

# CITY OF ASHLAND

**Budget Committee Meeting #1**  
**Agenda**  
**May 11, 2017 at 6:00pm**  
**Civic Center Council Chambers, 1175 East Main Street**

- I. **Call to Order**
  - a. Roll call
  - b. Call for nominations for Budget Chair and Vice Chair
  
- II. **Approval of Minutes**  
September 8, 2016 Budget Committee meeting
  
- III. **Budget**
  - Rules/process review
  - Changes in document and presentation format
  - Budget message and general overview
  
- IV. **Presentations**
  - **General Fund Revenues/Public hearing #1**  
*(Persons wishing to speak are to submit a "speaker request form" prior to the commencement of the public hearing. This public hearing is specific to the proposed use of State Revenue Sharing funds.)*
  - **Administration**
  - **Administrative Services**
  - **City Recorder**
  - **Parks & Recreation**
  
- V. **Public Input**  
Public comments on budgets as presented this evening
  
- VI. **Meeting Adjourned**  
(Announce next meeting on May 18th at 6 pm)

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Administrator's office at (541) 488-6002 (TTY phone number 1-800-735-2900). Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting (28 CFR 35.102-35.104 ADA Title I).

# CITY OF ASHLAND

## Budget Committee Meeting Minutes September 8, 2016 - 6:00pm

### CALL TO ORDER

The meeting was called to order at 6pm

### ROLL CALL

Cody	Present
Darrow	Present
Furuichi	Present
Gates	Present
Lemhouse	Arrived at 6:14
Lucas	Present
Marsh	Present
Moran	Present
Morris	Present
Rosenthal	Absent
Runkel (Chair)	Present
Seffinger	Absent
Stromberg	Present
Voisin	Absent

### APPROVAL OF MINUTES

MOVED Cody

SECOND Lucas

That the minutes of the May 12, 2016 budget committee meeting be approved with the following changes;

- page 3 – “*meeting and if a serial as such are not allowed*”
- page 5 – “*to determine ~~often~~ and disagreed with Kanner’s*”

All Ayes

### **MOTION PASSED**

The chair noted that at the last meeting, it was agreed that major revenue streams would be discussed at the current meeting, but this topic never made it to the agenda and that he would like to see this on the next agenda.

### PUBLIC INPUT

Runkel requested to be recognized as a member of the public, in light of Lee Tuneberg’s, (Administrative Services/Finance Director) retirement announcement, to give a speech thanking Lee Tuneberg for his service to the City of Ashland. Runkel noted that Tuneberg has been a true professional and that the City would be losing a true asset. He also recognized that Mr. Tuneberg has brought savings to the City and his work has been recognized on a local and state (and national) level. He thanked Mr. Tuneberg for being able to provide answers quickly to members if the information was unavailable at the time of the meeting and closed by welcoming him to retirement.

Roberta Stebbins - Visitor and former Budget Committee member, expressed her memories of working with Mr. Tuneberg over the last 15 years and how she compared accounting to that of a foreign language. She thanked him for understanding that language and being an outstanding professional and wished him the best in retirement. She closed by saying that her career has been enriched working with him.

Lynn Thompson – Visitor and former Budget Committee member, announced she was shocked to hear that Mr. Tuneberg was retiring and that she felt as though his relationship with staff was professional and reliable. She fondly remembered his lengthy answers and attested these to his skill in his role. She closed with best wishes.

William Gates thanked Mr. Tuneberg for his cordial and prompt nature dealing with questions and wished him the best of luck.

Stromberg recognized Mr. Tuneberg for his contribution to the grant process in particular the creation of the spreadsheet that continues to be used to this day.

## **DISCUSSION ISSUES FOR THE BUDGET COMMITTEE**

### **Public Employee Retirement System (PERS) Update**

Kanner revisited the subject of PERS rates increasing on average in 4 different categories at about 24% and the impact of this was projected to be about \$1.5 million, however this projection done in the spring was based on projected rates from PERS, not on actual rates. He explained that actual rates would be available within two months. Kanner reported that last month the PERS actuaries reported to the PERS Board that the *actual* return on investment was lower than what had been used to create the projected rates and PERS has informed their member jurisdictions that they can expect their actual PERS rates to be at least 10% higher than projected last spring. He noted that in light of this, the City doesn't know what the actual rates will be and it seems that this could prevent the City from funding anything new in the next budget cycle.

Furuichi asked where the rate collar was. Kanner answered that the preliminary rates given were below the rate collar, therefore the new rates should still be within the rate collar, but will potentially be a shock to the system. Furuichi asked what the worst case scenario impact would be if the collar rate was used. Kanner explained that the City has not run those numbers yet because the collar that PERS uses is not a hard collar because there are provisions within the policy that allow PERS to exceed it. At this point the City is not sure if those conditions exist. He did note that even without the projected rates available to him, he feels there is a lot of room between the projected rate and where the collar would likely be. Furuichi asked if PERS could project this. Kanner answered no but the City could have their numbers as early as this month. Furuichi asked if Kanner knew where the collar is. Kanner answered this is typically 4 percentage points above where you were previously. Furuichi asked if it was time to consider a worst case scenario projection. Kanner answered it would be better to wait until the City receives their actual numbers.

Stromberg asked if the PERS assessment could go up another 10% above the \$1.5 million. Kanner answered he hoped it was only that much. Stromberg explained to Furuichi that the collar is a way of limiting the total impact of the deficit and funding for PERS so that it doesn't bankrupt municipalities, but if you hit that collar it means what you owe has increased more than that and this is a protection. He continued that it protects you but it also forces your liability into the future. Furuichi responded that he understands the concept that if the actual increase is above the collar then the City has accrued unfunded liability. The concern that he has is it will add debt to debt and adds burden to employees down the road. He noted that projections were out last spring and were dire then and said he believes they were inaccurate then.

Stromberg asked Kanner what the rate of return is on the PERS investment portfolio causing the increased deficit. Kanner believed the assumption given for crediting member's accounts was 7.5%. Moran said he thought 8.5% and Furuichi interjected that he thought it was even higher.

Furuichi expressed concern about mass retirements and believes this could be a liability that needs to be taken into account.

Stromberg asked if staff can calculate where we are in relation to the collar. Kanner explained that the collar is not a set number and varies from jurisdiction to jurisdiction. He continued that on average the collar is designed to disallow any particular payroll rate increase by more than 4 percentage points, however it can exceed it. If PERS determines the system is less than 70% funded they can dispense with the collar all together.

Stromberg reframed Furuichi's question regarding whether the City is getting into a situation where unfunded liability is growing beyond PERS rates. He pointed out that PERS raised the City's rate based on our actuarial calculation and believes we need to get these numbers from PERS. Kanner agreed noting the City's Oregon Public Service Retirement Plan (OPSRP) rates are reasonable for general service police and fire, however this will impact the City negatively and create higher rates for those departments. PERS has been warning this will be the first round of several increases and the idea behind the collar is to fix the unfunded liability over time instead of all at once. The problem this is causing PERS is the liability keeps growing. Stromberg asked if the City is about to reach the collar. Kanner explained they are looking at the unfunded liability and the ratio of this to the funded portion and when PERS gave the City their projected rates, Oregon was approximately 78% funded. The issue is not particularly rate of return as it applies to Ashland specifically, but rather what it means for the unfunded liability which is still over 70% funded even with the lower rate of return.

Runkel asked if there was any activity between municipalities and school districts to get the legislature to deal with the issue. Kanner responded there was and it is a number one priority for the League of Oregon Cities. He understood that the PERS board is putting together proposals for the legislature to consider in the next session but was unsure what they were, however he does suspect that if some are implemented we will see a lot of people rushing to retirement because it will be too costly to continue working.

Moran referred to the February 18 notes and asked Tuneberg if the City share of unfunded liability was \$3.58 million. Tuneberg answered yes. Moran asked if this had increased. Tuneberg said yes but he hasn't seen the numbers for this year. Moran questioned if we have to pay the unfunded liability or if it is used to calculate what the City has to pay. Tuneberg responded it is used to calculate what the City pays. Moran asked if it could be stable now. Tuneberg answered yes. Moran noted the projected return of this fund is 8.5% and asked what a realistic assumption of the actual return was. Tuneberg said he didn't know what PERS experienced.

