

Dear Mayor Batey, Council President Massey, and Councilors Stavenjord, Khosroabadi, Anderson; and City Manager Sagor

Community Comment, Agenda 5, September 3, 2024, Regular Session

***Re: City Budget Dilemma***

The thing that jumps out about the City's projected General Fund budget, covering the fiscal years 2024 through 2029, is Personnel Services Expenditures. (Below I include the table presented at the last Budget Committee meeting held on August 26, 2024.)

The Compound rate of growth in Personnel Services is about 5.25% per year, FY24 through FY29. **This rate of increase in Personnel Expenses is unsustainable**, in an economy that is being targeted for 2% inflation.

I understand that the 5% plus rate of increase might be indicative of the cost of retaining government employees in today's economic environment, but **if the City can not get a handle on its personnel costs, it will face continual General Fund deficits** no matter what revenue increasing measures are undertaken.

Wages in Clackamas, outside of the government sector, are generally increasing at a rate between 3% and 4%. And for retirees, increases in their pensions/social security are tied to the inflation rate which is targeted by the Federal Reserve for only 2%. The bottom line is we seem to have a City government many of Milwaukie's residents cannot afford, unless Personnel costs are pared significantly.

***Paring City personnel costs is the first order of business for tackling the ballooning Policy Reserve deficits in the out years of the current budget projections.***

Even if the City goes to its Permanent Property tax rate (a \$2.40 increase over the current City property tax rate), it will only barely meet the City's budget reserve deficit in the fiscal year 2028. Such a change in property tax rate would cost homeowners in Milwaukie about \$500 per year in additional property taxes, on average. (Also, below, I include the table showing permanent property tax rates and current property tax rates for Milwaukie and surrounding Clackamas County cities – this table the latest prepared by the Clackamas County Tax Assessor's Office.)

But not even a hike to the Permanent Property tax rate would be able to avoid forthcoming Policy Reserve deficits, if personnel costs are growing at 5% per year.

Adding a City Levy would not meet, for very long, a budget with Personnel costs growing at 5% per year. Also, going to the Permanent rate and adding a substantive City Levy would cause

Milwaukie to have one of the highest city property tax rates, if not the highest, in Clackamas County. (See second table, at the end of my written comments here, for a comparison of city property tax rates.)

So, the City needs to make some hard choices among positions that are critical and those that are not necessary – for instance, looking at letting go of positions added in the last five years or so to meet Policy goals. It should be about getting back to the basics – Police, Water and Sewer, and roads.

**I would also recommend paring the increasing Urban Renewal drain on the General Fund.**

For instance, releasing the new 7 Acres apartment complex property and the Milwaukie Market Place from Milwaukie's Urban Renewal District. I don't believe urban renewal had much of anything to do with these two improvements - the 7 acres apartment complex nor the Milwaukie Market Place. Releasing these two high valued properties could generate, I speculate, as much as \$200,000 in additional General fund property tax revenues within the next four to five years.

Sincerely,  
Elvis Clark  
resident of the City of Milwaukie

# GENERAL FUND SUMMARY

(Amounts in Thousands: \$100 = \$100,000)

