

*The following notice should be scheduled to appear in the Clackamas Review on:*

- *Wednesday, May 25, 2016*

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**NOTICE OF PUBLIC HEARING  
CITY OF MILWAUKIE**

*The Milwaukie City Council will hold a public meeting on June 7, 2016, at 6:00 p.m. at 10722 SE Main Street, Milwaukie, Oregon 97222. The purpose of this meeting is to declare the City's election to receive state revenue sharing funds, levy and classify property taxes, and consider adoption of the Budget Committee's approved budget for the 2017-2018 biennium.*

*The BN 2017-2018 budget was prepared in accordance with the basis of accounting used in the preceeding year and includes levying a property tax rate of \$4.1367 per \$1,000 of taxable assessed value for operations and \$253,000 for general obligation bonds, and for FY 2016-2017 the rate of \$4.1367 per \$1,000 of taxable assessed value for operations and \$253,000 for general obligation bonds. Copies of the budget document are available online at [www.milwaukieoregon.gov/finance](http://www.milwaukieoregon.gov/finance) and/or at Milwaukie City Hall between the hours of 8:00 am and 5:00 p.m.*

*Narrative Summary of the BN 2017-2018 Budget:*

**To the Citizens of the City of Milwaukie,**

I am pleased to present you with this approved budget that reflects Milwaukie's improved position in the Portland region and favorable environment for positive change. The future appears brighter than at any time during my five year tenure with the City.

In previous budgets over the past five years, it was clear that the City was in a survival mode. The housing collapse hit Milwaukie hard and additional unknowns put our financial condition into question. Fortunately, through tough decisions, good fiscal management, and support from City Council, Milwaukie has arrived at the other side of the economic downturn and may now begin to replenish the previously reduced services while taking on positive and growth centered projects. Although we anticipate redevelopment and new development, this process is a slow and tedious one.

I am presenting to you a relatively conservative approved budget that will allow Council to initiate and continue programs aimed at stimulating redevelopment and renewal, while providing full funding for current services levels. This budget however, recognizes City resource limitations, and in some instances, proposes only a few capital projects until additional funding is identified.

During my tenure with the City, we have met and overcome many challenges and we will continue to do so to enhance the City. Our entire organization and citizen volunteer boards, committees, and commissions continue to demonstrate the City's commitment to provide fair and equitable quality government service within the financial resources available while maintaining a clean and safe Milwaukie.

### **Planning for City Growth**

For the first time in years, the City is in a position where it does not require reduced services to balance the budget and meet adopted policies for reserving funds. The approved budget allocates additional spending, aligned with Council goals, as follows:

#### *Focus Community Resources on All-inclusive Bike, Pedestrian, and Street Safety Program*

In addition to a wide variety of street paving and bridge projects, the approved budget for transportation includes funding for the 17<sup>th</sup> Avenue Multi-Use Trail, ADA Ramp Enhancements, and bicycle and pedestrian improvements. As a preliminary step to prepare to take on these programs, City Staff will initiate a review of the City's Comprehensive Plan including visioning, housing needs assessment (HNA), public involvement, policy assistance and code updates. This project also requires the addition of one full time equivalent position in the Planning Department.

#### *Library Expansion*

The City Council placed a Bond Measure on the May 17, 2016 Ballot, asking the Milwaukie residents to provide funding for remodeling and expanding the Ledding Library. The City currently has access to \$1 million from the Clackamas County Library District to be used for capital construction. To complete the remodel and expansion, the City will need at least \$9.2 million in additional funding from a bond measure or other resource.

#### *Urban Renewal Strategy for Downtown and North Industrial Area*

The City's Urban Renewal Advisory Group was formed and is working diligently on developing the Urban Renewal Plan. Additional seed funding is proposed in the Planning Department to get the program up and running.

#### *Proactive Economic Development Strategy*

The City Council's goal of creating and working toward a proactive economic development strategy requires many small investments to achieve the larger goal. Funds have been allocated primarily in the Community Development Department. Individual planned projects include:

- ✓ Downtown wayfinding system implementation,
- ✓ Pre-development services, appraisals, environmental and traffic impact studies for development sites,
- ✓ Microenterprise loan-loss reserve funds,
- ✓ Development feasibility and market studies,
- ✓ Neighborhood analysis program,

- ✓ Adams Street Plaza design and implementation,
- ✓ Industrial area parking study and land analysis,
- ✓ Downtown Milwaukie Main Street programming,
- ✓ Small business workshops,
- ✓ Business recruitment, retention, and expansion,
- ✓ Neighborhood business district grants for storefront and signage,
- ✓ Parklet grants, and
- ✓ Business outreach.

