

**Budget Committee Meeting
Minutes
April 29, 2010 6:00pm
Civic Center Council Chambers, 1175 East Main Street**

CALL TO ORDER

The Budget Committee meeting was called to order at 6:03 PM on Thursday, April 29, 2010 in Council Chambers at 1175 East Main Street, Ashland Oregon.

ROLL CALL

Mayor Stromberg was present. Committee members Douma, Jackson, Runkel, Silbiger, Slattery, Thompson, Stebbins and Voisin were present. Committee members Baldwin, Chapman, Everson, Lemhouse, and Navickas were absent.

PUBLIC INPUT

None.

DISCUSSION

Ms. Bennett discussed that the Budget Committee Meeting schedule will remain the same: May 12, 2010 will be Public Works, May 13, 2010 will be finalizing the tax rate and if need be a debrief meeting will be held on May 17, 2010.

Information Technology

Information Technology (IT) Director Rob Lloyd presented the FY 2010-11 budget for the IT Department. He stated that the IT Departments roll is to supply the technology tools and services to the organization to help it meet its operational mission. The goals the IT Department has is to provide a secure and stable computing environment, effective business systems that meet the City Departments needs, and make sure that the projects that are planned are executed well. He discussed the Budget Over Time for the Computer Services Division (see slide). Computer Services is the division that works directly with departments.

Mr. Lloyd went over the allocation resources (see slide). This slide emphasizes the staff with the expertise to create and maintain the IT solutions that are requested of the IT Department. The Central IT budget amounts to just under 2% of the City operational budget. This includes the PC allocation fund which replaces approximately ¼ of the PC's in the City every year. City PC's are on a four year life cycle. Mr. Lloyd expects demand on this arm of the department to increase. For example IT has had increased work with the Police and Fire Department. The Police Department has had four new major systems in the last four years that IT has helped support.

Mr. Lloyd stated that one thing the IT department wants to focus on in moving forward is making sure that projects get executed well.

Mr. Lloyd went discussed the Budget Over Time for the Ashland Fiber Network (AFN) Division (see slide). The important difference on the slide is the increase. The increases are: an increase cost of bandwidth, reductions in rental repair and maintenance expenditures and a large one time contribution

towards the AFN construction debt. Bandwidth costs heading forward will be one of the key elements to make sure that AFN continues to hit financial goals and measures. The cost and usage of bandwidth is increasing much more rapidly. Mr. Lloyd went over the revenue over time slide. It shows that over the last four years there has been an increase in stability of revenues. The IT Department will be focusing on the revenue side of the equation and look at value added services.

Mr. Lloyd discussed the upcoming work for FY 2011 (see slide). The IT Department has strategic planning initiative for the City IT plan and is looking for departmental goals that have IT components. IT would like to set their base services, define and charter projects, prioritize projects with Department Heads, City Administration and Council. On the AFN strategic business plan IT is looking at a primary focus on business definition. The email and networking system migration goals are aimed at what the City currently has. Bringing the email and networking systems together that will allow the City to save some money. Another goal is emergency operations initiatives to be able to reach out to the citizen's.

Mr. Lloyd went over IT Performance Drivers (see slide). The Computer Services Division is primarily an internal service, the performance measures mainly focus on customer satisfaction, availability and up time of business systems, and compliance related activities. Relating to City Council Values the desired outcomes connect to good government and independent values. Mr. Lloyd stated that much of what IT does is increasingly essential to the organization because if employees cannot access email, phones or business systems they are unable to do their jobs well. It is important for the IT Department to hit their goals to keep employees satisfied.

AFN performance drivers include an outcome measure related to debt payment goals and to hit service levels.

Mr. Lloyd discussed budget outcomes and actions the IT Department focuses on (see slide). A main focus is to make interactions and services effective for the City, Citizens and Business. When dealing with projects IT plans to be successful by meeting the scope, time and cost requirements. The project management that IT is initiating a charter at the onset which is finding a sponsor who owning the project with IT, find the scope and need for the project and from there come up with a requirements list.

Mr. Lloyd went over the significant budget changes from 2010 (see slide) He stated that the budget adjustments to meet targets are: queued operating system and Wi-Max projects, increased FTE count by .5, reduced advertising, printer and other expenses by \$28,000 and decreased ending fund balance by \$660,305.

In preparing for FY 2012 IT plans to work on strategic planning processes and will set priorities for work plans and potential program reductions in FY 2012. IT will look at contracts for savings and may migrate to alternative products and services. There is an expected small revenue growth in the new AFN products and services.

The Committee discussed advertising and believes it would be a good idea to work the other internet service providers and put together some joint marketing efforts. Reducing advertising expenditures is not a wise thing to do and hope the IT Department will look into this. Mr. Lloyd stated that one of the directions the IT Department would like to pursue is working more with the business partners that the City has to do that marketing.

