

**BUDGET COMMITTEE MEETING
MINUTES
May 11, 2017
Council Chambers
1175 E. Main Street**

Budget Committee Chair David Runkel called the meeting to order at 6:00 p.m. in in the Civic Center Council Chambers.

ROLL CALL

Present: Sal Amery
Mary Cody
Garrett Furuichi
Paula Hyatt
Greg Lemhouse
Shaun Moran
Mike Morris
James Nagel
David Runkel
Stefani Seffinger
Dennis Slattery
John Stromberg
Rich Rosenthal arrived at 9:07 p.m.

Absent: Traci Darrow

CALL FOR NOMINATIONS FOR BUDGET CHAIR AND VICE CHAIR

Stromberg/Slattery m/s to nominate David Runkel as Budget Committee Chair. Vote by Hand: all AYES. Motion passed.

Cody/Moran m/s to nominate Garrett Furuichi as Budget Committee vice Chair. Vote by Hand: all AYES. Motion passed.

APPROVAL OF MINUTES

The minutes of the September 8, 2016 Budget Committee meeting were approved as presented.

Furuichi/Slattery m/s to move Public Input to the beginning of the meeting in its normal position. DISCUSSION: Mr. Furuichi suggested extending the public hearing and possibly having public comment throughout each department presentation. Mr. Slattery supported having public input at the beginning of the meeting and suggested it occur prior to agenda item #III. Mr. Furuichi confirmed it was typical to have public input at the start of public meetings and concurred with Mr. Slattery's request. **The Chair so ordered and the Committee agreed. Motion passed.**

PUBLIC INPUT

Bill Gates/1015 Morton Street/Explained he was a member on the Budget Committee two years ago and did not approve the budget. There was not adequate information or transparency in the numbers. Timetables, not deliberation had dictated the outcomes. Councilors had informed Budget Committee members that most actions were legally at the prerogative of the Council. This year's budget had increased from \$195 million in the 2013-15 biennium to \$285 million for 2017-19. There had been no significant increase in Ashland's population. Some of the increase related to PERS and healthcare costs. Everyone had wants and needs but the City could not continue to ask the same 20,000 to pay for them. He urged the Committee to allocate wisely.

Meredith Overstreet/840 Cambridge/Wanted answers to the following: Where were the department resource pages in the budget book; when will they be added; how much of the increase was due to PERS and salary increases; what was the City's policy on paying for PERS over the next six years; detail on

miscellaneous line items with large amounts; Police Department contractual amounts; capital outlays explained and why the Public Works experienced 191% increase in personal services. She thought the utility bill should be used for central services and not every project staff or Council wanted to fund. She questioned the legalities of using utility bills as a continuous revenue for departments looking to fund projects with PERS expenses.

Susan Sullivan/305 Stoneridge Avenue/Explained a majority of citizens did not want their money spent on the Nevada Street Bridge project. They preferred supporting the position for the Climate Action and Energy Plan. Yet, the Nevada Street Bridge was in the budget. Citizens wanted a community where they could use multimodal transportation. They were paying for something they did not want. The City needed to consider the environment and what made up a community. Not an unnecessary, poorly planned bridge.

Roxane Beigel-Coryell/52 Alida Street/Urged the Committee to fund the Climate Energy Action Plan (CEAP) position. She shared her work background and her experience on the CEAP ad hoc Committee. The CEAP position required dedication and specific skills to facilitate the changes in procedures, policies, behaviors, programs, and engagement needed to achieve the climate action goals. This was not simply done or a role that could be absorbed by existing personnel. If that were the case, the City would have already established those functions. This was an investment in the future that could not be delayed.

Claire Pryor/1221 Orchid Street/Spoke on behalf of the Climate Energy Action Plan (CEAP) ad hoc Committee who developed the CEAP. The strongest recommendation for the plan was a full time CEAP position. Other cities that had passed aggressive climate plans recognized the need for a full time employee. The City and community owed it to the youth to support the plan and do what they could for the future health of the planet the young would inherit.