Stromberg noted some municipalities issued bonds in an attempt to play the market better than PERS but that was not something the City would do. Moran asked if that was something that the City would consider doing. Kanner answered that was something PERS allowed jurisdictions to do 12-15 years ago. They were allowed to establish side accounts during a time where there was a similar problem of sharply increasing rates and he doesn't believe that PERS is allowing that at this time. Stromberg noted at the time, interest rates were high and they were attempting to take advantage of those, now it would be a case of taking advantage of low interest rates for funding. Moran thinks the City should consider this option. Kanner noted a lot of the municipalities regretted that decision when the recession hit. Tuneberg noted initial participants in that option did well but many after 2002 did not.

#### **4<sup>th</sup> quarterly financial report**

Tuneberg outlined the financial report which was presented in full at City Council meeting on August 2, 2016.

Furuichi asked what the total F&B revenues would be. Tuneberg explained this report doesn't include preliminary accruals therefore that number wouldn't be accurate until after July. Tuneberg said he did a comparison for the entire year. Kanner stated it was approximately \$2.8 million total for FY16 and the projection was \$2.63 million and they ended up approximately \$168,000 over that. Tuneberg clarified he didn't do a comparison to budget, rather a year to year. He went on to explain that Transient Occupancy Tax (TOT) is up year to year 12.9% over a total of \$2.46 million in 2015. F&B is up 8.6% over a 2015 total of \$2.65 million. Furuichi asked which category F&B appears in. Tuneberg said 20% is for AP&R open space recorded in the City Capital Improvement Funds (CIP) fund and 80% in Waste Water Fund. The report has preliminary numbers and the final numbers will show up in the Comprehensive Annual Financial Report. Furuichi referred to the summary on page 2 and asked if it includes all of the TOT & F&B tax. Tuneberg answered it is all included in Taxes on that page. Tuneberg noted the report is a city wide summary. Furuichi asked where this is allocated. Tuneberg answered on pages 12 & 15 of the report and reminded members these are preliminary numbers and do not include accruals.

Cody referred to the TOT being up 13% and asked what happens to the excess. Tuneberg explained all TOT monies go in to the general fund and excess monies are rolled over to the following year and are controlled by a resolution that council passes each year. Stromberg noted that some of these funds are marked to be used for tourism and some are unrestricted.

Runkel referred to large balances in the water, waste water & street funds and asked what the interest rates are. Tuneberg answered about .25% and that there were some that have been invested by the City Recorder that are receiving a slightly better rate. Runkel asked why they are allowed to grow so large. Tuneberg explained 68% of those funds are restricted and are specifically allocated for projects so the funds sit there and wait for a qualifying project. Runkel asked about the large increase in the waste water fund. Tuneberg explained this was System Development Charges (SDCs) and there needs to be a qualifying SDC project for use. Runkel asked if this accumulation is due to charging customers too much. Tuneberg pointed out that policy and managerial decisions dictate the money be set aside for SDC projects, money to defray future debt service, cash fund projects, and money that helps the City meet their covenants on any borrowing. It is a very complex mix of dollars. Runkel asked for a comparison of having customers fund the growth as opposed to borrowing money. Tuneberg said, depending on the project and the type of borrowing, interest costs are approximately 2.5% to 3%. Runkel believes council should reconsider growing the funds at the expense of customers and waiting until the projects arise and then borrowing the money.

Stromberg referred to the Water Advisory Committee and its determination that to raise interest rates at short notice for projects would be a shock to the community and how they recommended to increase rates slowly each year with little impact to citizens. Runkel disagreed and asked that it be revisited stating he doesn't believe the accounting is correct. Stromberg countered noting the point of the decision was to have the least impact on citizens.

Darrow asked for an update on the Health Benefits Fund. Kanner reported despite a bad year, the City is within budget. Final accruals are not yet available but the preliminary number was a 94% loss ratio. He added that the Employee Benefits Advisory Committee (EBAC) is engaged in discussions about changes to the plan to lower the cost of the benefits and these recommendations should go to Council by spring. Darrow asked about moving away from being self-insured. Kanner said it is cheaper being self-insured and since its implementation they have saved at least a \$1 million dollars, however, the City hasn't been able to build the reserves and has only paid back ½ of the loan to the reserve fund.

Furuichi asked what that \$1 million dollars means. Kanner answered if the City had remained fully insured with Pacific Source with the current plan, premiums would have gone up significantly more than with a self-insured entity. Furuichi asked if it were possible to get a cost estimate if we were to reframe the plan. Kanner explained Pacific Source no longer offers that plan and was doubtful anyone does based on its favorable benefits and they wouldn't be able to quote that for us. Furuichi asked if there were plans to change the benefit structure. Kanner said the intention of the advisory committee was to discuss the possibility of making changes and lowering the cost. Furuichi asked if staff could bring a cost estimate of that scenario. Kanner answered, assuming they could find an insurer who offered that plan then yes. Furuichi stated while he is happy for employees to have a gold plated health plan, he feels there should be full disclosure to the tax payers that they will be paying more tax to fund the current level of benefits. Kanner noted if an insurer were to estimate the cost for the current plan under their rates it would be more expensive than what we currently pay as a self-insured organization.

Stromberg referred to 2 years prior when the decision was made to move to being self-insured and how the City did an interim step because they couldn't get actuarial figures on our own covered members. At the time we were in CIS which is a state wide pool. He pointed out that CIS rates were going up 11% that year. The City came to an agreement with Pacific Source to keep the City's rate flat for 2 years. The first year saved the City \$440,000 and the second year was never calculated however the City did receive rebates. He estimated that with these combined the City has saved a lot of money, however staff would need to go back and calculate CIS increases to figure out exactly how much. He went on to explain that the City has union contracts and commitments in those contracts which somewhat limits the ability outside of bargaining periods to adjust those benefits. The whole structure of the union contracts is keyed off of fire and police who have a no strike clause. This clause gives them the right to force the City to go to compulsory arbitration and the arbitrator looks at what the City is paying and what fire and police in other jurisdictions are paying that are comparable.

Furuichi expressed concern at the lack of growth in reserves and increased losses and questioned if the City has a secondary insurance for large losses and if that would mean even more cost if that insurance was utilized. He believes the fact that the City can't find an insurance company who will quote on the current City benefits is a factor that needs to be considered. Stromberg pointed out that the reason insurance company quotes would come out higher is because those companies would be taking a profit.

Runkel referred to pages 14-15 and asked what the "other" financing sources were; \$14.9 million in water and \$5.3 million in waste water funds. Tuneberg explained these are potential borrowings. Runkel referred to page 23 and asked about the fund balance line; particularly a percentage of 6,809.1% and asked if this was a typo. Tuneberg explained this number is derived from dividing \$273,318 by \$4,014.

Runkel referred to page 24 and questioned the small amount of money that has been spent. Tuneberg explained that would be covered later in the CIP section.

Furuichi asked for clarification regarding CIP for Parks & Recreation (P&R) and asked if the 20% F&B tax goes to P&R. Tuneberg explained the System Development Charges (SDCs) and F&B tax for parks are recorded in the city's CIP Fund 410. He noted when it transferred to P&R CIP Fund (411) is called Charges for Services - Internal and is used for future funding of projects. Furuichi questioned the mismatching totals of the 410 account on page 12 and the 411 account on page 24 of the report. Tuneberg explained that because of GASB, when we move funds into a component unit, we have to name the funds differently This includes not only some portions of the \$431,530 but also prior F&B funds that were released from the 410 to reimburse for projects as well as SDCs that we might have transferred over plus transfers from other unrestricted money that isn't F&B. He explained that you cannot get an exact number here due to timing and these are summary reports.

Moran asked who negotiates union contracts for the City. Kanner responded it depends on which union we are negotiating with but the City would typically have the HR manager and in many cases Lee Tuneberg participate in the bargaining process. The City would also draw on department heads and senior staff who would typically manage the people we are bargaining with.

