

The Budget Committee for the City of Junction City, met at 6:30 p.m. on Thursday, May 21, 2020, in a virtual meeting format, via internet and phone.

**PRESENT: Council Members:** Chair, Bill DiMarco; Councilors Sandie Thomas, Rob Stott, Andrea Ceniga, John Gambee, and Dale Rowe. **Absent:** Mayor Mark Crenshaw; **Citizen Members:** Vice Chair, Sid Washburne, Ms. Beverly Ficek; Mr. James Hukill, Mr. Jack Sumner, Mr. Ken Wells, Mr. Travis Ducker, and Ms. Kara McDaniel; **Staff:** City Administrator, Jason Knope; Finance Director, Mike Crocker; Public Works Director, Gary Kaping; HR/Admin Services Manager, Stephanie Moran; Public Works Superintendent Jeremy Tracer; and City Recorder, Kitty Vodrup.

**1. Call to Order**

Chair DiMarco called the meeting to order at 6:37 p.m.

**2. Approval of Minutes – May 14, 2020**

**MOTION:** Committee Member Washburne made a motion to approve the May 14, 2020 Budget Committee minutes. The motion was seconded by Committee Member Sumner and passed by unanimous vote of the Committee.

**3. Public Comment**

None.

**4. Follow Up from Previous Meeting**

Director Crocker reviewed documents on revenue sources and potential impacts that the Finance and Judiciary (F/J) Committee had reviewed on May 7<sup>th</sup>. He included some additional documentation that F/J had not reviewed, for Budget Committee information.

Revenue Impact FY19/20 – FY 20/21

- Chart that showed revenue sources and potential impact estimates.
- According to LOC, property taxes would not change a whole lot, mainly because the valuation date for properties in Junction City had already passed. (LOC newsletter was included).
- Did not have enough information yet on franchise fee impacts and was difficult to estimate Building and Planning revenue, with unknowns on development.

Schedule of Assessed Values

- This document showed the assessed value for all property in Junction City, which increased each year.
- FY 20-21 estimated property tax increase was 4%. A 4% increase had been used for the last 10 years or more.
- FY 11-12 – Showed that assessed value was still going up, even though the increases were smaller around this time frame.

General Fund Comparative Report

- Showed that in the recessionary years around FY 08-09 and FY 09-10, the property taxes received continued to increase.
- Franchise fees dropped a little in FY 09-10 and FY 10-11, but then started to go back up.

Key Indicator for Reserves as of April 30, 2020

- The City has made a lot of progress on building reserves.
- The General Fund had 3 million, but it was estimated that would come down a bit as there were two more months in this fiscal year.

Councilor Gambie expressed appreciation for the data and asked how staff was interpreting it and what the conclusion might be to help guide them through the budget process. Director Crocker responded that he thought it was too early to make any major decisions and that there would be a lot more information to come in the next few months. The valuations were set for property taxes and some people could have a hard time making those payments in November and some predictions could be realized, but that remained to be seen. Administrator Knope added that with property taxes, they could also come in better or come in not much different from what was normally received.

Chair DiMarco noted that the LOC looked at the entire 247 incorporated cities, with some of those cities being quite large, and Junction City was somewhat insulated from those larger impacts that would drive average predictions towards 10%. He added that during the recession around 2008, the property tax assessed values continued to increase, and the City did not take much of a hit from that.

Committee Member Hukill asked when the 75 townhomes being built on 18th would show up in property taxes. Director Crocker responded that they would show up after being completed and had not yet been included in the county assessment records. Committee Member Hukill noted that could be a positive effect on the projection. Director Crocker responded absolutely. Chair DiMarco added that there was development scheduled this summer west of town.

Councilor Rowe thanked Director Crocker for the information and stated that the numbers in the chart were somewhere between half to three quarters of a million dollars that could be affected. He thought it was incumbent on them to realize that they were going to have reductions in revenue, and he thought they needed to make adjustments in the budget to reflect that. He thought it would be irresponsible to have a 3 or 4% increase in revenues when they had been given clear evidence that they would have a decrease of some sort of revenue.

Councilor Thomas expressed her agreement and noted that they were better off to tighten their belts and if they came out better next year, more power to them. She added that she was hearing that from the public, as well.

Committee Member Wells expressed agreement with Councilor Rowe. He thought the citizens expected the Budget Committee to take a realistic look at the budget, and he agreed that if they made adjustments to the budget and it came in better, at least they did their job correctly because it would be harder to wait and then have to make cuts later on.

