

BUDGET PROCESS AD-HOC COMMITTEE

Meeting Agenda

August 30, 2017 – 5:00 PM

Community Development Building, Lithia Room
51 Winburn Way

1. Call to Order

2. Approval of Minutes

2.1. N/A

3. Public Forum (10 min to be evenly divided by public wishing to speak)

4. Committee Scope of Work

5. Committee Goals/Objectives

6. Future Meeting Schedule

7. Wrap Up

7.1. Agenda items/Materials for next meeting

Council Business Meeting

March 7, 2017

Title: Approval of the Creation of the ad hoc Budget Process Committee
From: John Karns Interim City Administrator
John.karns@ashland.or.us

Summary:

This committee is being formed based on discussions had during the recently completed biennial budget process. Members of the Citizen’s Budget Committee determined that an ad hoc committee would be useful in determining how future budget processes would be handled, as well as set priorities for “off-year” committee discussions.

Actions, Options, or Potential Motions:

I move to approve the creation of the ad hoc Budget Process Committee and the charge of the committee as presented in the memo from the Interim City Administrator.

Staff Recommendation:

Staff recommends the creation of the ad hoc Budget Process Committee and approval of the committee charge as presented.

Resource Requirements:

The costs for the committee will be minimal, and directly related to staff time, which is estimated for this project to be approximately 120 to 150 hours.

Policies, Plans and Goals Supported:

2. Promote effective citizen communication and engagement
 - 2.1 Engage community in conversation about core services, desired service levels and funding mechanisms.

Background and Additional Information:

During the recent Citizens Budget Committee process there were discussions regarding the budget process and ways in which it could be improved. It was determined that having an ad hoc committee work through some of the issues would be helpful.

Attachments:

Memo with the charge of the ad hoc Budget Process Committee
June 5, 2016 Citizens’ Budget Committee Minutes

Memo

DATE: July 12, 2017

TO: Mayor and City Council

FROM: John Karns

RE: Charge of the ad hoc Budget Process Committee

Scope of Work

The ad hoc Budget Process Committee will be convened to discuss specific issues relating to the Citizen's Budget Committee's (CBC) role with the City's budget and property tax levy approval. The committee will be made up of two elected members of the CBC, two citizen members of the CBC, and two City staff members to be identified by the Mayor. Each member will have voting rights. The committee will meet at a frequency desired by the committee. Topics of discussion may include but not limited to the following:

- Committee member's preferences for ground rules, rules of order, conduct of meetings, voting/reaching consensus, fact finder process, etc.
- General economic projections by the Finance Officer of the possible changes in revenues, expenditures, or requirements of the next budget process.
- Orientation on the budget document, the fund structure and the types of activities or programs and expenditures made from each fund in the budget.
- Training on the budget committee process, calendar, expectations for members, etc.
- Other issues deemed pertinent by the ad hoc Budget Process Committee.
- Committee will assemble a report for Council with recommendations by the second meeting in October.

The committee meetings shall be governed by the City of Ashland uniform policies and procedures for advisory boards and commissions (AMC Chapter 2.10). The committee chair shall make sure that each meeting agenda includes time for public input.

**BUDGET COMMITTEE MEETING
MINUTES
June 5, 2017
Council Chambers
1175 E. Main Street**

Budget Committee Chair David Runkel called the meeting to order at 6:01 p.m. in in the Civic Center Council Chambers.

ROLL CALL

Present: Sal Amery Mike Morris
Mary Cody James Nagel
Traci Darrow David Runkel
Garrett Furuichi Stefani Seffinger
Paula Hyatt Dennis Slattery
Greg Lemhouse John Stromberg
Shaun Moran Rich Rosenthal

Mr. Runkel moved agenda item **V. Discussion of Funding for Council Priority Budget Add-ins** before **IV. Motion to Approve the 2017-19 Biennial Budget & Levy Tax**. Mr. Slattery wanted a committee vote on the matter and agreed to discuss it further following Public Input.

PUBLIC INPUT

Ken Morrish/Fly Water Travel/479 Russell Suite 103/Supported the Climate Energy Action Plan (CEAP) position and commented on the violent weather patterns his client's had experienced.

Bryan Sohl/283 Scenic Drive/Served on the Conservation Commission and the CEAP ad hoc Committee and both strongly supported the CEAP position. He explained how raising the property tax rate could fund the position.

Annika Larson/795 Ellendale Drive/Medford, OR/Supported the CEAP position and explained how climate change was already effecting the local area.

Julian Rice/1411 Evergreen Lane/Supported the CEAP position. The City had made a promise to make a difference on climate change and it was essential to have a dedicated position.

Carson Barry/134 Church Street/Noted President Trump pulling out of the Paris Climate Agreement and the effect it had on her graduating class. She explained what it was like to be a recent high school graduate looking to her future and how often it was terrifying because of climate change.

Kayla Fennell/1350 East Nevada Street/Supported the CEAP position. She graduated from High School the week before and noted how her future was uncertain due to unstable climate leadership. She would not have a secure future. Climate change disasters would breed instability around the world resulting in more wars and desperation.

John Nosco/840 B Street/Asked the Budget Committee to support funding for the Affordable Housing Trust Fund (AHTF). He spoke on the advantage of having an ongoing commitment to affordable housing via an AHTF. The City could use revenues from the marijuana tax. Another benefit was funds were not spent until partners had committed to joining the AHTF effort.

Andrew Kubik/1251 Munson Drive/Wanted to know why businesses did not employ private security. Businesses submitted trespass affidavits to the Police Department and paid property taxes but nonprofits could do the same and did not pay taxes. He did not support adding five new police officers.

Claudia Alick/460 Siskiyou Blvd/Explained she was the Oregon Shakespeare Festival community producer of the Green Show and explained how staff now had extreme weather protocols for weather events. She was inspired by the high school students who spoke to climate change and proud of the community and City efforts to develop a Climate Energy Action Plan.