Kayla Fennell/1350 East Nevada Street/Asked the Budget Committee to fund the staff position for the Climate Energy Action Plan (CEAP). In March, Council approved the Climate Energy Action Plan that would reduce pollution 8% a year. Accomplishing this goal would make Ashland a leader in fighting climate change. As a young person who would encounter the greatest impact of climate change, she was concerned that without a staff position dedicated to the plan, the City would not achieve those goals. The plan called for hiring a staff position, passing the accompanying ordinance, and creating a climate and energy commission within the first year. None of this had happened yet. She urged the Committee to pass a budget that included funding for the CEAP position.

BUDGET

Rules/process review

Interim Administrative Services/Finance Director Bev Adams explained the budget rules and process. The Budget Committee could request additional information if it was unanimous. It could also make amendments. However, money could not be shifted between funds. Following all presentations, the Budget Committee would approve the budget. After presentations, the Committee would make motions and amendments. The Committee's work would end once they set the tax rate. The budget would go before Council for adoption in June.

Changes in document and presentation format

Ms. Adams explained the first section in the budget contained summaries and the budget message. The next section was departments and the Central Service Fund (CSF). The CSF complicated things because the departments had divisions funded and grouped together into the CSF. This year, staff took only the projects the Committee affected by the biennium budget and placed them behind the corresponding department.

The next section was resources and the long-term plan. Most of the department divisions were in this section with the narratives prior. The last section was the appendix that provided miscellaneous information on property tax rates, the levy, petty cash, and the financial management policies updated September 16, 2016 and approved by Council. In the Ending Fund Balance (EFB) set by Council, there were funds not able to meet the EFB. Staff would explain those funds throughout the presentations.

Motion Furuichi/Slattery m/s to approve the budget at the end of the budget process instead of approving each department after their presentation. DISCUSSION: Mr. Slattery explained the approval at the end of each night was a soft approval and something he was not fond of but it gave staff an indication of what might move forward. Ms. Adams clarified her earlier statement that the Budget Committee made requests by unanimous decision when it was actually a majority decision.

Mr. Moran expressed concern that the Budget Committee had not seen the 7th Quarter Financial Report and wanted to review the report prior to approving anything. Mr. Stromberg explained the City's former Administrative Services/Financial Director retired fall of 2016. The City hired Ms. Adams and was able to extend her interim employment through the first budget meeting. He went on to reference Ms. Overstreet's questions regarding resources and noted they were in a separate section rather than being associated with the requirements.

Mr. Lemhouse raised a point of order and commented on the importance of speaking to the motion. He agreed with Mr. Slattery on the tentative approval of department budgets with a final approval at the end.

Mr. Furuichi was concerned the Committee could not revisit a department's budget if there was new information during the process. Mr. Lemhouse thought the Committee would be able to address new information. Mr. Runkel commented the budget had many increases built into it. Approving department by department may end up being more expensive. Having a process to go back and make adjustments would be helpful. Mr. Slattery thought the soft approval motions equated to non-binding agreements and served to give staff an indication of where the Committee was regarding a department. It did not preclude the Committee from bringing things back for discussion or adjustments.

Mr. Stromberg noted it was a balanced budget and there was not anything in it that did not have funding. Mr. Runkel clarified they were assumptions, not actual money in the bank. Mr. Slattery raised a point of order and stated there was a motion on the floor.

Lemhouse/Furuichi m/s to amend the motion and at conclusion of each department presentation the Committee could provide feedback or direction to staff with a final approval at the end of all the budget presentations. Voice Vote: All AYES. Motion passed.

Roll Call on the main motion as amended. Voice Vote: All AYES. Motion passed.

Ms. Adams explained the Seventh Quarter Financial report was complete, in the Council Packet for the May 16, 2017 meeting, and available on the City's website.

Budget message and general overview

Ms. Adams explained Council wanted to preserve all core services. Finance provided guidelines to the City that included no new positions unless it went before Council. Council had approved five Police Department positions outside of the budget. Departments did not increase materials and services with the exception of costs beyond the City's control like postage and banking fees. Some departments transferred responsibilities and expenses to other areas. The Capital Outlay was prioritized and revenue sources identified.

In an effort to simplify the process, Council met in a series of meetings in April to determine priorities and funding mechanisms. They decided to wait until the budget process was complete to take action, if any, on those priorities.

The total proposed 2017-19 budget was \$286 million, a 19% increase from the 2015-17 budget. There was a 9.4% increase for total operating expenditures across all funds and personal services. Materials and Services increased 6.6% and Capital Outlay had a 50% increase.

