

**BUDGET COMMITTEE MEETING
MINUTES
May 18, 2017
Council Chambers
1175 E. Main Street**

CALL TO ORDER

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

ROLL CALL

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

Absent: Paula Hyatt
John Stromberg

PUBLIC INPUT

James McGinnis/629 Altamont Street/The idea in the Climate Energy Action Plan (CEAP) was reducing Co2 and learning to adapt to climate changes that would happen regardless of changes made now. He supported a CEAP position.

Andrew Kubik/1251 Munson Drive/Addressed topics discussed at the May 11, 2017 meeting. He did not think five new police officers were necessary. He wanted the CEAP position combined with the Parking Manager position. He quoted statements former Interim Administrative Services/Finance Director Bev Adams made and hoped the Committee thought about what she had said.

Meredith Overstreet/840 Cambridge Street/Wanted to know the actual cost of the five police officers over the next six years with benefits and how the City would fund them over time. How much of the blended PERS came out of the Water and Wastewater funds. How much of PERS came from Water, Wastewater, and Electric rates. She wanted the Committee to see detail on employee salaries and overtime. She took issue with the appointment of James Nagel to the Budget Committee and thought he had very little experience in the finance industry.

Chair Runkel responded Mr. Nagel had a long experience in Ashland, knew the community and the citizens, and provided a good balance on the Committee. Mr. Rosenthal explained Mr. Nagel had decades of experience working with public budgets as a budget manager at Ashland High School. He was most likely the only one in the Committee with direct experience in this type of budgeting. Mr. Nagel was a huge asset to the Committee. Mr. Lemhouse noted Mr. Nagel had over 30 years of experience and disagreed with Ms. Overstreet's assertion he was not qualified.

Bella Mannray/2745 Diane Street/Was a high school student and part of the Climate Youth Action. If Ashland achieved the 8% mitigation goal, it would create clean energy jobs and save money on utility bills. She supported hiring a Climate Energy and Action Plan (CEAP) position.

Jim Hartman/1033 Clay/Shared his teaching credentials and participated in the Climate Energy Action Plan (CEAP) ad hoc Committee. He read from a document submitted into the record supporting a CEAP position.

Cate Hartzell/859 C Street/The manual online that explained the records requests for the state stated it was not appropriate to ask a requestor how they would use the information. It also applied to the request for salary and overtime information on city employees.

Robert Block-Brown/50 Pine Street/Submitted a document into the record. He supported the Climate Energy Action Plan (CEAP) position. Climate change was challenging. It would get worse for his children and grandchildren.

Gracia Dodds/1575 E Nevada Street/Supported funding the Climate Energy Action Plan staff position. She had seen firsthand the effects of climate change occurring in the forests already.

Bill Gates/1015 Morton Street/ Noted the Fire Department had requested three positions in the last budget after the City had said no additional staff. In this budget, the Fire Department was requesting three more positions. The same thing was happening in the Police Department. He thought the process was disingenuous and needed review.

Ron Roth/6950 Old 99 South/Spoke on the interfund loan to pay for AFN. Currently the loan was around \$11 million. He suggested putting AFN debt as a top line item on the budget and divvy up what was left over.

Irene Augsburger/99 Wimer Street/Increasing utility fees and property taxes was driving people who had lived in Ashland for years out of town. She did not support increasing utility fees for additional police staff or residents being treated as “cash cows.”

Sarah Lasoff/261 Otis Street/ Participated in the Climate Energy Action Plan (CEAP) ad hoc Committee and helped start the Ashland Youth Climate Action group. The City of Eugene did not act on their climate plan until there was accountability. She supported a CEAP position.

Louise Shawkat/870 Cambridge Street/Submitted a document into the record supporting the Climate Energy Action Plan (CEAP) position.

Interim City Administrator John Karns introduced Mark Welch, the new administrative services/finance director. Mr. Welch provided information on employee salaries, wages, temporary personnel, overtime, and benefits.

OLD BUSINESS

- a. Motion by Garrett Furuichi with pending amendment by Mayor Stromberg regarding request for additional information.**

The motions from the May 11, 2017 regarding the topic included:

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.

Stromberg/Slattery m/s to amend the motion to provide the same level of detail for the Police Department.

During the discussion on the amendment, 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.

