

**DRAFT BUDGET COMMITTEE MEETING
MINUTES
May 14, 2021**

Meeting conducted via Zoom

(Meeting recording can be watched here or by going to https://videoplayer.telvue.com/player/w9sPsSE7vna3XTN_39bs1rEXjVWF0kfP/media/641856?fullscreen=false&showtabssearch=true&autostart=true, timestamps are also noted in these minutes)

Chair Shane Hunter called the meeting to order at 3:01 p.m. via online meeting on Zoom

ROLL CALL

Present:

Mayor Julie Akins (Left Meeting at 5:06 p.m. returned at 5:15 p.m.) Ellen Alphonso

Councilor Paula Hyatt Jim Bachman

Councilor Stephen Jensen Shane Hunter

(Left Meeting at 5:19 p.m. returned at 5:20 p.m.)

Councilor Shaun Moran Bob Kaplan

(Left Meeting at 5:17 p.m. returned at 5:20 p.m.)

Councilor Tonya Graham Mike Morris

Councilor Stefani Seffinger Saladin Amery

Councilor Gina DuQuenne David Runkel

(Arrived at 3:03 p.m., left meeting at 4:26 p.m. returned via phone, returned to video at 4:54 p.m.)

Absent: None

INTRODUCTION (Time Stamp 00:01:58)

Hunter explained to the Committee that a motion had been tabled from the previous meeting that they would be coming back at this meeting. He also explained that per the agenda a list of possible motions previously sent to the committee would be looked at during the meeting. He added that any additions to this could also be discussed. The process he reiterated would include a motion, a second, discussion of the Committee and then a vote of the Committee.

APPROVAL OF MINUTES (Time Stamp 00:02:57)

Runkel/Akins m/s to move approval of the April 27, 2021 meeting minutes as presented.
DISCUSSION: None, Voice Vote All in Favor, Motion Approved

PUBLIC FOURM (Time Stamp 00:03:17)

Written Testimony Submitted By (see attached): *No discussion from the Committee.*

Oral Testimony Given: *No Requests for Public Comment were submitted.*

Public Hearing opened by Hunter at 3:33 p.m.

PRESENTATION TO THE COMMITTEE ON THE CAPITAL IMPROVEMENT PROGRAM

(Time Stamp 00:04:17)

Melanie Purcell, Finance Director explained that instead of a presentation she thought that a question-and-answer time, where the committee could answer questions would be best. She added that a breakdown of information was sent in advance to the committee (**see attached**) earlier so that the committee members could present their questions during the meeting.

David Runkel, Committee Member asked first about how projects get on the list and if a formal process exists. Purcell explained that there are several routes for items being added to the list. The first of these she stated was the overall master plans that are developed for each area. The second way items are added are when specific concerns are brought forward. Each of these items are evaluated as to where they fall in the above explained master plan and the structural needs. She gave an example being grant funding for repair at the airport. Runkel further questioned what approval from Council is given for these plans. Purcell responded that these lists are created in an intensive process that involves Council, staff, and the community that take several years to build and that these last close to 20 years with the goal being to update them more frequently. These master plans she added drive the projects listed, with Ashland being fortunate enough to do a six-year plan in addition to the 20-year plan. This six-year plan she went on to say is brought back to Council for approval and added into the budget. Additionally, Purcell, discussed there is thought to some staggering of this so there is more intensive conversation of the Capital Improvement Program prior to the budget. The current plan she added was adopted March 16, 2021 by City Council adding that each individual project comes back through Council during the Request for Proposal Process. This she added includes the scope of work and the award of a contract for any project, which in all means that the project is evaluated at least three different times by Council. Larger projects she commented may see close to 5 or 6 reviews.

Councilor Paula Hyatt asked about the idea of the plan being done differently in the future so it can be reviewed earlier by Council and what this would look like. She commented that there are a lot of elements to the list including regulatory, capacity and deficiencies. Highlighting that deficiencies are wide ranging but looking at these details is important in order to make the best list. Purcell responded that within the Budget message thought was given to intensive topic discussions with Council starting in August and September. The goal she added was to have the Capital Improvement Program ready for review in the fall prior to the budget season, which would create a more seamless process, but strategic master planning is needed for this. Adam Hanks, City Manager Pro Tem added that the Budget Review Ad Hoc that had met after a previous budget

cycle had also suggested through their recommended timeline, the target of reviewing the Capital Improvement Plan in the Fall before each budget year. In addition to this he added that rates also need to be reviewed with this plan as well.

Councilor Stefani Seffinger commented that in the planning of the Capital Improvement Program and Master Plans that it is important that different aspects such as those with electrical and streets needs are worked out together. Hanks commented that this was important and that Scott Fleury, Public Works Director has been working to overlay such aspects of the projects. Projects he added can sometimes change in order due to the efficiency that can be found in both costs and time. An example of this he noted was the Hersey Street project.

Councilor Shaun Moran asked why projects that were voted on but not approved still remain on the Capital Improvement Program, specifically referencing the Talent Irrigation District Piping. He also commented that he could not agree more with Hyatt when it came to a proactive approach looking at the pillars of regulatory demand, maintenance, and deficiencies. He further spoke to having these done sooner so that the Council had a better idea of the projects. In his second question he asked about the City Facilities Optimization Fund and his concern with the funding, further questioning where more detail on this could be found. Purcell responded that this is a prerequisite for other projects and is also looked at as a way to consolidate funds to save in the long run. She further spoke to this needing to be talked about so that a solution could be found and the funds in question could be used for a study. The project she added has two aspects including looking at a plan and general maintenance. Moran responded that made sense and that he was mainly asking because of the cost being close to \$1 million. Hanks went back to answer Moran's first question referring to the ditch project. Hanks explained that this project was not turned down by Council but rather was deferred and will be in the plan until Council wants to remove it. The plan overall is based on the decisions of Council with this project still needing to be discussed and the issues, risks and implications explained he went on to say.

Councilor Stephen Jensen commented that for purposes of this meeting that the Committee would not be able to do too much on the Capital Improvement Program topic and asked that the Committee move forward to other decisions that need to be made.

Hyatt asked given the depth of the list and the resources available, how much of the planned Capital Improvement Program gets executed? Purcell referred to the presentation sent to the Committee, answering that the cost of these projects typically does not run over \$10 million, with spikes over the years reflecting the budget years. Projects budgeted began to get scaled down or the cost may get spread over a certain amount of years she added. She also explained that due to state law you may see this amount many times as it has to be appropriated this way. Hanks added that this topic has come up many times in past budgets and looking at the percentage of effectiveness it tends to be out of the hands of the City. Other agencies have different timelines he added. Additionally, changes in Council or Request for Proposal snags can also happen, Hanks explained. Overall, the City does try to track projects as if they were to go on a normal timeline.

Runkel thanked staff and the Committee for this discussion.

COMMITTEE DELIBERATION OF BUDGET

(Time Stamp 00:20:15)

Hunter explained the process and the motion that was approved at the May 11, 2021 meeting. The motion that was currently being discussed had been tabled in the last meeting and was to accept the budget as amended.

Hunter went on to discuss that the first motion was for the marijuana taxes and that this had been approved already.

Purcell suggested addressing the motion that was already on the table. David Lohman, City Attorney explained that under Roberts Rules of Order that the motion that was on the table and postponed at the previous meeting is the first item that should come up under old business, unless there is a vote by two thirds to change the order.

Amery/Akins m/s to move the order to amend the initial motion until the Committee has discussed the other motions prior to voting on the outstanding motion. **DISCUSSION:** Saladin Amery, Committee Member added that he did understand the protocol on this. Hunter explained that his understanding is that this amended motion came up for the initial motion, that then anyone can motion after this and those motions can be discussed. Purcell confirmed that if they were motioning to amend the motion on the table that this would be correct. Mayor Julie Akins confirmed that there was a motion to amend, and it had been seconded. Lohman in order to understand, asked to confirm that Amery's motion was to change the order of business so that what would normally come up under old business would be postponed. He added that there was a second for this, his belief was that this was the motion on the table. Amery further asked that he did not know what the best protocol would be to proceed, but that the goal should be to discuss the motions sent to the Committee, before there is a vote on the budget. He added that he is for whatever allows this. Akins also added that she had previously seconded the changing of the order of business, as recommend by Lohman. Amery agreed. Lohman stated that if this is the case then the motion requires a vote of two-thirds of the committee or 10 members of the Committee. Jim Bachman, Committee Vice Chair asked Lohman to instruct the Committee on the possible motions at that point in the meeting prior to Amery's motion. This he added was because there was an open motion coming into the meeting and it would be helpful to know what the acceptable motions would be. Lohman listed the options as the one discussed previously in the meeting to change the order of business, which require two thirds vote or amendments to be made to Bachman's motion on the table, which would require a majority vote. Lohman also discussed the possibility of a consideration of the motion to be called as it is not timely to the tabled motion, this he also stated would require two thirds vote. Runkel suggested that the simplest process would be to have Bachman withdraw his motion so that other motions could be considered and that at the appropriate time the Committee could come back to Bachman's motion. Lohman agreed that this was a possibility. Runkel further spoke to this making things easier and would be under the normal procedures of the Committee to not take up the motion to approve until all things are considered. Akins reminded the Committee that there were two motions on the floor. Bachman noted that as well, adding that Amery's motion should be clarified as it supersedes his own tabled motion, and he would respond to Runkel. Amery replied that if Bachman was willing to withdraw his motion, he would withdraw his motion as well, with the idea being that if Bachman was not willing to withdraw, they would need to go to a vote. Bachman added that he did not want to negotiate at this point and Amery suggested a vote. Hunter stated that as a point of order he would be calling on Councilor Tonya Graham to speak. Graham stated she was confused, as looking at the agenda she saw the Committee was at the point to accept the City Managers Recommend Budget and that it was her understanding the Committee would

