

BUDGET COMMITTEE WORKSHOP

October 29, 2014
5:30 p.m.
City Council Chamber
313 Court Street, The Dalles, Oregon

AGENDA

CALL TO ORDER

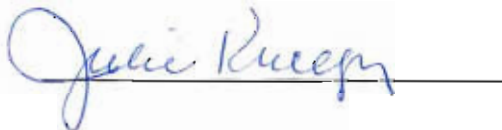
APPROVAL OF MINUTES - September 29, 2014

QUESTIONS/FOLLOW UP REGARDING GENERAL FUND REVENUES

DISCUSSION REGARDING TRANSFERS TO GENERAL FUND FOR SERVICES

ADJOURNMENT

Prepared by/
Julie Krueger, MMC
City Clerk



Handwritten signature of Julie Krueger in blue ink, positioned above a horizontal line.

MINUTES

BUDGET COMMITTEE WORK SESSION
OF
SEPTEMBER 29, 2014
5:30 P.M.

THE DALLES CITY HALL
313 COURT STREET
THE DALLES, OREGON

COMMITTEE PRESENT: Chair Gary Grossman, Russ Brown, Bill Dick, Corliss Marsh, Tim McGlothlin, Linda Miller, Barbara Pashek, Dan Spatz, Carolyn Wood; also in attendance Mayor Steve Lawrence

STAFF PRESENT: City Manager Nolan Young, City Attorney Gene Parker, City Clerk Julie Krueger, Public Works Director Dave Anderson, Police Chief Jay Waterbury, Police Sergeant Dan Nelson, Finance Director Kate Mast, Administrative Fellow Daniel Hunter

CALL TO ORDER

The meeting came to order at 5:35 p.m. Mayor Lawrence thanked everyone for attending and said he and the Budget Committee Chair had met with the City Manager to establish a series of work sessions to help the Budget Committee more fully understand the City's budget.

DISCUSSION REGARDING GENERAL FUND REVENUES

City Manager Young noted that the beginning fund balance was approximately \$188,000 more than estimated, due to higher than expected revenues in room tax fees and PUD fees, and a State Enterprise Fund donation that had not been expected. Young said the increase would help to restore the contingency to 10% and to have a higher unappropriated fund balance.

Russ Brown asked what projects would be funded. City Manager Young said the General Fund Five Year Capital Improvement Plan contained the list of projects. He said that document had been provided to the Budget Committee as a Budget Information Paper.

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In response to a question, City Manager Young said rent money from the State Office Building also helped to pay for capital expenditures, such as the purchase of two patrol vehicles for the Police Department, in the current budget.

Mayor Lawrence asked if the City would be receiving revenue from the QLife Agency. Young said the QLife Board would be meeting to discuss how to use their funds and no decision had been made at this time.

Finance Director Mast provided an overview of the General Fund revenue categories, noting OLCC fees should be added to the Fees for services category on Page 4 of the staff report.

Linda Miller asked for clarification on the Court revenues. Finance Director Mast said it was a struggle to collect the fines, and that there was a large uncollectible amount, so the stated revenues were not a true reflection of the amount of money received.

There was discussion regarding the loss of tools to enforce fine payments, particularly the fact that jail space was no longer available and towing of vehicles for non-payment also was not available as a tool any longer.

There was a suggestion to suspend licenses for non-payment. City Attorney Parker said he wasn't sure if the City did that or not. Police Chief Waterbury said that was not a good tool because it was not a crime to drive while suspended and really didn't stop people from driving.

Mayor Lawrence asked how the figures were developed for the fee to Wasco County for planning services. Finance Director Mast said it was based on a percentage of staff time and the amount of acreage in the urban growth boundary.

In response to a question regarding the State Office Building Fund, City Manager Young said between \$80,000 and \$90,000 was budgeted for capital projects in the General Fund and said the rent collected also helped pay debt, such as the construction of the Public Works building, a Port loan and the Airport well project.

Mayor Lawrence asked about the administrative services revenue from Urban Renewal Agency and QLife Agency. Finance Director Mast said those were separate entities who paid for staff services, including the City Manager, Finance and the Administrative Secretary.

There was a discussion regarding miscellaneous sales. Finance Director Mast said that category would include fees from use of the electronic lien docket, bid documents, and other items.