Huelz Gutcheon/2253 Hwy 99/Submitted a document into the record and spoke on the Ashland Renewable Energy Acquisition Department. The conservation department in the budget was \$1.5 million with \$1 million going to purchase clean Kilowatt-hour equivalents at \$1.20 that should be .05 cents.

City Attorney Dave Lohman explained the chair had the authority under meeting rules to rearrange the order of business on the agenda. A committee member could also make a motion to lay a matter on the table that meant to postpone an item later in the meeting. This form of motion was not amendable or debatable and prevailed on a majority vote. Mr. Slattery explained why he thought the current agenda order was important. Chair Runkel wanted to discuss the add packages prior to approving the budget. Administrative Services/Finance Director Mark Welch confirmed the Budget Committee could approve the tax rate then make a motion to levy the other .09 cents if needed.

Furuichi/Amery m/s move agenda item V. before approving the .09-cent increase on taxes. DISCUSSION: Mr. Amery explained if the discussion was on funding add packages the Committee should understand what they were and how to pay for them first. Mr. Furuichi thought the assumption of approving the .09 cents was premature and wanted to discuss all of the expenditures and possible cuts to balance the budget. Ms. Cody agreed with Mr. Furuichi.

Mr. Lemhouse clarified the budget as presented was balanced at the current tax rate, not with the proposed increase. He agreed with Mr. Slattery on the agenda order. Mr. Stromberg supported keeping the agenda as is and would not support the motion. Ms. Darrow confirmed the process and supported retaining the agenda. Chair Runkel thought discussing add packages after approving the budget went against state budget law. Mr. Lemhouse disagreed commenting this was not an attempt to limit the discussion.

Mr. Furuichi raised of point of information on changing an allocation once the tax rate was approved. Mr. Welch confirmed the Committee could do that by motion. Mr. Furuichi thought that would lengthen the meeting and wanted to discuss add packages prior to approving the budget. **Roll Call Vote: Furuichi, Cody, Moran, Hyatt, Runkel, and Amery, YES. Slattery, Nagel, Morris, Seffinger, Stromberg, Rosenthal, Lemhouse, and Darrow, NO. Motion failed 8-6.**

OLD BUSINESS

Discussion on material provided pursuant to the Budget Committee action on May 25, 2017

Administrative Services/Finance Director Mark Welch compiled and posted budget questions received by May 30, 2017 to the website. Staff answered all the questions. There were three categories, clarifications, management and operational questions, and Council policy direction. Chair Runkel was troubled by increases he saw in the numbers that looked to be a \$570 increase for every person in Ashland. Mr. Rosenthal noted staff's efforts. There were over one hundred questions and staff responded to each one.

Mr. Amery was unclear on options regarding the healthcare fund and the \$525,000 that rolled in and out of the fund. Mr. Welch explained there was a 2% interest on the loan. Council could forgive the loan or just the interest via a resolution. Removing the \$525,000 from the fund would create a negative balance of

\$300,000. If the loan was forgiven for five years and in that time the fund gained a healthy balance, the City could reduce the healthcare benefit contributions that would affect the General Fund and the enterprise funds that could reduce fees charged to customers. He cautioned against forgiving the loan for five years or reducing the interest. It was the same as continuing the loan practice.

The Employee Health Benefit Advisory Committee (EHBAC) recently imposed a higher deductible on employees as well as an increase in contributions. Human Resource Director Tina Gray further explained the City raised the premium contribution 5% in January and would raise it another 10% in July. The City paid 95% and the employee paid 5% but the premium costs increased and resulted in the City and employees paying more. Premium costs were reflected in the budget. The deductible for employees went up \$100 and out of pocket maximum increased to \$900.

Mr. Slattery suggested not forgiving the loan, leaving it in place and moving on to the rest of the budget. Mr. Amery preferred discussing the item. Chair Runkel moved the discussion forward.

Mr. Furuichi explained the answers provided by staff raised even more questions. The \$1.66 million in the General Fund showed a transfer in from CIP on page 3-20 in the budget document. A Central Services Fund charged departments higher than anticipated fees so that amount came from the Capital Improvement Fund. He questioned whether it complied with ORS 223.208 that prohibited capital funds transfers to the general fund. Mr. Welch clarified it was going to the Central Services Fund not the General Fund. Mr. Furuichi thought the Central Services Fund passed through all the departments and wanted to know the funding source for those departments. Mr. Welch explained the Central Services Fund serviced electric, water, and sewer citywide and did not receive direct taxes. Franchise Fees went to the General Fund and not the Central Services Fund. Mr. Furuichi considered departments funded with General Fund money that had the Central Services allocation increase a transfer to reduce the General Fund. Mr. Welch clarified the General Fund was not the main funding source of the Central Services Fund.

Chair Runkel asked if the transfer paid for current government cost through capital money. Mr. Welch responded it did not. The facilities portion of the Capital Improvement Fund came from fees paid by departments for upkeep of buildings and facilities. The change lowered the internal service charge to all departments and enterprise funds in order to balance the budget and accommodate the PERS increase. Chair Runkel thought it was a budget gimmick.

Mr. Slattery raised a point of order on Chair Runkel's statement and explained no one was trying to hide items or move things. Questions were fine but it was important to respect and not diminish the process. Chair Runkel took note and commented he had not seen operating transfers like this in previous budgets. Mr. Stromberg added former Interim Administrative Services/Finance Director Bev Adams had worked hard at putting together a balanced budget that continued to deliver the services the City provided to the community. She transferred approximately \$1 million from the Facilities Fund into the Central Services Fund to reduce the charges from the Central Services Fund to all departments to offset the PERS allocation.

Mr. Furuichi countered the alternative to raising fees was cutting costs. Page 3-6 showed the long-term plan for the General Fund reflecting a negative. Mr. Welch clarified the General Fund would end with approximately \$4.4 million of fund balance. The 2017-19 projection was \$2 million. Mr. Furuichi had grave concern regarding the General Fund reflecting a negative fund balance. Mr. Stromberg noted future year projections were based on increasingly arbitrary assumptions. Mr. Furuichi wanted to work with the City on determining a realistic projection of fund balance.