Councilor Lemhouse explained if Mr. Furuichi withdrew his motion, he could make a new one.

Mr. Furuichi read **Oregon Budget Law 294.358 Expenditure and resource estimate sheets**, paragraph 3 that stated, “The estimate sheets shall be made part of the budget document.” In **294.388 Estimates and reconciliation of expenditures and other requirements, form and content**, paragraph 5: “Estimates of expenditures for personal 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 purposes 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 in the total amount of salaries in each salary range.”

Furuichi/Cody m/s that staff provide budget support in compliance with Oregon Budget Law 294.358(3) and 294.388(5). DISCUSSION: Mr. Furuichi thought it would bring up more questions and was a good start. Mr. Lemhouse would support the motion. It was consistent with what Mr. Welch said at the May 16, 2017 Council meeting that if it was within the law and public record it should be made available. Instead of listing employee names, he suggested using numbers by classification.
Roll Call Vote: Rosenthal, Cody, Darrow, Lemhouse, Moran, Morris, Amery, Seffinger, Nagel, Slattery, Furuichi, and Runkel, YES. Motion passed.

Mr. Furuichi suggested Mr. Welch refer to forms **OR-LB-20 Resources** and **OR-LB-30 Requirements Summary** as a format for what information he was seeking. Mr. Welch thought some of the information given to the Budget Committee earlier addressed part of the request. Mr. Furuichi and Mr. Welch would determine details and a timeline outside of the meeting.

b. Review of Budget Message and May 11 presentations resulting from public release on May 12 of 7th Quarter 2015-17 financial report.

Mr. Slattery wanted line items on what the City was spending in Contractual Services added to the quarterly report.

Mr. Amery addressed the \$525,000 loan forgiveness for the healthcare fund. He noted a discrepancy with the loan. On page 1-7, it showed as \$525,000 and on pages 3-50 and 3-51 it was \$625,000. He wanted to discuss alternatives to forgiving the loan. He suggested delaying interest for 3 to 5 years and if it was still paying back forgive it then.

Human Resource Director Tina Gray explained the City would continue to transfer money back and forth to avoid a budget violation if it was unable to pay back the loan. The Employee Health and Benefits Advisory Committee (EHBAC) asked for loan forgiveness in an effort to build and stabilize the fund. If claims remained at the same level, the City would finish the year with a balance between \$600,000 and \$900,000. It would provide an opportunity to build towards the \$1 million target. Implementing the changes the EHBAC recommended would result in a \$166,793 savings this year based on claim activity from the year before.

Mr. Furuichi conducted an analysis of existing health plans on his own and thought the best plan was instating a \$1,000 deductible for individual plans and \$2,000 for families. Mr. Amery wanted to create a group to determine alternatives for the loan. Mr. Moran commented it was included in the budget, and forgiving a loan set a bad precedent. Mr. Welch would research the item and address it at the next budget meeting.

Mr. Furuichi expressed concern about annual revenue projections in the 7th quarter forecast. Mr. Welch explained staff built the budget with the best information available. It was an estimate and projection that included grants the City may or may not receive. The intergovernmental revenues were budgeted at \$14 million and were currently \$4 million. Removing potential grants from the estimate showed they were close to the projections. In addition, some capital improvements were not done.

Mr. Welch confirmed expenditures for Personal Services and Materials would come in this year within the budget. Charges for Services, Rates, and Internal Fees were budgeted at \$109 million and the City had already collected \$96.7 million at 88%. Total collections were trending close to the budget number.

PRESENTATIONS

Police – *See attached presentation*

Police Chief Tighe O’Meara clarified the budget did not contain costs for the five new officers Council authorized. Current staffing levels allowed for one supervisor and three officers on each shift. Due to vacations, training, and sick time, it was often one supervisor and two officers. Any contentious incident required at least two officers present. At minimum staffing, the Police Department could handle one contentious situation at a time. Anything more than that, they had to call other jurisdictions for assistance. Five additional officers would add one more officer on each shift and restore the School Resource Officer (SRO) program. Additional patrol cars were not necessary. The Police Department would absorb equipment costs into the current budget without ramping up uniform and equipment line items.