Budget Committee Chair Grossman suggested the City appoint a task force to look at court operations and revenues. City Manager Young said he would support establishing a task force for that purpose. Pashek said the court could be combined with the County and the City court could be disposed of. She said if the Municipal Court only dealt with traffic issues, staff could be reduced. Wood said the court had been improved by adding a mental health program. City Manager Young said he would work to form a task force to study the issue.

There was a discussion regarding the telephone franchise. Spatz suggested a cell phone franchise be investigated as a possible revenue source. City Attorney Parker said it had been looked at, but the issue was still unsettled and there were legal challenges. City Manager Young said he hoped there would be State legislation in the next couple of years, addressing the matter.

Pashek asked if the City Council had considered a tax on marijuana. It was suggested the Council proceed with implementation of a local tax prior to the election in November, so that if the legalization measure passed, the City would have a tax in place.

Administrative Fellow Hunter reviewed a five-year General Fund revenue projection sheet. Mayor Lawrence asked about the fluctuation of the Urban Renewal fees, listed on page 3. City Manager Young said costs had shifted, including better tracking of time for staff. It was noted the projections included the expiration of the consultant contract in the fiscal year 2015/16.

Mayor Lawrence asked how much money was in the LGIP investment pool. Finance Director Mast said it was a very small amount and that the interest was approximately one-half of a percent. City Manager Young said the amount changed, depending on funds being held in the pool, awaiting projects, but that the amount in the pool was approximately \$18.5 million. He said funds included in the investment pool were bond funds, reserve funds for public works projects, and for the Library project. Young said staff did watch the market and would occasionally move funds if a better interest rate was available.

City Manager Young said with an expected 1.2% growth in revenue projection, it should be stated that expenses were approximately 3% per year using current service levels, and reminded the Budget Committee that the Northwest Natural Gas franchise had been removed from the General Fund revenues, to support Street Fund maintenance.

It was the consensus of the Committee to change the October meeting from October 28 to October 29.

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ADJOURNMENT

The meeting adjourned at 7:15 p.m.

Submitted by/
Julie Krueger, MMC
City Clerk

SIGNED: _____
Corliss Marsh, Secretary

ATTEST: _____
Julie Krueger, MMC, City Clerk

Budget Committee Workshop

Transfers to General Fund for Services

October 29, 2014, 5:30 PM

Interfund Transfers are funds that are moved from one fund to another within the same entity. They may be budgeted for a variety of reasons, including moving revenue from the receiving fund to a debt fund to provide for debt payments, or to a reserve fund to save for future capital expenses or projects. Another reason to transfer funds is for one fund to pay another fund for services rendered by the receiving fund. The purpose of this report is to explain the methodology used to budget transfers to the General Fund for services rendered to other funds by General Fund departments.

As has been discussed previously, other funds within the City's budget routinely receive services from the General Fund Departments, such as technology set up, operations and maintenance, Human Resources and payroll, financial accounting, budgeting and auditing services, accounts receivable (billing) and accounts payable (payment of expenses incurred), legal services, and administration by the City Manager and City Council.

The City has traditionally provided for the General Fund to be paid for these services provided to the Public Works funds via budgeted interfund transfers, that are based on the percentage of the operating budgets, number of employees, technology services provided to each department, accounts payable invoices processed, and number of agenda items processed, applied as appropriate to each department. This is only one method of having other funds pay for services provided by General Fund departments.

Pendleton, for example, budgets all of the service items they provide to other funds, including some of the personnel, into their Central Services Fund. They then determine what percent of each of those items are being used by the other funds and setup transfers to the Central Service Fund. This is all explained in the Appendix A at the back of the budget they have posted on their website. The following table shows how their Central Services Fund services are allocated to the other funds. In this scenario, even the General Fund pays into the Central Services Fund.

Pendleton	Gen Fund	Library	Streets	Water	Sewer	Airport	Other	Total
City Manager/Admin	58.90%	2.90%	5.50%	12.00%	11.50%	3.80%	5.40%	100.00%
City Council Dept	58.90%	2.90%	5.50%	12.00%	11.50%	3.80%	5.40%	100.00%
Legal Dept	59.00%	2.90%	5.50%	12.00%	11.40%	3.80%	5.40%	100.00%
City Negotiator	68.70%	8.10%	5.40%	5.40%	6.70%	1.70%	4.00%	100.00%
City Prosecutor	100.00%							100.00%
Risk Manager	53.70%		3.70%	26.10%	15.60%	0.70%	0.20%	100.00%
Utility Billing				48.00%	52.00%			100.00%
Payroll	67.20%	9.60%	5.10%	6.80%	4.20%	2.00%	5.10%	100.00%
Finance Dept	59.00%	2.90%	5.50%	12.00%	11.40%	3.80%	5.40%	100.00%
Insurance	16.90%	5.70%		22.00%	34.80%	12.70%	7.90%	100.00%
City Hall	58.90%	2.90%	5.50%	12.10%	11.40%	3.80%	5.40%	100.00%
Info Technology	59.00%	2.90%	5.50%	12.00%	11.40%	3.80%	5.40%	100.00%