Challenges to the budget included the rate increases for the Public Employee Retirement System PERS. The City's blended rate in 2016-17 was 16.4% and in 2017-19, it was 20.8%. Overall, rates increased 20% to 24% from PERS for a total increase of \$2.2 million for this biennium. Of that amount, the portion due to employee cost increase was \$439,500, approximately 20% of the \$2.2 million. The other 80%, \$1.76 million was due to the rate increase.

The other challenge was healthcare plan costs at a \$947,700 increase for the biennium and was a 15.3% increase over the prior biennium. The City had an employee committee looking for ways to correct or stabilize the fund.

Mr. Slattery explained the Nevada Street Bridge still needed to go to Council for approval and a public hearing. Just because it was in the budget did not mean it was approved. Alternately, he wanted more detail in the Public Works contractual services on high cost items. Mr. Furuichi agreed.

Ms. Adams confirmed the budget included the electric rate increase and would not put Council in a bind due to delaying action on the rate increase. The Budget Committee was an advisory committee to the Council. Council could change any recommendations up to 10% without reconvening the Committee. The Budget Committee could give an overall approval of an item but the Council did not have to adopt it.

The 9.4% increase in Personal Services was salary, benefits, and PERS. Hiring new people increased the PERS contribution per person.

When the healthcare plan began in 2013, an estimate was made of what the costs might be. It turned out there was not enough fund balance to cover the fund that resulted in a City loan. Since then a cycle of repaying the loan only to borrow it again had occurred. It needed a fund balance of \$1 million. Instead of repeating the cycle, what made sense was establishing a \$1 million balance to cover bad claim years. The City was asking the Budget Committee to forgive the loan to stabilize the fund so it could build the base it needed. Mr. Moran thought this was a bad precedent. Ms. Adams explained they could pay something back after a few years of building the fund balance. Healthcare costs were not predictable. The loan came from the Reserve Fund. Mr. Amery thought it was more prudent to forgive the interest and delay consideration of forgiving the loan.

PRESENTATIONS

General Fund Revenues/Public Hearing #1 – *See attached presentation*

Ms. Adams explained property tax projections for this year were 3.5% on increased and assessed valuation with a 95% collection rate. The permanent rate limit was \$4.29 and the budget was based on \$4.20. There was no increase built in for property taxes.

Significant changes included the Water Franchise increasing 2% to an original 8%. The fund decreased to 6% following the curtailment in 2009. This had no effect on what customers were paying. Another change was the marijuana tax revenues coming later this year. The tax had a state and city portion. It was not

included in the budget at this time. In Miscellaneous Revenues, \$290,000 was budgeted for parking enforcement and transferred from the Central Services Fund. There was \$400,000 from a prior parking surcharge that Council ended when parking fine rates increased. The funds were restricted but Council could lift that restriction and free up the funds.

Another significant change was Charges for Services increased from \$2.9 million to \$3.3 million due to grants ending in the Fire Department for fire and medical services. Ambulance transport services had increased because of the Affordable Care Act (ACA). Since the ACA was subject to repeal, staff considered ambulance services unpredictable and not a stable revenue stream.

The Budget Committee could discuss what went into five-year projections in the off year.

PUBLIC HEARING

Ms. Adams explained the State Revenue Sharing required two public hearings. This public hearing would be on the proposed use of the State Revenue Sharing Funds. The amount for the biennium was \$492,257. Liquor, cigarette, and eventually marijuana taxes did not require a public hearing. The public hearings were for the revenue sharing portion of the \$492,257 only.

Public Hearing Opened: 7:42 p.m.

Public Hearing Closed: 7:42 p.m.

PRESENTATIONS Cont'd.

Administration - See attached presentation

Interim City Administrator John Karns explained there were no changes in level of services in Administrative Services that included the Mayor and Council, Administration, Legal, Human Resources, Municipal Court, and Electric Conservation.

Mayor and Council

Significant items and changes showed an increase in funds for Goal Setting and the State of the City annual celebration in contractual services.

Administration

Significant items and changes saw a decrease in contractual services due to the completion of the Climate Energy Action Plan ad hoc Committee and contractor. Other Purchased Services slightly increased due to city website costs.

Legal

No significant items or changes.