### Kellogg for Coho

Removal of the Kellogg Dam has been a long term goal of the City. Although the City is unable to complete the entire project at this time, small gains will be made with this budget. The approved budget includes funding for the rebuilding of the Kellogg Creek Bridge in Riverfront Park which will remove one of the barriers to the restoration of Kellogg Creek. The Dam has three barriers that are interconnected. Removal of one of the barriers is a step in the right direction but will require significant outside funding from Clackamas County Water Environmental Services (WES) and the Federal Emergency Management Agency (FEMA).

Stormwater funds have been allocated to complete necessary environmental studies related to the Dam as the waterway is an important stormwater feature. Additionally, as the City pursues urban renewal, we anticipate that the remaining project costs, coupled with outside funding sources, may eventually be available to move forward with the remainder of this project.

### Complete Neighborhood Parks and Develop Stronger Strategy for Maintenance of Existing

The City Council's goal related to neighborhood parks also requires many smaller investments to achieve the larger goal. The Community Development Department includes funding for repairs to Riverfront Park and anticipated expenditures for the Kronberg Park Multi-use Trail, albeit the City will need to identify and receive grants to complete this project.

The 2017-2018 Biennial Budget is the first budget in many years to be so starkly aligned with the Council goals and the connection is unavoidable throughout the document. The moves we make today will benefit the City and its residents for decades to come, and I am proud to put my stamp of approval on this approved budget.

## **Overall City Budget**

For the biennium period beginning July 1, 2016, the budget totals \$115 million and is balanced as required by the statutory limits of Oregon budget law. Personnel services represent 25% of the total budgeted expenditures at \$33 million, materials and services represent 19% of total expenditures at \$25 million, debt service represents 1% of total expenditures at \$2 million, and capital outlay makes up 26% of the total budgeted expenditures at \$34 million. Transfers, contingency, and ending fund balances comprise the remaining portion of the budget, balancing it at \$115 million.

## **Budget for Controllable Operating Expenses is Up**

City-wide, budgeted personnel services expenditures are up 19% over the prior biennium due to anticipated benefit cost increases, cost of living increases, additional hiring to fully staff for completion of Council goals, and to reestablish positions removed during fiscally poor years. Materials and services budgeted expenditures are up 17% over the prior biennium to restore previous service levels and to keep pace with inflation. Transfers to other funds is up 14% over the prior biennium budget to account for increased costs related to General Fund personnel services, materials and services, and capital outlay.

## **City-wide Spend Down of Reserves**

Although overall reserves are projected to be spent down, note that this spend down relates to the spending of capital reserves built up over required policy minimums in prior years, primarily in the utility funds. Our minimum policy requirements increase from \$7 million in FY16 to \$8.4 million in FY18. The true challenge for the City is three years out from the end of the biennium, in FY20, where it is projected that the City may also spend down minimum policy requirements if additional solutions are not identified and utilized.

## **Personnel and Full-time Equivalent (FTE) Changes**

The City has two collective bargaining arrangements: the Milwaukie Police Employees Association (MPEA) and the Milwaukie Employees Association (AFSCME). Considering that personnel costs are a quarter of the City budget, funding in this area is integral to balancing the budget while continuing services at a level to meet community expectations.

In 2011, the City implemented processes to ensure that any vacant position within the City is closely scrutinized before a plan to fill the position commences. This process continues and has allowed us to preserve funds and make decisions to more efficiently deliver service within budget constraints.

During the past two biennial budget periods, several positions were held vacant for several months or unfunded to ensure the City's fiscal security. As the local economy turns around, it is time that we reestablish some of our positions. In doing so, there is an overall increase of 5.4 FTE in the approved budget. General Fund positions increase from 89.85 to 94.25, a total of 4.4 FTE (net).

There are several changes in the FTE positions which are highlighted in the Positions & Salary Ranges section in this budget document. The larger positional changes include the addition of a Sustainability Director position in the City Manager's Office, a Rights-of-Way and Contract Coordinator in the Finance Department, an Assistant Planner in the Planning Department, and an Administrative Specialist II in Police Records.