Administration

Significant items:

- Contract negotiations with the Ashland Police Association (APA)
- Possible Records Management System (RMS) upgrade in conjunction with Medford Police Department and potentially costly
- Potential retirements within leadership, preparing for promotions
- Eventual re-engagement with regional partnerships

Significant changes from last cycle with a total increase in contracts of \$256,390 over the biennium:

- Jail bed rental \$73,000 per year
- ECSO (dispatch) increased by \$57,877 in the first year
- Radio Contract went up to \$20,000 per year
- Body Cam retention went up to \$15,000 per year
- This adds up to \$300,354 additional in contracts – Not reflected 1:1 in numbers

Support Division

- No significant changes

Operations Division

Significant items and changes:

- Bringing on 5 new officers
- Re-engaging the SRO program
- Increase in case load
- Increase of special events

- Increase in response times

Funding peripheral costs – each new officer’s equipment – Total Cost: \$9,696

- Uniforms/body armor \$2,038
- Gun belt etc. up to \$654
- Hardware (Gun Taser, body cam etc.) up to \$6,452
- Miscellaneous (business cards, etc.) up to \$552

The cost to fund the five new officers in the first year of the budget cycle was \$560,000 and included salary, peripheral costs, and overtime. There were long term funding options and one was the Emergency Communications of Southern Oregon (ECSO) dispatch going to a Special District. If that happened and it pulled funding from property, there was a possibility the funds going to ECSO could be used for new staff. In addition, there was an unknown amount of money coming from state marijuana taxes restricted for law enforcement.

Part 1 crimes included murder, rape, robbery, aggravated assault, burglary, auto theft, and larceny and had increased significantly in 2016. Violent crimes consisted of murder, rape, and aggravated assault. These types of crimes doubled. Clearance rates remained higher than the national average, 40% for all part 1 crimes, and 90% for violent crimes. Chief O’Meara noted the frequency of incidents where other officers were engaged and no one was available to respond to other calls or there was only one officer to cover the city. Ashland did not have a reserve program, but did have 25 volunteers that performed courier work and light patrol. Mr. Nagel commented on the benefit of having an SRO on school campus.

It took approximately an hour to transport someone to the Jackson County Jail. The new ordinances addressing downtown behavior was a minor part of the need for more officers.

Ms. Cody addressed section 2-40 and noted from the 2013-15 biennium to the 2015-17 biennium, there was an \$800,000 difference in Personal Services. Chief O’Meara explained the last police contract negotiation resulted in an immediate 5% increase for union members. The next increase was 2.5%. Mr. Welch added when salaries increased it often resulted in benefit allocations changing as well.

Ashland Police Department had 1.3 officers for every 1,000 residents. The national standard was 1.8 officers per 1,000 residents. The average for cities the size of Ashland was 2.0 for 1,000 residents. Ms. Cody shared ratios to other cities in Southern Oregon she had compared. Chief O’Meara responded those communities were also understaffed. He cautioned against comparing case numbers in Medford to Ashland. Each department used different processes on issuing case numbers. Alternately, they were two separate communities and sizes.

Chief O’Meara confirmed that police and fire departments were strike prohibitive unions by state statute. As a result, it posed as a variable for long term budgeting, and was why some of the fringe benefits were higher. If contract negotiations broke down an arbitrator would hear both sides and make a decision.

Mr. Moran referenced a white paper on police staffing he submitted to Council and staff early April and wanted to know why hiring cadet’s was not a possible solution. Chief O’Meara explained the Police Union had concerns with the cadet program and thought it skimmed work from union paid officers. The union allowed the Police Department to increase to eight cadets with the caveat Chief O’Meara would add police staff. Cadets could only focus on a narrow scope and were not a solution to police officers. He attributed the decrease in cases to the officers not having as much time and the Police Department using an educational approach instead of a citation approach.

Mr. Moran was concerned with the projections for 2021-23. It showed a nearly 90% increase in costs for salaries and personal services and did not include the five new officers. Mr. Lemhouse responded projections on City staff was useful but not necessarily hard fact. Senior staff that retired was some of the highest paid staff. They were in the top pay range and some had Tier 1 PERS. Turnover would create lower costs for younger staff. The Committee should be aware of the projections but realize many changes would happen between now and then. Mr. Welch would look at the projections. One of the drivers was the PERS increase that would occur over time. He would provide an update by the next meeting.