The Committee questioned contingency and would like to know why in 2010 the amended budget is \$100,000 for contingency, in 2011 the proposed is \$50,000 and years after it goes back to \$100,000. Mr. Tuneberg answered that prior to this year the City had \$100,000 because of the potential fluctuations in the industry. Once cable TV went away contingency was able to be reduced. In this FY2011 contingency was reduced to \$50,000 in recognition of paying debt service any contingency after that is subject to

change once the business plan is settled. Mr. Lloyd stated that in June the IT Department plans on bringing the initial strategic business plan to Council.

The Committee questioned whether Internet Service Provider's (ISP's) are an issue. Mr. Lloyd answered that the ISP's do provide the customer contact level. The City would make a higher revenue margin if it was its own ISP's however; ISP's have recommended the City not become its own ISP. The capability to cost

Mr. Lloyd stated that the ethics of what process will be taken in the event that reductions need to take place in the IT Department. First IT will go through discretionary projects if there is something that is not crucial then the project will be stopped and hopefully will come up with a reduction amount. Second, IT will look to support and look at areas where IT can reduce the number of support personnel per FTE. The last thing that will be looked at is if IT gets to up time. Mr. Lloyd stated that IT does not want to get into maintenance and support contracts because even though there is a small risk of failure the impact is extremely high.

The Committee questioned why the IT Department is budgeting \$1400.00 per laptop. Mr. Lloyd stated that the approach the IT Department takes in government in business is to buy a PC that will last a full four years whereas a consumers PC usually refresh a little less than two years. When having a business class computer it is easier to diagnose issues because they are more consistent whereas a consumer computer may have many issues so this cuts down on the down time and makes it easier for employees to fix. In the long run it is economical.

Electric

Electric Operations Superintendent/Interim Director Scott Johnson presented the Electric Departments budget presentation. Current the Electric Department is budgeted for 20.75 FTE. Of these employees 17 works directly in Operations 3 make up the Conservation Department .5 of an employee works with the GIS Department and .25 of an employee is retained for the possibility of tree trimming and emergency situations. The department maintains 123 miles of overhead and underground and primary conductors throughout the City of Ashland, in addition the Department maintains the distribution side of two substations and a small hydro plant on the Ashland Creek. The City's electrician maintains the wastewater treatment plant and the water treatment plant as well as the pump stations throughout the City of Ashland for Public Works and all City owned facilities including the airport. Mr. Johnson stated that within the last four years the Electric Department has accomplished several major projects.

Mr. Johnson went over the 2011 proposed budget in millions of dollars (see slide). About 50% of Electrics budget is for the purchase of power through the Bonneville Power administration. He continued to explain the next slide which showed a snap shot of electrical outages in 2009. The Committee questioned how many outages there are a year. Mr. Johnson answered that this last year there was just under 100 outages and most of them are restored within 1-2 hours. The failure of underground cable is the long outages.

Mr. Johnson discussed the work for FY 2011. Electric will begin the upgrade for the Morton Feeder, and upgrade Ashland Substation. As the economy turns around the Electric Department anticipates an increase in workload with new services and service upgrades. Electric will continue working on the 10-year planning study which is currently in its 7th year and 75% of the work is completed. On the utilities side Electric will be looking into more ways to conserve energy through more efficient transformers and lighting.

Mr. Johnson spoke to the Electric Department Matrix Analysis. Each year Electric Department dollars are spent to enhance and upgrade equipment. Electric will maintain a zero budget increase this year, but

will still continue to perform annual system and safety inspections. In the last few years Electric has been working towards and Automatic Meter Reader (AMR) system but as budget numbers decrease it will be more difficult to implement. Mr. Johnson stated that as annual cuts are being made to the budget it makes it more difficult to meet response times and goals, longer repair times will become more evident and programs to help control personnel growth and energy consumption will have to be addressed at a later date.

Mr. Johnson discussed significant budget changes (see slide). The elimination of the tree trimming position, this position was a vital asset to the tree trimming program to stay in compliance with the Oregon Public Utility Commission, it will become more difficult to meet Federal and State mandates. The tree trimming cycle will be increased from 6 months to 12 months and current personnel will be used. Possible effects to the community due to this position cut could include an increase in nuisance outages.

Mr. Johnson discussed preparing for 2012 (see slide). Electric will re-evaluate each position due to employee retirements. This year will be the beginning of a large turn around of employees. It is estimated that 8 out of 14 employees will be eligible for retirement in the next 3 years. BPA rate increases will affect the 2011 and future budgets. With each of the increases the City will need to adjust the rates for the customers, how much BPA will be increased will not be known until October of 2011.