Moran referred to \$6.5 million in the street fund on page 10 of the report and asked what F&B tax is used for if not all being used for streets pointing out only 21% had been used to date. Tuneberg explained that \$3.68 million divided by the 2 year budget of \$18 million is how you derive 20%. Moran rephrased his question asking what street operations are used for. Kanner answered the fund pays for the 5 member street crew and the street supervisor who do routine maintenance and crack seal as well as striping, maintenance, street sweeping, and storm drain maintenance with some contracted out for slurry seal projects. This is basic repair and maintenance of the City streets and some maintenance of traffic lights. Moran asked for confirmation that this is not a duplication of the F&B tax function. Kanner answered that the F&B tax would go toward pavement management programs to overlay all the arterial and collector streets.

Cody asked what percentage employees pay toward their premium for health care. Kanner answered 5%.

Moran referred to the Telecommunication Fund & Ashland Fiber Network (AFN) on page 17 of the report and noted at the last meeting it was discussed that AFN was running below revenue budgeted and that it looks as though that's still happening. He stated he is concerned this could create a large deficit. Kanner explained that customer loss has stopped and accounts are flat. He also noted there are new rate schedules which make selling AFN more profitable for the ISPs. Moran asked if increased profit meant the cost structure has changed. Kanner said yes the wholesale price that the City charges the ISPs has changed and makes it more profitable for them to sell AFN as well as having increased the charges to purchase the service directly from AFN, which makes it more attractive to go the ISPs. Moran asked if Kanner was confident going forward. Kanner answered he can't guarantee anything but that the plan throughout has been to boost revenue and they had anticipated some increase in customers and flat customer numbers is a good sign.

Marsh commented that the City is engaged in an AFN marketing process with a goal of strengthening the relationship with the partners and being able to market the system as a whole which will be an advantage for some customer confusion that has been experienced.

Furuichi asked if the City increased rates to customers and lowered rates to wholesalers. Kanner explained one of the concerns of the ISPs was there is not enough margin between charges and wholesale cost to make it profitable to market AFN. He noted there was also concern the City was selling direct to customers. As a way to address these concerns and encourage ISPs to sell AFN the City recreated the rate structure with new services and higher speeds. They also guaranteed that we would not undercut the ISPs when selling directly. Therefore there is a higher margin if they sell at our recommended rate due to a larger gap. Also with the City selling retail direct at a higher rate than the recommended ISP rate, this encourages customers to buy from ISPs.

Furuichi asked if there were commitments to increase customer count. Kanner answered not that he was aware of. Furuichi believes the City has created a greater margin for ISP's with the anticipation they would seek out more customers and asked if our customer count was flat.

Stromberg suggested Marsh, who has been serving on the committee which helped restructure the rates, would be better to talk to this. Furuichi recalled being given a rate plan by Dennis Slattery at the commencement of his Budget Committee service and he feels that plan is wrong for the City. He believes that a plan with a good tier strategy would serve the City better. He asked if City is

doing that. Kanner answered the City is following the plan with new tiered rates related to higher speed levels and noted AFN is now able to offer higher speeds and more competitive rates than Charter®. He also noted Charter's® market style of offering lower rates and then increasing those rates in the second year of their contract and pointed out AFN's rates are very competitive in that sense. He explained the vast majority of AFN customers don't get AFN from AFN, but from the ISP's and the City made a decision many years ago that ISP's would be the primary marketing tool for selling AFN. For a period of time the City policy was that we would not sell directly to customers, however, the City reneged on this decision when one of the ISP's folded and AFN subsequently took their customers. He stated if someone comes and wants to purchase AFN direct, we will sell it to them with full disclosure that it's cheaper to go to Ashland Home Net but we will not turn people away if they wish to buy direct from us.

Marsh explained that she and the Mayor are members of the ad hoc committee who is trying to decipher functional solutions for AFN and have concluded the issue of customer confusion around the different levels of service is being addressed. Marsh suggested any one of the budget members who would like to sit down and discuss these matters were free to contact her. Furuichi said he would like to see the business plan. It was discussed that AFN service could be directly supplied to 13,000 households in Ashland but currently serves 4,000.

Stromberg pointed out that the ISP's own their customers and we are not in a free market situation where we can compete with them.

Mark Holden, Director of Information Tech. and Electric Utility, noted the City also has reduced the cost of internet which has allowed AFN to increase their margin.

### **P&R performance audit**

Michael Black presented the results of the P&R performance audit and noted that they are right at the cusp of the adoption. He presented the following information.

- Performance Audit Timeline
  - RFP Out – October 7, 2015
  - Contract Approved – January 21, 2016
  - Matrix Consulting Group \$49,000
  - Work Progression
  - Feb. 17-19 Consultants On-site
  - March 17 APRC Profile Document
  - March 30 Diagnostic Assessment
  - April 27 Steering Committee Meeting
  - June 13 Draft Report Received
  - June 21 Draft Final Report Received
  - June 26 Report Presented to P&R Commissioners
  - July-Aug. Revisions made to Final Report
  - Sept. 7 Audit Committee Approved Report
- Project Scope of Work
  - Document current services and evaluate opportunities to continue providing high levels of service.
  - Compare APRC to 'benchmarks' and to 'peer' communities.
  - Evaluate:
    - staffing and other resources
    - how services are organized
    - management, including community outreach
    - existing and potential partnerships with other public, private and non-profit entities in the region, including outsourcing



- current form of governance
- Methodology of review
  - Collected Staff and Stakeholder Input
  - Data collection and analysis of:
    - Programs, service levels and resources, costs and revenues.
    - improvement opportunities working toward detailed plans for implementation
  - Compared APRC services to national 'best practices'
  - Collaborated with APRC staff, Commissioners, City Officials and Project Steering Committee.
- Study results – Admin Division
  - Expand the CIP to include:
    - Repair and replacement plan
    - Technology plan
  - Streamline internal operations including:
    - Policies and procedures
    - Joint-use agreements
  - Create an APRC 'brand'
  - Create a golf operations unit in the Administration Division
  - Maintain existing governance structure
- Study results – Recreation Division
  - Development of a comprehensive recreation plan for the future
  - Identify community needs
  - Streamline internal operations, including policies and procedures
  - Expand customer feedback and input:
    - Program evaluation
    - Advisory groups
  - Focus on program cost recovery
  - Increase services to the underserved
- Study results – P&R Division
  - Focus on:
    - maintenance of existing facilities:
    - Quality maintenance standards/performance indicators
    - Routine maintenance procedures
    - Training
    - Volunteers, seasonal, contracting
  - Adopt a computerized maintenance management system.
  - Develop a detailed inventory of P&R and open space assets.
  - Streamline internal operations:
    - Maintenance operations
    - Public park information
- Study results – Golf Operations
  - Create *Golf Operations Division*
    - Consolidate pro shop and golf maintenance in the Admin. Div.
  - Create Golf Operations Manager Position
  - Incorporate 'business model' Management Strategies.
  - Expand program opportunities with increased marketing efforts.
  - Recognize that the golf course condition is a key element to its success.
- General observations from auditors.

- "Agency goals and objectives focus on future direction of organization."
- "Basic organizational infrastructure for success is in place."
- "Management leadership ready to move to next level."
- "Positive working relationships between APRC and the City."
- "P&R, programs and services are important to the community."
- "Streamlining internal operations, focusing on preventive maintenance and increasing services will significantly increase the APRC's effectiveness."
- "Concentrating on maintenance of existing facilities should be considered."
- Implementation process
  - Link Recommendations to Adopted APRC Goals
  - Prioritize Recommendations
    - 47 recommendations total
    - 32 groups of recommendations
  - Determine Fiscal or Staffing Impacts
  - Assign Project Managers
  - Establish Timeframe for Each Recommendation
  - Commission Adoption of Audit Recommendations and Implementation Strategy

Mr. Black closed stating he believed that all of these things can be achieved in the next 2 years.

Gates asked when the finalization date would be. Black answered Monday September 26<sup>th</sup> 2016

Mr. Black was asked by Runkel to explain the rating order. Mr. Black replied, critical, necessary and then desirable. He explained some things that may seem critical are actually desirable because they are already implemented and ongoing therefore, they aren't critical.