be taking up the amendments, for which one had already been done. She added that the list that was sent to the Committee would essentially be possible amendments to the first and tabled motion. Her thought was that the base motion of approving the budget was needed in order to look at these amendments and changes. Graham added that she was not aware of what the structural question was, as she thought that the way to move forward would be to start going down the list of motions sent to the Committee, with the motions being to make an amendment to the previous motion. Her concern is she does not know how it would be done without that base motion of approving the budget, but that she thought the Committee was there in ways of the agenda to begin discussing the motions as long as the understanding is had that everyone is aware that they are amending the motion on the floor. Akins reiterated that there were two motions on the floor, one is to approve the budget as is and the other is to change the order of business, which both need to be addressed. She also explained that changing the order of meeting if voted on and passed by a two-thirds majority would allow for the list of motions sent to the committee to be looked at or that Graham's suggestion could also be looked at. She then added that the Committee needed to do something with the motions on the table prior to proceeding and that a possibility would be to withdraw that motion of changing the order so amendments could start to be made. **Amery withdrew the motion as stated. Akins withdrew her second as stated. MOTION WITHDRAWN.**

Akins explained that as the motion had been withdrawn that it now meant that the only motion on the table was to accept the budget as is, which was open for amendments. Both Hunter and Lohman agreed.

Hunter directed the Committee to begin making motions as stated on the list of motions sent by the Committee (**see attached**). These motions he added would be an amendment to the current motion that was tabled at the last meeting regarding acceptance of the recommended budget.

Akins asked for clarification on where a list of these motions to amend the motion could be found. Hunter and Purcell responded that this was sent that morning to all Committee members. Hunter further added that this was the same email that had the agenda and the property tax motion on it. The email was resent.

Bob Kaplan, Committee Member asked if the motions should be presented in the order that they are on the page or let people speak as they would like.

Purcell asked that the Committee be as precise as possible. Staff she added is not trying to challenge or question the desire of the Committee, they just want to make sure that what is being brought to Council is complete and accurate in the numbers and in the language.

Bachman added that he agreed with Graham that this was a good starting place.

Bachman/Jensen m/s to amend the motion so that the first \$100,000 per year of proceeds realized from the sale of surplus asset sales be allocated to the Street Fund. **DISCUSSION:** Bachman added that this would replace the funds from marijuana taxes. He also stated that he tried to add this in a previous motion but that for the sake of simplicity he was glad he was stopped. Speaking to the \$100,000 that was recommend to stay with the housing fund, something needed to be done with the Street Fund as well. Although he went on to say that this is not a reoccurring amount of money it is a substantial amount of money where the first \$100,000 could be earmarked for streets with the rest being at the discretion of the Council. Purcell noted that as a point of clarification that the marijuana tax as originally proposed was staying within the General Fund asking if the intention of the motion was that the funds go back to the Street Fund or to the General Fund. Bachman responded that he had been commenting on his motion while saying it and he

would restate it for clarification. Jensen speaking to his second stated that almost every day they are hearing about the condition of streets and that he believes that this is a wise shift. He also expressed concern that when there is a sale of these assets a rabbit hole might be gone down and be bifurcated in many different directions, so he liked the idea of setting aside funds for something this is needed. Mike Morris, Committee Member went on to say that he has concerns that some of the properties were bought with funds from other Enterprise Funds. He asked if these funds would then make funds be transferred from other Enterprise Funds to the Street Fund if they were sold or if other safeguards were in place to prevent this from happening. Purcell responded that the only ones that would be eligible for this would be those owned by the General Fund or the Street Fund. She continued by saying that property in Water and Wastewater would not be eligible by law. Hanks added this a bit contrary to the Council approved financial policies, but this can be addressed later and that this may require a Council decision. Hyatt asked for clarification on if this would impact the proposed percentage of fees that is taken from franchise fees in support of Streets. Asking further if this would take those percentages down or if this would be in addition to this. Bachman responded that his idea was that since the marijuana money was taken and put back in the Housing Fund that this money would replace keeping it the same but proposing it with a different source. Hyatt questioned if the marijuana money was originally for Streets or the General Fund. Purcell confirmed that this was just in the General Fund. Graham asked about policies involved because as she recognized it new policies were just passed that had specific elements around what to do with the sale of surplus property. She added that she had a concern that something might have been put forth that goes in direct opposition to a Council Policy. Bachman asked for clarification from Hanks in regard to Council Policy and if this motion was to pass could it be dealt with by Council. Hanks responded that what these types of motions end up being are recommendations to Council as it will require Council to do something but is not as directive as some of the other motions might be. Due to this Bachman made the decision to withdraw his motion. **Bachman withdrew the motion as stated. AMEDNMENT WITHDRAWN.**

Runkel/Moran m/s to cut the City Managers Recommended General Fund 2021-23 budget by \$500,000 as a first step in reducing the City's long-term structural budget deficit. **DISCUSSION:** Runkel stated that this should not be controversial as two years ago the Committee, set up a Cost-Cutting Subcommittee, which met a dozen or more times he stated and then presented some proposals for reducing the budget, as well as City spending. He continued by saying that some of these had been implemented, while others are still out for discussion. He stated additionally that Purcell and Hanks had mentioned many times while presenting the budget that there was a structural budget deficit that will continue until the City gets its fiscal house in order. He also added that Council according to Purcell and Hanks would be presented with what needed changes there were in City priorities and policies in order to do this. His motion he went on to say encourages those discussions and as he confessed adds some pressure do this sooner rather than later. Adding that not doing something in his view about the budget would be irresponsible he went on to say that this would also mean that the Committee would be neglecting their role by state law to carefully review City spending and make suggestions for insuring the long-term financial viability of the City. In conclusion he explained that the sooner something is done the less painful the process will be and urged the adoption of this amendment, as this will be the responsibility of the Finance Director or City Manager to carryout. He also added to his conclusion that the City Manager has broad authority to guide Council and put the budget back into shape. Moran added that what Runkel stated was very well articulated and that he is in support of it as there needs to be work done to streamline costs which by giving the responsibility to Hanks needs to look at reducing costs without impacting services. This he cited would mainly be in Fire and

Safety in the General Fund. He ended by saying he is very much in support of this motion. Akins asked as a point of clarification if this \$500,000 would be in addition to other proposed amendments on the table or if it would be a total \$500,000 savings. Runkel responded that he was not aware of the other amendments offered so this would just be his proposal to make sure that expenditures are being cut by the stated amount, with these discussions being made by Council at the recommendations of the City Manager. Following up on Akins's question Hanks stated that he assumed that all of the amendments are going to be additive as they go and if they are not it's something that needs to be tracked to see if it will alter. Ellen Alphonso, Committee Member cautioned the committee as she was concerned about the concept of the Committee reducing \$500,000 without naming the areas of service for reduction. She added that she feels like this is a balance and just asking for expenditure cuts without specific plans is a hard ask. Councilor Gina DuQuenne agreed that this would be a great decision in making these cuts. Speaking to what was just said she added that she was in agreement that the City Manager and the Finance Director could find places to cut. Hunter clarified to the Committee the intent of the motion was to reduce the fund balance. Runkel responded that it was actually to reduce expenditures within the \$38 million General Fund Budget and that he thinks that finding a half of a million-dollar reduction is doable, as Purcell and Hanks have said that it has to be done. He went on to state that he thought that it should be done in this budget. Hanks added clarification on adding to the motion stating that the motion is \$500,000 in the General Fund not excluding or including any particular element. Amery questioned if saving \$500,000 within the budget was left up to the City and Council to figure out, where would that leave the other motions. This he added gives thought to his listed motion on trying to find savings in reducing salaries so that people are not let go of. He went on to ask if a discussion would be had on broadly how much the Committee would like to see the General Fund savings in or will it be done on a case-by-case basis and added up with additions to each motion. Hunter responded that these would be more of a policy decision and the Committee could come up with ideas to influence what would be a part of the \$500,000 unless it is specially stated that there are specific additions to the \$500,000, such as asking for another amount to be reduced in another area of the budget. Akins asked for further clarification on the motion, noting that as she sees this it, it is a blanket motion for a \$500,000 cut which she understands and appreciates. Any additional motions she further explained would come along as additional cuts. Adding to this thought she stated that with respect that this motion would be better made after the Committee has been able to look at all other proposals and that if all of these are added up the proposed number requested to be cut could be gotten to, as she felt that all the other motions could be talked about. She asked that this motion be delayed so that the other motions could be looked at. Hearing this Runkel stated that he would withdraw his motion. **Runkel withdrew the motion as stated. MOTION WITHDRAWN.**

Akins thanked Runkel for doing this.