The Electric Department will be evaluating the purchase of North Mountain Avenue Substation. An economic analysis has been done to give an idea of delivery cost for the present and future the numbers show that the delivery cost will range in the year 2028 from \$185,000 per year to \$652,000 per year. The numbers all depend on the percentage increase Bonneville gives the City each year.

ADJOURNMENT

The meeting was adjourned at 7:45 pm

Respectfully Submitted,
Melissa Huhtala
Administrative Secretary

REVISED BUDGET CALENDAR

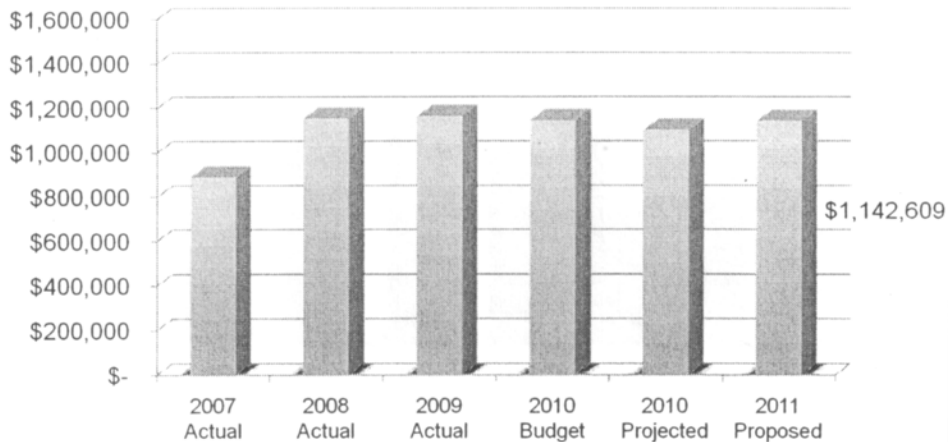
- 4/26/2010** **FULL BUDGET COMMITTEE MEETING-Budget Message**
Parks Presentation
Council Chambers 6:00pm
- 4/29/2010** **DEPARTMENTAL BUDGET PRESENTATIONS**
Information Technology and Electric.
Council Chambers 6:00pm
- 5/3/2010** **DEPARTMENTAL BUDGET PRESENTATIONS**
City Recorder, Administration, HR, Legal and Admin. Services.
Council Chambers 6:00pm
- 5/6/2010** **DEPARTMENTAL BUDGET PRESENTATIONS**
Police, Fire, Community Development, CDBG and Conservation.
Council Chambers 6:00pm
- 5/12/2010** **DEPARTMENTAL BUDGET PRESENTATIONS**
Capital Improvement Plan Overview, Public Works Airport, Street, Water, Wastewater,
Administration, Engineering, Cemetery and Equipment.
Council Chambers 6:00pm
- 5/13/2010** **FULL BUDGET COMMITTEE MEETING/APPROVAL/WRAP UP**
Public Work –continuation if needed
Set Tax Rate, approval
Wrap up
Council Chambers 6:00pm
- 5/17/2010** **WRAP UP IF NEEDED**
- 6/1/2010** **PUBLIC HEARING**
Council Chambers 7:00pm
First Reading of Ordinance to levy taxes
Resolution to qualify for state revenues (subventions)
Resolution to receive state revenues
Resolution setting appropriations
- 6/15/2010** **SECOND READING OF ORDINANCE**
Council Chambers 7:00pm

Information Technology Department City of Ashland

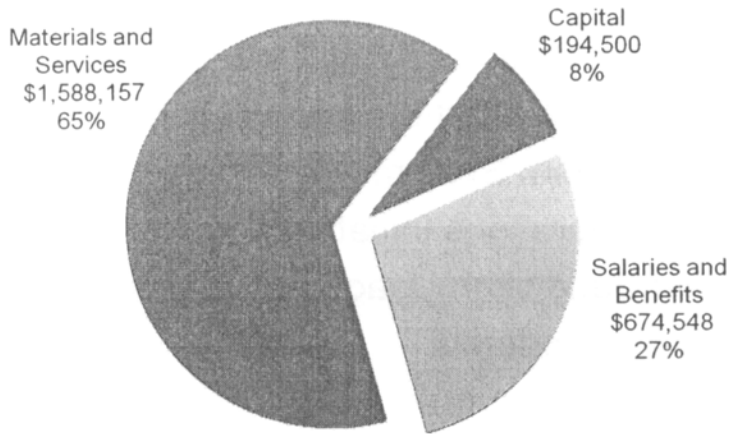
Proposed Budget for 2010-2011
April 29, 2010