Human Resources

Significant items and changes included an increase due to executive recruitments over the next two years. Other increases were associated with the Flexible Spending Accounts, Employee Assistance Programs, new employee expenses, background screening, occupational health, and pre-hire exams due to higher employee turnover.

Healthcare Benefits

The City went self-insured in 2013. At that time, staff used historical claims to estimate anticipated claims. For several years, the fund had to borrow from contingency to cover higher than expected claims. The Employee Health Benefits Advisory Committee (EHBAC) voted to implement plan design changes to

increase premiums effective July 1, 2017. It would shift more of the cost burden to the employee and reduce the overall cost of the plan. EHBAC had voted on three more changes to benefits that would help.

Municipal Court

The Municipal Court budget remained unchanged except for an increase in Miscellaneous Charges and Fees that reflected internal service charges allocated and increased software licensing fees. A decrease in staffing due to paperless court software balanced the increase in fees.

Energy Conservation Division

No significant items or changes.

Economic Development

No significant items or changes.

In addition, Administration coordinated the economic development, tourism, public art, Rogue Valley Television (RVTV), and new this year, the Diamond Parking contract. The Department assumed the economic and cultural grants this year as well.

Human Resource Director Tina Gray clarified there were no pending legal claims or outstanding legal issues. There were fixed costs then actual claims expenses. Benefit consultants performed an analysis each year regarding health insurance and continued to recommend the City remain self-insured. Ms. Gray would bring back detail on premiums and claim amounts in the \$5.75 million stated in the 2018-19 budget. Staff based the amount on projected claims. That amount would change if claims were low.

EHBAC increased the deductible and out of pocket maximum for individual and family. They also increased the preferred and non-preferred tiers for prescriptions, and kept the generic brands at a lower point. EHBAC looked at rates and developed their premiums on anticipated claims. The employee contribution was 5% and the overall premium increased 10%. Part of the premium was stop loss, employer, and employee paid. EHBAC reviewed the financial portion regularly and were setting goals.

Ms. Seffinger wanted to know how much staff time was devoted to supporting commission and committees. Assistant City Administrator Adam Hanks responded it differed on who was staffing various commissions and if there were more than one. He could calculate an average wage to determine a dollar amount.

Municipal Court Judge Pamela Turner addressed the decrease in overall court cases. The purpose of a court in the judicial system was not to generate revenue. Court did not control the number of cases or the type. The cause of the decline in revenue related to the decline in the number of cases from 2012 to 2016. The Municipal Court heard three types of cases, traffic, municipal code, and criminal. There was a 59% decline from 2012 to 2016. Of the 59%, 48% attributed to a decline in traffic citations presented to the court for adjudication. Traffic laws were enforced for the safety of the streets and community. Despite the decline, Court and staff were still busy. Having additional police officers would increase the caseload. For the fines collected, 20% went to the state. Transferring workload to the state or county was not an option.

Mr. Slattery commented on the notes at the bottom of page 2-3 that indicated the movement of programs through funds. It was difficult to track and he wanted the readability improved. Mr. Hanks explained contractual services in the economic development program included the Business Retention and Expansion Survey with the Chamber of Commerce. There were several Chamber related partner expenses. Also included, Southern Oregon Regional Economic Development Inc. (SORED), and Launch Ashland Entrepreneurial. Mr. Furuichi wanted metrics added to the budget.

Mr. Moran wanted to know why employee compensation details were not included in the budget document. Mr. Karns responded that information was in the appendix. It showed high and low range by job classification and by individual. Mr. Moran wanted to add a specific category that showed overtime and salaries for uniformed and non-uniformed employees. Mr. Karns explained staff would provide that information if there was a majority consensus of the Budget Committee. Mr. Moran clarified he wanted detail that included job classification and position, salaries, benefits, and overtime for each City employee. Ms. Adams confirmed that staff based PERS calculations on the actual rate and tier per individual position.

Furuichi/Moran m/s to get a copy of a document detailing the salary, FTE, PERS calculation, overtime, and benefits per position, in each department. DISCUSSION: Ms. Adams explained the Budget Committee already had information on salary and benefits. She could provide total salaries, fringe benefits, and the percentage difference. This was information normally requested by Council. Everything the Committee needed to approve the budget was in the budget document. The level of detail Mr. Furuichi and Mr. Moran were requesting was at an administrative decision level.