Bachman spoke to the Committee about being careful for the sake of efficiency to distinguish between budget questions and strategic suggestions, as what the committee should be discussing is specific amendments to the motion that he proposed and that they are not talking about the entire list of possible ideas.

Moran asked for more clarification on what Bachman was speaking to. Bachman responded that he was saying that the Committee should keep any discussion of recommendations to the Council for policy discussions during their strategic session in the summer out of the consideration of the motion.

Moran further stated that he would motion for an amendment, saying that one of the dilemmas before the City is to look to find ways to streamline the General Fund. With this said he added that the budget presented outline's deficits of \$15 million through 2026 and close to \$20 million with money coming from the Federal Government. He went on to say that the word crisis is thrown around but that these are the same voices that over the last several years have said that the budget is fine, and that the City is fiscally well run. However, he added that a \$20 million structural deficit sounds like a fiscal crisis and ways need to be found to make affordability more reasonable with a longer-term vision and we should not be looking to impact essential services.

Asking for a point of order Jensen asked if the discussion of amendment offered by Bachman narrowed the focus. Amendments he further added should be to address the first motion and he did not believe that the current discussion was going in that direction. Moran responded that he was getting there. Hunter then asked Moran if he had a motion that could be moved and then seconded.

Moran/Amery m/s to decrease the funding to the Human Resource Department by 50% in the 2021-23 budget and have the City Manager immediately explore the feasibility of streamline and outsourcing the City of Ashland's Human Resource needs. **DISCUSSION:** Moran stated that a way needs to be found to make affordability more reasonable in his view and with that being said he believes that the cost for the Human Resource Department is expected over this budget to be \$1.1 million, which is up 30% from the 2019-20 actual cost. He went on to explain that this is a sector where in private companies and other communities there is a use of third-party vendors to outsource and if this is not addressed the cost in this department will continue to spiral out of control. He also added that many functions of this department were already outsourced and that organizations like Rogue Valley Council of Governments or League of Oregon Cities should be looked at to explore ways to reduce costs over the course of this two-year budget. Counting his discussion, he noted that he had suggested a 50% reduction, which he thought may be best in the second year after the groundwork had been laid for this strategy. In conclusion he stated that decisions for this would be best for the City Manager and Finance Director, but his hope would be that the Committee could support this concept and approve it. Amery discussing his second reiterated that in the private sector this is done often, with outsourcing being done so that costs are not incurred by the organization. He added that in reading the budget and executive summary there is talk of holding positions and not hiring more, which he thought should not allow for Human Resources to need additional funds over the next two years. Finding ways to cut costs and hire as needed instead of absorbing costs up front makes sense to him; he went on to add. Akins asked for clarification on what the cost savings would be cutting 50%, as she was trying to do the math to get to the \$500,000 in Runkle's amendment. Moran responded that this was \$570,550 a year. Purcell added a clarification that only 28% of the Human Resource Department is retained and not reimbursed by other funds, at a cost of about \$20,000. Alphonso responded that she is in general support of finding ideas to outsource HR needs, as she added that often in the private sector that great success is seen with this and that some of the systemic budget problems should be solved rather than reducing the individual salaries of people which is a temporary and short-term fix to see how an overall reduction of FTE's required by the City. She added that she had a concern with her personal work that putting a numerical value of 50% and finding a service that reaches that goal and outsourcing would be something that she would caution against as the expectations. This she cited could cause a lot of liabilities in relation to Human Resources. She continued by saying that the hiring freezes and other parts of Human Resources would incur greater costs to Human Resources, as sometimes what is seen as less in Human Resources equated with less costs are not always the case. She concluded by saying that there is sometimes

as standard flat cost for Human Resources that is not dependent on the size of the organization but on the complexity of the work. Graham stated that it was her understanding that the line item was higher than the 2019-2020 actuals because of upcoming significant contract negotiations with unions, with budgets including extra contracting expenses to hire outside professionals to help with this. She added that her concern with the motion is that there is a 50% cost reduction possible while maintaining, but there is no information saying that this is the case or that the department is running at higher capacity than is what is needed. Her concern she continued also included that if something like this was done and a number was set the City would not be able to meet the service requirements in order to maintain a Human Resources Department for an entity of its size. Kaplan spoke to being along the same lines as Alphonso but that he also had sympathy with the need to find efficiency by outsourcing services that can be done to a better level of quality or a lower cost. Referencing what Councilor Moran was speaking to, he talked to how the Human Resources Department is already outsourcing some of its work and what the scope of work would be for further outsourcing. He then questioned if this would yield the needed savings due to his experience in outsourcing, as he did not think you could outsource all of the tasks and would need to have people managing those outsourced services. Bachman agreed with Alphonso and Kaplan in that the Committee needs to be careful, as with his experience in Human Resources he had a very thin department with an enormous number of tasks that need to be done properly. If not done properly he continued could cost the organization. Outsourcing the Management part is critical and does not go away he stated, with the Risk Management part making him nervous about Human Resources being the first place to look. He then stated that this seems more like a recommendation for the strategic process as it is a percentage and that he would not support the amendment. Bachman speaking to his time on the Cost Review Subcommittee added that much talk including a formal recommendation was given to outsourcing, as this should be a permanent decision to look for efficiencies without losing quality, but he does not think this is within the Human Resources Department. He concluded with his point on this being part of a strategic conversation and that he understood the others urgency to the process of cutting costs suggesting that goal setting and strategic planning needs to be done after being delayed so that planning can be done within a set of goals. Jensen stated that in a City with as many employees as they do, with 250 plus employees, including Police, Fire, Parks, and others, to hit the Human Resources Department this hard with this type of a cut is not a good idea and ill advised. Seffinger added that if the main push from the majority of the Budget Committee is reducing \$500,000, she would contend looking at what percentage would be to each department as another way of looking at this. She added that she was not comfortable throwing out ideas without know the consequences of those, suggesting the Cost Review Committee had also looked at ideas like the ambulance service. She went on to say that there are a lot of other things that are not on this list of possibilities for cutting, adding that there is also an idea of looking to grants for more revenue if certain things are not cut because of matching funds. She also added that she liked the idea of Runkle's amendment and not looking to specify which things the Committee is looking to cut. Amery stated that listening to where the discussion was going, he agreed with what Seffinger had said adding that this is how it is done in the private sector. He also spoke to agreement in Alphonso's statements regarding short term cuts and planning for the future where real change will be seen and the City will not find itself in a deeper hole. He continued by saying that he thought that what was usually done was having the Manager of a division be told that they will be cut by a certain amount and then they have to make an evaluation on how they operate and where best to make cuts in order to make a proposal. He added that he understood where Moran and Runkel were coming from, with his idea being to save between \$1 million and \$1.5 million that did not require firing but as he is in the private sector, he himself has had to take cuts in the past year. Amery

added that he is probably not the only citizen that has done so and that cutting salaries for staff is a tough decision to make but ways need to be found to make savings. The Budget Committee he explained makes these suggestions and Council works with the City to implement them, so it may be better for the Committee to come up with a savings number as everyone is trying to get to the same place. Without doing this Amery added would allow for excuses to be made on why the Committee shouldn't approve any of these motions and they would then be back to achieving nothing. Morris commented if Human Resources is being proposed to be cut it would seem to him that Council just added a new commission with much of the work being done as he reads it through Human Resources. He continued that it goes back on trying to cut funds but on the other hand Council is trying to do something different with the funds they have, and he does not see how funds can be stipulated like this by the Budget Committee without knowing Council's intentions for the future. Morris stated that because of this he could not support this motion either, further explaining that this is a lean department with not much overhead to cut. Bachman agreed with Amery and Seffinger explaining that if the Committee is going to look into current budget cuts, which is not what he stated within the original motion but would not be averse to, he went on to explain that he thought the approach would be a general one of relying on the professionalism and expertise of the staff. Staff he added did not need to be micromanaged so he would not support this amendment but thought it may be time to call the question so other ideas could be considered. **Roll Call Vote: Moran, DuQuenne, Amery, Runkel and Akins, YES. Hyatt, Jensen, Graham, Seffinger, Bachman, Hunter, Kaplan, Morris, Alphonso, NO. Amendment fails 4-9**

Hyatt stated that she thought that at the core of this is to look at where the City can outsource jobs independent of department.