Moran asked Mr. Black to define cost recovery. Black answered that P&R success is measured differently than a business and unless they have an enterprise system the programs are there for the benefit of the people. Moran agreed but noted without golf clubs, you can't play golf and regarding the golf "business" P&R should be stringent because there are other golf courses around. He pointed out that personnel services cost is projected at 120% of projected revenue which has increased 150% with a 2017-19 projection of 200%. He also noted that revenue is down 10% as well as maintenance and material and services being down 12%. He said he believes P&R are paying fewer people more money to generate less revenue and that is not viable especially in a facility that doesn't cater to the entire population. Mr. Black stated he doesn't use the fact that P&R is a government organization as an excuse; staff and the commissioners look at these as businesses and try to use business models when doing so. He added when you are looking at fees and charges there is a limit that P&R can charge customers and if P&R starts charging more than other agencies, for example YMCA, things will start to taper off. Mr. Black stated that if 5 years from now, the golf course is not working, he will accept that. He pointed out that part of the audit was to determine how to fix these issues and now is the time to implement those solutions. He said the P&R Commission will make decisions based on what they think is the level of importance for maintaining these different amenities and this will dictate decisions of how much they will be subsidized and the effect on fees and charges. He also noted the golf course is open to everyone and disproportionally used by a variety of people. Moran pointed out again that while he agrees with that, the access to it is considerably less than other amenities. He used the example, unless you have golf clubs you can't use it therefore the percentage of people who can use it is low.

Stromberg pointed out that the discussion contained policy and budget issues, and that most of what Moran is discussing is how much we should subsidize a particular activity like golf and while he himself has no political interest in the matter, it is a policy of the P&R Commission. He explained whether they are using a cost accounting system that tells them all the costs and the true subsidy they are making, that is a budget issue. Moran stated he believes we should be aware of what

these costs are and make an economic decision to advise the P&R if they should be investing more money into this. Stromberg believes that a directive of that nature would be a policy decision. Moran agreed.

Runkel noted it was interesting that 6 of the 9 items in the report are critical and involve the golf course. Mr. Black explained the reason being was they spent a lot of time with the consultants at the golf course because they believe it's a viable asset and while it is a timely process he believes there is a lot of opportunity there. He explained there are other programs such as archery that are now taking place there as well.

Furuichi asked what the revenue policy for the golf club is and if Mr. Black would be bringing that to the budget committee as well as referred to the revenue model for the ice rink and asked if that was a policy. Mr. Black explained every year the commission looks at the cost recovery for all of the programs which then sets the rate, however, P&R didn't change their rates this year as it was undergoing the audit. Mr. Black said this year things will look a little different. Furuichi asked if cost recovery would be part of the revenue policy. Mr. Black answered yes. Furuichi asked if the two golfing clubs who use the course are providing any cost recovery assistance. Mr. Black answered while they pay for their rounds and organize tournaments, no fundraising was being done. He added while the volunteer system in the city is robust, it isn't highly utilized at the golf course. Furuichi asked for a full copy of the report. This was provided to him by Ms. Blackman via email.

Runkel called this item closed.

Stromberg withdrew the item he earlier requested be included due to lack of presence of budget members.

### **Capital improvement plans – project identification, funding and prioritization**

Kanner spoke to this and explained while there is no legal requirement to show a CIP in the budget or for the City to have a CIP, it is considered a "best practice" by the Government Finance Officers Association. He explained that a CIP is not a mandate or that the cost listed on the CIP is a limit to how much is spent or that funds can't be moved around to fund that CIP. He explained that a CIP identifies the need for building, infrastructure, technology etc. and determines the estimated cost, prioritizes the projects, and develops financing strategies. He noted the first step of a CIP is a master plan which determines the vision for the project and identifies the funding source. He continued that the governing body then makes its capital investment decision on basis of the long range master plans. He explained that a CIP can be driven by things other than master plans such as citizen request, neighborhood plans, and the availability of grant funds, but in general these things should be reviewed in context of consistency with the master plan. The master plan should strike a balance between the vision of the governing body, the vision of the master plan, and the City's financial capacity to fund it. Financial factors are a major part of the development of master plans which in turn drives the CIP and both cost and revenue streams need to be considered. Kanner turned the topic over to Tuneberg.

Tuneberg explained that projects are included in the budget to create appropriations. Appropriations are spending authority and are placed in the budget based on what the departments bring forward. If all things align, the City then has the ability to spend the money on that project. He reminded the committee that in the budget projects are shown as an appropriation and when the project happens it appears as an expenditure. When we add projects to the budget we must have an offset, explaining that offsets come in many different forms. Tuneberg referred to a question earlier in the meeting regarding financing in certain funds in the budget and explained that money was placed there to recognize that in order to put the projects in the budget the City may need to borrow money. He clarified that not all projects are funded with borrowed money; sometimes they are done with money on hand e.g. SDC's that grow over time. The City also puts in other financing and

referred to issuing bonds or getting bank loans or funding from other sources such as grants, but that these projects may have to be listed in the CIP and in our budget to qualify to request the grant.

Tuneberg praised Public Works for how successful they have been getting money from the State through the Safe Drinking Water Act and reminded the commission that while we budget those costs, the City doesn't actually see that money up front, it comes as reimbursements from the State.

If we borrow money and don't do a project and haven't used the money, that money sits in the ending fund balance and is used the following year. If we don't plan for it, don't borrow, and don't do it, there is no impact to the EFB. If there is money that is restricted and we don't use it, that money rolls over and remains restricted for that project, however if it rolls back into the fund the department will need to re-budget it in the next budget.

Furuichi asked if there were any 2013-2015 CIP's that lapsed. Tuneberg said he is sure there were but the departments have that information. Furuichi would like to see those identified for the committee's information.

Furuichi asked how debt service is funded. Tuneberg explained you borrow money and over 10 or 20 years it is paid back with interest. If it is an enterprise, normally it is paid back with rates and fees, if it is not an enterprise, bonds are issued and those are paid off with property tax. If it is funded by SDCs it would be repaid with SDC revenue. He added there must be a tie between CIP's and how it is paid for and if it is not paid for in cash we generate an obligation.

Cody referred to Nevada Street and its increasing cost and questioned her ability to ask questions about increases to CIPs. Stromberg reiterated the role of the budget committee and noted if the budget committee decides this isn't a solid budget we cannot recommend it. He explained when we are talking about P&R and setting rates, advice from the budget committee would be policy based.

Moran asked if a CIP didn't start in this budget cycle would the department have to re propose it in the next budget cycle. Tuneberg answered yes. Moran suggested that a start date for each program be entered into the CIP. Tuneberg agreed that this is something that could be done. Kanner asked what the budget committee would do with this information. Moran explained it was informative.

Furuichi pointed out there are a number of CIPs which span multiple years, for example the waste water treatment plant, which will cost \$7 million this year and asked what we have spent in total. Scott Fleury – Engineering Services Manager, answered \$40 million for the upgrade in 2002 when the plant was fully operational. Furuichi asked if there is a GASB34 report on the capital assets for the City that would give us that number and noted one of the questions that keeps coming up is why the City continues to spend money on the wastewater treatment plant when the F&B tax report just released indicated a surplus and that F&B could be diverted. He noted that one option was to lower that tax to 4% and another was to move it to streets and asked why. Marsh answered there is a bond payment which can't be repaid until the bond expires and therefore the surplus was recommended to go to streets. Kanner interjected and said the debt service on the wastewater treatment plant also comes from rates and a certain amount of debt payment or capital expenditure is built into wastewater rates. Additional money has been flowing into the fund for the past few years and has allowed the City to back off the projected rates that were included in the wastewater master plan. If the City had continued with that schedule they would be seeing 10% increases for the next 3 or 4 years. This has instead allowed 8% this year and 5% next year with normal inflationary increases each year after that. Furuichi asked if the surplus can pay for the wastewater plant. Kanner answered no. Stromberg explained that the street maintenance program is absolutely essential to long term care of the streets and the F&B tax is proposed for that because a lot of the people who come to the city to eat are using our streets but don't pay regular taxes. Furuichi asked how much of the F&B is actually going to the street fund because only \$2.1 million was generated. Stromberg answered it is going to pay debt service on a staged series of bond issues that match

our ability to do the construction projects to regain control of street program. Furuichi asked if the \$13 million that the City is spending on the street program covers any of the new CIP projects. Kanner answered it includes capital projects and much of that can be new construction or anticipated grants and even if we don't have the grant in hand we would appropriate it so we can spend the money if it's received during the budget cycle. He noted ongoing routine maintenance is close to \$3 million and the rest appropriated money is mostly for capital projects. It was agreed to discuss this at another time.