Mr. Furuichi explained he prepared budgets and always included that level of detail in case the committee or commission asked. This was public information. Ms. Adams noted that information was provided on program and department level in the budget document. Mr. Furuichi thought the information was part of the budget preparation and should include a subsidiary spreadsheet that could be requested by the Budget Committee. Ms. Adams agreed a Committee member could request that level of detail but did not think it was appropriate. Mr. Amery questioned why there was a concern sharing this information. Ms. Adams was not concerned about sharing the information but was not comfortable providing personal information. Staff could provide it by position that was actually in the recap at the back of the budget document already. It was highly unusual that a Budget Committee would ask for this level of detail.

Mr. Moran felt strongly that the overtime of each division should be highlighted and the Budget Committee should know. Personal services increased 9.4%. This was 30% of the entire budget and he thought it was fair to disclose that information. Mr. Slattery wanted more detail on individual salaries versus ranges. Overtime control was a huge deal. He thought the Budget Committee was asking for definitions of the position, how much was being spent, if there was overtime associated with it so they could evaluate, educate and advise department heads that overtime might be excessive or not.

Mr. Stromberg did not think the Committee was equipped to evaluate the complexities of overtime and used the Police and Fire Departments as examples. There was not a standard that could be applied and it required knowledge of the industry involved and union structures. The Budget Committee should not draw judgments on whether something could be changed or corrected in the budget by their analysis of overtime. It was legitimate to ask for that level of detail for understanding but not for discussion on how the City managed overtime.

Mr. Morris would not support the motion. Knowing exact salaries and overtime numbers was not necessary to approve the budget. Alternately, Council received information on overtime and it usually justified adding staff.

Stromberg/Slattery m/s to amend the motion to provide the same level of detail for just the Police Department. DISCUSSION: Councilor Slattery would vote against the motion. He appreciated Ms. Adams' reluctance but was uncomfortable with the reticence to provide the information. If the Budget Committee insisted on seeing these records, he would support that request. Ms. Seffinger thought reviewing some portions of overtime would be difficult because positions and duties were different, and some departments had no control of overtime due to outside sources and events. Mr. Furuichi clarified he was not looking for actual payroll information and explained methods he used in the past that generated salary

savings. If it was information prepared and used as analysis, he thought it should be in the budget. The information did not have to include personal names or a title, just an FTE and a rounded range. He submitted a document into the record.

Chair Runkel wanted to defer consideration of the motion for a week. Mr. Furuichi withdrew his motion.

Runkel/Hyatt m/s to table the amendment and basic motion to allow further discussion between Mr. Furuichi, Mr. Stromberg, and staff. Voice Vote: ALL AYES. Motion passed.

Administrative Services - See attached presentation

Finance

Significant items and changes:

- Communications - \$56,000 in postage – transferred from Accounting
- Contractual services - \$4,000 armored car services
- Contractual services - \$27,000 cost allocation study
- Contractual services - \$145,000 to admin and parking
- Miscellaneous charges and fees - \$650,000 banking fees
- Personal Services – Finance division decrease

Ms. Adams explained \$706,000 of expenses transferred to Finance from the City Recorder's budget. The City Recorder's budget for banking fees was never enough to cover all expenses. This year, staff increased the amount to eliminate the need of doing a supplemental budget.

Customer Services

Significant items and changes:

- Personal Services - \$7,000 – temporary help for the conversion to Munis and data entry
- Contractual Services - \$12,700 - web portal/IVR - allowing 24-7 payment options online or phone
- Miscellaneous Charges and Fees - \$8,000 - business licensing fees and software

Accounting

Significant items and changes:

- Communications – decrease in postage
- Contractual Services – increase costs for audits
- Capital Outlay – last of the Munis software conversion – \$196,000 left on conversion will complete project this year

Insurance Services Fund

Significant items and changes:

- Insurance - \$63,400 - 6.8% increase
- Capital Outlay - \$180k for a City lock system

Replacing the City lock system would come out of the Capital Outlay. The remaining \$300,000 in the Capital Outlay was a reserve for pending litigation. Assistant City Attorney Doug McGeary explained it was based on what may be alleged against the City. If a lawsuit did not occur, it would go into the carryover.