Hyatt/Alphonso m/s to recommend to Council to work with staff to analyze what is viable to outsource and what to bring back for discussion. **DISCUSSION:** Hyatt began by stating that she agrees with what Moran was trying to do and that she does not disagree with it, also hearing the feedback of the body she wanted to understand the consequences with what is on the other side. She continued that she thought both could be done, as an analysis is vital but that she did not know what it would yield. Hyatt added that she was curious and thought it was worth the time to do this kind of analysis, adding that she wanted to state that Administration and staff have been doing this work within the context of this budget, but a thorough review is needed. Alphonso stated that her second was predicated on the comments in a previous email that she had sent. She explained that a lien City force that limits the number of services that they are providing back to the City is important to the Citizens. Her underlying idea she explained is to reduce the number of FTEs to a number of highly qualified and appropriately compensated staff, adding that she is a strong believer in compensating people appropriately and that she did not think that short term pay cuts were the right choice.

Seffinger also suggested that outsourcing needed to be looked at in the sense of regionalization with an example being what has happened with the Police Department and the City of Talent. She added that knowing this revenue is also needed and that looking at this is also important. There are quite a few recommendations of ways she added that the City could regionalize such as shared Fire and Police and equipment. She added this would be something major she would want to look at. She ended by saying that she agreed with the motion. Moran began by saying that he agreed with the idea of outsourcing not only Police and Fire but also infrastructure such as Wastewater, as he has been advocating for it. Moran added that he thought that this motion had already been made by the Cost Review Committee with it having some very specific tasks that they had Staff do, including directing Staff to provide definitive ways to streamline

operations with the goal of creating meaningful cost benefits and create a series of services offered that also creates efficiency and reduces costs. With another goal being to consider outsourcing to reduce costs, he added that the expectation was that staff would look at various departments. Moran went on to add that therefore he brought up Human Resources as he agrees that the City should be paying the highest possible salaries to the most talented people that the City has. He spoke that he tried to put the framework in place for year one so that in year two something happened. He also discussed the idea of looking at synergies and streamlining, but he feels like they have already talked about it. He felt that the Committee is at the point where the discussion has been had and they should be looking at outcomes as Purcell had stated previously, which is where he is trying to get the Committee in regards to the General Fund. Runkel commented that in testimony from the Parks Department that not only was outsourcing saving money it was also improving services and he agrees with the motion but wishes that it had a dollar amount attached with it. Kaplan commented that he was in line with previous speakers and that the first step in outsourcing is to define what service level the City really needs, so the Council needs to decide on what the service level is. He also added that a look at the most cost-efficient way to do this is also needed, but overall a service level definition is needed in the process of exploring outsourcing and shared services with other jurisdictions. Amery stated that he was supportive of what Hyatt was saying, as well as other comments but that he did have a concern that the Committee needs to get in the weeds and find savings. He continued that either a number needs to be come up with that would require Council and the City to achieve cuts to that number or the Committee is going to end up going through all suggested motions and not attaching a dollar sign while never getting anything approved. He added to Alphonso's point you always want to pay your best staff, knowing this he stated you need to come up with a way to cut salaries by 5%-10% to achieve a number across the board so people are not being fired. The Committee he added needs to come to a certain amount of money they want to save, with the City working with Council to achieve this amount. In listening to the current dialog, he explained he was concerned that the Committee will end up two hours from now not actually having approved anything, after talking about ways to cut but not actually getting it done as the Budget Committee is there to give direction. The target he concluded was to see Council and the City work together to achieve this direction. Graham spoke to the Committee adding that this process is well underway, with Council approving two contracts in its last meeting for outsourcing in the City's tax collection which also allowed for the offset of employee FTE. She added talks of regionalization are also being had, adding that she liked this because it looked at the efficiency of maintaining services. Graham also stated that she was cautious because she knows staff has already been doing this and that some of the things that have been done are not seen yet but what she does know from conversations is that Council needs to come to some decisions around how to address the structural elements. She went on to say that she did not believe that these would all be outsourcing solutions and that some of them will be reducing service levels. Graham questioned staff about the needed shift from year one to year two to make strategic changes that will set the City on a more resilient path. She added that this would be a number that the Council if they were able to get to would help the City to be on a path to greater sustainability and that this number would also allow for the Committee to get to a motion within this meeting. This motion she cited would not be as specific about the how and where but would be more specific about the amount. Hanks responded that this may be more than just a number, as he does not want it seen that Staff are asking the Budget Committee or Council to make cuts or find savings in this biennium. The tool set he explained also includes revenue and that if Council is going to make cuts there are also needs to be a discussion about the changes in service levels as to what is essential. Furthermore, he

added that it comes down to cutting services to make cuts or finding revenues for items that you want to maintain, adding to Kaplans point and stating the regionalization has a variety of potentials. Regionalization also he added takes calibration and other parties to be ready and it can't be forced. There is not a magic cut number he went on to say and that because its more than cuts there is a policy, as well as being part of a strategic plan. **Akins/Bachman m/s** a call of the question. **DISCUSSION:** None **Roll Call Vote: Bachman, Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Akins, Morris, Seffinger, Amery, Moran, DueQuenne, YES. None, NO. MOTIONED PASSES UNANIMOUSLY 14-0**

Voice Vote on Amendment: Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Akins, Morris, Seffinger, Amery, Moran, DueQuenne, YES. Bachman, NO. Amendment passes 13-1, MOTION PASSES

Amery/Runkel m/s to recommend holding funding in the Ashland Fiber Network and telecommunications fund at 2019-2020 actual levels as outline in the 2021-23 budget, until a study has been made and Council has decided on a future policy going forward. **DISCUSSION:** Amery spoke to the motion stating that this was discussed at a previous meeting and if there is uncertainty about what the want is for Ashland Fiber Network then the Committee needs to look at option as there is no point in allocating funds to it until Council has decided on a strategy. He added that he looked into Ashland Fiber Network in 2017 and he feels as if it is back in the same place where the Committee was, as it only touches 35% of the City, the City is paying a lot of money for it and there is an expiration date on it. He also explained that as much money as is thrown at it, it will never be competitive but as it is a policy decision Council should do a dive on it as Hyatt had said she wanted to do previously. Amery also added that this needs to be done prior to allocating funds, as the approach to selling would be different from any other plan. Runkel added that this makes sense to him as Council can always adjust the budget down the line if they chose to. Hyatt stated that this is really something that she wants to look into but that she will need a refresh on her memory as she explained that her thought was that the amendment included holding funds at actual levels and this element would provide some other elements that needed to be considered. Hanks responded that these would include implications within leaving the allocation flat, ongoing equipment purchases that are required to maintain the system and keeping the customer/revenue base. He further added that this would be the challenge of the flat part of the motion, but as Runkel has said this is something that could go to Council throughout the process. He went on to state there are expenses that they cannot take down to the 2019 rates do to supplies such as equipment and people that do not cost the same which is a significant operational impairment. Hyatt thanked Hanks for clarification. Morris stated that he could not support this motion, explaining that it seemed similar to the last motion on outsourcing and that cutting funding would actually not leave Council with much of a choice. Bachman stated that he wanted to take the opposite approach and thought that they shouldn't flatten the funding until a strategic choice had been made, also agreeing with Morris that it was another form of outsourcing as the same types of IT will be needed from someone else other than Ashland Fiber Network. He also added that he voted against Hyatt's motion because he did not think it was a budget question and had no dollars attached to it, which he did not know how it would fit into the recommendation as Council could do this with or without the Budget Committee adding it. He continued by saying that the Committee had two statutory requirements: To approve a balanced budget and approve a tax rate. Knowing this Bachman told the Committee that they needed to hold the policy discussion and any recommendations that will be made for the strategic plan until after those two requirements have been accomplished. He concluded by noting the time that the Committee had left and the job that