Mr. Slattery did not support a biennium budgeting process and thought there should be regular ongoing discussions during the off budget year. He wanted to appoint an ad hoc committee under his leadership to

determine rules of engagement, and uses of the Budget Committee in the off years. Mr. Amery suggested meeting quarterly instead of creating an ad hoc committee.

Furuichi/Cody m/s to have regular quarterly meetings two to three weeks after the close of a quarter to review the budget to actual financials and any topic that came up. DISCUSSION: Mr. Stromberg raised a point of order whether the Budget Committee had the ability to schedule meetings outside the budget process. City Attorney Dave Lohman replied no. Those decisions were made by the City Council. Once the Committee approved the budget, any decisions on subsequent meetings by the Budget Committee up until the next biennium budget were for the City Council to decide. Additionally, those discussions would need to be limited. Chair Runkel ruled the motion was not in order.

Mr. Furuichi referenced the motion he made on May 18, 2017 that staff provide budget support in compliance with Oregon Budget Law 294.358(3) and 294.388(5). The information staff provided at the May 25, 2017 meeting did not tie to the budget. There were significant variances. Mr. Welch explained the only way he could answer Mr. Furuichi's request was going page-by-page showing how they did tie to the budget. The salaries provided at the May 25, 2017 meeting were actual work papers they used in the office. Additional pay factored into some of the benefit calculations. Removing deferred compensation from the salary amount tied to every department page. Mr. Furuichi wanted to know the total deferred compensation on page 29.

Mr. Stromberg raised a point of information regarding Mr. Furuichi's questions. It sounded like he was challenging the competency or ethics of staff. Mr. Furuichi explained he did not understand the information and was asking for clarification. He was not satisfied with the responses. Mr. Welch was uncomfortable having the conversation during the meeting. Page 29 of the handout provided at the May 25, 2017 meeting showed salaries. At the bottom of that page, the number was \$1.09 million for total salaries. The difference between the two numbers was the deferred compensation portion he spoke to earlier.

Mr. Furuichi moved on to Personal Services. It was a total of \$1.938614 million in the budget but on this paper, it was \$1.867030 million. Mr. Welch explained the difference was overtime. It was not a position specific calculation. Overtime, holiday pay, and sick time were not specific calculations. Adding overtime and sick time pay out to the number provided on position costing would get to that number.

Mr. Furuichi raised a point of clarification. The Budget Committee should be presented a number that made sense and tied rather than having the Committee "hunt" around to find where the balance and transactions were. He was a volunteer and this took a lot of time. He would have preferred a spreadsheet with links. Mr. Rosenthal addressed Mr. Welch and asked him if it was his professional opinion that the City had complied with Oregon budget law 294.358(3) and 294.388(5) based on the information requested. Mr. Welch replied it did comply.

Mr. Moran had not liked the response he received on metrics used in Public Works to evaluate performance on page 28 of 89 in the handout. Looking at the 2015-17 budget, he wanted to know how many projects had come in on, under, or over budget. Engineering Services Manager Scott Fleury had put together an email on the status of the CIP projects as a continuation of information presented to the Budget Committee September 2016. In addition to the email, he had forwarded hard copies to the Finance Department to distribute to the Budget Committee. It provided a current overall status of each project in the list and funding detail.

Mr. Welch clarified his earlier comment on being uncomfortable. Staff had provided the best possible and accurate information they had. The suggestion of going through the information line by line to justify every single number during a public meeting was difficult.

Motion to Approve the 2017-19 Biennial Budget & Levy Tax

Slattery/Lemhouse m/s to leave the loan in the healthcare fund in place for the time being and look at other opportunities down the line to have it paid back with interest. DISCUSSION: Mr. Amery thought the loan should be forgiven in a manner that allowed the fund to be healthy in the future. Mr. Slattery thought the point of Mr. Amery's discussion was that he did not want the loan forgiven. Mr. Amery clarified he did not want it forgiven but postponed without interest for a period so the fund could grow.

Mr. Stromberg raised a point of order and suggested Mr. Amery amend the motion.

Amery/Slattery m/s to amend the motion that staff come up with an alternative means to address the loan without forgiving it that enabled the healthcare fund to grow with Council approval. DISCUSSION: Ms. Darrow raised a point of order and asked Mr. Amery to define Committee. Mr. Amery clarified he meant the Budget Committee. He was not sure if this was in the Committee's purview. Mr. Slattery explained the reasoning behind his motion was to hold the loan in place until a committee could decide how to proceed. That could be in six months or the next biennium.

City Attorney Dave Lohman noted if the amendment passed it would take a subsequent action by the Council through a resolution. Mr. Lemhouse would oppose it due to the wording. It gave the Committee the responsibility of coming up with solutions. He thought that was staff's job. Mr. Stromberg thought the amendment was a good idea but staff with Council approval should determine the details. Mr. Amery confirmed the intent of his amendment was having staff come up with solutions that Council would approve.

Roll Call Vote on amendment: Nagel, Runkel, Cody, Morris, Amery, Lemhouse, Moran, Darrow, Stromberg, Seffinger, Hyatt, Rosenthal, Slattery, and Furuichi, YES. Motion passed.

Roll Call on the main motion as amended: Hyatt, Rosenthal, Runkel, Darrow, Lemhouse, Amery, Stromberg, Cody, Morris, Furuichi, Nagel, Seffinger, Moran, and Slattery, YES. Motion passed.

The Committee discussed whether to make the motion to approve the budget first or make amendments prior. Mr. Stromberg raised a point of order and explained why the process was better making the main motion first then adding amendments. Chair Runkel agreed. Mr. Amery raised a point of information and asked for further clarification on the voting process and projects.