Kanner mentioned that staff were present to answer questions regarding CIP projects.

Runkel asked Mr. Black if the slowness of spending in P&R has anything to do with the master plan. Mr. Black answered yes, P&R is trying to get on track with spending and completing CIPs was by hiring a project manager for the first 6 months of the fiscal year. He explained that some projects moved slower e.g. Garfield Park which is \$850,000, the \$360,000 sale of a property which came through just after the fiscal year and if you add up all of the projects that are ready to go, it totals \$1.495 million which in addition to the \$360,000 property sale is 49% of the CIP budget.

Cody referred to North Mountain Park and asked how that is reflected in this budget. Mr. Black answered there are a lot of projects that have been postponed or cancelled for example projects that are too small to be considered CIP as well as two projects which happened by surprise; dry rot in the golf club house and the North Mountain Beach Street crossing where there was an issue with the possibility that the bridge could collapse.

There were no further questions on this topic.

Furuichi suggested next time CIP be placed first so that staff don't have to wait. He also asked if we could change the budget presentation to break out personnel services into salary, fringe benefits and overtime so it's more in compliance with the LL30 form from the Department of Revenue. Kanner responded that staff can look into this if space in the document allows.

Kanner noted that the tier one accounts in PERS were credited 7.75% in 2015 and the rate of return on earnings was 2.21%.

## **ADJOURNMENT**

Moved GATES  
Second LUCAS  
To adjourn the meeting

All Ayes

## **MOTION APPROVED**

The meeting was adjourned at 8:16pm.

Respectfully submitted  
**Kristy Blackman**  
Administrative Assistant

# CITY OF ASHLAND

May 11, 2017

**Dear Budget Committee Members,**

*Welcome to the first 2017-19 biennial budget meeting.*

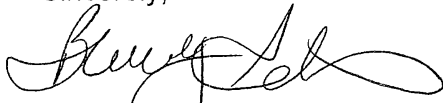
We are pleased to have your participation, and sincerely appreciate your assistance and support in helping us prepare for the coming two years.

Included in this binder you will find the following information:

1. **The 2017-19 proposed budget.** Please keep in mind that this is a preliminary draft of the final budget document which will be completed after final Council adoption in June – editing and refining of this document is ongoing.
2. **Three budget committee meeting agendas.** These agendas provide the date, time, and place for each scheduled budget meeting – as well as the departments that will be presenting each evening.
3. **A brief recap of the budget rules/process.** Please review if possible, we will also go over this briefly in the first meeting.
4. **September 8, 2016 budget meeting minutes.** Please review prior to the meeting as the motion to approve these is early on the agenda.

We look forward to a successful budget process and thank you in advance for your help in this endeavor.

Sincerely,



Beverly Adams  
Budget Officer



Document(s) Submitted at the  
05/11/2017  
Budget Committee  
Meeting

Dear City Council Members, Budget Committee Members, and Mayor Stromberg,

We are Ashland citizens who served on the Ad-Hoc Committee appointed by Mayor Stromberg that developed the Ashland Climate and Energy Action Plan (CEAP). The Ad-Hoc committee was comprised of 11 voting members, and 3 very important non-voting high school student members. In addition, two city staff planned each meeting with Councilor Rosenthal, attended each meeting, and worked closely with our consultant.

We had over thirty meetings. We planned and attended three well attended public events. Many of us (Sohl, Koopman, MacGinnis, Beigel-Coryell) met for a year prior to the formal start of the Ad-Hoc CEAP and helped lay some of the groundwork for the committee. In addition, there were countless hours (paid) put in by our consultant Cascadia. I figure that there were over 800 hours of dedicated formal volunteer hours spent drafting this plan, and this only counts the hours of the volunteer CEAP Committee members, and not the countless hours of other Ashland citizens who made great contributions to the plan.

Perhaps the strongest recommendation to come out of the final Ashland CEAP was the recommendation that a new, fully funded paid staff person be hired to guide and shepherd the plan through to fruition. The success of the plan will involve a tremendous amount of coordination between city staff, all city departments, and the Ashland Citizenry. Other cities that have passed aggressive climate plans have recognized the need for such a staff person employed by the city.

Dr. Koopman makes the following points: "I have heard from Seattle's Climate Action Planner and I have heard here at the National Adaptation Forum (which I am currently attending) as well as previously throughout the field of climate action, that the #1 most important component for success of a climate plan is to have a CHAMPION for the plan - someone in the higher level of govt. who knows the field and is absolutely able to get others to understand what needs to be done and do it. **Someone who is enthusiastic about the plan and is able to clearly articulate its importance.** Someone whose main job is to make sure every decision made in every department helps to build success. Someone who can get the public on board and work with diverse groups."

We feel it is imperative that this position be funded.

The amount of citizen participation in this process was outstanding. In particular, the input of the youth of Ashland at all of our CEAP meetings, and at nearly all of the City Council meetings in the past year regarding the climate issues the CEAP wrestled with was most heartening.

We owe it to our youth to support the CEAP Plan, and do what we can for the



future health of the planet our youth will inherit from us.

I implore you to fund the city position of “coordinator for the CEAP Plan”. I can think of no other new need for city funding that is as critical.

Thank you for your consideration.

Bryan Sohl MD	Ashland Conservation Commission, CEAP Member
Greg Jones PhD	Climate Scientist, CEAP Member
Marni Koopman PhD	Co-Chair Ashland Conservation Commission Climate Scientist, CEAP Member
Rich Rosenthal	Ashland City Council, Ashland City Council Liason for CEAP Ad-Hoc Committee
Louise Shawkat ANP	CEAP Member
Roxane Beigel-Coryell	Ashland Conservation Commission, CEAP Member
SOU, Director of Sustainability and Recycling	
Claudia Alick	CEAP Member
Jim Hartman	CEAP Member
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Cindy Bernard	CEAP Member
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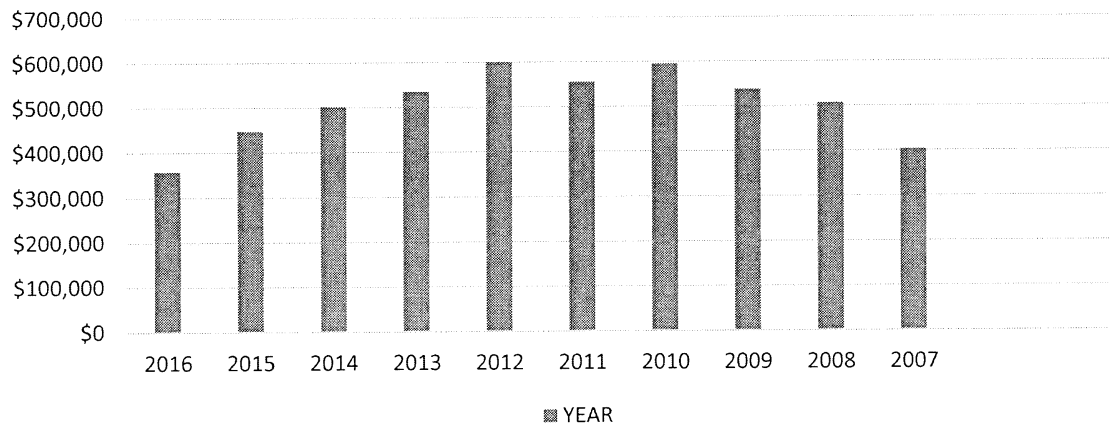
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Jim Hartman	CEAP Member
Ashland High School	
Cindy Bernard	CEAP Member
Business Owner	
Stuart Green	CEAP Member
COOP Sustainability Coordinator	

