City County Insurance) on the possible burden and impacts on future reporting that could begin in calendar year 2018.

**b. Other**

**Court Revenue**

(Charts were distributed – Citations by Year/Month and Court Revenue by Year over the last several years)

Administrator Knope reviewed:

- Court revenue missed the mark in last year's budget by 40%.
- After staff review, it was observed that the number of citations for FY 14-15 were about half of what they had been in the previous year.
- The concern going forward was if this trend continues, it would reduce the anticipated court revenue for this current year; thus, further impacting the City's ability to restore reserve transfers that had been cut. Possible impact could be as much as \$110,000, which is 50% of what had been budgeted.

**General Fund Programs**

(Charts were distributed on General Fund Demand by Program and General Fund Revenue versus Expense over a number of years)

Administrator Knope reviewed:

- These charts showed the operational expenses of each General Fund Program, minus the revenue each brings in and how much in operational expenses would need to be funded by property taxes or other.
- The charts also showed General Fund Revenue versus Expenses going forward, using the current budget, and showed that expenses would be higher than revenue, beginning with the FY 16-17 budget (-\$71,976). These did not include the upcoming increases in PERS or other anticipated expenses.
- The charts showed that with the current service level and trends, it would be very difficult to have expenses equal revenue in future budgets and be able to fund reserve transfers going forward, unless some changes were made.
- It was noted that in most years, a majority of General Fund savings seen during the year came from position vacancies.
- It was also noted that the current budget included one time fixes that would not carry over to the following years, such a freezing the hiring of a few positions.
- Bottom line was that the current budget going forward was not sustainable.

**5. Transfer Restoration Discussion**

Administrator Knope reviewed:

- At this point, it would be unlikely that the City would be able to restore the transfers that had been cut in the FY 15-16 budget.

- The only way to restore would be to create some additional savings in the budget, find some additional revenue, or wait until the end of the years to see what happens.
- A document was included in the packet that showed the \$195,000 in reserve transfers that had been cut from the proposed FY 15-16 budget.
- It was noted that deferred maintenance had been occurring for many years on projects, such as at the pool and many other areas, because reserves were not being adequately funded.

After further discussion, the Budget Committee consensus was to have the Council continue discussions on Court Revenue budget impacts.

### **Additional Thoughts from Budget Committee**

- What would it look like if the Police Department was not in the budget? Response: \$2 million savings impact. Forming a special Police District could be an option, similar to the current Fire District.
- Mandated stormwater requirements would also be posing financial impacts on the City in the future (Street Fund).
- If the current FY 15-16 stayed on point, there would still be a \$72,000 shortfall of Expenditures being higher than Revenue for FY 16-17. That does not include the current Court Revenue shortfall or other shortfalls that might occur in this current budget. The way to address this and have expenditures equal revenue included reducing services and/or staff or finding additional revenue sources.
- Franchise fees were originally intended to be used to fund Street projects; however, when the Street Fund was moved out of the General Fund, the Franchise Fees remained in General Fund as a revenue source; total Franchise Fees were currently \$400,000.
- Budget Committee members expressed appreciation for the straightforward information and seeing what the budget challenges would be going forward.
- The Council and/or Committees could continue addressing the current budget issues and then the Budget Committee could meet in January to review and discuss updates.
- It was noted that the three positions that were frozen in the FY 15-16 budget were:
  - 11<sup>th</sup> Police Officer = Frozen for 3 months, with recruitment in October.
  - HR Position = Frozen for 6 months, with recruitment in January.
  - Dispatch Supervisor = Frozen for 12 months.

**MOTION:** Committee Member Rowe made a motion to recommend to the Council to delay hiring of the 11<sup>th</sup> officer and any new vacancies, minus the new Community Services Coordinator position, for three months. The motion was seconded by Committee Member Thiesfeld and passed by a vote of 8 to 4, with Wells, Sumner, K. Leach, Thiesfeld, J. Leach, Rowe, Huntley, DiMarco voting in favor and Cahill, Nelson, Hitchcock, and Christensen voting against.

### **6. Next Meeting Date**

The Committee consensus was to hold the next Budget Committee meeting on Thursday, January 21, 2016 at 6:30 p.m.

**7. Other Business**

Committee Member Rowe asked if the School District planned on putting a bond measure on the next election ballot. Councilor Nelson responded that the district was working on that for 2016.

**8. Adjournment**

**MOTION:** Committee Member Rowe made a motion to adjourn the meeting. The motion was seconded by Councilor Hitchcock and passed by unanimous vote of the Committee.

The meeting was adjourned at 8:19 p.m.

ATTEST:

APPROVED:

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Kitty Vodrup, City Recorder

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Bill DiMarco, Chair