Mr. Slattery explained CIP projects were approved within the budget but individual items still needed to come forward to Council along with public hearings. CIP projects were not automatically approved when the Budget Committee passed the budget. Mr. Stromberg further explained the budget provided financial capabilities to implement various projects although some funding sources may need to be found. Having the Budget Committee pull money out of the budget regarding a specific project would be pre-empting Council process.

Mr. Amery was concerned that the City had spent and raised many fees over the past few years for projects and thought the City needed to be more sensible on how it spent the funds. He was also concerned about the Reserve Fund and the potential for another economic crisis.

Chair Runkel cited state budget law and stated capital projects had to be appropriated through a CIP fund approved by the Budget Committee. Every item in the CIP was subject to approval or consideration by the Budget Committee. Mr. Rosenthal explained budget was a strategy. A budget manager tried to project every potential expenditure and the revenue source. It did not mean the project would happen. To remove

a project from the budget at this point would be irresponsible. Every department had projects that would not go forward and some would through grants. The budget was a plan.

Mr. Furuichi wanted to know how the projects were being funded. Mr. Slattery noted that information was already supplied. Mr. Welch explained there was not one specific funding source for each CIP project listed. The budget document had a summary on page 1-10 and 1-11 that laid out the proposed project along with planned resources. This information was in the department section as well.

Mr. Furuichi asked if revenue bonds and general obligation bonds were part of the plan if they needed to be included in the budget. Mr. Lemhouse responded Council decided whether to use bonds or not. Alternately, the Council could decide not to do the project.

Mr. Furuichi explained ORS 294-388 stated it did not have to go into this budget if it was a revenue bond that's referral period ended after the preparation of the budget or a general obligation bond approved by electors in the current budget year. Capital projects did not need to be included in the Budget Committee review and should not. It caused the Budget Committee to spend time on things they did not need to address. Mr. Slattery further explained the CIP was part of the plan.

Slattery/Nagel m/s to approve the City of Ashland 2017-19 biennial budget and recommend the budget to the City Council for adoption, approve the property tax levy in the amount of 4.1972 per \$1000 of assessed value for fiscal year 2017-18 and fiscal year 2018-19 respectively, approve property taxes for the payment of general obligation principal and interest bonded debt in the total of \$515,309 for fiscal year 2017-18, and \$514,499 for fiscal year 2018-19. DISCUSSION: Mr. Slattery noted it was a balanced budget and time to approve. Mr. Furuichi and Chair Runkel discussed reductions and additions in line items to preserve the funding balance.

Mr. Stromberg raised a point of order and explained budget law did not allow discussions outside of the budget. It seemed Mr. Furuichi and Chair Runkel was having a colloquy. Committee members could make amendments. Mr. Slattery agreed Committee members should make amendments.

Furuichi/Cody to amend the motion that the Fire Department budget be reduced by the supplemental budget approved last year that expires end of fiscal period, and could provide \$1.3 million for the Police Department, CEAP, and some others. DISCUSSION: Mr. Furuichi understood Council had approved three new positions in the Fire Department budget as a mid-year adjustment using overtime. This year, their budget reflected a small reduction in overtime with three full time positions. It was prudent to let the supplemental expire and use the funds to fund other priorities. Ms. Cody confirmed the Fire Department would use the General Fund to fund the three firefighters once the overtime expired. Mr. Welch clarified the supplemental budget was binding until the fiscal year ended, June 30, 2017. The amendment would not add \$1.3 million to the budget. Mr. Furuichi explained he had another proposal for the Fire Department.

Mr. Rosenthal stated the process was "just flat crazy." This was a City Council consideration. This was one of the oddest motions he had ever heard. There was not enough information to begin consideration of the amendment. Ms. Darrow read the following the Citizens Budget Committee page on the City website, **"The budget committee does not change staffing level, salary schedules or negotiate salary contracts. It is not the committee's role to adjust policies or priorities set by the Council, or add, delete, increase or decrease programs."** She noted a gray area in the sentence following, **"The budget committee can make changes to any of the line items in the budget to meet the goals and services established by the Council within the revenues projected."** She agreed with Mr. Rosenthal that this was not within the Committee's purview.

Roll Call Vote on amendment: Furuichi, YES, Hyatt, Morris, Nagel, Lemhouse, Runkel, Seffinger, Moran, Rosenthal, Darrow, Amery, Slattery, Cody, and Stromberg, NO. Motion failed 13-1.

Slattery/Stromberg m/s called for the question. Roll Call Vote: Stromberg, Morris, Amery, Darrow, Seffinger, YES; Runkel, Cody, Lemhouse, Moran, Furuichi, Hyatt, Rosenthal, Slattery, and Nagel. Motion failed 9 to 5.

Furuichi/Amery m/s to amend the motion by reducing the AFN budget by \$1.3 million to fund the Police FTEs and CEAP. DISCUSSION: Mr. Furuichi explained the City had spent a lot of time investing in AFN and he thought there was a better way to provide the service. He wanted AFN to find a way to fund itself with a reduced budget. Mr. Amery explained AFN finally had a platform that could be successful. Taking away funds and reducing that capability would hurt it in the long term. Removing funds was not prudent. Mr. Welch confirmed that AFN was currently covering operating costs and contributing \$409,000 to the debt reduction. Mr. Stromberg agreed with Mr. Amery. Mr. Slattery added his agreement that it was not the time to reduce funds for AFN. Mr. Furuichi clarified his intention was pushing AFN to increase their customer service base.

Roll Call Vote: Furuichi, YES; Darrow, Morris, Runkel, Lemhouse, Cody, Slattery, Stromberg, Hyatt, Rosenthal, Nagel, Seffinger, Amery, and Moran, NO. Motion failed 13 to 1.

Mr. Moran stated AFN performance had not performed well and needed attention. Even when AFN presented, they mentioned a marketing plan that did not show the necessary results. The budget showed where they were \$300,000 below forecast.

Mr. Stromberg raised point of order that Mr. Moran's comments did not pertain to the discussion on the main motion. Chair Runkel explained the Committee had the discussion on the motion. Mr. Moran's statement was out of order.