### Ashland Municipal Court Revenue Year by year comparison



<u>YEAR</u>	<u>TOTAL # OF CASES FILED</u> & percentage difference from previous year	<u>REVENUE</u>
2016	2,817 ↓18%	\$357,437.83
2015	3,441 ↓10%	\$447,640.24
2014	3,819 ↓16%	\$502,185.98
2013	4,533 ↓5%	\$534,660.82
2012	4,758 ↑27%	\$600,968.18
2011	3,759 ↓23%	\$555,586.97
2010	4,907 ↑8%	\$594,816.46
2009	4,554 ↑26%	\$537,502.25
2008	3,613 ↓21%	\$506,720.51
2007	4,585 ↓15%	\$402,506.07

During the last 4 years, 2012 to 2016, the total number of **ALL** cases filed in Ashland Municipal Court **declined by 59%**. During this same period, the total number of **Traffic** cases filed **declined by 48%**. (see below)

#### TRAFFIC COMPARISON FROM 2016 to 2012 - Revenue from Traffic Offenses

<u>YEAR</u>	<u># OF TRAFFIC CASES FILED</u> & percentage difference from previous year	<u>REVENUE</u>
2016	1,666 ↓20%	\$147,459.95
2015	2,072 ↓25%	\$185,658.23
2014	2,747 ↓18%	\$232,101.27
2013	3,343 ↓3%	\$239,522.68
2012	3,450 ↓33%	\$395,285.07

# Budget Committee Guidelines

## Purpose

The Department of Revenue's Publication *Local Budgeting in Oregon* states, "Many people rely on you, as an elected or appointed official, to see that the budget is prepared correctly." You will find the law in Chapter 294 of the Oregon Revised Statutes. The statute of first reference is "294.321 Purposes." Here it states the Budget Committee purpose:

- 1) To establish standard procedures for the preparation, presentation, administration and appraisal of budgets of municipal corporations; 294.321 (1)
- 2) To provide for a brief description of the programs of a municipal corporation and the fiscal policy which is to accomplish these programs; 294.321 (2)
- 3) To provide for estimation of revenues, expenditures and proposed taxes; 294.321 (3)
- 4) To provide specific methods for obtaining public views in the preparation of fiscal policy; 294.321 (4)
- 5) To provide for the control of revenues and expenditure for the promotion of efficiency and economy in the expenditure of public funds. 294.321 (5)
- 6) To enable the public, taxpayers and investors to be appraised of the financial policies and administration of the municipal corporation in which they are interested. 294.321 (6)

## Committee and Select Definitions

The budget committee is comprised of governing board (elected members) and citizens (appointed or elected) in equal number. Each member has an equal vote. All of them understand they have a fiduciary duty over the expenditure of public funds. This duty of care exists since it is not their money.

Below are some important definitions a complete list can be found in Chapter 294.311.

Budget – "...a plan of financial operation embodying an estimate of expenditures for a given period or purpose and the proposed means of financing..." 294.311 (5)<sup>1</sup>. It is a financial plan, an estimate of revenues and expenditures and is an expression of financial policies. It must be presented based on fund and organizational unit. 294.388 (2). And, it must contain separate object classifications for Personnel Services, Materials and services and Capital Outlays. 294.388 (3)

Appropriations – It is defined as "...authorization granted by the governing body to make expenditures and to incur obligations for specific purposes." 294.311 (3)<sup>2</sup> This is an official act required by law to spend the Public's money.

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<sup>1</sup> ORS 294.311 (5) "Budget" means a plan of financial operation embodying an estimate of expenditures for a given period or purpose and the proposed means of financing the estimated expenditures.

<sup>2</sup> ORS 294.311(3) "Appropriation" means an authorization granted by the governing body to make expenditures and to incur obligations for specific purposes. An appropriation is limited to a single fiscal year for municipal corporations preparing annual budgets, or to the budget period for municipal corporations preparing biennial budgets.

Revenue - means the gross receipts and receivables of a governmental unit derived from taxes, licenses, fees and from all other sources, but excluding appropriations, allotments and return of principal from investment of surplus funds. 294.311 (38)

Expenditure - means, if the accounts are kept on the accrual basis or the modified accrual basis, decreases in net financial resources and may include encumbrances. If the accounts are kept on the cash basis, the term covers only actual disbursement, the drawing of the check or warrant for these purposes and not encumbrances, except that deferred employee compensation shall be included as a personnel service expenditure where an approved deferred employee compensation plan is in effect for a municipal corporation. 294.311 (16)

Enterprise Fund – An enterprise fund is a fund established to finance and account for acquiring, operating and maintaining facilities and services which are primarily self-supporting from user charges and fees.<sup>3</sup>

Capital Outlays vs. CIP - CIP is a multiyear plan of Capital Outlays. These estimates included the current year but the project extends beyond the term of the annual or biennial budget. However, any Capital Outlay that is not expended and not restricted expires and must be appropriated in the next budget.<sup>4</sup>

Civil Liability – The Budget Committee does not incur any civil liability for their actions because they are authorizing an expenditure for specific purpose. However, “Any public official who expends public monies in excess of the amounts or for any other purpose than authorized by law shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.” 294.100<sup>5</sup>

Policy vs. Revenue or Expenditure – There appears to be no distinction of limitation between policy topics and revenue or expenditure topics. While it is within the Governing Bodies authority to set policy, the staff cannot execute that policy without an appropriation. Therefore, it is the role of the Budget Committee to approve the estimates and assumptions by approving the appropriation.<sup>6</sup>

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<sup>3</sup> Local Budgeting Manual, Oregon Department of Revenue Property Tax Division (150-504-420 (Rev.05-12)), pg 21.

<sup>4</sup> Appropriations expire and must be reapproved. Lee Tuneburg. Minutes from 9/8/2016 Budget Committee meeting. Historic CIP details requested.

<sup>5</sup> ORS 294.100 Public official expending money in excess of amount or for different purpose than provided by law unlawful; civil liability. (1) It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law.

<sup>6</sup> Email from a former city administrator. "...what budget committees are actually doing is approving the addition or deletion of *appropriations*. So, if a budget committee wanted to kill a program, it could vote to reduce the appropriation for that program to \$0."

## The Role of Budget Officer and Staff

The key staff person in the preparation of the budget is the Budget Officer. The Budget Officer is under the supervision of the Executive Officer and prepares or supervises the preparation of the budget message and the budget document 294.331.

The staff of the municipal corporation shall, in compliance with Budget Law, prepare a calendar, publish meeting notices, prepare the budget, prepare all required document and respond to questions of the committee.

One of the critical notices is the notice of a budget hearing that allows public comment. This notice is titled, "Notice of Budget Hearing and Financial Summary," and must be published not more than 30 days and not less than 5 days before the scheduled hearing.<sup>7</sup> The notice must include the estimate of taxes and the financial summary of the budget.

Required Budget Presentation – Estimates prepared by organizational unit pursuant to subsection (2) of this section must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an organizational unit and for special payments, debt service and inter-fund revenue transfers. This requires general and specific detail information to be provided. The format should be separated by object classification personnel services, materials and services and capital outlay.<sup>8</sup> A salary and position detail in personnel service must be provided for each program that includes classification, salary and FTE.<sup>9</sup>

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<sup>7</sup> ORS 294.448 (2) Notice to include (c) Total budget, taxes to be levied; (d) Changed in amount or rate of proposed ad valorem property taxes.

<sup>8</sup> ORS 294.388 (4) Estimates prepared by program pursuant to subsection (2) of this section must be arranged for each activity of a program. Estimates under each activity must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an activity within a program and for special payments, debt service and interfund revenue transfers

<sup>9</sup> ORS 294.388 (5) Estimates of expenditures for personnel services must include for each organizational unit or activity the total budgeted cost of all officers and employees and the number of related full-time equivalent positions. Upon request, a municipal corporation shall make available the current salary of each officer and employee, other than persons who receive an hourly wage or who are hired on a part-time basis. For the purpose of preparing a list of salaries, employees of like classification and salary range may be listed by the number of employees, the highest and lowest salaries and the total amount of all salaries, in each salary range.

