

City of Lafayette
Budget Committee Meeting Minutes
April 18, 2022 at 6:30 p.m.

- I. Welcome and Call To Order:** Chair Jeffery ‘JJ’ Olson welcomed the committee members and called the meeting to order at 6:35 p.m.
- II. Roll Call:** City Administrator Preston Polasek called the Roll.
Present: Marie Sproul, Christine Brungardt, Jim Drebin, Greg Goularte, Sheila Neuman, Kayla Paulsen, Lillian Barnett, Joseph Carswell, Jeffery Olson, Doreen VanTyne, Shirley Burkett, Hannah Velazquez
Absent: None
Excused: Lee Gilgan
City Staff Present: Preston Polasek, City Administrator; Kevin Perkins, Assistant City Administrator; Jamie Rhodes, City Clerk
- III. Election of Chairperson and Secretary**
Shirley Burkett nominated Jeffery Olson as Chairperson and Joseph Carswell as Secretary; there were no other nominations. Doreen VanTyne seconded the nomination, which passed unanimously.
- IV. FY 2022 Budget Message and Presentation**
City Administrator Preston Polasek began the presentation by reviewing the supplemental handouts provided to the committee.
- Construction of a second reservoir. The proposed 1 million gallon reservoir will provide for critical water storage, fire flow and operation needs. This project, estimated at \$3 million, is fully funded by grants from the State of Oregon (\$2.25 million), Yamhill Count (\$125,000), the American Rescue Plan Act (\$125,000), and local funding from water system development charges (\$500,000). Preston commented on the efforts and collaboration between Mayor Sproul, City staff and the State legislature to obtain this grant funding.

JJ Olson asked about maintenance costs for the existing 500,000 gallon reservoir, and if McMinnville Water & Light can provide the needed capacity when the reservoir goes offline for maintenance. Preston discussed some of the maintenance requirements, including the interior and exterior rehabilitation completed in 2016-17, which cost an estimated \$350,000; this reservoir rehab has to be done every ten years. He stated that McMinnville Water & Light would not be able to provide enough water to keep our distribution system pressurized, to meet demand or adequate fire flow, if we had to take our existing reservoir offline.
 - American Rescue Plan Act funds. Preston reviewed some of the projects identified by City Council and staff that may be funded by ARPA money, including several water and sewer infrastructure upgrades. ARPA funds need to be committed to a project by 2024 and expended by 2026.

- Fire Department staffing. Preston discussed future equipment and staffing needs of the fire department, including the retirement of current chief Terry Lucich. He indicated that the City Council will consider entering an inter-governmental agreement with the Carlton Fire District, to share staffing and associated costs; there would be no change in the overall number of FTE. He noted that additional funds were budgeted to cover stipends for weekend and/or overnight stays at the station by volunteers, and working with Chemeketa for an intern program.

Mayor Marie Sproul asked about the need for an IGA for fire personnel. Preston stated that the City currently operates under an IGA for the training officer position; the new IGA would remove the training officer position and transition to a shared Fire Chief and one full-time firefighter. The committee discussed supervision roles under the IGA and division of responsibilities for the new positions. Jim Drebin asked Preston to provide more details on the stipend program at the next meeting.

- Preston reviewed areas of funding and policy that the City will need to address in the future, including utility rates, water and sewer infrastructure, urban growth boundary expansion, the formation of a regional fire services district and staffing shortages.

Preston Polasek reviewed the FY 2022-23 budget documents with the committee. Budgetary highlights and changes include:

- Addressing fire department staffing needs with a proposed inter-governmental agreement with the Carlton Fire District and increasing funding for additional weekend and overnight response.
- The impact of a high consumer price index on City operations and a proposed 3% increase to utility rates. Water rates have not been increased since 2019; a rate analysis has been commissioned and is scheduled for completion by October 2022.
- Increased revenue and expenditure amounts to cover Meadowbrook Subdivision building permits, plan review and inspections.

The FY 2023 Recommended Budget includes a Capital Improvement Program (CIP) that is over \$4 million, including design and construction of a new reservoir and other water and sewer infrastructure improvements. The recommended budget also includes several street and sidewalk projects and upgrades to existing parks. Almost \$3 million of the CIP is funded by federal, state and county grants.

V. Comments by Budget Committee

Councilor Jim Drebin asked why there was no decrease in the Fire Station Bond principal, as stated on the Debt Summary page. (It was later noted that payments in the first 3 fiscal years are interest-only.) He asked what the LGIP rate is. Preston Polasek stated that it is the interest rate on short term investments (deposits) with the Local Government Investment Pool, which is managed by the Oregon State Treasury. Discussion on debt service continued.

The committee reviewed and discussed the staffing distribution worksheets. Preston commented on the City's staffing levels in comparison to other cities of similar size, and reviewed contract personnel. Jim Drebin asked if salary detail for fiscal year 2023 was provided. Preston stated there was not supplemental information, other than what was in the budget document. Budgeted amounts for salaries include step increases for bargaining unit members and cost-of-living adjustments, up to 5%. Additional amounts to cover salary projections for a new City Administrator and Fire Chief are included in the budget. Joseph

Carswell commented that many employers are having to pay higher wages to attract new employees and wondered if this would impact the City. The committee discussed impacts the labor market may have on future hiring.

