

## Budget Committee Q&A

Feb 15, 2024

Several of the questions were answered in the Budget Worksheet that was provided in January, in the Audited Financial Report, and/or in the 2<sup>nd</sup> Quarter Financial Report presented at the Feb 7 Council meeting. However, we will review to show where the information can be found.

1. Complete accounting for actual revenues and expenses for the 2022-2023 budget year.
  - A. The financial statements in the audited financial report contains all of this information. This information is also contained in the Budget Worksheet Report that was provided to the committee in January.

The final audited financial report was just received yesterday and posted on the website.

2. A full and comprehensive report on budget to actual status of the General Fund through December 31, 2023.
  - A. This information is contained in the 2<sup>nd</sup> Quarter Financial Report that was presented to the Council on February 7. However, this has been revised to reflect the actual beginning fund balance(s) for the General Fund and the utility funds.

The General Fund was the most effected fund. This was because of a required entry that pulled unused ARPA funds from grant revenue and posted to the Balance Sheet as unearned revenue.

3. A report on the number of authorized positions by department and the number of vacant positions by department.
  - A. Page 29 of the 2023/2024 Budget Document
4. A complete explanation of why in the first quarter report, the projected year end fund balance declined by \$461,850. What is the current projection for year end, June 30, 2024.
  - A. This information is contained in the 2<sup>nd</sup> Quarter Financial Report that was presented to the Council on February 7. (Revised to reflect actual beginning fund balance.)

This was a misinterpretation of the first quarter report. It was not a “decline”, and it was in reference to the ending fund balance for FY2023. And as I’ve noted, the ending fund balance of the prior fiscal year is an estimate until the final audited financial statements are received.

5. As a new member of the committee, I would like some discussion as to why the Council approved the FY 23-24 budget that violated financial policy 2.3?
  - A. There is no steadfast rule that requires that there be no deviation from the reserve policy.

Following the Q&A I will give a brief presentation of the definition and use of reserves.

6. What comprises the miscellaneous category of approximately \$20,000,000?
- A. As noted to the right of this graph (pg. 26 of budget document), this is for Loan Proceeds. In preparation for the 2023 estimated year-end, we did not know how much would be drawn down on the loan, so it shows up again in FY2024 budget. The timing of loan draws is dependent on project expenditures.

The actual loan draws in FY2023 were \$4,904,932 for the Riverfront Project.

7. What is the shortfall of the amount of money in the general fund that is needed to fund the police now, not including the proposed levy?
- A. This depends on the number of officers. Currently the shortfall is approximately \$190,000 per additional officer.
8. Why and how have the revenues fallen short to pay for the police, exactly?
- A. The police department is one of eleven departments in the General Fund. General Fund revenues support all departments, unless otherwise restricted for a specific purpose. For example, building related fees are restricted to support building department services. Currently, the police department has no such restricted revenue sources. The rules around the receipt of current State Sharing Revenue require the provision of police services, however not all of those receipts are restricted to be used for police services only.
9. What were the actual revenues v expenses in each fund for 2022-2023?
- A. See answer to question #1.
10. What are the projected revenues v expenses in each fund for 2023-2024?
- A. Staff are still working on FYE2024 projections.
11. Please provide a line-by-line summary of the adopted budget for 2022-2023 versus the actual to date and/or projections to the end of the year.
- A. This information was provided in January. We did rerun this report so that it reflects the FY2023 audit entries and "to-date" as of Dec 31 for FY2024.
12. Identify the reserves remaining in all funds.
- A. Not all funds are required to have reserves. As noted in answer to #5, I will provide a discussion regarding reserves and the terminology.
13. Identify revenue shortfalls for the 2022-2023 budget in all funds.
- A. See #1.

14. Identify projected revenue shortfalls for the 2023-2024 budget.

- A. Shortfalls in FY2024 from the departure of Cascades are estimated to be \$73k in franchise fees to the General Fund; \$150k in lease revenue and \$110k property tax reimbursement to the Community Development Fund; \$40k utility revenue in the Water, Sewer & Storm Funds; and \$288k to the Sewer Fund.