they needed to get done, giving kudos to Moran for stating that much of what has been discussed had already been talked about. Moran stated that he would like to echo what Amery had stated as he did not think that his motion stated anything about reducing costs but rather had stated to keep it at 2019 actual levels as outlined in the budget, so he would not be suggesting that this Committee decides to cut costs. Moran also explained that the truth of the matter was that this business has never made a profit and with its latency technology it will struggle to do this. The increase he added for personnel is nearly 19% for the actual 2019-20 budget and increases in total expenditures over the next two years would be \$600,000 to \$800,000 in a business that has never made any money. Although he added he is not suggesting abandoning or divesting Ashland Fiber Network, he believes Council needs an opportunity to review it and the prudent approach may be to not throw any more resources until it is understood if it is salvageable and what kind of challenges it as a business faces. With this he added he would support Amery's motion because it mandates that Council moves forward but it controls the cost structure, as there is a \$15 million deficit in the next four years, and it is a crisis for which a way to manage the cost structure needs to be figured out. Keeping Ashland Fiber Network at the 2019-20 levels is a small step toward this he concluded. Amery wanted to clarify with the group that he was not speaking to actual cuts, but that he was talking about keeping funding steady and his reason for doing is this is because in 2017 when he sat on the Budget Committee, Ashland Fiber Network came up. In these meetings, he continued, a Councilor took up the charge to put a special group together to look at Ashland Fiber Network and come back to Council. When he stated that he asked about the findings in the first meeting of the Committee, Hanks had stated that he did not recall that this had been done and he thought that his never got done because it was never a proper motion, so the idea behind this motion is to have it in writing and voted on. He additionally spoke that he was not here to dictate policy but if new funding is projected into Ashland Fiber Network for the future, as is spoken about in the next two years, it needs to be done appropriately so that it is understood as to what the options are before it is done, knowing that this is a Council decision. Purcell asked to clarify the motion asking if the proposal was to reduce the recommended budget to the 2019-20 levels within the Ashland Fiber Network or Telecommunications Fund. This she added is 100% housed within its own enterprise fund. Amery agreed that was correct. Kaplan further expanded on Purcell's question, stating that in looking at the Telecommunications Fund its actually one of the enterprise funds that is increasing its ending fund balance in both years. Revenues he added exceed expenses in each one of the two years and the ending funding balance projected at the end of 2023 is four times the policy requirement, adding that as this was a complicated fund, he didn't know which part of this was for Ashland Fiber Network and what was for other IT services. He asked for clarification on this and the need to actually do this. Purcell responded that the Fund as presented is strictly the Ashland Fiber Network operations and the City's internal information services is within the General Fund and would have no impact on the General Fund operations within this context. She added more by stating that part of the recommendation of the City Manager is to do an intensive review including looking at funds and how to unravel the two, so the decision can be clear by Council to make. Kaplan responded to Purcell by asking if his understanding was clear that the Telecommunications Fund ending fund balance is all Ashland Fiber Network related. Purcell responded yes. Bachman asked Hanks, as the motion is to keep the budget flat with the last biennium, which is only a small cut due to inflation, could Ashland Fiber Network continue to operate without a noticeable deficit in services if it was not funding at the requested level. Hanks responded that this depends, with thought given to what could break he could not answer it cleanly as effectively it is a cut as everything done in this operation costs more than it does in the current

time frame. Hanks added that they are not immune from market forces of fiber and labor cost, which are all up. Bachman responded that he would oppose this one. Akins stated that she would call the question if needed, as it would be nice to vote on these things but would not specifically do it at this time as it was her hope that the Committee could vote on this and move on. **Roll Call Vote: Akins, Amery, DueQuenne, Moran, Runkel, YES. Hunter, Kaplan, Alphonso, Graham, Hyatt, Bachman, Morris, Seffinger, Jensen, NO. Amendment fails 5-9**

Hunter put the committee into a break at 4:42 p.m. (*Time Stamp 01:42:04*)

Hunter brought the meeting back at 4:50 p.m. (*Time Stamp 01:50:18*)

Purcell explained to the Committee the meeting timeline, adding that this was the only available time that the Committee had to meet the noticing deadlines for both Committee and Council, without Council adding extra meetings. Any of these meetings she added would go into this timeline and this was about the same timeline as prior processes, but the Council meetings are earlier. Video feed will also be lost at 6:00 p.m. which means the meeting needs to stop she explained.

Moran suggested to the Committee, that those who have not made any motions step forward and make them, so that those that already have can make additional ones, he stated that this would help move the process forward.

Graham asked if the Committee could take a step at this point regarding addressing the shortfall in the General Fund. As she explained the purpose of the budget as laid out by staff is not to make drastic cuts in the first year of the biennium so that strategic action could be taken to either adjust services, do them differently, or find other revenue streams to adjust the budget in year two. Purcell agreed that this was correct. She went on to say that what she thought the Committee was struggling with is, as she is struggling with, is the order of magnitude of the issue of what Council is going to need to address and if there is a way potentially for this Budget Committee to pass this budget with an amendment. Council she went on to say will find the answers to a certain amount of money in the General Fund, but she did not know what that number would be. Graham then explained that looking at somewhere within the FY22 space is when the City will begin to drop into a negative space in the General Fund or basically when the City has stopped using funds from the Federal Government. Adding that what she could not tell is what the appropriate number is for Council to be aiming at in terms of the solutions it creates between year one and two. Purcell responded that in previous documents she had spelled out the actual numbers, starting at \$2 million to \$2.5 million going up to \$3 million and then end up around \$4 million in the fourth year or 2025. She also explained that as Alphonso had stated that there are differences between making cuts and making structural adjustments to service levels and this is the challenge for Council as staff is not supposed to and should not make those decisions for Council which is in direct violation of policy. This means that Council needs to say what the new policy direction is she stated adding that this is what is essentially needed but that the Federal funding has given Council a year to figure this out. Purcell also explained that the City is looking at a structurally growing compounding issue that starts around at about \$2.5 million and grows from there, which is about the size of the organization, revenues in contrast with those expenditures and what the expenditure drivers are. Akins asked if what is being said is that Council dictates policy. She then explained it be within the purview of the Committee to direct staff to bring back recommendations for year two of the budget so that revenue could be cut on \$2.5 million by half and then define revenue streams coming in by the other half or another decided upon. Purcell responded that this would be a policy decision that would direct Staff and that what they would do would be to come back to Council and say what the service impacts would be based on professionally recommend

industry expertise. Staff would then come back and say that they could recommend a certain level and that to some degree that is what this budget represents is that staff has already taken it as low as they felt comfortable, while recognizing that once they go into another area that they go deeper. There must be an affirmation that Council is ready to deal with this and that if it all wanted to be done by cuts, everything from Fire, Police, Community Development, and Parks would be on the table, which is contrary to Council direction, she explained. She added that if they wanted all out cuts, Staff would have to come back and tell them what this organization would have to look like while also having to come back stating what the policy implications of doing that are and Council would let them know yes or no. Akins then asked if there has to be direction given as there is a deficit in year two. Purcell responded that the recommendation is that the City can get through the entire biennium but starting in year three there is a problem which means building the 2023-25 Biennial Budget would be virtually impossible without policy direction of Council. Graham noted that this seemed as if the Committee was still at the crux of creating more of a sense of a target for the Council, as she was hearing that the Committee wanted to aim at a particular target, whether this be in a particular place or in a particular way. She stated that she did not know what the right way to say what her motion would be, as the recommend budget already includes this process of strategic planning and making strategic organizational decisions but it feels like this Committee is not satisfied that that's not a specific enough element of the budget, so she will keep thinking.

Runkel stated that he thought that the \$500,000 that he had proposed to be looked at was a modest beginning to what needs to be done. His feeling he continued was that as Purcell had said that the cuts get harder and more painful to everyone in the City if this is not started right away. He added that a half of a million dollars is not a large amount on the percentage basis of the budget that is pending before the Committee and that he would be in favor of a greater number, but he thought his number was modest and doable. The City Manager and Finance Director he explained should be able to come up with this. Akins asked if this was a motion, to which Runkel responded that was his original motion that he held off on. Akins apologized for asking him to hold off on this as she thought the Committee would get there in a different way.

Amery commented that he agreed with Graham and Runkel in the sense that the purpose of the Budget Committee is to review the budget and give direction to Council and have them go ahead and do it. He added that this was a tough number, with the number being supposedly \$2 million and \$4.3 million being adsorbed with the Federal Government money over the next two years. The City he continued will be at a negative \$2 million in the next two years and within three years it will be \$3.5 million, with it then being \$4 million in 4 years with it growing. It has to start somewhere he explained adding that he agrees with Alphonso in principle that you cannot make short term cuts, it has to start somewhere. Specific cuts can be haggled on he clarified, but not everyone will agree on whether it is a salary cut or holding off on expenditures and that he thought it would be more prudent to go Runkel's route of coming to a number that everyone is comfortable with. His thought with the deficiency being so large even with the extra Federal Funds, was that he does not know if \$500,000 is the number, as it has to be something that the City and Council needs to work on in the next two years while keeping in mind that any additional policies that are put in place support the philosophy that the City needs to be back on track. His number he stated would be \$1 million to 1.5 million, but he would open it up to dialogue with the Committee, so that instead of motions there is a number that Council can work with.