Committee Member Ficek stated that the impacts to Junction City were not going to be as great as the bigger cities, but she thought there would be some impact as businesses might not come back and some people had lost their jobs. The county would send out tax bills, but some people might not be able to pay, so she thought they needed to keep that in mind.

Committee Member Washburne noted that he read that the state was predicting it would take until 2025 to financially come back from this virus. He was concerned about that and about the number of people who had lost their jobs and may never get them back which would impact Junction City and the whole state. He expressed his agreement with Councilor Rowe that they needed to tighten their belts and be on the safe side.

Director Crocker cautioned the Committee in how much they relied on his worksheet, because there was not a lot of outside concrete information. He understood the concerns expressed by Committee members and agreed with the comments that property taxes had continued to go up for Junction City during the last recession. He felt like there were alternate procedures they could embark on that would mitigate some of the possible problems in next year's budget. He noted that they had reserves in place over the last five years or so and those reserves made the City a lot more healthy.

Chair DiMarco stated that at some point, maybe even the next Council meeting, it would not hurt to have some education about the process for making budget adjustments. He noted that if the Budget Committee came up with a number of how much of the belt needed to be tightened, that number would be given to staff and then it would be up to them to bring back an alternate proposed budget. The Budget Committee would not be going through the budget line by line to rewrite the budget in a few weeks or pick and choose what to cut, as that would undercut the Council's and the City Administrator's authority per Charter and state budget law. Based on comments last week, he believed Administrator Knope was prepared to give the Committee an idea of what a 3/5/10 percent cuts would look like in terms of personnel and materials and services.

#### **5. Review and Discussion of Proposed FY 20/21 Budget**

Chair DiMarco asked about COVID-19 impacts to Public Works utility collections. Director Kaping responded that for April to May, the commercial collections went from \$400 to \$3000, but it was expected that a lot of those would come back pretty quickly as things opened back up. Residential collections increased by 5%; typically had 180 to 190 past due notices; this month had 260 past due accounts.

Chair DiMarco asked how the rate increases figured into this year's budget. Director Kaping responded that increases had been factored into the proposed FY 20-21 budget – 6.5% for water and 5% for sewer, per the rate study that was approved by Council.

Councilor Thomas asked if Public Works revenue would be impacted by the pool closure. Director Kaping responded no because pool maintenance came out of the General Fund.

Chair DiMarco asked if there was assistance for people to pay their City utility bill. Director Kaping responded that there was not, as the Ratepayer Assistance Program had been discontinued by Council a few years ago. Chair DiMarco shared that something the Council or Public Works Committee might want to review in the next few weeks was building something into this year's budget to address folks on the residential side who could not pay their City utility bill. Councilor Rowe responded that the Public Works Committee could certainly entertain that, based on how the Committee directed.

Director Kaping reviewed the following Public Works funds:

**Building Department - Page 92**

- Line 16 IGA Revenue – Decreased from \$100,000 to \$42,500, as lost the City of Coburg contract. Director Kaping was negotiating with another city for Junction City to provide building official services.
- Line 22 Wages – Decreased. Lost the electrical inspector and not hiring for that position.
- Line 58 Building Official Contract – Decreased a lot. City's current Building Official was taking his A Level Plan Review next month, so could do almost all plan review in house. Would be used for any back up plan review or inspections that might be needed.
- Line 63 Transfer to Capital Projects Fund – Increased from \$1,000 to \$4,000 to start putting some money away to replace vehicles.
- Line 70 Unappropriated Ending Fund Balance - \$4,000 less than Beginning Fund Balance, so this was a solid fund.

**Building Department – Capital Projects – Page 94**

- Line 65 Transfer from Building – Where \$4,000 came in.

Committee Member Sumner asked why Line 25 PERS went up, but the wages went down. Director Crocker responded that he would look into that and get back to him.

Chair DiMarco asked about the status of development west of Oaklea. Director Kaping responded that the project was continuing to move forward. They were working on bids for the road right now and as soon as the road was in, they would start putting in for permits for the apartment complex.

**Parks Maintenance – Page 153**

- A little wage increase for COLAs.
- Line 28 Fuel – Increased a couple thousand dollars, as Parks staff was out doing more.

