



**OFFICIAL MINUTES OF THE TUALATIN CITY COUNCIL SPECIAL WORK
SESSION FOR APRIL 10, 2012**

Present: Mayor Lou Ogden; Council President Monique Beikman; Councilor Joelle Davis; Councilor Frank Bubenik; Councilor Nancy Grimes; Councilor Ed Truax

Absent: Councilor Wade Brooksby

Staff Present: Sherilyn Lombos, Brenda Braden, Alice Rouyer, Dan Boss, Paul Hennon, Don Hudson, Aquilla Hurd-Ravich, Sara Singer, Carl Switzer

Attendees: City staff

A. CALL TO ORDER

Mayor Ogden called the special work session to order at 5:05 p.m.

B. AGENDA

City Manager Sherilyn Lombos began the discussion of the FY 2012/13 budget process update.

Finance Director Don Hudson gave a PowerPoint presentation of an overview of Council priorities and fiscal health initiative. He continued with an update of the Capital Improvement Plan (CIP), outlining its purpose, and explained the categories and types of projects that are included in the CIP. Director Hudson reviewed the criteria used for the projects, and shows the big picture for the City's capital needs. It was asked about projects being sorted by fund vs. category of project. City Manager Lombos explained that there are different charts in the CIP document that illustrate the projects sorted by funding source, type of projects, etc. The full CIP will be presented to the City Council in the fall.

A Fiscal Year 2012/13 Budget overview was given, which is to continue to provide quality services and still be able to fund one-time expenditures, complete maintenance projects, commission a community survey, maintain funding for community engagement, complete Commons Fountain repair, hold a Council goal setting workshop, and improve operational efficiencies through technology.

Director Hudson reviewed comparison graphs of FY 2011/12 ongoing revenues and expenditures, and FY 2012/13 proposed ongoing revenues and expenditures. He explained the reasons behind the increases and decreases in the various funds. It was asked if Tualatin was in "compression" and Director Hudson responded that Tualatin is seeing a convergence. It was also asked and answered that Clackamas County's collection rate was about 94%.

Discussion followed regarding franchise fees and the agreement with PGE and third party distributors. Noted that NW Natural Gas is down due to a warmer winter. Overall, the City is seeing about a 4% increase in ongoing revenues for the coming fiscal year. Ongoing expenditures are only increasing around 3% and the departments have done a great job of holding down costs. FY 2012/13 maintains a positive ongoing alignment and continued stable condition. The Public Employee Retirement System (PERS) is expected to increase beginning in FY 2013/14, and staff is proposing a PERS reserve to minimize the first year fiscal impact.

Programmed one-time expenditures were reviewed, ranging from building maintenance, technology upgrades, and vehicle replacement. Decision packages to consider include economic development - develop a new strategy, serve as a liaison to the business community, and attract new business to help grow our assessed valuation. The package includes the program and a position. Enhance the library children's area, increase programs on weekends, enhance staffing on weekends, and allow for improved turnover of the children's collection was reviewed. Library materials processing capacity would allow for some temporary staffing to help with this. The core area parking subsidy would allow for the general administration, oversight, and that all general overhead for the program be supported by the General Fund.

It was asked about the core area number and if it is the maintenance being subsidized. City Manager Lombos said the overhead for staff monitoring the program would be paid for by the General Fund, and that the enforcement would remain in the fund. With this change it allows the fund to remain solvent. It was asked how much assessed value would the economic development program have to generate to pay for itself. Discussion followed on assessed value and the benefits of an economic development program. The fiscal diagnostic was referred to again allowing for Council to see the impacts of the decision packages. City Manager Lombos explained the ending fund balance and how it works. Revenues are conservatively projected, second, we spend slightly less than we budget and traditionally spend 97-98% of the budget, which is how the City has been able to close the gap in the past.

Council discussed the decision packages and what should be funded. Mention was made of the importance of having a true economic development program. It was asked if there were any items that didn't make the list and that had to be left behind. City Manager Lombos responded that the departments were very prudent in their requests, yet the services they provide are being adequately funded to continue the level of service the community expects.

Discussion turned to the decision package regarding the core area parking subsidy. It was mentioned that it feels like the subsidy is throwing more money at a problem. Mayor Ogden said he would offer to not put the funds in there, and by not transferring the money over forces the question for the Council and the Core Area Parking Board to make the policy decision. He does not want to make the

decision arbitrarily by backfilling core area. Council President Beikman, a member of the board, said that what is being proposed is not what the Core Area Board has even asked for. City Manager Lombos said there are enough reserves to draw down, and staff needs direction to move forward. Community Development Director Alice Rouyer added that the economy has been struggling and vacancies are up, but in the future that could change and a rate increase might be possible. It was mentioned that leaving the overhead in the core area effectively moves the reserves from the core area into the General Fund. City Manager Lombos asked if this should be moved off the list to have a discussion later this year. Council agreed to move forward on economic development, library packages, and to leave out the core area parking subsidy for now. It can be discussed at the upcoming Budget Committee meetings.

An overview was given of proposed utility rates and the residential impact. City Manager Lombos said it is the 4th year in a row that there have not been any rate increases in water rates. It was asked if it would be prudent having a reserve to keep it stable if the rates increase. Director Hudson explained there is a water rate stabilization reserve. The sewer rate increase was reviewed and the impact for the average household. Surface water management and road maintenance rates were also reviewed.

Director Hudson concluded the discussion with a review of the next steps/timeline for the upcoming Budget Committee meetings in May, with budget adoption scheduled for approval at the June 25, 2012 Council meeting.

C. EXECUTIVE SESSION

None.

D. ADJOURNMENT

The special work session adjourned at 7:04 p.m.

Sherilyn Lombos, City Manager



Maureen Smith / Recording Secretary