Seffinger stated that she would like to second Runkel's motion. Hunter clarified that there was technically no motion or amendment on the floor right now.

DuQuenne commented that she thought the Committee was back to where they started with Runkle's motion. She suggested that Runkle make that motion again, as she agrees with it whether it be for this amount or another amount. She also agreed with the comment that the best people to make these cuts would be the Finance Director and the City Manager. As in her experience she explained this is usually given to Department Heads, who are given a number and then they come back with what is needed.

Akins also added that she agreed with DuQuenne and Runkel that the motion is to be made. She also added that she wanted to be clear that if this done that it's \$500,000 and by the end of biennium it would be \$2.5 million, which she stated would be kicking the can down the road to some degree. DuQuenne responded that she thought another dollar amount should be agreed upon, as she thought it should be higher.

Seffinger/Runkel m/s to a motion on the table and cut the City Mangers Recommended General Fund 2021-23 budget by \$500,000 as a first step in reducing the City's long-term structural budget deficit and that City Council will look for ways to both raise revenue or reduce cost by \$500,000 as directed by the Budget Committee **DISCUSSION:** Seffinger commented that the Committee needs a place to start as Council has been given a very direct message of both looking at revenue, reductions, and what is needed to create reductions by the second year. As a Council member she feels like this has been mandated to her and that she will do this by looking at what needs to be done to be fiscally responsible. She added that there needs to be time to do this as she would like to know what the Community wants. Some of these decisions seem easy she commented, like those of the Ambulance, but they may involve slower response times so all things need to be looked at in terms of what the effect would be to the safety of the City. Bachman clarified that this would be \$500,000 for the entire biennium. Runkel responded that this would be for the biennium. Bachman responded that he would be inclined to support this. Alphonso asked Purcell and Hanks if as the motion is written it would give them the ability to make recommendations about service cuts so that the Committee is not just talking about cuts in a vacuum. She added again that you cannot make cuts without lowering the service being provided and if it needs to be amended to allow for certain ideas for service reductions to institute these cuts. Purcell responded that the magnitude of the cut will require staff to go to Council an ask for their direction or clarification that the cuts that they come up with are agreed upon but given that it is over the entire biennium the conversation may begin in early August as opposed to waiting until September. As written however staff is required to come back to Council for direction and Council wholly reserves the responsibility so the Committee cannot dictate any feedback, but she thought that Council members would welcome comments. Alphonso responded that she was making sure that the motion allows staff to give feedback about certain cuts to services the City might provide, she would be in support of this proposal but would caution that service cuts need to be looked at to the Citizens. Adding to this she stated that as a Citizen herself she knows that the systemic issue cannot be solved without going from the other side of the services that the City is providing. Kaplan added that he is in the same line of thinking and that he had thought that the City Managers Recommend budget reflects what staff felt they could do within the policies that they have, including those enacted by Council. He asked if \$500,000 would be enough or if more is needed to recommend service level adjustments to get the City on track. He also discussed if this could be a starting point, with the possibility of an optioned list, as Council will ultimately decide what service level to provide to the Citizens of Ashland. Purcell responded that she would consider the amount the bare minimum, as the Council will be asked to deal with this no matter what, what is happening is that the Council is simply being provided with an explicit expectation that is done now. To adopt

the budget, she commented Council would actually have to specify where the funds come from and if it is not adopted as such and they do not do this, which is within their authority the expectation still remains that there is a lot of work to do over the next 12 months. Hanks agreed with this, adding that the Committee is getting into the scale where these become the numbers that they must talk in. One way that this can be done he added is when the Ambulance Study is brought forward in June, with these easily being the type of swings they are talking about in terms of revenue, service levels, regionalization, and outsourcing. These are the kind of numbers that staff is planning for and expecting to bring back and they are not arguing, debating, or frustrated at all by the tone and tenor of the Committee, but how this is communicated is up to the Committee. Moran explained that he was in shock, as half a million dollars in proposed cuts in a \$347 million budget is less than a quarter of a percent. He continued that he thought it was too bad that the Committee did not take to heart Purcell's claims and warnings as he had done for which he is fearful that this motion is not substantive enough to make any impact. This he commented was the same path that the Budget Committee followed over the last two budgets and nothing has happened. So, he will not support it as it is nowhere near substantive enough and time will tell that it isn't. With all due respect he ended by saying that he will not support the motion. Runkel added to the discussion by reminding the Committee that the Parks department found a way to eliminate 3 FTE's while contracting out business and improving services, so service cuts don't necessarily translate into service reductions and it makes it into a better way of doing it. Graham added that she thought it was important to remember that the shortfall is in the General Fund which is a much smaller amount than the overall budget. This means she added that any changes to it have a bigger impact. She commented based on what Purcell had stated and when she looked at the motion and process that \$500,000 of savings that may have been found. Based on this she stated that Council would have to immediately identify where that comes from in the General Fund, which means that a decision would have to be made without the strategic conversation necessary to make it well. This she explained is exactly the whole point of setting up the structure this way, to give Council time to structure shifts. If in the middle of June, Council must figure out a way without any real information of what those service levels would be with a \$500,000 change this would move in the opposite direction of giving Council time to work with the Community to figure out what the right step forward is. She concluded by saying that she was not concerned about the number but now she is concerned about the idea of Council in the space of one meeting having to figure out where these cuts happen and the areas that they would have to pick between. Hunter confirmed with Purcell that this would need to be immediate as in the adoption resolution it would have to specify where those cuts would come from and have a broken-down resolution that Council adopts. Hanks added that if Council was going to implement the recommendation of the Committee this would have to be done. Amery asked to understand the process if the motion is to advise Council over the next two years to find cuts whatever the number is, as he agrees with the point of others, \$500,000 is not going to fix anything as Purcell has stated, would the motion being to give a number to Council to work with the City to find the cuts necessary then be the motion that they have two years to do it? Purcell responded that the motion on the table as she understands it specifically cuts the budget. Amery suggested changing the wording of the motion to reflect over the next two years. Amery continued by saying the Committee was arguing about the wording of the motion and it should be changed to not waste time. Seffinger stated that she would be amending the motion. DuQuenne added that she too was in agreement for Seffinger being willing to amend the motion and agreed with Amery. She also asked if Seffinger would be willing to raise the dollar amount to at least \$1 million, because \$500,000 is not enough. **Seffinger/Alphonso m/s to amend the motion to say**

that over the next two-year period the City Council will look for ways to both raise revenue and reduce cost by \$500,000 as directed by the budget committee. **DISCUSSION:** Seffinger explained that it is known that there are deeper cuts that need to be made and as Graham has said there will be two years to look at the best way to do this. She added that she knows that \$500,000 is just a very small starting point but that she anticipates that there is a Council right now that is looking at the budget and wants to find ways to make our City financially stable adding that there is also a level of trust with this. Alphonso added that she appreciated the fact that over the next day or weekend that Council could not figure out a way to thoughtfully go through every department. She added that the only amended she would have been to increase the amount from \$500,000 to \$1 million over the next two years. Akins commented that they all agreed and with the \$2.5 million hold over the biennium that \$500,000 will not do it, but they can continue to up that number to get closer to a different number as the biennium wraps up. She further explained that the amendment to the motion asked for ways to cut and also to increase revenue, but that there are virtually no ways to increase revenue that she has heard of adding that she had previously brought forward ideas outside of raising fees to residents of Ashland as it is the revenue stream of the City. Bachman asked Purcell if the \$500,000 could be specified in the second year of the biennium so that there was more planning time to implement a structural change. Purcell responded that this could be specified this way. Bachman further clarified if this would then take the time pressure off as was being discussed. He added that he understood the legal requirements but questioned if the adoption message for Council would be relieved of the timeline or if it could be more general. Purcell responded that she would try to find a more general language that Council could use to direct that activity. Bachman stated that he agreed with the general ideas but that there are two periods to look at the budget period and the strategic period which goes 2023-2031. For the Budget period which he noted is where the implementation needs to take place and \$500,000 needs to be saved but that he was not talking about the general direction which is the call of Council. The question he commented was if the legal language in the adoption resolution was specific that this cut would happen in the second half of the biennium. Bachman then explained that the language would include wording that in the first year the biennium would stay the same but that \$500,000 would be cut out of the second year. Lohman and Purcell agreed that yes this could be the wording. Purcell further responded that with the recommendation as opposed to the specificity of where the dollars come from the Committee, there could be a way to make the language specifically recommended to Council to adopted and come to a similar result. Bachman then asked if specific fiscal years could be talked about to which Purcell stated yes, but that by law they have to be adopted as a single unit. Bachman suggested that an amendment reflecting this be stated and asked Graham if this would address her concerns. Graham replied that as long as Council does not have to identify where cuts would come from in the next month then it would satisfy her concerns. Bachman asked if the amendment could be amended. Morris stated that knowing that they are supposed to adopt a motion but not really adopt a motion as it will be adjusted in the second year that he would walk away not thinking he had done his job because they had not done what they were supposed to do. He added that the Committee could not get involved in policy as this was the Council's role but for the Committee to just say that it wants \$500,000 less doesn't make sense to him because with the budget, they will either adopt the one they have, or they say what will be different in it. As he sees it, the Committee will be adopting the budget as is with the second year being \$500,000 less and he did not know if that would meet the legal requirements. Hunter replied that these comments are not specific to the specific amendment that is being discussed to change Seffinger's motion. Morris asked for more clarification on what the motion was to which Hunter responded that the current motion was to amend the previous

