

AMITY BUDGET COMMITTEE

Minutes
May 7, 2021

Mayor Ryan Lehman called the first meeting of the budget committee to order at 6:00 pm with the *Pledge of Allegiance*.

ROLL CALL: Present members included Mayor Ryan Lehman, Councilor Rachel King, Councilor Napua Ann Rich, Councilor April Dyché and Councilor Sandy McArthur. Members absent included Councilor Robert Andrade

There were no members of the public present in the audience.

ELECT CHAIRPERSON: Councilor Dyché nominated Councilor King for Chairperson and Councilor McArthur seconded. Councilor King was appointed the Amity Budget Committee Chairperson for fiscal year 2021-2022.

PUBLIC HEARING: Chairperson King opened the public hearing, giving the public opportunity to comment on the city's budget and the state revenue sharing funds. With no citizens commenting either in person or via ZOOM, Chairperson King closed the public hearing.

BUDGET MESSAGE & DISCUSSION OF BUDGET: City Administrator Thomas presented his 2021-22 budget message. He explained all the different funds the City has in the budget. He explained the budget process.

He stated the most pressing issues for this fiscal year, which are: Covid-19 cut revenues last fiscal year and will impact us again in FY 2021-22. Marijuana tax revenue will decrease some due to Measure 110. The City's Contracted Services are higher with each year, the on-going water infrastructure project required the City to raise water rates, and City Staff will receive some pay raises to offset inflation.

He explained future issues the City could see which are: Sewer and wastewater infrastructure will need improvements within 3-5 years and this will require additional debt servicing, City will continue to seek ways to diversify and expand its business base to sustain revenues & services during economic downturns and the City will look to improve roads and other infrastructure as growth continues in Amity.

CFO Kathy Taylor asked Budget Committee if they all had a chance to review the proposed budget. Budget Committee all said they did.

CFO Kathy Taylor went over proposed budget with the Budget Committee. The Budget Committee reviewed the proposed budget and went over all the funds including the General, Building, Capital Projects, Tourism, and Street Fund.

Discussion regarding revenues:

Chairperson King asked about budgeting for Coronavirus Relief Funds (specifically the American Relief Plan Act or ARPA) grant funds. Recorder Johnson explained the grant funds. Mayor Lehman asked about the meters being budgeted for with the CRF grant funds. Administrator Thomas said yes, the meters are paid through the ARPA and our in the city's budget. Recorder Johnson explained further how the money is accounted for in the required budget funds.

Discussion regarding expenses:

Mayor Lehman asked regarding meter contract and if still need to budget for it. Administrator Thomas explained the plan regarding the meter readers; the City will cancel that contract.

Councilor Rich asked regarding the rate study. Administrator Thomas explained they have started the water rate study but not the sewer rate study. Chairperson King asked about budgeting for a percent increase in sewer. CFO Kathy Taylor explained it is okay to bring in more revenue in a given year, but it is better not to budget for possible revenue if you do not know how much the City may get. Administrator Thomas further explained the sewer rate study and need for increasing sewer base rate. Councilor Rich asked if the City would be better served when raising rates by waiting until both the rate study and master plan are completed, then accomplish one big rate increase. CFO Taylor explained that it is better to spread out the increases in smaller increments over more year, or every year. Councilor Dyche asked if the rate increase would be a set percentage like we do for water or an arbitrary amount. CFO Taylor said yes, should do an annual rate increase of either kind. Administrator Thomas further stated the best method for raising the rates. Chairperson King asked about starting now with the rate increase and get ahead and then wait for the rate study. Administrator Thomas explained that the City could raise rates now but traditionally raises rates in January. CFO Taylor said the sewer rates need to be increased now because that is the fund that is underwater. Councilor Dyche asked what the recommended rates may be, when our rate increases will go into effect, and how much we are currently raising rates. She also asked when the rate study will be done. Administrator Thomas explained how the City implement rates and offered up his thoughts on when the sewer rate study may be complete. Mayor Lehman asked CFO Taylor if it was possible for the City to set up something like a 401k to have in the future so one fund doesn't run out of money or the city could pay for projects. CFO Taylor explained never heard of a City doing that, but to fix the current problem the City needs to raise rates and can put any extra revenue into a reserve fund. Mayor Lehman explained what he meant by saving money for the future. CFO Taylor explained that the best option would be to set up an LGIP account. Mayor Lehman asked about transferring money into sewer fund and if there was a plan for that; to include our plan for using SDC funds. CFO Taylor explained the sewer fund has a negative balance and the City needs to make it positive now, and rate increases were the best option. Mayor Lehman asked if the City should transfer enough money out of the SDC fund to cover the sewer fund losses. CFO Taylor explained the uses for the SDC fund and that such a transfer would only be legal in a few rare cases. Mayor Lehman asked if the City should raise rates now. CFO Taylor said that the City should raise the rates, and sooner rather than later. Councilor Dyche asked if the City should start increasing rates beginning July 1 by 3% to help the fund not be in a deficit. Administrator Thomas said they could and explained how to do that. Chairperson King asked if could see how much 3% would bring in revenue. Councilor Rich said looking at next year the sewer fund is in the negative by approximately \$150,000, meaning we would need to raise rates significantly.

Mayor Lehman interjected and explained that the sewer rates should have been done a while ago and for whatever reason they were not. However, now is the time to raise the rates because we cannot have a negative balance in the sewer fund. Chairperson King said maybe the City could look at cutting back on sewer expenses. The Budget Committee went over and looked at sewer funds. Noting no place to cute expenses, they agreed to the need for a rate increase.

Recommendations from Committee and Staff regarding Street Fund: CFO Kathy Taylor went over all the different expenses in the fund. There were no changes made.

Recommendations from Committee and Staff regarding Water Fund: CFO Kathy Taylor went over all the different expenses in the fund. There were no changes made.

Recommendations from Committee and Staff regarding Sewer Fund: CFO Kathy Taylor went over all the different expenses in the funds. Discussion regarding raising rates to help with the funds deficit. There were no changes made.

Chairperson King suggested waiting until the City received its water and sewer Rate Studies to come back before raising rates. Mayor Lehman said should raise rates by whatever amount we need to cover the \$13,000 deficit in the fund and do so now rather than in small increases.

Mayor Lehman recommended a 6% sewer increase up front and then do another automatic increase based off of CPI in January just like the automatic water increase. Once the City received its sewer rate study then it could revisit the rate increases and adjust them. There was discussion regarding sewer rate increase, be it a dollar amount, a percentage, and how much either should be. Council agreed on possibly doing a sewer increase of \$3 in July and then another \$2 sewer increase January. Council will discuss this at a future Council meeting when a rate resolution is presented.

Mayor Lehman discussed having a Town Hall Meeting in the next couple of months and possibly talk about the Rate increases as a topic in the Town Hall. Councilor Dyche and Mayor Lehman then discussed the particulars of how a rate increase should be presented to the community in such a forum.

Chairperson King asked if there was further discussion regarding the proposed budget. There was no further discussion.

BUDGET COMMITTEE MOTIONS:

- a. Mayor Lehman moved to approve City of Amity's budget for fiscal year 2021-2022 at an ad valorem rate of 3.6105 per \$1,000 of assessed valuation to be certified for collection to Yamhill County. Councilor McArthur seconded. With no other discussion, motion passed 5-0.

ADJOURNMENT: Councilor Rich moved to adjourn. Mayor Lehman seconded. With no other discussion, the meeting adjourned by a unanimous vote of the Committee.

Respectfully submitted by:

Natasha Johnson, City Recorder

Approved:

Rachel King, Budget Chairperson