Hermiston budgets the personnel costs (wages + benefits) of the City Manager, Finance Director, Permit Technician II, Senior General Clerical, Utility Clerk/Cashier, and Payroll/HR personnel directly into each of the funds. For example, they budget the cost of the City Manager at 38% in the Water Fund, 38% in

the Sewer Fund, and 24% of the Electric Fund, for a total of 100%. This means that there are no personnel costs of the City Manager in the General Fund, and no transfers are made between the funds. The Finance Director is budgeted in the General Fund at 14%, Water Fund at 38%, in the Sewer Fund at 42% and in the Electric Fund at 6%, for a total of 100%. This method requires a means to determine how much to budget in each fund, just like the method we use determines how much to transfer for payment of those services. A disadvantage to this method is that, unless other costs (M&S) associated with the City Manager or Finance Departments are also budgeted directly into the funds receiving the services, the General Fund ends up paying for those overhead services being used by the other funds. Hermiston alleviates this somewhat by splitting some of the invoices having to do with items used by several funds between the General Fund and those other funds (water, sewer, electric).

The City of The Dalles, in order to compensate the General Fund for the cost of the services provided to the three Public Works departments charge a percentage of the expenses of each General Fund Department doing the work to those operating funds.

The following seven General Fund Departments provide services to the City's Public Works Funds: City Council, City Manager/Economic Development, City Clerk, City Attorney, Finance/ Utility Billing, Technology and Personnel. The General Fund expenses related to the Judicial, City Hall/Transportation Building, Code Enforcement, and Animal Control Departments are not spread, but are fully paid by the General Fund resources. The Police and Planning department expenses are also paid by the General Fund, with the exception of one-half ($\frac{1}{2}$) of the Senior Planner's personnel costs for the work they do for Public Works on rights-of-way, one-half ($\frac{1}{2}$) of the Project Inspector's personnel costs for work done on Public Works projects, and one-half of a police officer's personnel costs for patrolling the watershed. The portions of the Planner and Project Inspector personnel costs are allocated at one-third ($\frac{1}{3}$) each to Streets Water and Wastewater. The portion of a police officer's personnel costs for Watershed patrol is allocated to the Water Fund.

At the end of this report you will find Appendix B, page 97 of the current (fiscal year 2014-15) budget book. This chart identifies the current public works transfers for services. Also attached is Attachment 1, a chart and table of utility charges for services in fiscal year 2014-15 for the City's two utilities (water and sewer).

Calculations of the cost of services to Public Works funds have historically been based on the levels of services provided in the prior fiscal year, and adjusted based on knowledge of changes in work loads scheduled for the upcoming fiscal year.

The indicators historically used are:

- Operating budgets of the General Fund and Public Works funds. These do not include interfund transfers, contingency or unappropriated ending fund balance amounts. They do include the associated reserve funds, but not the associated debt funds.
- Number of employees in each department that require management, human resources and payroll services.
- Technology distribution was in the past based on hardware (computers, servers, etc) used by each department. This coming year the distribution for the Technology Department will be based on two calculations: 1) the proposed personnel costs of the IT department budget as related to the actual work she does in each department, such as set up and maintenance of applications, special

projects, etc., adjusted for scheduled projects in the upcoming fiscal year, along with the proposed M&S and Capital Outlay in the IT department budget as related to the actual hardware, software, applications, server share, etc., and 2) the operating budgets of the receiving departments (General Fund, Public Works and Library). The Wi Fi costs are removed from this budget before these costs of services are calculated.

- The number of agenda items for each department vs the total number of agenda items (not including awards, approval of minutes, etc.) indicates the work done by the City Council in considering these items, and the City Manager and City Clerk work in reviewing and preparing the agendas, and the General Fund departments that assisted in preparing these items.
- The number of accounts payable invoices per Public Works Department vs. the total number of invoices processed, indicates the percent of the work done by the A/P Clerk that should be paid by the Public Works funds.