motion of Seffinger's to allow Council to have more time for the \$500,000 cut. Bachman responded that was his motion that had not been stated. The motion was read back as a motion to recommend that Council look at ways over the next two-year period to cut funding and look at ways to increase revenue. Also added was that this would be by \$500,000 as stated in the original motion. Kaplan said that his question speaks both to the motion and the amendment and because he had listened to Moran talk about why he is opposed to a \$500,000 cut to a \$350 million budget, asked for clarification on if this was a cut to the General Fund at only \$80 million which he believed was nowhere near \$350 million dollars. He asked to make sure he was not confused. Purcell stated that this would be a \$500,000 cut to the General Fund which is around \$72 million to \$73 million. Akins asked about a clarification stating that her understanding was that it was not phrased as merely a cut, as she was confused about what was a motion or amendment, but that the amendment was also around a \$500,000 cut and or seeking revenue streams. Kaplan apologized saying that his question regarding cuts may have caused some confusion. Seffinger talked about ways that revenue could possibly be raised, and this is a part of a process of getting the budget in balance including looking at the regionalization of some things with the possibility of many other things that could raise revenue. She added that she did not want to take this out of what the Committee was trying to do as she also gave thought to property taxes going up. Lohman clarified that the motion was to raise revenues and reduce costs by \$500,000. Amery suggested making another amendment to Seffinger's motion. He added that Purcell had clearly stated that although they were in a balanced budget for the next two years, the City had absorbed the \$4.3 million that the government had given the City and they would then be at a balance of a \$3.5 million deficit in year three. This he added means that the City is actually at a loss of \$7.8 million over the next three year and due to the time left in the meeting the Committee should decide on what this number would be. He suggested rewording it, having everyone vote on it, so that Council can work with the City at a specified time, because if it says with the next two years the City and Council can decide when the time is appropriate. He added that this needs to be done so time does not run out before anything has been voted on. Hunter clarified that the motion needs to be voted on to allow time for the motion to be spread-out. Akins requested that the amendment and motion be read back, so the context of voting could be understood. The motion as whole was read back, and then as a **separate amendment stating that to recommend that Council look at ways over the next two-year period to raise revenue and reduce costs. Voice Vote on Amendment: Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Morris, Seffinger, Amery, Bachman, YES. Akins, Moran, DueQuenne, NO. Amendment passes 11-3, MOTION AMENDED**

Hunter stated that the motion that was now on the table was as read earlier **as a motion to recommend that Council over the next two-year period look at ways to raise revenues and reduce costs by \$500,000 as a first step in reducing the City's long term structural deficit.** Amery suggested before the motion was put to a vote that he would like to suggest increasing the amount to \$1 million.

Seffinger/Alphonso m/s to amend the motion to change amount from \$500,000 to \$1,000,000. DISCUSSION: Amery commented that as he had said Purcell had clearly told the Committee that although they were balanced at the end of two years cuts have to be found and if they don't, the City will be in a very different position. \$500,000 he stated was a nice first step, the City has two years to come up with these cuts, so no one is under any pressure to reduce these amounts. He continued that what Councilor Seffinger had stated about finding further cuts would put the City in year three in a stronger position. He added that he had thought of a higher number but thought

that \$1 million is a very safe number that everyone can work towards in the next two years. Alphonso stated that she had nothing to add. Moran thanking Kaplan for his correction on where funds would need to be reduced, asked if the motion then states that \$1 million would come from cuts or revenue increases. Hunter confirmed that this was how the motion was stated. Moran responded that he cannot support the motion then. Graham stated that she did not believe that the motion or the amendments so far have specified the General Fund and asked if Amery might include this in his amendment. Amery apologized stating that he thought this was already specified in the original motion that they were talking about the General Fund. Graham added that the Committee was clear that they were talking about it, but that she did not hear it in the motions that were just read. Amery agreed. Kaplan commented that he would support the amendment, but he wanted to make sure that the Committee amends the original motion so that it has the specific window was stated. He continued that as Seffinger has read it originally was the way Runkel had wrote it, which was to reduce it rather than recommending to City Council to reduce it in the second year, however that will be stated. He stated this needs to be done so that Council does not have the impossible task of having to identify the cuts in the next couple of weeks. Amery and other members of the Committee comment that they thought this had already been voted on. Bachman asked for clarification, stating that he believed the amendments and the original motion contain the language that would satisfy the concerns presented by Kaplan. Referring to Lohman for clarification Bachman stated that he believed the original motions and amendments do talk about the General Fund and over the full period, adding that whatever was stated has been amended. Kaplan responded that the original motion stated that this was to reduce not recommend. Both Bachman and Amery stated that they believed that this motion was to reduce the budget and that it was a change to the current budget. Hunter asked for clarification from Hanks and Purcell. Hanks stated that the distinction was to reduce the budget or to provide a target for Council to work with. Amery stated that the core of this was that it did not give Council the time it needed to reduce the budget and that the motion was to reduce the General Fund Budget by a million over the next two years. Akins stating a point clarification added that the motion stated that it was to reduce and/or find revenues. She also added that her thought was that everything that comes from the Budget Committee is a recommendation, so Council will still decide as there is a limit in how much boxing in the Budget Committee can do. Hanks added for clarity that the wording does matter and that if you are reducing then a Budget will be brought forward that has the reduction in it. The other thought he gave was to a recommendation being given to Council that does not require a cut in the proposed budget as amended. Purcell further clarified that the distinction is in where the numbers or results are put. If the numbers are put into a resolved clause after the original numbers, then it is a directive to the Council to figure it out over the next two years and if it is a specific cut it is actually an adjustment to those numbers which means that it has to be broken out per State law. She added also that Mayor Akins was correct and that it is not forceable by law to the Council, but that the Committee would be making a recommendation regardless and this recommendation must be published, which then Council would take their own action. She suggested using a separate resolve clause that gives direction to Council, as the difference is in whether this is in actual adopted resolution by number or in the resolved clause that is directed around this. Akins clarified again that the motion stated both cuts and/or find revenue streams, as she did not want it to be keep being said that it was just cuts. She went on to say that voting in favor of this is voting in favor of cuts or identifying revenue streams, as Councilor Seffinger made it clear that this could be done through a variety of ways. Runkel stated he would support this even though he was uncomfortable with the revenue aspect of it. He further added that he did not think the City's problem was insufficient revenues but in excessive spending and he felt that the language that gives direction is all the Budget Committee can do.