Mr. Runkel wanted a new page 2-40 showing the increase with additional police officers and any add packages before the next meeting. He suggested having a fourth meeting to approve the budget.

Chief O'Meara explained Wednesday through Saturday were the busiest nights of the week for the Police Department. He did not think hiring off duty officers to cover busy periods was feasible and doubted the Police Union would approve that action. A business trespass affidavit was a letter a property owner signed giving the police permission to take trespass enforcement action against an individual if the property owner was not there. Private security might help those situations but ultimately the Ashland Police Department was responsible.

Fire – See attached presentation

Interim Fire Chief David Shepherd explained they moved the Firewise Coordinator position out of the Fire & Life Safety Division to the Forest Division.

Fire & Life Safety Division

Significant items and changes:

- Firewise Coordinator and Firewise grant funds moved to Forest Division
- Fire Prevention grant funds expended

Forest Division

Significant items and changes:

- \$6 million Oregon Watershed Enhancement Board (OWEB) Grant
- Firewise Coordinator and Program Grant funds moved to division

Operations Division (Fire/EMS)

Significant items and changes:

- Three new firefighters hired during last biennium
- PERS and Health Insurance Increases
- Reduction in overtime expenditures

Increases to Personal Services

- Three new firefighters - \$600,000
- Increase in PERS - \$372,000
- Increase in Health Insurance - \$283,000

Decrease to Personal Services

- 25% Reduction in Overtime = \$213,000

All 30 line members in the Fire Department were paramedics including Chief Shepherd. Even with three new hires, the Fire Department experienced overtime due to vacation, comp time, illness, trainings, and project work. To maintain a minimum level of staff the Department hired back off duty firefighters at overtime pay to cover 24-hour shifts. Currently, they were down two firefighters and that contributed to overtime as well. However, for the current biennium to the projected biennium, the Department had a \$213,000 reduction in total overtime pay.

Chief Shepherd addressed hiring a deputy fire marshal to work with the fire marshal/division chief. They wanted the fire marshal/division chief position to have some background in emergency planning. They would apply funds for the part time weed abatement and part time clerk positions to the deputy fire marshal salary. At this time, Chief Shepherd did not think the position would happen.

The Fire Department hired three firefighters in 2016 with the assumption the reduction in overtime would fund those positions. That did not occur due to injuries, illnesses, and leave. Just recently, they were returning to a full staff and working at the 8-10 staffing level.

Chief Shepherd went on to address metrics and explained they were no longer using call response time because often the information entered was not always thorough. Ambulance revenue was higher than staff estimated for the 2015-17 biennium due to an increase in transporting patients. He could not speak to a future request for new hires through a supplemental budget.

He went on to confirm that 30% of ambulance transports were not re-transports to other locations. In January 2017, the Fire Department asked permission from Council to apply for a SAFER grant that would fund three firefighters with the understanding if the Fire Department received the grant it may not have enough money to cover the matching portion. There was always an option to turn a grant down. The SAFER grant would have provided three additional firefighters over a three-year period with a \$460,000 match from the City. The grant did not require the City to retain those employees once it ended.

Not every call resulted in an ambulance transport. Calls increased 35% because Ashland had a larger senior population. The ambulance service provided a great source of revenue for the City. Collaborating with Mercy Flights took revenue from the City. At this point, it made sense to continue providing ambulance transport service. The Fire Department had an ambulance service contract with Jackson County that renewed every five years. Ashland Fire and Rescue had maintained the contract for twenty years. Losing the contract would result in changing the model of how the Fire Department provided service to Ashland citizens.

Chair Runkel wanted the miscellaneous amounts shown on page 2-47 broken out in detail. Chief Shepherd explained payroll was higher than the Police Department because the Fire Department had more 24-hour shift employees. Page A-25 provided an explanation of each line item.