## BN 2017-2018 POSITIONS

Department	FTE Counts				
	Prior Year FY 2015	Current Year FY 2016	Increase (decrease)	Budget Year FY 2017	Budget Year FY 2018
City Manager's Office	4.00	4.00	1.00	5.00	5.00
Community Development	5.20	5.20	(0.20)	5.00	5.00
Public Works Administration	4.40	4.40	0.60	5.00	5.00
Engineering Services	5.00	5.00	-	5.00	5.00
Facilities Maintenance	2.00	2.00	-	2.00	2.00
Finance	7.20	7.20	0.80	8.00	8.00
Fleet Services	3.00	3.00	-	3.00	3.00
Human Resources	2.00	2.00	-	2.00	2.00
Information Technology	3.20	3.20	(0.20)	3.00	3.00
Municipal Court	3.00	3.00	-	3.00	3.00
Planning Services	4.00	4.00	1.00	5.00	5.00
Code Enforcement	1.50	1.50	-	1.50	1.50
Records & Information Management	3.50	3.50	0.50	4.00	4.00
Police Administration	3.25	3.25	-	3.25	3.25
Police Field Services	34.50	34.50	-	34.50	34.50
Police Records	4.10	4.10	0.90	5.00	5.00
Building Inspections	2.00	2.00	-	2.00	2.00
Library Services	19.76	19.76	-	19.76	19.76
Transportation	5.50	5.50	(0.50)	5.00	5.00
Water	7.20	7.20	1.00	8.20	8.20
Wastewater	5.00	5.00	-	5.00	5.00
Stormwater	7.80	7.80	0.50	8.30	8.30
<b>Total</b>	<b>137.11</b>	<b>137.11</b>	<b>5.40</b>	<b>142.51</b>	<b>142.51</b>

<b>Total</b>					
General Fund FTEs	89.85	89.85	4.40	94.25	94.25
Other Funds FTE's	47.26	47.26	1.00	48.26	48.26
<b>Total Full-Time Equivalentents (FTEs)</b>	<b>137.11</b>	<b>137.11</b>	<b>5.40</b>	<b>142.51</b>	<b>142.51</b>

### Utility Rate Increases – Five Year Plan

Currently, Milwaukie has some of the lowest utility rates in the region. Our Citizens' Utility Advisory Board (CUAB) has been working hard at analyzing alternative financing plans and schedules for planned Capital Improvement Projects (CIP) over the next five year period. We project that the updated utility rate financing plan below will adequately prepare the utility funds for the City's future infrastructure needs including utility capital projects scheduled in Milwaukie's CIP.

With respect to the utility rate increases, this budget includes updated recommendations from the Citizens' Utility Advisory Board. Below is the updated Five Year Utility Rate Plan. The CUAB recommends rate increases upon Master Plan adoption and reviews financial information annually to identify any potential adjustments.

	<i>Rate Plan Increases</i>				
	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Water Rates	3.50%	3.50%	3.50%	3.50%	3.50%
Wastewater Rates	4.00%	5.00%	5.00%	5.00%	5.00%
Stormwater Rates	14.10%	10.00%	10.00%	10.00%	10.00%
St/Surf Maintenance	-----%	-----%	-----%	-----%	-----%

### **Debt Overview**

Our City-wide outstanding debt is relatively low at \$10.5 million in comparison to total assets with a historic accounting cost of \$88.9 million. Outstanding debt includes general obligation bonds used to refinance the City's obligation to TriMet for the Portland-Milwaukie Light Rail project of \$3.6 million.

Our credit rating is fairly solid at the Aa2 level for general obligation bonds and Aa3 for full faith and credit obligations. However, with minimum reserves in our General Fund ranging from \$3.6 to \$3.7 million, dependent upon the time of year they are measured, the City's finances are lean in comparison to other cities. Measures 5 and 50 have a significant impact on our community by restricting our property tax rates. Furthermore, action by the City to annex into Clackamas County Fire District #1 in 2005 included a transfer of one-third of our property tax rate to the District, further decreasing our taxing ability.

### **Fund Structure**

Throughout the budget process our goal has been to organize the fund structure so that our budgets are simple, easily understood, supportable, and as transparent as possible to the citizens of Milwaukie. In this spirit, we continue with the simplest of fund structures for the City's 9 funds as follows:

#### *General Fund*

The General Fund is financed through general resources of the City including property taxes, franchise fees, fees and charges, intergovernmental revenues, and interfund transfers.

*Debt Service Fund*

The Debt Service Fund is financed through property taxes and intergovernmental revenues.

*Library Fund*

The Library Fund is financed primarily through the County Library District Dedicated Levy, general property taxes, and library fines.

*Building Inspections Fund*

The Building Inspections Fund is financed through fees and charges for building related services.

*Transportation Fund*

The Transportation Fund is primarily financed through state and local gas taxes, franchise fees, the City's street maintenance fee, and intergovernmental grants.

*Water Fund*

The Water Fund is primarily financed through user fees.

*Wastewater Fund*

The Water Fund is primarily financed through user fees.

*Stormwater Fund*

The Water Fund is primarily financed through user fees.

*Systems Development Charges Fund*

The Systems Development Charges (SDC) Fund is primarily financed through SDC's.