The proposed operating budgets for the upcoming year are not yet known, so we are using the current operating budgets for the following examples. These examples include the following data we have collected from the 2013/2014 fiscal year:

Calculations used for service costs

Op Budgets from FY 14-15 - Stats from FY 13-14

	Operating Budgets*	Employees	PR Checks	Technology**	Agenda Items	# A/P Invoices
Library	983,899	12	146	TBD	2	1,006
Streets	1,573,163	11	127	TBD	24	1,781
Water	3,529,407	22	276	TBD	6	2,846
Wastewater	2,964,855	12	171	TBD	9	1,651
General	6,861,003	53	830	TBD	138	2,294
	<u>15,912,327</u>	<u>110</u>	<u>1550</u>		<u>179</u>	<u>9,578</u>
Library	6.18%	10.91%	9.42%	TBD	1.12%	10.50%
Streets	9.89%	10.00%	8.19%	TBD	13.41%	18.59%
Water	22.18%	20.00%	17.81%	TBD	3.35%	29.71%
Wastewater	18.63%	10.91%	11.03%	TBD	5.03%	17.24%
General	43.12%	48.18%	53.55%	TBD	77.09%	23.96%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>

* Operating & Reserve Budgets only - does not include transfers, contingency, unappropriated

**Technology will be determined by January when more information is known.

***PW included ten admin personnel split between Streets (3), Water (3), and Wastewater (4)

The items used to calculate each of the General Fund Departments are as follows:

City Council Department: After assigning all of the Contractual Services line item budget to the General Fund, we use the operating budgets, weighted at 60%, and the number of agenda items, weighted at 40%, to calculate the percentages of the remaining budget to spread between the funds that receive these services (including the General Fund and Library).

City Clerk Department: This department has three main aspects: City Clerk, Human Resources and General Facilities. We have assigned equal weight to these three activities. The cost of these services has been spread through the receiving funds (including the General Fund and Library) as described below.

1. City Clerk duties are spread based on (a) operating budgets, weighted at 2/3 and (b) the number of agenda items, weighted at 1/3 of department budget for a total of 33.33% (22.22% and 11.11% respectively);
2. Human Resources duties are spread based on the number of employees (33.33% of department budget); and
3. General Facilities which consist of building and grounds maintenance, for general fund facilities, including City Hall, Lewis and Clark Festival Park and Commercial Dock, and supervision of the Maintenance personnel (33.33% of department budget) is fully charged to General Fund.

City Manager Department: The items considered for this budget are the operating budgets, weighted at 40%; number of agenda items, weighted at 20%; and number of employees, weighted at 40%. The number of agenda items is given a lighter weight because a lot of the involvement of the City Manager is related to actual operating and personnel issues.

Economic Development (sub-department of the City Manager's Department): Only the personnel costs of the Fellow or Intern is to be spread between the General Fund and other funds involved with the work he is assigned. The same percentages as have been calculated for the City Manager's Department are being used for these costs, as these positions are a resource used by the City Manager in handling issues for all departments.

Legal Department/City Attorney: The operating budgets, weighted at 40%; the number of agenda items, weighted at 20%; and the number of employees, weighted at 40%, are considered when spreading these costs. The size of operating budgets and number of employees drives the Legal Department's time on legal documents and other issues for the individual departments. Please note that Judicial is a sub-department to the Legal Department, but that all Judicial expenses are assigned to the General Fund.

Finance Department: The items considered for this department include the operating budgets for the accounting functions, weighted at 40%; the number of employees for the payroll functions, weighted at 30%; and the number of invoices for the accounts payable functions, weighted at 30%. Please note that the Utility Billing sub-department of the Finance Department is fully paid by the Water and Wastewater funds with the percentages based on the amount of the current water rate and current sewer plus storm drain rates.

Information Technology Department: As explained above, distribution of the costs for services provided by the IT Department will be based on two calculations: 1) the proposed personnel costs of the IT department budget as related to the actual work she does in each department, such as set up and maintenance of applications, special projects, etc., adjusted for scheduled projects in the upcoming fiscal year, along with the proposed M&S and Capital Outlay in the IT department budget as related to the actual hardware, software, applications, server share, etc.; and 2) the operating budgets of the receiving departments (General Fund, Public Works and Library). These two items are weighted equally. The Wi Fi costs are removed from this budget before these costs of services are calculated.