Mr. Lemhouse raised another point of order and clarified Mr. Moran could speak to the main motion and could talk about AFN as it related to the whole budget.

Runkel/Cody m/s to amend the motion to reduce the Economic Development program from \$360,000 to \$100,000. DISCUSSION: Chair Runkel explained this would allow cost savings in the budget. This area showed a weak performance, business licenses had declined and he wanted to see it centralized within the City. He was disappointed that in this budget process they had not looked at ways to save money. Ms. Cody agreed on the lack of performance and bringing it into the City. Mr. Lemhouse understood the desire to cut expenses. He thought the City could operate within the budget and did not advocate reducing the Economic Development fund. Without a detailed plan on how to use that \$100,000, it was difficult to support that kind of reduction.

Mr. Moran noted the Chamber of Commerce used to handle many of the Economic Development tasks and thought it should revert to the Chamber. Mr. Stromberg explained the Council passed a resolution allocating the Transient Occupancy Tax (TOT) with \$175,000 going to the Economic Development. He did not think the Budget Committee could undo a resolution. In addition, the City and the Chamber collaboration on Economic Development had been remarkable. Chair Runkel clarified the motion did not intend to remove money from the TOT and indicated page 2-7 of the budget and explained it was a \$100,000 in City expenses. His motion would move Economic Development back into the City. Ms. Darrow commented the motion had merit but would not support it. She did support Council reviewing different ways to appropriate money. Mr. Morris would not support the motion either. The Economic Development plan was in place. Cutting funds would cause reallocations. It did not make sense.

Mr. Stromberg raised a point of order during the roll call because Mr. Slattery and Mr. Amery abstained from the vote. Mr. Amery abstained because he was confused on how add packages would be funded. Mr. Slattery abstained because of a potential conflict of interest.

Mr. Lemhouse raised a point of order and explained a person could not abstain unless there was a conflict of interest. City Attorney Dave Lohman agreed. A committee member had to vote yes or no unless they were recused after providing an explanation.

Mr. Slattery declared his wife was the executive director of the Chamber of Commerce. Even though it was a potential conflict of interest, he wanted to recuse himself.

Lemhouse/Stromberg m/s to recuse Mr. Slattery. Voice Vote: ALL AYES. Motion passed.

Roll Call Vote: Furuichi, Runkel, Moran, Amery, Cody, YES; Morris, Nagel, Lemhouse, Darrow, Seffinger, Rosenthal, Stromberg, Hyatt, NO. Motion failed 8-5.

Mr. Runkel motioned to zero out social services grants, and the non-tourism aspects of the economic cultural and sustainability grants because TOT funded them.

Mr. Stromberg raised a point of order regarding the motion. The Budget Committee voted to accept the recommendations of the subcommittee regarding grants at the May 25, 2017 meeting. Chair Runkel withdrew the motion.

Furuichi/Amery m/s to amend the motion by reducing the health fund by \$1.3 million per year to fund the Police Department and CEAP positions. DISCUSSION: Mr. Furuichi thought the employees were doing a good job looking at ways to reduce the self-insurance nightmare. It was fiction that it would create savings in the future. He wanted them to research other insurance programs. His personal analysis showed a potential savings of \$1.5 million or \$2.1 million. Mr. Welch explained there was reinsurance on the health benefit plan. Mr. Stromberg thought this was wildly crazy and irresponsible to dismantle a self-insurance program. It was not a nightmare. Self-insurance had helped keep costs down. The City was saving \$400,000 a year. Staff was learning along the way. It was not a disaster. Mr. Lemhouse would not support the motion and did not think it was a nightmare either. The City had saved some and there was a potential to save more. Premiums had gone up nationally and the City rate had increased but not as much. He took issue with using words like “nightmare” and “crazy.” **Roll Call Vote: Furuichi, and Cody, YES; Seffinger, Runkel, Lemhouse, Moran, Slattery, Darrow, Stromberg, Hyatt, Rosenthal, Nagel, Morris, Amery, NO. Motion failed 12-2.**

Mr. Lohman clarified the Department of Revenue Budget Manual stated the Budget Committee’s role was not to directly establish or eliminate specific programs or services. The Budget Committee’s influence was most often exerted at a higher level when it approved the budget and established the tax levy. The manual also stated if a majority of Budget Committee members agreed, it could add or delete funding for specific services.

Runkel/Furuichi m/s to amend the motion and remove from the budget the expenditure of \$631,000 year one and \$631,000 in year 2 for shading of Bear Creek. DISCUSSION: Mr. Runkel explained the Department of Environmental Quality (DEQ) no longer supported this type of mitigation for shading effluent and did not think it was a worthwhile project. Mr. Furuichi noted there was \$189,000 in sewer SDCs and \$1,000,000 in fees and rates as a source of funds. He supported using that source to fund other positions. Mr. Slattery asked Chair Runkel if he had calculated what it would cost the citizenry by not doing the shading project. This was similar to deferred maintenance. Chair Runkel responded DEQ had

not given a current ruling on the temperature reduction. Mr. Slattery thought this was a City Council policy decision and not up to the Budget Committee. Ms. Darrow thought it was premature to remove the item from the budget until there was a final ruling from DEQ.

Engineering Services Manager Scott Fleury explained this was one of the projects to achieve compliance with wastewater effluent. In December 2015, DEQ proposed and passed legislation that approved Water Quality Trading or shading for credits for far field built temperature compliance. The near field compliance effort was the outfall relocation from Ashland Creek to Bear Creek. They were dual solutions and separate projects built to achieve total temperature compliance for the effluent. Alternative solutions were building a cooling tower and chillers. Shading was environmentally sound and less expensive. Costs for a cooling tower and chiller was \$8 to \$9 million in capital with \$175,000 to \$250,000 annual operating costs. The oxidation ditch was the biological treatment of the wastewater.