Jim Drebin said he didn't feel it was right for the City to keep the remaining proceeds from the fire station bond fund. He stated that since it was approved by the voters for a specific use, he wasn't comfortable leaving it in a reserve account; he feels it's dishonest. Preston stated that it is not a dishonest use of the funds, and transferring the remaining amount to the Fire Capital Equipment fund is legal and appropriate. That fund is dedicated for capital equipment items used specifically for the fire station. JJ Olson asked if it was possible to use the remaining funds to pay towards the bond debt. Preston stated that since the funding was from the sale of general obligation bonds and not a loan, it may not be possible. Christine Brungardt stated that the exact text of the ballot measure approved by voters was "finance capital costs to construct, equip and furnish a new stand-alone fire station and pay costs of issuance of the Bonds."

Preston Polasek reviewed some of the cost factors impacting the budget, highlighted the grant funding the City anticipates receiving, and a proposed 3% utility rate increase. He stated that the Council can determine whether or not to increase rates, and a water rate study is scheduled for completion in September. Water rates have not been increased since 2019, sewer rates since 2011. The committee discussed inflation and current CPI rates. JJ Olson stated that projects and maintenance often get pushed off, and incremental rate increases should be done rather than one-time large increases. The committee agreed a rate increase should be implemented for this fiscal year. Joseph Carswell asked if a 3% rate increase would be enough to cover operations and debt payments. Discussion on rates continued.

JJ Olson questioned the lack of an increase in health benefit rates. Preston Polasek stated that as part of the insurance pool administered by City/County Insurance Services, the City will not have a rate increase for health benefits this fiscal year. Rate increases are expected for property and liability coverage.

The committee reviewed the Capital Improvement Program for the next fiscal year. Preston Polasek noted that the Council had just awarded the Madison Street improvement project. He mentioned projects that were being funded with ARPA funds, including cyber security upgrades. Jim Drebin asked about the ornamental lights for Third Street. Preston stated that the Third Street Improvements project includes additional lights, to complement the work recently completed by ODOT, along with additional landscaping and maintenance.

The committee discussed public works vehicle fleet and fire department apparatus. They would like to have an idea of how many years are remaining in the life cycle of each vehicle. The committee discussed increasing funding to the Vehicle Replacement Fund, the need for replacing the vac-truck, and maintenance costs for vehicles and equipment.

JJ Olson asked about line item 'Charge for Services' in the General Fund. Preston stated that item includes revenue the City receives for sending fire volunteers on conflagration efforts; these amounts vary each year, depending on the number of mobilization efforts declared by the State.

Preston Polasek stated that an adjustment does need to be made to the recommended budget, to account for increased projections on new home builds. This recommended adjustment is for \$50,000 increase in permit revenue and a \$50,000 increase in plan review and building

inspection expenditures. He also noted a \$10,000 increase in the General Fund Park department for bark chips in the playground areas.

Jim Drebin asked if the City had received the contract from Yamhill County Sheriff's office. Preston stated that he has not received a copy of the contract yet, as the Sheriff's Office is still conducting their negotiations. He said the contract would be for two years and he is anticipating a 4.0% increase, based on their projections. The budgeted amount is higher, in the event the Sheriff's Office charges for increased coverage or additional personnel beyond the hours provided for in the contract. Kayla Paulsen commented that in a previous conversation with the Sheriff's Office, they noted there had not been a wage increase for a long time, resulting in significant increases between 4% and 6% now. They need to keep wages competitive to retain and recruit personnel. The committee agreed that they are happy with the services provided by the Sheriff's Office.

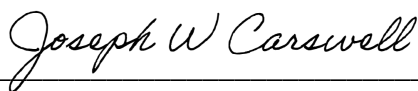
JJ Olson inquired about reduction in personnel costs in some of the funds. Preston stated that he does provide a 5% buffer in personnel costs to cover potential staffing changes during the year or other unknowns. He commented that staff reconciles current-year expenses and he tries to budget within those margins of known costs and estimates, to keep budgeted amounts as accurate as possible. Recommended budget amounts for the next year are based on year-to-date actuals, approved cost-of-living adjustments and pay increases, not what was adopted for the current year. Changes generally occur with staffing changes. City Clerk Jamie Rhodes commented that the City is also benefitting from a significant rate reduction for workers compensation coverage, resulting from a provider change this fiscal year. She stated that the salary amounts are also reflective of several staffing changes during the year. JJ Olson indicated his concern that not enough was budgeted to cover personnel expenses, plus additional for any unknowns during the year; if you don't have enough budgeted, you lose people. Discussion on personnel costs and staffing continued.

Preston reviewed the process for the next meeting, including the public hearings. He stated that he will provide updated detail on the changes that were discussed. JJ Olson asked the Committee if they wanted to make changes to the Vehicle Replacement Fund or leave as is. After discussion, it was agreed that the budgeted transfers for vehicle replacement be doubled from the recommended amounts, and a more detailed review of vehicle replacement be done during the next year.

VI. Adjourn

Kayla Paulsen moved to adjourn the Budget Committee meeting. Joseph Carswell seconded the motion, which passed unanimously. The meeting adjourned at 9:29 pm.

CERTIFIED:



Joseph Carswell, Secretary