There is also an estimated decline in revenue because of the overall economy. These are estimated to cause a shortfall in Permits, Licenses & Fees in the General Fund of \$100k.

15. According to Mr. Graves, last year's budget had inadequate recurring revenues to support recurring expenditures to the tune of \$561,000, do you agree with this analysis?

- A. I would agree that recurring revenues are not keeping up with operating costs (costs of general services). This is a resounding problem across the country. In Oregon, property tax legislation is crippling cities like St. Helens that have an extremely low permanent tax rate. In no case, however, does property tax revenues cover police services. The greatest challenge is finding opportunities for revenue sources to cover the costs of all services that the community needs to be a thriving community where people want to live and visit.

What is the current state of recurring revenues v recurring expenses in each Fund?

- A. As noted in #14, Lease revenue in the Community Development Fund is affected by the loss of Cascades in the amount of \$260k for FY2024 and \$410k annually.

The Sewer Fund revenues will be down \$288k due to Cascades in FY2024 and \$576k annually.

Revenues from the public safety facility fees will be approximately \$54k less than budgeted. This I believe is due to the slowdown in building and new development.

16. How is elimination of ARPA funds going to effect each Fund? When exactly is this going to happen?

- A. The ARPA funds will be mostly used up in FY2024. Most of the accounting for the ARPA funds are in the General Fund and the Community Development Fund. Any programs that are supported by ARPA funds will no longer be continued unless other grant funding is secured.

In the General Fund, there are several positions that are supported with ARPA funds.

17. Provide a summary trial balance report for 2022/2023 through Jan 31<sup>st</sup>.

Do you mean 2023/2024?

- A. Assuming the question is for FY2024 - Due to the scheduling of and preparation for this meeting, the development of the FY2025 budget, limited staff, and other priority items, this will not be complete in time for this meeting. We will send out to the committee when available.

18. Council sheet for ARPA fund expenditures.

- A. Not sure what the question is, however, we have attached a spreadsheet for monitoring the use of ARPA funds.

19. Who in the city is not paying the utility fee?

- A. If this is in reference to the public safety facility fee, outside of city limits is not charged this fee.

20. How much is the public service fee?

- A. There is not currently a public service fee. There is a \$10/month public safety facility fee. The fee is charged to each EDU. For example, a duplex is charged \$20; \$10 for each unit.

21. Summary of all department revenue bring in.

- A. Not sure of question. However, the answer to #8 may provide this information. Also, see page 34 of the FY2024 budget.

22. Current or most recent

- A. ??

23. What are you looking to cut this year to help for forecasting next year? (Revenue generating or cost cutting)

- A. No definitive decisions have been made.

24. What is the upcoming utility fee increases for sewer project?

- A. Attached are the utility rate tables prepared and recommended by Steve Donovan of Donovan Enterprises.

25. On page 35 of the Budget worksheet, you provided through Jan 31<sup>st</sup> there is a -155, 038.18 for tourism, where is the money coming from to cover this as in the quarterly that was produced for the Feb 7<sup>th</sup> meeting, this is now different.

- A. The Budget Worksheet was run on Jan 17, so does not include activity through Jan 31. It also was run before all closing entries had been made for December. The 2<sup>nd</sup> quarterly report is as of December 31, 2023. And as noted in answer to #17, we will provide Jan 31<sup>st</sup> as soon as all reconciliations and closing entries are made.

26. [Page 15] What are some recent examples of the “Expenditures of some expected funds that do not require a formal supplemental process but require the council to appropriate expenditure of the funds”

- A. Page 7 of the Oregon Local Budget Manual gives a good explanation regarding supplemental budgets and appropriation transfers.

### Appropriation transfers

The governing body's spending authority in existing appropriations may be changed by 1) transferring amounts among existing appropriations in the same fund, or 2) transferring from an existing appropriation in one fund to an existing appropriation category in another fund.

Whenever you need to transfer an appropriation, the governing body must enact a resolution or ordinance providing for the transfer. This enactment must be made before any over-expenditure is incurred. Once a transfer is authorized, the expenditure(s) can be made.