Mr. Fleury was not aware that DEQ no longer thought this process was viable. Staff would meet with DEQ in a few weeks to discuss moving forward with the program. Chair Runkel stated DEQ was very favorable at one point but no longer. Mr. Fleury clarified it was not a requirement and one of the ways the City could meet temperature compliance. DEQ was not requiring the City to do specific mitigation measure. They were requiring the City to mitigate the issue with a solution the City chose. Mr. Morris thought this demonstrated the issue with changing the CIP items. It affected technical, engineering, and master plan solutions by not funding them. The temperature requirement was a requirement the City had to meet. Mr. Fleury explained the temperature requirement would be in the City's new permit. The timetable was 2019. If the City proceeded before the permit, DEQ would issue credits prior to establishing the new permit itself. Mr. Furuichi agreed with Mr. Morris. The projects needed a schedule and timeframe associated with them. He submitted a document into the record from Ted Hall providing a process he wanted the City to incorporate.

Mr. Lemhouse explained amounts in the CIP were reflective of a strategy Council had discussed thoroughly years ago how to resolve cooling the effluent. He would not support the motion. Mr. Stromberg acknowledged Mr. Hall but noted there were competent people in Public Works. These projects involved serious research and consideration. Mr. Furuichi clarified he was not questioning the competency of staff. Mr. Stromberg added although the Budget Committee was highly qualified it did not have the engineering expertise and Committee members needed to be aware of the influence their words had on the viewing audience. Mr. Amery thought some of the frustration was not knowing how the City would pay for the add packages and extra head count. No one was looking at delaying projects to free up funds. **Roll Call Vote: Runkel, YES; Rosenthal, Cody, Stromberg, Hyatt, Lemhouse, Moran, Darrow, Amery, Seffinger, Nagel, Slattery, Furuichi, and Morris, NO. Motion failed 13-1.**

Cody motioned to amend the motion and remove the East Nevada Street Extension from the budget. Motion died for lack of a second.

Ms. Hyatt observed the Budget Committee was looking ahead taking into consideration PERS, forecastable economic cycles, and a static population and expectations of that population. There were also regulations, and an infrastructure that needed attention. Some of the solutions suggested tonight were products of trying to do right by the citizenry. She was struggling with the budget. Three weeks reviewing the budget was not enough time to make a decision. She thought Mr. Slattery's idea was critical. She wanted to know if the motion could be amended to include next steps for the ad hoc committee and the Budget Committee. Mr. Amery added he too struggled with budget. Predominately because he did not know the history on some items. He wanted to start planning to build the reserve fund over time to be proactive. **Roll Call Vote on main motion: Seffinger, Darrow, Hyatt, Lemhouse, Amery, Slattery, Nagel, Morris, Stromberg, and Rosenthal, YES; Moran, Cody, Runkel, and Furuichi, NO. Motion passed 10-4.**

DISCUSSION OF FUNDING FOR COUNCIL PRIORITY BUDGET ADD-INS

Lemhouse/Slattery m/s to provide a dedicated revenue stream to fund the Affordable Housing Trust Fund using City proceeds from the marijuana tax. DISCUSSION: Mr. Lemhouse commented it was not a solution to affordable housing but was a crucial piece. Mr. Slattery added this was another tool to move forward. It would grow over time. Administrative Services/Finance Director Mark Welch anticipated the City's portion of the tax would be \$100,000 for the biennium. Ms. Hyatt clarified the Budget Committee was not allowed to budget funds unless they were available and measurable. City Attorney Dave Lohman explained once the money was available they could do a supplemental budget. The purpose of the discussion was to get Budget Committee input so when it did become available, the Council would have the benefit of the Committee's input.

Mr. Lemhouse withdrew the motion.

Lemhouse/Darrow m/s the Budget Committee support the Council using City marijuana dedicated revenue steam to fund the Affordable Housing Trust Fund. DISCUSSION: Mr. Amery suggested using only part of the City portion for the Affordable Housing Trust Fund and the other portion elsewhere. Ms. Seffinger agreed with Mr. Amery and thought the second portion could go towards building the reserve fund.

Stromberg/Slattery m/s to amend the motion to establish a target level of funding up to \$100,000 a year of the City's marijuana tax portion. DISCUSSION: Ms. Hyatt was encouraged to know they could revisit the allocation in two years if needed. Mr. Darrow thought there were constraints within the ordinance itself that required matching funds and oversight. If it could not leverage the money for the intended programs, Council could address using the funds in another area. Ms. Seffinger supported the motion, it was important for the community. She thought \$100,000 was more than they would receive. Mr. Lemhouse would support the motion. Mr. Amery would support the motion but was concerned on building the reserve fund.

Roll Call Vote: Amery, Furuichi, Hyatt, Lemhouse, Moran, Morris, Nagel, Seffinger, Slattery, Stromberg, Rosenthal, and Darrow YES; Cody and Runkel, NO. Motion passed 12-2.

Mr. Morris preferred funding the Affordable Housing Trust Fund through another source other than marijuana taxes. **Roll Call Vote on amended main motion: Morris, Stromberg, Cody, Darrow, Amery, Lemhouse, Moran, Furuichi, Seffinger, Hyatt, Rosenthal, Slattery, and Nagel, YES; Runkel, NO. Motion passed 13-1.**

Slattery/Darrow m/s to fund the Climate Energy Action Plan position within the current budget as already approved, having the City Administrator, Mayor, and staff to figure out how to incorporate that position without spending more money in the budget. DISCUSSION: Mr. Slattery wanted a dedicated person to the position and there was enough room within the budget to fund one position at this level. Ms. Darrow would support the motion. The Conservation Commission had programs that already addressed some of the items in CEAP. She wanted a collaboration on the position between the City and the community. Mr. Lemhouse supported the position and the motion. He did not see an alternate revenue stream he felt comfortable using to fund the position.