Councilor Rowe asked why interest went from \$400 to \$2200 on Line 5 and why Insurance Benefits went down from \$28,000 to \$16,000. Director Crocker responded that interest was calculated a few months ago when it was quite high, but unfortunately interest was going down again. He added that when a change in personnel occurred, insurance could be different for each employee, depending on if they insured as a single at \$10,000 per year or as a family at around \$25,000. Director Kaping added that the \$2,200 in interest was not received, this fund would still be okay.

**Parks Capital Projects – Page 155**

- Line 64 CEP Projects – For maintaining what the City had or replacing a piece of equipment.
- Line 65 Capital Outlay Projects
- Line 67 Software Upgrades – New line item for switching software across the board. Would see same number in all Public Works departments.

**Parks System Development Fund – Page 156**

- Line 3 System Development Fees - Expected fees.
- Line 7 Playground Equipment Acquisition – Placeholder.
- Line 8 Parks System Expansion – Placeholder.

- Line 9 Park Development – A lot of this was slated in this year’s budget for the park at the Reserve, and funds were in here for that park to possibly happen.

Councilor Gambee asked about the timeframe for the park to go in at the Reserve. Director Kaping responded that the Community Services Committee would be talking about this at a future meeting.

**Water Fund – Page 167**

- Line 3 Water Revenue – Increased based on rate study.

Chair DiMarco noted that the rate study could not anticipate the pandemic. Director Kaping responded that based on what he was seeing, they could absorb some impacts. Everyone would need to have water and sewer and at some point would end up paying it back, whether directly or through a payment plan. Even though it seemed bleak for some people right now, he did not anticipate a huge loss in revenue.

- Line 22 Treatment Chemicals – Increased by \$2,000, as anticipating pumping out more water during summer weather.
- Line 38 Operating Materials and Services – Increased by \$5,000 to make sure they had what was needed to maintain the system correctly. The City had a new water quality project that would take a little bit more money in operating materials to keep things calibrated and running properly.
- Line 50 PW Administrative Charges – Increased a bit in all the departments, based on COLAs and/or step increases.

Committee Member Sumner asked if each department in Public Works contributed to the PW Admin Fund. Director Kaping responded that was correct.

Committee Member Wells noted that Line 8 Wages for 19/20 went down from prior to years. Director Kaping responded that they lost a couple staff members during that year and did not get them hired back until later on. He continued that the rate study included doing Master Plan Projects and those projects were tiered as one, two, and three projects that needed to be done in the coming years. It was not financially feasible to contract out the work on those projects; consequently; they decided to do these internally and created a Projects Crew and a Maintenance Crew, with the caveat that they were going to purchase some equipment this year to get the crew set up to start picking off those master plan projects that the City needed to do.

Committee Member Wells noted that Line 9 Overtime was at \$13,000; however, they were currently only at \$3,000 in overtime this year and asked if the \$13,000 was needed. Director Kaping responded that he was very cautious with overtime as you never knew when something was going to happen, such as a waterline breaking, etc. where that overtime could be used. It was hard to predict, but he liked to have money in there, just in case.

Committee Members Wells stated that across the City, he would like to see everyone budget overtime where it should be and not too high or too low, as it was very expensive.

He hoped that departments were held accountable when they were excessively going over their overtime budgets.

Councilor Thomas noted that Public Works pretty much maintained everything themselves in water and sewer. Director Kaping responded that was correct and they did not contract out very much.

- Line 57 Transfer to Water Capital Projects Fund - \$263,500.

**Water Capital Projects Fund – Page 169**

- A change to this year's budget was breaking up the capital fund to track the money for the CEP (Capital Expenditure Plan) that was carried over every year.
- Line 15 Professional Services – Decreased to \$20,000 as did not have a lot going on this year.
- Line 24 Equipment Acquisition - \$50,000. This was money set aside for the projects crew equipment to start taking on the Master Plan projects.
- Line 25 Software Upgrades - \$12,500.
- Line 39 Capital Expenditure Program Projects – Broke this out to have a better way to track the leftover money that needed to rollover.
- Line 53 Meter and Services Projects – Broke this out to track leftover money that needed to roll over and stay in the fund.

**Water System Development Fund – Page 171**

- Took a conservative look at what was being built next year and what they know was on the horizon for SDCs.
- Line 7 Water System Expansion - \$100,000 placeholder. No projects planned.