## The Role of Members and the Committee

Members of the committee and the public can ask any question or comment at a public hearing. 294.426 (1)(a).

The budget committee considers the budget proposed by the budget officer and comments made by the public and may make additions or deletions. When the budget committee is satisfied, it approves the budget.<sup>10</sup>

Therefore, it is the role of the Committee to ask:

- ANY question to help understand and to be satisfied that the estimates are reasonable;
- ANY detail to clarify the assumptions on a revenue and expense estimate;
- ANY details not supplied;

The Committee may compel any City staff to answer these questions and must deliberate to become satisfied that the revenues and expenditures are clearly stated, reasonable and each member can make an informed decision. 294.428 (3)<sup>11</sup>

Deliberations – Budget Law and Public Meeting Law require all deliberations, discussions and decisions occur at open public meetings, duly noticed. The spirit of the law is to prevent decisions and conclusion outside of public review. Therefore, once a budget is presented to the committee no pair of members, including the governing body should discuss the budget revenue, expenditure and assumptions outside of a duly noticed public meeting. 192.610 to 192.690.

Pre-meeting topics – Prior to a release of a pending budget for review the topics of discussion are restricted to process, calendar, expectations, fact finding, orientation of programs, orientation on the budget document, vision, goals, spending priorities, economic projections, current or prior budgets. The budget committee may not deliberate on the budget document as a body before the first meeting. The Department of Revenue suggest that there is no discussion of:<sup>12</sup>

- Specific estimate or appropriation amounts associated with any fund or line item, resources or requirement
- The question of whether to fund specific programs or expenditure.
- The question of whether to impose any tax levy, or the amount of any levy.

### Specific powers of the Budget Committee Members

- Ask any question until you are satisfied with the assumptions, revenues and expenditures;
- Support any motion to request additional information you feel is necessary;
- Vote when you are comfortable with the estimates and tax levy.

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<sup>10</sup> Local Budgeting Manual. Oregon Department of Revenue Property Tax Division (150-504-420 (Rev.05-12)), pg 15.

<sup>11</sup> ORS 294.428 (3) The budget committee may demand and receive from any officer, employee or department of the municipal corporation any information the committee requires for the revision and preparation of the budget document.

<sup>12</sup> ORS 294.426 (6)(a) "The budget committee may not deliberate on the budget document as a body before the first meeting."



#### Specific powers of the Budget Committee

- Obtain any supporting detail requested by the members;
- Compel staff to provide details and explain assumptions;
- Adopt budget and tax levy.

Discussion and fact finding – After the governing body adopts the budget and it is certified by the County Assessor's office the Budget becomes a current document. Members are free to discuss the budget outside of a public setting if there is no quorum present. It is recommended that the topics should follow the pre-meeting limitations please see Appendix B for the notice provided by the Department of Revenue.

# Appendix A – Full Text of Select ORS Sections

## **294.100 Public official expending money in excess of amount or for different purpose than provided by law unlawful; civil liability.**

- (1) It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law.
- (2) Any public official who expends any public moneys in excess of the amounts or for any other or different purpose than authorized by law shall be civilly liable for the return of the money by suit of the district attorney of the district in which the offense is committed, or at the suit of any taxpayer of such district, if the expenditure constitutes malfeasance in office or willful or wanton neglect of duty.
- (3) On the demand in writing of 10 taxpayers of any municipal corporation with a population exceeding 100,000 inhabitants, filed with the tax supervising and conservation commission in the county in which the municipal corporation is situated, which demand sets forth that a public official has unlawfully expended public moneys in excess of the amount or for any other or different purpose than provided by law and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the tax supervising and conservation commission shall make an investigation of the facts as to the expenditure. If the tax supervising and conservation commission finds that public moneys have been unlawfully expended and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the commission shall proceed at law in the courts against the public official who has unlawfully expended the moneys for the return of the moneys unlawfully expended to the treasury of the municipal corporation. A right of action hereby is granted to the tax supervising and conservation commission for the purposes of this section.
- (4) This section does not apply to the expenditure of revenues that are allowed to be accrued from a fiscal year to the prior fiscal year under ORS 294.388. [Amended by 2001 c.399 §1; 2002 s.s.4 c.1 §89.10]

## **294.358 Expenditure and resource estimate sheets; made part of budget document.**

- (1) The sheet or sheets containing the estimate of expenditures shall also show in parallel columns the actual expenditures for the two fiscal years next preceding the current year or the actual expenditures for the two budget periods preceding the current budget period, the estimated expenditures for the current year or current budget period and the estimated expenditures for the ensuing year or ensuing budget period.
- (2) The sheet or sheets containing the estimate of budget resources shall also show in parallel columns the actual budget resources of the two fiscal years next preceding the current year or the actual budget resources for the two budget periods preceding the current budget period, the estimated budget resources for the current year or current budget period and the estimated budget resources for the ensuing year or ensuing budget period.
- (3) The estimate sheets shall be made a part of the budget document. [Formerly 294.376]

## **294.321 Purposes.** The purposes of ORS 294.305 to 294.565 are:

- (1) To establish standard procedures for the preparation, presentation, administration and appraisal of budgets of municipal corporations;
- (2) To provide for a brief description of the programs of a municipal corporation and the fiscal policy which is to accomplish these programs;
- (3) To provide for estimation of revenues, expenditures and proposed taxes;
- (4) To provide specific methods for obtaining public views in the preparation of fiscal policy;
- (5) To provide for the control of revenues and expenditures for the promotion of efficiency and economy in the expenditure of public funds; and
- (6) To enable the public, taxpayers and investors to be apprised of the financial policies and administration of the municipal corporation in which they are interested. [1963 c.576 §2; 1997 c.308 §4; 1997 c.541 §323]

## **294.388 Estimates and reconciliation of expenditures and other requirements; form and contents.**

- (1) Each municipal corporation shall prepare estimates of expenditures and other requirements for the ensuing year or budget period. The estimates must be reconciled so that the total amount of expenditures and other requirements in each fund equals the total amount of resources in the fund for the same period.
- (2) Estimates required under subsection (1) of this section must be prepared by organizational unit or by program. For purposes of preparing the estimates, "organizational unit" does not apply to hospitals, school districts or education service districts.
- (3) Estimates prepared by organizational unit pursuant to subsection (2) of this section must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an organizational unit and for special payments, debt service and interfund revenue transfers.
- (4) Estimates prepared by program pursuant to subsection (2) of this section must be arranged for each activity of a program. Estimates under each activity must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an activity within a program and for special payments, debt service and interfund revenue transfers.
- (5) Estimates of expenditures for personnel services must include for each organizational unit or activity the total budgeted cost of all officers and employees and the number of related full-time equivalent positions. Upon request, a municipal corporation shall make available the current salary of each officer and employee, other than persons who receive an hourly wage or who are hired on a part-time basis. For the purpose of preparing a list of salaries, employees of like classification and salary range may be listed by the number of employees, the highest and lowest salaries and the total amount of all salaries, in each salary range.