Mr. Rosenthal urged a no vote on the motion. Supporting the motion effected staff three ways. Someone could lose their job to make room for the CEAP position. There was the possibility current staff did not have the expertise required for the position. It could eliminate a pertinent position when someone retired. The right way was finding a new revenue source and not sacrificing another position. Ms. Seffinger noted

this was one of the most important issues of our time. She wanted a dedicated revenue stream for the position. She would not support the motion. Mr. Stromberg thought the City needed to create a new position. The meter fee would turn out to be less than a dollar a month per meter. He would not vote against the motion but supported a new position with its own funding.

Cody/Seffinger m/s to amend the motion for funding sources for the Climate Energy Action Plan position to come out of the Electric and Water Conservation programs. DISCUSSION: Ms. Cody explained this was a viable funding source. Ms. Seffinger agreed. Mr. Rosenthal raised a point of information and asked Assistant City Administrator Adam Hanks whether this was a viable funding source. Mr. Hanks explained water and electric rates funded both divisions. Diverting funds to the CEAP position would require cuts to either division or rate increases in water or electric. Both programs did CEAP related actions already and he was not sure what they could change to accommodate the new position. Primarily the Energy Conservation Division was energy efficiency, renewable programs, and water efficiency in the Water Master Plan. Ms. Darrow clarified her second to Mr. Slattery's motion. She wanted to find within the budget, programs and other things to put together funding for the position. Mr. Hanks would bring information on what might be lost or gained regarding funding the position and options to a future Council meeting for consideration.

Mr. Lohman explained Mr. Slattery's motion would eliminate positions in the Electric Department and Public Works Department in order to have a CEAP position. Ms. Cody's amendment spoke to how it would happen. Mr. Slattery thought his motion was funding the position out of the existing budget and did not think anyone would lose his or her job to fund the position. Mr. Lohman clarified the amendment would take funds out of the conservation programs. Essentially, the only thing in the conservation programs was staff. Mr. Moran thought staff could multitask.

Mr. Hanks explained they could not fund a new position using existing funds. The two people in both divisions had full time tasks and more. Staff in these divisions would perform some of the actions in the CEAP because they already did those duties. The CEAP position was beyond what staff in those divisions currently did. Although there was overlap, the current positions could not assume CEAP position duties. They were a function of the plan but the position defined in the plan covered much more. Mr. Morris would not support the amendment or the motion. The CEAP position was not what the conservation people were doing, it was bigger. The CEAP position needed a dedicated funding stream in order for it to be successful. Mr. Slattery agreed the City needed a specialist. He just thought the funding might be available within the current budget.

Stromberg/Rosenthal m/s to call for the question. Voice Vote: All AYES. Motion passed.

Roll Call Vote on the amendment: Runkel, Cody, Moran, Furuichi, and Seffinger, YES; Stromberg, Morris, Amery, Lemhouse, Darrow, Hyatt, Rosenthal, Slattery, and Nagel, NO. Motion failed 9-5.

Rosenthal/Lemhouse m/s to amend the motion to identify the following funding sources for the Climate Energy Action Plan staff, 50% from the Electric Fund, and 50% the Central Service charges. DISCUSSION: Mr. Rosenthal explained this was the staff recommendation. He thought the intent was finding a way to create the position that did not take from something else and fund it with the most logical non-property tax-funding source. That would be from the Electric Fund and internal charges to all departments. Mr. Lemhouse would support the motion. It would not threaten jobs and the revenue streams identified were possible. However, if it turned out there were problems with this funding, he wanted staff to bring forth an alternative. Ms. Darrow could not support the motion fully. She agreed with 50% coming from Central Service fees but wanted other options instead of using the Electric fund. Mr. Amery

questioned why the motion could not have the concerned parties look within the budget to try and fund the position. Ms. Hyatt agreed with Mr. Amery and Ms. Darrow.

Mr. Furuichi raised a point of clarification and wanted further details on the funding recommendation. Mr. Rosenthal responded it was in the memo regarding the CEAP position and provided to the Budget Committee as one of two possible funding sources. The second option was raising the property tax.

Mr. Amery raised a point of clarification and confirmed the motion would increase fees in the Electric Fund. For the Central Services, staff could take it out of the Ending Fund Balance this year or they could reallocate charges. They would not be able to reallocate all the Central Services charges between now and when Council approved the budget.

Mr. Furuichi raised point of clarification to confirm there were Central Services charges to the Electric fund. He thought it was "double dipping." Mr. Hanks clarified only a small portion. Mr. Furuichi commented it would be 50.5% for the Electric Fund due to the Central Services allocation.

Stromberg/Seffinger m/s to call for the question. Voice Vote: Amery, Cody, Darrow, Furuichi, Hyatt, Lemhouse, Moran, Morris, Nagel, Runkel, Seffinger, Slattery, and Stromberg, YES; Rosenthal, NO. Motion passed 13-1.

Roll Call Vote on the amendment: Morris, Nagel, Lemhouse, Seffinger, Rosenthal, and Stromberg, YES; Hyatt, Furuichi, Runkel, Moran, Darrow, Amery, Slattery, and Cody, NO. Motion failed 8-6.

Roll Call Vote on main motion: Nagel, Runkel, Cody, Amery, Lemhouse, Darrow, Stromberg, Seffinger, Hyatt, Slattery, and Furuichi, YES; Morris, Moran, and Rosenthal, NO. Motion passed 11-3.

Morris/Stromberg m/s to add the permit ombudsman using one tenth through the Community Development building permit fee, \$20,000-\$25,000 from existing Economic Development, and the remaining from Central Service charges to the departments. DISCUSSION: Mr. Morris thought the program was long overdue. They needed the position and it would make the process more effective. He did not think Community Development could fund the position entirely. The economic development portion was appropriate for the position along with the building permit fees. Mr. Stromberg agreed with Mr. Morris. The Community Development fee increase was appropriate. Mr. Lemhouse supported the intent and confirmed raising the one-tenth percent permit fee would increase fees significantly. Ms. Hyatt confirmed with the exception of the permit fee increase, the rest of the funding would be accomplished within the existing budget. Interim City Administrator John Karns explained the methodology was three tiered. He wanted to capture people managed or advantaged by this position. The ombudsman would create a link between the departments affecting development. Development had become complex with many overlays that required a combination of efforts from several departments. It also served as an economic development tool.