Miscellaneous

- Homeless Shelter - \$8,000 for homeless shelter
- General Fund – Utility bad debt expense - \$11,000
- Parks Contracted Services - \$10.6 million
- Capital Improvements Fund - SDC Parks Open Space Division - \$1.9 million

Mr. Rosenthal arrived at the meeting at 9:07 p.m.

Debt Service Summary

- YE 2017 - \$27, \$346,151 - Less retirements - \$7,958,222 (per capita \$1,326.20) + projected addition of \$16,6718,403 = YE 2019 - \$36,106,332

Bancroft Debt Division

- No proposed budget against it

Notes and Contracts Debt Division

- \$195,479 in payments for Parks notes

Geo Bonds Debt Division

- \$3.5 million debt on Fire Station 1 and 2

Reserve Fund

Significant items and changes was the Healthcare Fund loan forgiveness of \$525,000.

Central Services Fund

- Revenues: Transfer in from CIP
- Expenses: Transfer of expenses between departments, reduction in capital outlay, overall 1.9% increase in budgeted expense

City Recorder - *See attached presentation*

Significant items and changes was the transfer of banking fees to Administrative Services.

Parks & Recreation - *See attached presentation*

Significant items and changes in Administration and Park Operations:

- PERS and Insurance
- Parks Acreage increased 50 acres
- Trails Maintenance
- Senior Program Transfer

Significant items and changes in Recreation:

- Swimming Pool
- Grove Recreation Center
- Golf Course
- Senior Center

Parks and Recreation Director Michael Black explained expenses increased \$1.5 million because of \$857,000 in Capital Improvement Projects (CIP).

Staff projected revenues for the Golf Course to stay flat. They were in initiating recommendations from a performance audit as time permitted. The City originally leased the Golf Course and that could happen in the future. The Golf Course was an asset to the community that the Parks Commission chose to subsidize at 40%. It was difficult to monetize every value out of the Golf Course. The performance audit made recommendations that included evaluating all the structures, infrastructure, and business operations. At this time, they were only able to budget a full evaluation and possible replacement of the irrigation system. Eventually they would be at a point to develop a master plan.

Parks Commission Chair Mark Gardiner clarified none of the parks or programs the Parks and Recreation Department offered to the community had a 100% return. Most were subsidized. The Golf Course was one component of the myriad of systems and programs offered to the community. It will never return 100%. It will be a municipal golf course and an inexpensive way for the community to play a round of golf. The goal was always for cost recovery but most likely would not occur any time soon. Mr. Black added they recovered 57% in 2014-15 that went down to 49% 2015-16 to 49%. They were expecting 60%.

Golf course green fees were sensitive. Increasing fees often led to a decline in participation. Revenue per visit averaged out to \$15.71. It cost the Parks Commission \$28 per visitor if actual expenses were included for a total subsidy of \$12 per visitor at approximately 44%. These numbers applied only to visitors who checked in at the Golf Shop since there were no controlled entry points at the Golf Course. The \$609,000 included all fees collected at the Golf Course.

Mr. Black addressed the swimming pool replacement and the possible bond measure that would pay for the renovation. If the bond failed, they would not go forward with the project. Staff was working on design with a pool consultant. The survey was recently completed, and they were doing work on elevations before going to the public. The actual plan for the pool was forthcoming. A pool with a building that operated year round would cost approximately \$7 million. However, staff found a way to have an eight-lane pool with a small area for recreation and a temporary seasonal cover for \$3.25 million. If approved, the project should take at least six months.

An increase in the recovery rate of taxes and reducing a .8 FTE position at the Senior Program for the entire biennium helped offset a \$300,000 shortfall in the budget. The major increase in the Miscellaneous Charges and Fees were Central Service Fees for internal charges like fleet maintenance, and bank charges. Chair Runkel wanted the Miscellaneous Charges and Fees detailed for future budgets. Mr. Furuichi thought it should be called Central Service Charges instead of Miscellaneous Charges and Fees. Ms. Adams read the description for Miscellaneous Charges and Fees included Central Service Fees, Insurance Services Fees, and Facility Use Fees, Technology Debt, and software licenses.

Mr. Black noted an oversight that the budget document did not include expenditures for equipment. There was \$450,000 revenue and would add expenses to the budget at \$450,000 for the next meeting.

ADJOURNMENT

Meeting adjourned at 10:08 p.m.

Respectfully submitted,
Dana Smith
Assistant to the City Recorder