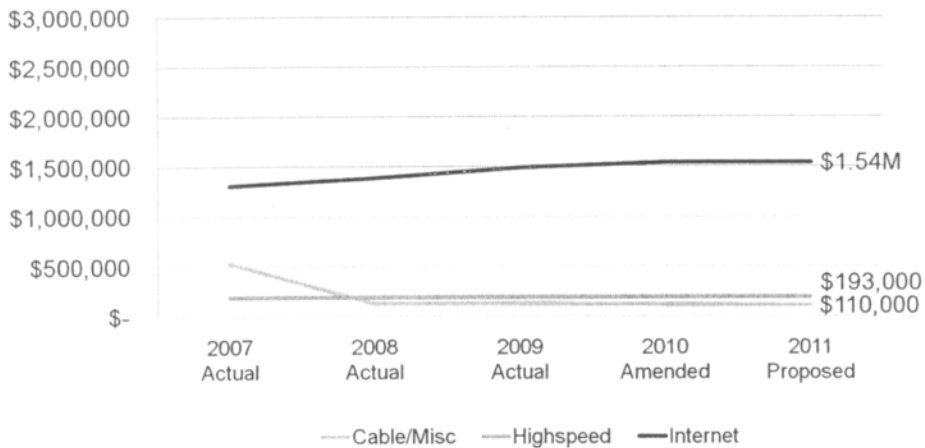
Budget Over Time- Computer Services



2011 Proposed Budget- Ashland Fiber Network



Revenue Over Time- Ashland Fiber Network



Performance to Budget



- Budget outcomes and actions focus on:
 - City/Citizen/Business interactions and services
 - Planning and managing IT resources
 - Improving project success and IT processes
- Success Criteria
 - Citizens and staff have IT services they require
 - IT environment is secure and stable
 - Financial & performance goals are met
 - Successful projects and IT asset management

Significant Budget Changes from FY 2010



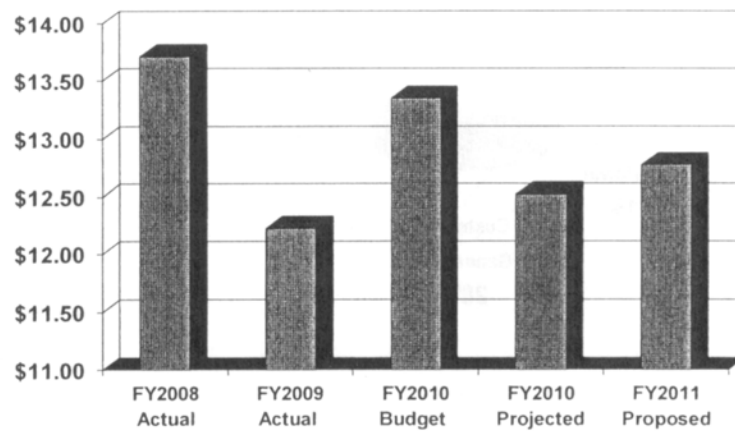
- Budget Adjustments to Meet Targets:
 - Queued operating system and Wi-Max projects
 - Increased Internet bandwidth expenses
 - Increased FTE count by .5
 - Reduced advertising, printer, and other expenses by \$28,000
 - Decreased Ending Fund Balance by ~\$660,305
- Citizens and staff will notice this in...

Electric Department City Of Ashland

Proposed Budget for 2010-2011
April 29, 2010



Budget Over Time (million \$)



Here's the work we see coming in FY 2011



- Upgrade Morton Feeder- *First Section*
- Upgrade Ashland Substation - *First Step*
- Economy turn around will increase our workload
- Continue implementation of 10-year planning study
- More aggressive Conservation activities
- BPA Rate increases likely in Fall 2010

Matrix Analysis



| Council Values | Budget Criteria | Desired Outcome | Action Performance |
|---|---------------------------------------|---|--|
| <i>Independence</i> Our ability to be innovative, to set our own course, to provide public services and to meet residents' basic needs. | Federal and State Regulations | Maintain 100% compliance with NESC | System Inspection-10% per year System Safety Inspection – 50% Preventive Maintenance |
| | Basic Needs/Public Health and welfare | Reliable energy delivery for citizens | Reduce outage times Outages 2 hours or more affect 10% of City customers Outages 2 hours or less affect 90% of City customers 95% of street lights reported out are restored within 1 day |
| | Environmental Protection | Promote an environmentally friendly community | 5% of electric purchases avoided through conservation 6% of total power from renewable resources and conservation |



Preparing for FY 2012

- Evaluation of open positions due to employee retirements
- BPA rate increases
- Evaluate purchase of North Mountain Substation
- Union contract negotiations