Mr. Furuichi asked what the performance metrics were for the position. Mr. Karns explained the position would be a communication link between departments. A reporting mechanism would come to Community Development and Administration to check on performance of the departments and developers. The ombudsman would provide outreach for a new inter-governmental software that would allow the public and developers to view the status of their projects. Mr. Furuichi wanted to know what value the position would provide in terms of new permits and revenues. Mr. Karns replied the coordination efforts from the ombudsman would produce increased performance from the departments involved. Mr. Stromberg added the position would improve coordination, and execution. Mr. Moran agreed with Mr. Furuichi and wanted

to know the metrics around what the Budget Committee could expect for \$110,000 a year. **Roll Call Vote: Seffinger, Darrow, Hyatt, Lemhouse, Slattery, Nagel, Morris, Stromberg, Runkel, and Rosenthal, YES; Moran, Amery, Cody, and Furuichi, NO. Motion passed 10-4.**

BUDGET COMMITTEE COMMENTS

Furuichi/Amery m/s to recommend to Council there is a budget meeting scheduled in July to review the 8th quarter financial information year to date actuals compared to the 2015-17 budget and have a summary of actual fund balances at the end of that fiscal period. DISCUSSION: Mr. Furuichi thought regularly scheduled meetings were important and something he wanted to have occur monthly. A quarterly meeting would suffice. Mr. Amery agreed. There was a lot of misunderstanding on what was expected and required. Mr. Lemhouse supported the motion with the caveat there was an understanding that approving the financial report was a function of the Council.

Mr. Stromberg raised a point of order and explained the Council decided what the Budget Committee did. Meetings were something the ad hoc committee could determine.

Mr. Furuichi raised a point of clarification and explained staff was already working on quarterly financials for the Council, he was not asking for additional work. Mr. Stromberg clarified the Committee did not have the authority to require additional meetings, Council did. Mr. Furuichi reframed his motion as a recommendation to Council and thought regular meetings would eliminate the need for an ad hoc committee.

Mr. Slattery disagreed with both Mr. Furuichi and Mr. Stromberg. He did not think the Budget Committee knew the rules of engagement. The current budget process proved that. An ad hoc would sort that out for the Budget Committee. He was fine meeting quarterly or every other quarter. This budget process had not shown good government and the way the committee members were treating each other. Members could not keep from interrupting one another and that was just common decencies that occurred during meetings. The Budget Committee needed to improve how they met. This was important business and needed to be treated that way.

City Attorney Dave Lohman explained the Budget Committee did not have authority to set meetings during the off-season after the budget was approved. It was clear in the Department of Revenue Budget Manual. Local budgeting for Oregon from the Department of Revenue explained the governing body might reconvene the Budget Committee in the event the financial conditions of the district changed at the discretion of the governing body. Some of the Committee members' terms would lapse between now and the next biennium. This Budget Committee finished its work when it adopted the budget. Council could decide to call back the members but the members were not automatically members anymore. The motion was invalid because it conflicted with budget law.

Darrow/Seffinger m/s to raise the property tax the remaining 9 cents to the assessed value, raising approximately \$222,000 annually as a start to funding the commitment to funding the police officers. DISCUSSION: Ms. Darrow thought it was important to fund the officers. She was not in favor of raising utility rates and this was a valid way to get started on funding the police positions. That Ashland was a quiet town of over 20,000 people was a ridiculous notion. Up to 400,000 people came to Ashland annually and it stressed public safety and city infrastructure. Ms. Seffinger explained there were many reasons to add police staff. One was the prevention of crime. Job responsibilities were increasing. Police now had to deal with mental health issues. Police safety was an issue. The police were crucial in disaster events. Crime had also increased. Mr. Lemhouse would not support raising the property tax. He supported the additional staff and thought it would fall to the Council to find ways to fund the positions. It would take time to hire five police officers and it may occur incrementally. Mr. Furuichi supported the

additional positions. He had proposed several options to fund them that were unsuccessful. He would not support the property tax increase and encouraged Council to look at his ideas.

Mr. Morris added other options included using the state portion of the marijuana tax, or funds from the call center if it went to a separate district. Council had time to determine funding. He went on to comment on the Budget Committee discussing what to fund. The budget process was not determining who was over paid. It was an investment in the community. It was something that should continue. Throughout the meetings, he often heard references on how other cities managed their budget process and it frustrated him. If someone wanted to do things the way another city did they should move back there. Yet no one wanted to go back so there must be a reason. Mr. Amery agreed with Mr. Morris and Mr. Lemhouse. He supported more officers but was concerned on limited funds. The City could not keep spending. He wanted to allocate funding for two officers for now, create a plan and reserve funds and in two to three years add more.

Mr. Lohman noted if the motion passed it would be at odds with the earlier motion to approve the budget and set a tax rate. The Council could resolve it subsequently. Mr. Runkel explained this was why he had wanted to change the agenda. Mr. Runkel wanted to the revise the motion. Mr. Slattery commented changing the motion was not necessary at this time. Presently, there was a motion to fund the police officers using nine cents in the property tax. If that passed, they could make another the motion. Mr. Runkel questioned doing two motions when one could cover both.

Stromberg/Seffinger called for the question. Vote by show of hands: Amery, Cody, Darrow, Hyatt, Lemhouse, Moran, Nagel, Rosenthal, Runkel, Seffinger, Slattery, and Stromberg, YES; Furuichi and Morris, NO. Motion passed 12-2.

Roll Call Vote on main motion: Darrow, Morris, Stromberg, Rosenthal, and Seffinger, YES. Runkel, Lemhouse, Cody, Slattery, Furuichi, Hyatt, Nagel, Amery, and Moran, NO. Motion failed 9-5.

ADJOURNMENT

Meeting adjourned at 10:48 p.m.

Respectfully submitted,
Dana Smith
Assistant to the City Recorder