				FY 2024	Current Budget		Forecast		
	FY 2021	FY 2022	FY 2023		+1	+2	+3	+4	+5
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>RESOURCES</b>									
<b>BEGINNING FUND BALANCE</b>	\$ 10,963	\$ 12,077	\$ 14,820	13,660	12,275	10,168	\$ 6,289	\$ 839	\$ (4,328)
<b>REVENUES</b>									
Property Taxes	9,048	9,265	9,708	10,174	10,140	10,436	10,749	11,071	11,403
Franchise Taxes	2,452	2,257	2,447	2,033	2,965	3,527	3,810	4,114	4,443
Intergovernmental	3,268	2,982	3,238	3,748	3,238	2,999	3,089	3,182	3,277
Fines & Forfeitures	417	362	459	597	405	430	443	456	470
Transfers from Other Funds	6,220	6,470	7,657	6,868	6,807	6,807	7,011	7,221	7,438
<b>TOTAL REVENUES</b>	<b>22,138</b>	<b>24,685</b>	<b>24,857</b>	<b>25,178</b>	<b>24,300</b>	<b>24,969</b>	<b>25,887</b>	<b>26,846</b>	<b>27,850</b>
<b>TOTAL RESOURCES</b>	<b>\$ 33,101</b>	<b>\$ 36,762</b>	<b>\$ 39,677</b>	<b>\$ 38,838</b>	<b>\$ 36,575</b>	<b>\$ 35,136</b>	<b>\$ 32,175</b>	<b>\$ 27,685</b>	<b>\$ 23,522</b>
<b>REQUIREMENTS</b>									
<b>EXPENDITURES</b>									
Personnel Services	15,323	15,741	16,665	17,268	18,810	19,299	20,648	21,474	22,332
Materials & Services	4,398	5,299	5,579	6,385	6,385	6,500	6,706	6,919	7,139
Debt Service	461	481	505	527	504	526	546	569	594
Capital Outlay	478	422	1,976	2,206	2,820	472	745	300	290
Transfers to Other Funds	364	-	1,528	298	314	314	323	333	343
Contingency	-	-	-	-	-	1,737	2,368	2,420	2,474
<b>TOTAL EXPENDITURES</b>	<b>21,024</b>	<b>21,943</b>	<b>26,253</b>	<b>26,684</b>	<b>28,832</b>	<b>28,848</b>	<b>31,336</b>	<b>32,014</b>	<b>33,170</b>
<b>FUND BALANCE</b>									
Policy Requirement (25%)	4,374	4,566	5,252	5,398	4,555	5,803	6,840	7,100	7,370
<b>RESERVES</b>									
Debt Service	461	481	505	504	504	526	546	569	594
Forfeiture	17	36	17	17	17	17	17	17	17
PEG	169	177	169	69	177	182	182	182	182
Undesignated	11,430	14,126	12,732	11,564	8,346	6,805	94	(5,096)	(10,442)
<b>OVER (UNDER) POLICY</b>	<b>7,056</b>	<b>9,560</b>	<b>7,480</b>	<b>6,496</b>	<b>3,791</b>	<b>2,739</b>	<b>(4,378)</b>	<b>(9,777)</b>	<b>(15,338)</b>
<b>TOTAL ENDING FUND BALANCE</b>	<b>12,077</b>	<b>14,820</b>	<b>13,423</b>	<b>12,154</b>	<b>7,743</b>	<b>6,289</b>	<b>839</b>	<b>(4,328)</b>	<b>(9,649)</b>
<b>TOTAL REQUIREMENTS</b>	<b>\$ 33,101</b>	<b>\$ 36,762</b>	<b>\$ 39,677</b>	<b>\$ 38,838</b>	<b>\$ 36,575</b>	<b>\$ 35,136</b>	<b>\$ 32,175</b>	<b>\$ 27,685</b>	<b>\$ 23,522</b>

## CLACKAMAS COUNTY TAXING DISTRICT RATE INFO

DISTRICT NAME	PERMANENT RATE*	EXTENDED RATE	LOCAL OPTION RATE	PENSION RATE	UR SPECIAL	BOND RATE 2023-24*	TOTAL RATE
<b>CITIES:</b>							
Barlow	0.5894	0.5894					0.5894
Canby	3.4886	3.4886	0.4900				3.9786
Estacada	2.6749	2.6749				0.1399	2.8148
Gladstone	4.8174	4.8174	0.9900				5.8074
Happy Valley	0.6710	0.6710	1.9200				2.5910
Johnson City	0.0000	0.0000					0.0000
Lake Oswego I/LO School	5.0353	4.9703				0.2140	5.1843
Lake Oswego O/LO School	4.5884	4.5884				0.2140	4.8024
Milwaukie	6.5379	4.1367				0.3302	4.4669
Molalla	5.3058	5.3058					5.3058
Oregon City	5.0571	4.4090					4.4090
Portland	4.5770	4.5770	1.2026	2.6386		0.3993	8.8175
Rivergrove	0.0000	0.0000					0.0000
Sandy	4.1152	4.1152					4.1152
Tualatin	2.2665	2.2665				0.8420	3.1085
West Linn	2.1200	2.1200				0.3837	2.5037
Wilsonville	2.5206	2.5206					2.5206