Personnel Department: This department is spread based only on the number of employees in each department.

As stated above, this is the methodology that we have traditionally used to calculate how much to budget for transfers to the General Fund for services rendered to the other funds. The items that we use as indicators are consistent with other entities that use this method. The weights have been applied using experience and knowledge of projects and activities scheduled for the upcoming year that would cause the historical trends to fluctuate, and so the weights may change each year.

We hope to receive direction at this Budget Workshop to determine whether to continue to calculate these transfers in the same manner as has been done traditionally, or to use a different method. Once we receive that direction, we will write a policy for adoption that can be used to document this process to use in the future.

After reviewing this report, if you wish to have further information or detail on any item contained in this report, please contact Nolan as soon as possible so that we can prepare that information for you.

We look forward to the discussion on this report at our meeting on Wednesday, October 29, 2014, at 5:30 PM.

**DETAIL OF ADMINISTRATIVE TRANSFERS TO THE GENERAL FUND
FROM PUBLIC WORKS FUNDS FOR FY14/15**

Department	Total	General Fund		Street Fund		Water Fund		W. Water Fund		% Total
	Expenditures	%	Amount	%	Amount	%	Amount	%	Amount	
City Council	216,785	75.0%	162,589	5.0%	10,839	10.0%	21,679	10.0%	21,679	100.00%
City Clerk	141,160	60.0%	84,696	8.0%	11,293	13.5%	19,057	18.5%	26,115	100.00%
City Manager	302,803	58.0%	175,626	8.0%	24,224	18.0%	54,505	16.0%	48,448	100.00%
Economic Development	94,054	100.0%	94,054	0.0%	-	0.0%	-	0.0%	-	100.00%
City Attorney	267,255	57.0%	152,335	8.0%	21,380	18.0%	48,106	17.0%	45,433	100.00%
Finance	345,644	34.0%	117,519	11.0%	38,021	28.0%	96,780	27.0%	93,324	100.00%
Utility Billing	180,029	0.0%	-	0.0%	-	54.0%	97,216	46.0%	82,813	100.00%
Technology	236,678	30.0%	71,003	4.0%	9,467	43.0%	101,772	23.0%	54,436	100.00%
Personnel	9,100	65.0%	5,915	10.0%	910	12.0%	1,092	13.0%	1,183	100.00%
Court	230,912	100.0%	230,912	0.0%	-	0.0%	-	0.0%	-	100.00%
Planning	497,906	100.0%	497,906	0.0%	-	0.0%	-	0.0%	-	100.00%
Police	3,428,760	100.0%	3,428,760	0.0%	-	0.0%	-	0.0%	-	100.00%
City Hall/Trans Center	290,522	100.0%	290,522	0.0%	-	0.0%	-	0.0%	-	100.00%
Code Enforcement	83,357	100.0%	83,357	0.0%	-	0.0%	-	0.0%	-	100.00%
Animal Control	90,013	100.0%	90,013	0.0%	-	0.0%	-	0.0%	-	100.00%
Totals	6,414,978		5,485,207		116,135		440,205		373,431	
	6,414,978									
Right of Way Planner - 1/2 of personal services costs				53,836	17,766		17,766		17,766	
Infrastructure Inspector/Codes - 1/2 of personal services costs				48,621	16,045		16,531		16,045	
Watershed Patrol- 1/2 of personal services costs***				55,519	-		55,519		-	
Sub Total					33,811		89,816		33,811	
General Fund Subsidy of Street Fund					-					
Total Interfund Transfer from Other Funds for Admin Services					149,945		530,021		407,242	

**City of The Dalles
Utility Charges for Services FY 2014-15**

Service	Amount of charges	% of Total
Utility Billing	\$ 180,029	19.76%
Technology	\$ 156,208	17.14%
Financial/Accounting/AP/AR/Payroll	\$ 190,104	20.86%
Legal	\$ 93,539	10.27%
Adminstration (Council, City Clerk, City Manager)	\$ 167,643	18.40%
Specific Employees (Planner, Inspector, Watershed)	\$ 123,627	13.57%
TOTAL Transfer to General Fund	\$ 911,150	100.00%

The chart and graph break down the monies that the Water and Sewer Funds budgeted for transfer in fiscal year 2014-15 to the General Fund for services they purchased by the type of service and then shows what percent that service is of the total transfer.