### Supplemental budgets

By transferring appropriations, a governing body usually has enough flexibility to carry out the programs prescribed in an adopted budget. But there will be times when an adopted budget gives no authority to make certain expenditures or when revenues are received for which the governing body had no previous knowledge. In these cases, it is possible to use a supplemental budget to authorize expenditures or spend additional revenues in a current fiscal year. (There are a few special revenues which may be spent without a supplemental budget.) Supplemental budgets cannot be used to authorize a tax levy.

Local budget law does not contemplate the involvement of the budget committee in adopting supplemental budgets. The governing body may adopt a supplemental budget at a regular public meeting if prior notice is given and the expenditures in the supplemental budget are 10 percent or **less** than of the budget fund being adjusted. If the expenditures are more, the governing body must publish a summary of the changes in the supplemental budget and hold a special hearing.

27. [Page 25] What is captured the 22+ Miscellaneous?

- A. See answer to question 6.

28. Total fees that are included on the water bill?

- A. Usage and fixed fee for water & sewer, flat fee for storm & public safety facility.

29. What "special projects" are being funded with the current fees (not the public safety fee)?

- A. No "special projects" are currently being funded from fees on the utility bill, other than public safety. Water, Sewer & Storm fees (rates) are set to ensure adequate revenue to pay operating costs, capital improvement and debt service of the system.

Capital improvements are based on master plans.

30. How much has the public safety fee generated since its origination?

- A. \$718,132.16      2/15/2022 – 2/6/2024

31. How many EDUs are in the City of St. Helens?

- A. Currently there are 6,007 units that are charged the public safety fee. This changes with the completion of a new dwelling.

32. A copy of the Signed Police Station loan documents

- A. This falls under a public records request. If there are specific questions regarding debt service that relate to the budget and budget committee, we'll be happy to provide the information.

33. Details of the current Recreation grant?

- A. The 21<sup>st</sup> CLCC Grant award is in partnership with the St. Helens School District and the City of St. Helens to support the City of St. Helens Youth in afterschool programing.

The grant is a 5-year grant that will be managed by the St. Helens School District with the City of St. Helens contracting services through the St. Helens Recreation Department for staffing and support. All supplies bought through the grant will be shared between the two entities but if there is a separation will stay with the St. Helens School District. We felt this would be the best model as the St. Helens School District is already familiar with the Oregon Department of Education grants and can provide the best support with the required reporting, though we also will be charging for administrative costs to submit report etc.

We have launched our first 21<sup>st</sup> CLCC Program at Columbia City Elementary school and are working on our second right before or after spring break at McBride Elementary school and our 3<sup>rd</sup> shortly after at Lewis and Clark Elementary school.

Funding years and anticipated funds: (There could be some factors with funds such as programs offered throughout the year for instance year one because we were notified later than normal (all grantees were as there was a delay in decision, so that could impact the total amount, but we are planning a Spring and summer program)

YR 1: 2023-2024 \$235,718

YR 2: 2024-2025 \$235, 718

YR 3: 2025-2026 \$235, 718

YR 4: 2025-2026 \$ 212,146

YR 5: 2026-2027 \$188,574

34. List of outstanding payouts for the retiring police you said had budget for.

- A. There is no list.

How many, and how many officers?

- A. We hear 2 – 4 retiring in the “next year” with no definitive dates or specific officers consistently identified. With this limited information we estimate \$180,000 combined for the two highest paid potentially retiring.

I believe I heard approx. 250K, where is that allocated in the budget?

A. There is no allocation in the FY2024 budget. The potential retirements are presumed to occur in FY2025. It will be budgeted in the Police Department of the General Fund.

35. [Page 39] RE: the “report writer for the police” 80K... how long does that go and is it always 80K?

A. Startup costs:

SHPD: \$184,921.07  
County: \$195,163.03

Annual costs:

SHPD: \$16,735.73  
County: \$15,224.30

Is there a subscription for this?

A. The annual fee of \$16,735.73

Is the 80K as part of the document or is that a subscription.

A. The 80K is not part of the annual fee.

36. [Page 49] What is the 70K transfer for from (CDF to the Tourism fund)

A. Used for Economic Development for tourism related purposes. No specific program or activity is identified. However, economic development activities in general are closely tied to tourism.