We continue to be committed to making our municipal budget as understandable as possible and we pledge to be as transparent as possible. This fund structure provides the foundation for solid and transparent financial planning well into the future.

**Five Year Financial Forecasting**

Long-term financial planning uses financial forecasts and analysis to identify future financial challenges and opportunities, and then identifies strategies to secure financial sustainability in light of such challenges and opportunities. It satisfies two requirements that can sometimes be difficult to reconcile. First, long-term forecasting provides strategies to achieve and maintain financial balance. Second, it identifies from a financial perspective, how the City will provide a consistent level of public services while addressing the unique issues of concern to our community.

Our Five-year Financial Forecast, the cornerstone in preparing this budget document, is replicated in the Appendix of this budget document. Please understand that the quickest path

to financial balance is usually the curtailment of services - cuts that the public may not find acceptable or that may even endanger the community's basic health, safety, and welfare. At the same time, providing public services to the full extent desired and deserved by the community may not be financially feasible. Hence, a good financial forecast requires balance and compromise between the public services provided by the government and the debt and tax burden supported by the community.

## **Conclusion**

In closing, I want to thank all of the staff who had input into this document. In particular, I want to acknowledge the department directors for their considerable effort in aligning departmental needs with funding Council goals. To all of you, thank you. We will strive to maintain our services at high levels while working to stretch our resources. We are positioned to do this as effectively as possible given our improved budget and financial forecasting process.

Thank you to Casey Camors and her Finance team for delivering beyond our expectations. This budget process and document evolved into something for our community to be proud of.

Respectfully,

A handwritten signature in blue ink that reads "Bill Monahan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bill Monahan  
City Manager



*Adopted Budget and Estimated Actuals for BN 2015-2016  
compared with Approved Budget for BN 2017-2018:*

**Total of All Funds - City of Milwaukie Biennial Budget**

	BN 2016			Budget BN 2016	BN 2018		
	Actual	Estimate	Total		Approved Biennial Budget		
	FY 2015	FY 2016			FY 2017	FY 2018	Total
<i>(Amounts in Thousands: \$100 = \$100,000)</i>							
<b>Resources</b>							
Beginning Fund Balance	\$ 15,239	\$ 18,012	\$ 15,239	\$ 13,527	\$ 19,366	\$ 15,856	\$ 19,366
Property Taxes	7,586	7,867	15,453	15,850	8,309	8,549	16,858
Fees & Charges	17,145	18,451	35,596	33,809	19,553	20,308	39,861
Fines & Forfeitures	1,254	1,163	2,417	3,192	1,372	1,399	2,771
Interest	87	71	158	114	72	73	145
Intergovernmental	5,736	5,761	11,497	15,070	8,774	7,139	15,913
Miscellaneous	258	213	471	374	225	270	495
Proceeds from Debt Issuance	5,013	-	5,013	5,000	390	9,200	9,590
Transfers from Other Funds	4,420	4,711	9,131	8,890	5,160	5,220	10,380
<b>Total Resources</b>	<b>\$ 56,738</b>	<b>\$ 56,249</b>	<b>\$ 94,975</b>	<b>\$ 95,826</b>	<b>\$ 63,221</b>	<b>\$ 68,014</b>	<b>\$ 115,379</b>
<b>Requirements</b>							
Personnel Services	\$ 13,356	\$ 14,254	\$ 27,610	\$ 30,164	\$ 15,892	\$ 16,907	\$ 32,799
Materials & Services	9,952	11,026	20,978	22,338	12,122	12,429	24,551
Debt Service	4,646	871	5,517	5,932	869	930	1,799
Operations before Other Items	27,954	26,151	54,105	58,434	28,883	30,266	59,149
Transfers to Other Funds	4,420	4,711	9,131	8,890	5,160	5,220	10,380
Capital Outlay	6,352	6,021	12,373	19,403	13,322	20,477	33,799
Total Exp. before Reserves	38,726	36,883	75,609	86,727	47,365	55,963	103,328
Reserves							
Contingency	-	-	-	2,910	3,145	3,145	3,145
Unapprop. Ending Fund Balance	18,012	19,366	19,366	6,189	12,711	8,906	8,906
Total Reserves	18,012	19,366	19,366	9,099	15,856	12,051	12,051
<b>Total Requirements</b>	<b>\$ 56,738</b>	<b>\$ 56,249</b>	<b>\$ 94,975</b>	<b>\$ 95,826</b>	<b>\$ 63,221</b>	<b>\$ 68,014</b>	<b>\$ 115,379</b>
Budgeted Positions (in FTEs)	137.11	137.11	137.11	137.11	142.51	142.51	142.51
Monthly Operating Costs per Capita	\$113	\$122	\$118	\$125	\$135	\$141	\$138