**Sewer Fund – Page 180**

- Ending Fund Balance went down quite a bit from the Beginning Fund Balance, due to a large transfer into the capital fund. Still well within the 30% that they needed to be at.
- Line 23 Treatment Chemicals – Increased a little bit as were right on the money this year and did not have any extra cushion.
- Line 44 Lab Supplies – Increased a little bit. Had a couple things on the sewer side that they wanted to start testing for.
- Line 55 PW Administration Charge – Increased a little bit.
- Line 61 Transfer to Sewer Capital Projects Fund – Transferring \$700,000.
- Unappropriated Ending Fund Balance = \$555,800.

Committee Member Sumner asked about the timeline for expanding the lagoon. Director Kaping responded they were still working with DEQ and running numbers. More money was budgeted in Professional Services in the capital fund to start the preliminary plan for the treatment plant.

**Sewer Capital Projects Fund – Page 182**

- Split out just like in the Water Capital Projects Fund to better track CEP rather than Capital Improvement projects.

- Line 12 Professional Services – Increased to \$600,000, as they thought plant design would begin this year.
- Line 17 System Improvements – Decreased from \$650,000 to \$300,000 because they did not think they would begin the building process of the treatment plant expansion yet.
- Line 19 Equipment Acquisition – Slated for equipment for the projects crew to start picking off those master plant projects.
- Line 21 Software Upgrade.
- Line 42 Reserved for Vac/TV Truck.

**Sewer System Development Fund – Page 184.**

- Line 8 Sewer System Expansion - \$500,000 placeholder. Nothing planned at this point. Could be used for the treatment plant upgrade, if needed.

Councilor Thomas asked if sewer funds could be used if something happened with the water. Director Kaping responded that funds could not be transferred, but a loan could be taken from the Sewer Fund that would have to be paid back within 10 years.

Councilor Thomas asked how much the new equipment would cost. Director Kaping responded \$350,000 was budgeted for new equipment, but that did not mean they were going to spend all of it. They would look for the best deals and buy many pieces used. One thing they would buy new is a bigger excavator, which would cost around \$145,000.

**Sanitation Fund – Page 190**

- Line 24 Merchant Fees – Increased in Water, Sewer, and Sanitation funds. The City had to pay these when people paid with a credit card or online.
- Line 41 Solid Waste Disposal – Increased from \$165,000 to \$190,000, because of the jump in recycling costs; \$115 a ton for recycling and about \$45 a ton for solid waste disposal.
- Line 54 Transfer to Sanitation Capital Projects – Increased from \$50,000 to \$107,000. When Sanitation had a little more money, it was transferred into the capital fund to save up funds and pay cash for a garbage truck instead of taking a loan.

**Sanitation Capital Projects Fund – Page 192**

- Line 16 CEP Projects – No truck due this year.
- The other money in this fund was to buy more dumpsters and containers.

**Streets Fund – Page 201**

- Line 3 State Tax Street Revenue – Increased from \$390,000 to \$400,000. Director Kaping felt comfortable with this number, as traffic was increasing.
- Line 55 Transfer to Street Capital Projects – \$30,000.

Councilor Rowe asked what percentage of franchise fees were going to streets. Director Kaping responded an additional 10% was being transferred this year, for a total of 40%.

**Streets Capital Projects Fund – Page 203**

- Line 3 Transfer from Streets Fund – \$30,000.

- Line 8 State 5,000 Population Distribution – \$100,000. This was the ODOT Exchange Fund which currently has \$300,000.
- Line 14 CEP Projects – General maintenance of what the City currently had.
- Line 16 Street Refurbishment/Improvement – \$100,000 from the 5,000 population distribution.
- Line 17 Street Maintenance Program – \$100,000. This was the money from the franchise fees that the Council said they wanted Public Works to spend each year on maintenance of streets, which included crack seal, slurry seal, overlay, restriping, cross walks, or other street related item. Director Kaping added that Public Works was considering buying its own machine with funds from Line 16 to be able to do crack sealing in house. Would bring this to the Public Works Committee in the future.
- Line 22 Reserve for Sweeper – \$20,000. Sweeper was burned to the ground a few years ago but the City did not have money set aside to purchase a new sweeper; consequently, when current sweeper was purchased, started putting a little bit aside every year.
- Line 23 Reserve for Future CEP – \$92,400 roll back to CEP for other projects later on.

**Streets System Development Fund – Page 204**

- Line 3 System Development Fees – Budgeted conservatively at \$10,000.
- Line 7 Street System Expansion – \$30,000. Placeholder.

**Bike Path Reserve Fund – Page 205**

- Line 11 System Improvements – \$10,000. Maintenance on current paths.
- Line 12 System Expansion – \$10,000. Bike path from 13<sup>th</sup> to Yew needed to be widened in one section.