37. I would like to see the following journal entry & receipt/actual invoice details (what it is for and where \$\$ came from):

1. JE00827      Entry to reconcile bank account.
2. JE00866      Entry to reconcile bank account.
3. JE00137      Entry to correct expenditure allocations.
4. JE00775      Entry to correct miscoding of revenues & expenditures.
5. JE00168      Entry to post revenues recorded in Springbrook software into Incode software.
6. JE1006        Entry to reconcile bank account.
7. RO118159     Receipt from E2C for sponsorship revenue
8. R00171804    Receipt from E2C for Halloweentown revenue
9. R00115334    Receipt from E2C for sales proceeds

38. Can you provide an explanation for the necessity of dipping into the 20% reserve to cover costs and expenses in the current budget?

A. There is a lack of sufficient recurring revenue to pay for services. The budget committee and Council decided to not make further cuts in services and approved a reduction in reserves for FY2024.

39. What are the anticipated consequences or impacts of utilizing the reserve funds?

- A. There needs to be new sources of revenue to provide services. We cannot operate (provide services) with a negative fund balance. There will be more detailed information regarding reserves / fund balances following the Q & A.

40. Are there specific areas where these consequences will be more pronounced?

- A. There are no decisions yet on impacts. This will be discussed at the first official budget committee when the proposed FY2025 will be presented.

41. Considering the use of reserves, do you foresee any challenges in adhering to the current budget until the end of the fiscal year?

- A. There will be a supplemental budget and / or budget adjustment, though currently this should not negatively impact the ending fund balance in the General Fund.

42. Are there contingency plans in place?

- A. Most of the operating funds have a contingency. Also, in most operating funds we budget the estimated ending fund balance in contingency.

43. Could you clarify your role and how it directly relates to managing the current budget?

- A. The role of the finance director is to manage the budget and finances of the city. The finance director also serves as the budget officer; in that role I assist other departments in preparing their budgets and I'm responsible for making sure the budget is balanced, writing the budget message, and ensuring all legal requirements are met.

44. What specific responsibilities or decisions are under your purview?

- A. The management of the city's finances. Decisions are made based on magnitude / impact and may be in consultation with other department heads, the city administrator or Council. All decisions are generally based on policy; if no policy exists, we rely on past practices, ethics, and common sense.

45. In your understanding, what is the primary purpose of the budget committee?

- A. The purpose of the budget committee is to review and approve the proposed budget. In doing that, the budget committee will receive the budget message to gain an understanding of the issues surrounding the budget and finances; they should understand the issues and services that are important to the community as a whole; they should review the budget documents and ask relevant questions; they should expect to receive information from staff that is relevant to the budget.



How does its role contribute to the overall financial management of the city?

A. The budget is a guide that provides staff with the resources and expectations for providing the services that are essential for a thriving community. The development of the budget aligns with the priorities and goals of the Council and community.

The budget is a legal document that provides for operations, capital improvement, and servicing of debt.

Beyond review and approval of the proposed budget, the budget committee has no role in the financial management of the city.

46. Do you perceive the budget committee as intrinsically adversarial to the City Council?

A. No

47. Why or why not?

A. In my opinion that question is unrelated to the budget and city finances, and therefore I choose not to answer. My role as finance director and a member of city staff is to support the City Administrator, the City Council, the citizens, and fellow staff; I do that by performing my duties with empathy, integrity and in accordance with the GFOA and ICMA Code of Ethics.

48. My questions center around Federal COVID money we received.

How much did we receive?

A. \$3,051,636.92

When?

A. It came in 2 tranches: one in March 2021 and the second in Aug 2021

In what installments?

A. \$1,525,818.46 each

For what was the money used?

A. See attached spreadsheet.

Specifically, one-time expenses or recurring expenses?

A. We will review the attached spreadsheet.

If recurring, was there a plan to replace these funds when they quit coming in?

- A. There was no definitive plan for continuing to fund positions or programs after the depletion of the ARPA funds. The assumptions were that the economic recovery following the COVID pandemic would allow for continuation.