Electric – See attached presentation

Electric Utility Manager Thomas McBartlett presented on the following:

Electric Distribution

Significant items and changes:

- Franchise Fees - \$201,000
- Central Service Fees - \$88,000
- Wages - \$166,000
- Benefits - \$298,000
- Decreases of \$360,000 offset some increases

Electric Supply

Significant items and changes:

- BPA energy – \$1.1 million
- Central Services - \$40,000
- FERC mandated Dam repairs

Electric Transmission

Significant items and changes:

- BPA transmission charges - \$305,000

Revenues

Significant items and changes:

- Move towards “cost of service” rate model
- More equitable rates
- More transparent rate methodology

Mr. McBartlett explained the Electric Department did not budget for the 10x20 ordinance other than some professional services with the engineering staff and a few items done preliminarily. The change in rate structure would not affect the 10x20 ordinance. It was a methodology to recover costs appropriately and remain financially viable and healthy. Director of the Electric Utility/IT Mark Holden added there were some engineering services built into the budget for preliminary studies. If the City developed a solar energy system, they could sell the energy to Pacific Power or use it for the City. Solar was expensive at this time and the City would blend it into the rates.

The City hired consultants to conduct specific studies because it did not need to maintain that level of expertise on staff. The cost analysis on the North Mountain Avenue Substation required a high level of equipment expertise. Mr. Holden added the City did not carry that level of engineering expertise within the utility itself. It was not necessary and the expense if they did would far outweigh what staff did in professional services.

The original contract with Bonneville Power Administration (BPA) limited the amount of money an entity could withdraw from a municipal utility to 5% of revenue. BPA did that because it was providing preference power to municipalities at a low rate and did not want municipalities to take advantage and enrich themselves. Staff was currently waiting to hear from BPA if it was still in the contract. The contract was amended several times a year.

Information Systems Division – See attached presentation

Computer Services Manager Dan Hendrix presented on the following:

Significant items and changes:

- Personal Services - \$176,397
- Communications - \$49,000
- Miscellaneous Charges & Fee - \$89,740
- Capital Projects - \$307,000
- Overall Budget Reduction: \$96,363

Telecommunications Division – AFN – See attached presentation

AFN Operations Manager Donald Kewley presented on the following:

Significant items and changes – expenses:

- Technical Supplies decreased \$218,000 through contract renegotiations
- Capital Outlay decreased \$145,000
- Marketing – increased \$49,800 for continual improvements in marketing
- Salaries & Wages increased \$34,000 due to PERS
- Fringe Benefits increased to \$66,000 due to PERS

Significant items and changes – revenue:

- Revenue from sales is growing year over year
- Previous Revenue Goals – not achieved
- Television ISP new contracts caused a \$28,410 reduction

In the previous biennium, AFN grew 1.2%. During the current biennium, it grew 4.26% and in the upcoming budget, they were anticipating a 6.3% growth. Contract renegotiations affected revenue. To remedy the situation they brought in a marketing consultant. They adjusted processes to align with the new marketing plan. The estimated final Charges for Service for 2015-17 was \$4,580,381 and approximately 7% lower than indicated in the prior budget. Even though AFN did not meet the 2015-17 amended revenue goal, it still showed growth.

AFN paid \$818,000 towards the debt each biennium. A new marketing campaign would include community education and benefits. Increasing customer base decreased the debt. ISP rates for AFN were lower than going directly to AFN. All rates were similar to Charter to avoid predatory pricing.

AFN used both fiber and cable in lieu of using wireless because it was less expensive. They were targeting over 6.8% growth in revenue through marketing efforts.

The \$300,000 shortfall in the 7th Quarter Report was due to the delay in the marketing plan. AFN lost a manager that created an impact. When they hired Mr. Kewley, he met with consultants and the ISP's. He recommended stepping back to resolve some internal processing issues that would have hampered any success. Those issues were now resolved. AFN was making money in this biennium. Mr. Moran had issues with the amount of money spent on marketing, the results, and AFN's inability to make a profit over the years. Electric/IT Director Mark Holden responded this was the beginning of a time where AFN would fund its own capital expenditures. AFN charged the City \$60,000 a year for internet. Of the \$4.3 million, \$4.2 million was customers. Since 2013, AFN had produced and covered costs.

There was approximately a \$1.2 million debt service yearly on AFN that also produced \$400,000 in net income. As long as AFN contributed to the debt service there was some benefit. Improvements had occurred and the AFN Governance Committee recommended an oversight committee. The City could not sell AFN.

AFN had the fastest internet speed in the Rogue Valley and could serve all the residences in Ashland with the exception of 1,500 homes. Currently, AFN served 4,200 customers.

ADJOURNMENT

Meeting adjourned at 10:16 p.m.

Respectfully submitted,
Dana Smith
Assistant to the City Recorder