**Prairie Road Street Improvement Fund – Page 206**

- Fund was created when Raintree Subdivision went in and Ross Murry put money into this fund, as there was not a way to do the sidewalk, curb, and gutter on Prairie Road at that time. Money was in this fund for this project when it could be done.
- Line 6 Street Improvements – \$218,000. Original number left in there so it could be seen how much the fund had grown over the years.

Councilor Ceniga noted that there was a sidewalk on the east side of Prairie Road and asked who owned that section. Director Kaping responded that the City owned the street and Right of Way on Prairie Road to Bailey Lane.

Councilor Ceniga asked if the sidewalk would be brought up to City standards. Director Kaping responded that when the curb and gutter was put in on the other side, they would want to do the other side as well.

Chair DiMarco asked how street projects would be impacted in the worst case scenario that some franchise fees took a big dip. Director Kaping responded that Public Works did not have any commitments on any street projects and funds were slated in the budget in case something came up.

Chair DiMarco asked when franchise fees were collected. Director Crocker responded one was received annually and most were received quarterly.

Chair DiMarco noted that there was \$65,000 in personnel services in the Street Fund and asked if a franchise fee cut would impact that. Director Kaping responded that franchise fees went directly into capital funds, so did not impact personnel costs, which were funded from the Beginning Fund Balance, gas tax, and Investment Interest.

Committee Member Sumner asked when sidewalks would be put in from the fire station to the new apartment complex. Director Kaping responded that the City had included this in a Safe Routes to School Grant.

Councilor Thomas noted that the Scandinavian Festival would be cancelled and asked how that would impact the Public Works budget. Director Kaping responded that it would only be a couple thousand for Sanitation and about \$100 in Water.

Committee Member McDaniel asked about any plans for sidewalks and a crosswalk at the intersection of Prairie Road and 1<sup>st</sup> Street/High Pass, as many kids were in this area. Director Kaping responded that High Pass was a county road. They were working on this area being included in a Safe Routes to School grant package that would include sidewalks and possible flashing lights like at the intersection of Alona Place and SW Quince.

### **Public Works Administration Combined Fund – Page 212**

- A little bit of a decrease in vehicle maintenance and fuel. Pretty much status quo.

Committee Member Sumner asked if the City had an inhouse maintenance person for vehicles. Director Kaping responded that the Maintenance Coordinator scheduled those services, but most was done out of house.

- Line 59 – Small transfer into the reserve fund for PW administration.

### **Swimming Pool – Page 131**

- HR/Admin Services Manager Stephanie Moran oversaw pool operations and Public Works did pool maintenance.
- Line 24 Personnel Services – Increased as minimum wage increased \$.75 an hour.
- Line 42 Concessions – Additional line added.

Committee Member Ficek asked if the pool would open this year. Administrator Knope responded that at this point it did not look like the pool would open for the season. Public Works employees would continue working on the pool projects.

Chair DiMarco asked how worst case reductions scenarios would impact the Public Works budget. Administrator Knope responded that in looking at 3/5/10 percent reductions in Materials and Services and Personnel, impacts would be:

Water - Anywhere from \$34,000 to \$113,000; 3% - Reduce transfers and delay some projects and maintenance; 5% - Start laying off staff and cut down on some transfers, which would defer maintenance. That would carry across all Public Works Departments.

Sewer- Anywhere from \$40,000 to \$135,000; 5% - Start laying off staff.

Sanitation - Same dollar amounts as water. Would be decreasing capital transfers which would impact the City's ability to replace garbage trucks; 10% - \$107,000 and at that point would have to start reducing staff.

Streets - \$10,000 K to \$36,000; Looking at mostly deferring maintenance.

PW Admin - Start impacting the building and planning departments and reducing building receptionist staff time.

Pool - If it were a normal year, would have to reduce staffing, but since the pool would probably not open, would see a windfall of about \$60,000.

It was the consensus of the Committee to discuss Finance, Court, Administration, Non-Departmental, Building, Internal Services, Other Funds, Community Center, Viking Sal Senior Center and Library at the next meeting on Thursday, May 28, 2020 at 6:30 p.m. The following meeting after that would include review of the Police Department budget.

**6. Other Business**

None.

**7. Recess**

As there was no further business, the meeting was recessed at 8:28 p.m.

ATTEST:

APPROVED:

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Kitty Vodrup, City Recorder

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Bill DiMarco, Chair