- (6) Debt service estimates must include separate amounts for principal and interest for each bond issue in each fund.
- (7) The estimate for a fund may include an estimate for general operating contingencies. [Formerly 294.352]

#### **294.414 Budget committee.**

- (1) Except as provided in ORS 294.423, the governing body of each municipal corporation shall establish a budget committee in accordance with the provisions of this section.
- (2) The budget committee shall consist of the members of the governing body and a number, equal to the number of members of the governing body, of electors of the municipal corporation appointed by the governing body; if there are electors fewer than the number required, the governing body and the electors who are willing to serve shall be the budget committee; and if there are no electors willing to serve, the governing body shall be the budget committee.
- (3) The members of the budget committee shall receive no compensation for their services as members of such committee.
- (4) Appointive members of the budget committee may not be officers, agents or employees of the municipal corporation.
- (5) Appointive members of a budget committee that prepares an annual budget shall be appointed for terms of three years. The terms shall be staggered so that, as near as practicable, one-third of the terms of the appointive members end each year.
- (6) Appointive members of a budget committee that prepares a biennial budget shall be appointed for terms of four years. The terms shall be staggered so that, as near as practicable, one-fourth of the terms of the appointive members end each year.
- (7) If any appointive member is unable to serve the term for which the member was appointed, or an appointive member resigns prior to completion of the term for which the member was appointed, the governing body of the municipal corporation shall fill the vacancy by appointment for the unexpired term.
- (8) If the number of members of the governing body is reduced or increased by law or charter amendment, the governing body of the municipal corporation shall reduce or increase the number of appointive members of the budget committee so that the number thereof shall be equal to but not greater than the number of members of the governing body. To effect a reduction, the governing body of the municipal corporation may remove such number of appointive members as may be necessary. The removals shall be made so that the number remaining will be divided into three, if the terms of the appointive members are governed by subsection (5) of this section, or four, if the terms of the appointive members are governed by subsection (6) of this section, equal or approximately equal groups as to terms. In case of an increase, additional appointive members shall be appointed for such terms so that they, together with the members previously appointed, will be divided into three or four, as appropriate under this section, equal or approximately equal groups as to terms.
- (9) The budget committee shall at its first meeting after its appointment elect a presiding officer from among its members. [Formerly 294.336]

#### **294.426 Budget committee meeting; notice; receipt of budget message and document; provision of copies of document.**

- (1) The budget committee established under ORS 294.414 shall hold one or more meetings for the following purposes: (a) Receiving the budget message prepared under ORS 294.403 and the budget document; and (b) Providing members of the public with an opportunity to ask questions about and comment on the budget document.
- (2)(a) If a budget committee holds more than one meeting under subsection (1) of this section, the budget message and the budget document must be received at the first meeting. (b) If the budget committee does not provide members of the public with an opportunity to ask questions about and comment on the budget document at the first meeting, the budget committee must provide the public with the opportunity at a subsequent meeting.
- (3)(a) Except as provided in paragraph (b) of this subsection, the budget officer designated under ORS 294.331 shall publish prior notice of each meeting of the budget committee held pursuant to subsection (1) of this section. The notice must contain the information described in subsection (4) of this section and must be published by one of the methods described in subsection (5) of this section. (b)(A) If the budget committee holds more than one meeting for the purposes described in subsection (1) of this section, the budget officer may publish a combined notice for all the meetings. (B) If the budget committee holds more than one meeting for the purpose described in subsection (1)(b) of this section, the budget officer may publish notice of only the first meeting. Notice of subsequent meetings may be given as provided in ORS 294.428 (2). If notice is published for a meeting under this subparagraph and it is subsequently determined that the meeting is unnecessary, notice of cancellation of the meeting must be published as provided in ORS 294.428 (2).
- (4) The notice required under subsection (3) of this section must state: (a) The purpose, time and place of the meeting or meetings and the place where the budget document is available; (b) That the meeting is a public meeting where deliberations of the budget committee will take place; and (c) If the meeting described in the notice is a meeting at which the budget committee will receive questions and comments from members of the public, that any person may ask questions about and comment on the budget document at that time.
- (5)(a) If the notice required under subsection (3) of this section is published only by publication in a newspaper, the notice must be published at least two separate times, not more than 30 days before the meeting date and not less than five days before the meeting date. (b) The notice may be published once in a newspaper, not more than 30 days before the meeting date and not less than five days before the meeting date, and once on the municipal corporation's Internet website, in a prominent manner and maintained on the website for at least 10 days before the meeting date. The newspaper notice must contain the Internet website address at which the notice is posted. (c) If the notice is published by mailing or hand delivery, the notice must be placed with the United States Postal Service or hand delivered not less than 10 days before the meeting date.
- (6)(a) At any time before the first meeting required under subsection (1) of this section, the budget officer may provide one copy of the budget document to each member of the budget committee solely for the information and use of the individual members. The budget committee may not deliberate on the budget document as a body before the first meeting. (b) If the budget officer does not provide copies of the budget document to the members of the budget committee under paragraph (a) of this subsection, the budget officer shall provide copies at the first meeting required under subsection (1) of this section.

- (7) The budget officer shall file a copy of the budget document in the office of the governing body of the municipal corporation immediately following presentation of the budget document to the members of the budget committee under subsection (6) of this section. The copy is a public record of the municipal corporation.
- (8) The governing body of the municipal corporation must provide to individuals upon request a copy of the budget document or the means of readily obtaining a copy of the budget document. [Formerly 294.4.1]

**294.428 Budget committee hearings: approval of budget document.** (1) The budget committee shall approve the budget document as submitted by the budget officer or the budget document as revised and prepared by the budget committee. The budget document as approved by the budget committee shall specify the ad valorem property tax amount or rate for all funds.

# Appendix B – Pre-meeting Topics for Budget Committee Discussions

We are sometimes asked whether the budget committee can be called together for “preliminary” discussions prior to their first “official” meeting under ORS 294.426 at which the budget message is delivered and for which notice must be published.

Following is a list of the types or topics of discussion that can be conducted prior to that first official meeting:

- Training on the budget committee process, calendar, expectations for committee members, etc.
- Committee members’ preferences for ground rules, rules of order, conduct of meetings, voting / reaching consensus, fact finding process, etc.
- Orientation on the organization and its various departments, programs, staffing, etc., and on the activities or services provided by each.
- Orientation on the budget document, the fund structure and the types of activities or programs and expenditures made from each fund in the budget.
- General discussion of vision and goals, spending priorities, or philosophy on how to allocate scarce resources or make trade-off decisions as to which programs get funded and which don’t.
- General economic projections by the finance officer of possible changes in resources or requirements expected next year.
- Any and all discussion of the current year budget or prior year budgets, including what, in general, might be done differently next year.

What cannot be discussed before the formally “noticed” meeting?

ORS 294.426(6): “The budget committee may not deliberate on the budget document as a body before the first meeting.” So, we recommend that you do not talk about:

- Specific estimates or appropriation amounts associated with any fund or line item, resource or requirement.
- The question of whether to fund specific programs or expenditures.
- The question of whether to impose any tax levy, or the amount of any levy.

## ***Budget Rules/Process***



**Local Budget law requires that a budget officer be appointed by the governing body or designated by the local government's charter. (ORS 294.331)**

The Ashland City Council appointed the Finance Director as the "Budget Officer, acting under the direction of the executive officer" to prepare or supervise the preparation of the budget document per Resolution No. 2016-33. (ORS 294.426)

### **The City of Ashland Budget Committee: (ORS 294.414)**

- 1) Is comprised of 14 members. The budget committee shall elect a Chair to preside over the budget meetings, and a Secretary to verify and sign the minutes of the meetings.
- 2) Must hold at least one meeting, receive the budget message and budget document, and hold one public hearing. (ORS 294.426)
- 3) Budget discussions must be held in a public meeting. (ORS Chapter 192)
- 4) Hears the budget message presented by the City Administrator and Budget Officer, with each department/division budget presentation to follow. The budget committee, in agreement, may request additional information at any time.
- 5) May make amendments to the proposed budget. Changes can include budgeted revenue projections, expenditures, and taxes. Generally, however, money cannot be shifted between funds.
- 6) Following presentations, the budget committee approves the budget. The budget committee will vote to approve each department/division budget as noted on the agenda or as requested by the Budget Officer. The motion may be to approve the budget "as presented", meaning there are no changes from what has been proposed by staff, or, the motion may include changes made by the committee and will be "as amended". (ORS 294.428)
- 7) Must approve, by motion, an amount (or rate) of total ad valorem property taxes to be certified to the County Assessor. Note: The City of Ashland's total approved tax rate is \$4.2865; the tax amount to be certified is \$4.1972 per thousand dollars of assessed valuation.

At this point, the Budget Committee's work is complete.

### **What happens next?**

- 8) A budget summary and notice of a public hearing is published in a local paper.
- 9) In June, the City Council will meet to hold a public hearing and adopt the budget. They may reduce any line item or increase any one fund by no more than ten percent (10%) without further public notice or hearing requirements. (ORS 294.456) The budget may be amended and adopted no later than June 30<sup>th</sup>.
- 10) By July 15<sup>th</sup>, the adopted budget and tax levy is certified with the County Assessor and a copy of the budget and adopting resolution is sent to the Oregon Department of Revenue.