He also added that there needs to be trust in the Council to respect the Budget Committee and follow the recommendation and he would be fine with just a recommendation as its Council decision in the long run. Graham asked that with how the amendment is written now if it would require that Council identify the line items or if it would be going as a recommendation, as to her this was the most important part. Purcell responded that as she is understanding Akins clarification and the groups understanding this would be a results clause that reflects back to the adopted numbers, so this would be an amendment to the approval of the budget with the caveat that the City Council is recommended to find \$1 million in cuts and or revenues over the next two years. Graham then asked if this was to pass will Council have to identify revenue sources or expenses in June of this year. Purcell responded no. Akins stated that she could not support the amendment as it calls for revenue streams and that although she appreciates the optimism around idea of the possibility of creating revenue streams that aren't going to directly impact residents, she is doubtful they exist. She continued by saying that she has searched far and wide, as well as had numerous conversations with Hanks and typically these things are not available. Hunter stated that to be clear that the part regarding funding had already been passed and incorporated into the motion and that the amendment was just to specify the dollar amount and to specify general fund. Akins thanked him for clarification. Lohman stated he agreed with this, but he wanted to clarify that the General Fund was specified as this was not added to the original motion or the amendment, so that everyone knew what they were voting on. He clarified that Committee members knew the \$1 million revenue addition and that if it was in the general fund, then the Committee needs to speak up so it can be clarified. **Alphonso/Hyatt m/s to amend the motion to include the specification to include that the cuts or revenue are to appear in the General Fund DISCUSSION: None Voice/Hand Vote on Amendment: Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Morris, Seffinger, Amery, Bachman, Akins, Moran, DueQuenne, YES. None, NO. Moran, Bachman. DueQuenne, ABSTAINED, Amendment passes Unanimously. MOTION AMENDED**

Hunter asked if the Committee had any more discussion regarding the motion to increase the amount to \$1 million. **Voice/Hand Vote on Amendment: Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Morris, Seffinger, Amery, Bachman, YES. Morris, NO. Akins, Moran, DueQuenne, ABSTAINED, Amendment passes 10-1, MOTION AMENDED** During voting Moran asked if voting was just being done on the \$1 million or if it included a vote on cuts and revenues. Hunter replied that had already been voted on.

Amery asked for clarification as the Committee was discussing revenue stream increases, if there were no revenue streams then it would then be assumed that the \$1 million would prominently come out of reductions or cuts. The Committee agreed. Amery continued that it would not be one or the other, adding that he would hate for this Committee to not agree to make any cuts at a time when they need to. He then stated that if everyone is willing to admit to the fact that cuts are needed then hopefully Council will take away from all of the Committee's meetings and Purcell's comments that furthermore long-term cuts or solutions are needed so that in the future the City does not find itself back in a very difficult situation back to 2008 levels. He ended by saying that he supports the motion.

Bachman stated to the committee that he thought that discussion should be cut off and a vote taken as there was only 10 minutes left of the meeting.

Kaplan suggested and Bachman agreed that the exact motion on what was being voted on needed to be read back. The motion was read back. One correction was noted in the language that the motion was originally stated as or not and.

Alphonso/Hyatt m/s to amend the motion to change the wording so the motion read cuts and/or revenue. DISCUSSION: None Voice/Hand Vote on Amendment: Alphonso, Hyatt, Runkel, Kaplan, Jensen, Graham, Hunter, Morris, Seffinger, Amery, Bachman, YES. Akins, Moran, DueQuenne, NO. Amendment passes 11-3, MOTION AMENDED

Hunter asked the Committee if they would like to make any final amendments to the motion. No comment was given on this. Hunter asked for a roll call vote.

The motion as amended was read back as:

A motion to recommend that Council look at ways over the next two-year period to increase revenue and/or reduce costs by \$1,000,000 in the General fund as a first step in reducing the City's long-term structural budget deficit.

Moran asked if this would preclude or allow for utility rates to go up as a way to increase revenues. He also added that there was no specificity around the revenue, and this seems like a strange word choice to say that the budget is being reduced by increasing revenues. Akins responded that she understands this but that it has already been voted on. She added that she had mentioned that Utility costs may be a part of this revenue increase. Hanks also responded that it would be any revenues that are General Fund Revenues and Utility Rates are not a General Fund revenue, but fees on a Utility Bill can be General Fund.

The following final motion was voted on:

A motion to recommend that Council look at ways over the next two-year period to increase revenue and/or reduce costs by \$1,000,000 in the General fund as a first step in reducing the City's long-term structural budget deficit. **Roll call Vote: Kaplan, Jensen, Seffinger, Alphonso, Graham, Hyatt, Bachman, Morris, Runkel, Hunter, Amery, YES. Akins, DueQuenne, Moran, NO. MOTION PASSES 11-3.**

Purcell reminded that Committee that two motions still needed to be voted on which were the passing of the overall budget and that of the property tax rate.

The Committee voted on approving the 2021-2023 Biennial Budget and making recommendations for Policy initiatives as previously motioned and seconded on May 11, 2021. Roll call Vote: Kaplan, Jensen, Seffinger, Alphonso, Graham, Hyatt, Bachman, Morris, Runkel, Hunter, Amery, YES. Akins, DueQuenne, Moran , NO. MOTION PASSES 11-3.

Bachman/Jensen m/s to approve the property tax levy in the amount of \$4.2865 per \$1,000 of assessed value for fiscal year 2021-2022 and fiscal year 2022-2023 respectively, approve property taxes for the payment of general obligation principal and interest bonded debt in the total of \$220,037 for fiscal year 2021-2022, and \$215,339 for fiscal year 2022-2023. . DISCUSSION: Amery asked for clarification on the taxes and if they were going up. Purcell responded that the tax rate is actually going down because the debt for Fire Station 1, with the levy only going to pay for Fire Station 2. The operating levy she added remains the same. **Roll call Vote: Akins, Amery, Hunter, Kaplan, Alphonso, Graham , Hyatt, Bachman, Morris, Seffinger, Jensen, Runkel, YES. DueQuenne, Moran, NO. MOTION PASSES 12-2.**

Hunter ended by stating that he appreciated everyone's hard work on this. Seffinger commented as well that she hoped that the citizen members knew that they were being listened to.

ADJOURNMENT

Meeting adjourned at 6:00 p.m.

Respectfully submitted,
Natalie Thomason
Administrative Assistant

[REDACTED]

From: Melanie Purcell
Sent: Tuesday, May 11, 2021 6:51 AM
To: Samery 26
Cc: Budget Committee; [REDACTED]
Subject: RE: Big Picture Proposed Cuts Needed
Attachments: CIP_FINAL_with_edits.pdf

Good morning,

Here are the clarifications requested:

- Are the hypothetical cuts over a one or two year period, I'm assuming 2
 - Each amount is for one year.
- How many FTE's fall under each heading, total hypothetical and non contractual
 - Total FTEs for hypothetical reductions are 245.32 and those who are not covered under employment or bargaining agreements total 50.57 FTEs.
- Of the top executive staff how many are there and how many of them are not represented and or unionized
 - There are 11 department director positions and all of them have individual employment agreements.
- Could you please specifically outline the regulatory and deficiency needs for water in fiscal years 2022 and 2023 that you have responded to, for clarification.
 - These are identified on the attached CIP summary sheet and in the supplemental materials provided by Scott Fleury, DPW Director, during the Council session on March 16, 2021.
[030221 Adoption of the 2021-2040 Capital Improvement Program CCFinal.pdf \(ashland.or.us\)](#)
- Also what are the regulatory needs outlined under waste water for fiscal year 2022 and 2023
 - Same as above.

City staff have recommended the reductions and policy actions that align most clearly with the policy direction received to date and that provide Council an opportunity to more deeply explore its direction going forward. Resolving the structural gap will require reductions in service and the magnitude of those reductions require policy direction from the Council because these reductions have the potential to alter the character and service array of the community in direction opposition of current policy. The Citizen Budget Committee has been invited to provide feedback and recommendations to the Council regarding the priorities of the community and insight into how service impacts might be received by the community particularly in future budgets. The recommendations of the Budget Committee can assist the Council as it thoughtfully and carefully determines the City's direction over the next six to eighteen months to address the structural imbalance. As the majority of the members have participated in past reviews of operations, a detailed review of operations that have not changed significantly would require more time than the legally proscribed process provides.

Thank you,
Melanie

Melanie Purcell
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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From: Saladin Amery [REDACTED]
Sent: Monday, May 10, 2021 12:15 PM
To: Melanie Purcell <melanie.purcell@ashland.or.us>
Cc: Budget Committee <BudgetCommittee@ashland.or.us>; [REDACTED]
[REDACTED]

Subject: Re: Big Picture Proposed Cuts Needed

[EXTERNAL SENDER]

Hi Melanie,

A couple of questions,

- Are the hypothetical cuts over a one or two year period, I'm assuming 2
- How many FTE's fall under each heading, total hypothetical and non contractual
- Of the top executive staff how many are there and how many of them are not represented and or unionized
- Could you please specifically outline the regulatory and deficiency needs for water in fiscal years 2022 and 2023 that you have responded to, for clarification.
- Also what are the regulatory needs outlined under waste water for fiscal year 2022 and 2023

In answer to your bullet point questions on page 3 of your response, what steps would the city suggest we take, to address them and to avoid the \$15mm deficit you have outlined in fiscal year 2026. I have to say that I am confused on this whole process, in my experience city management along with staff would already have offered suggestions on how to get the budget back into positive territory, however in this process, it seems that the city management and staff are expecting the budget committee to do all the work and make all the suggestions.

I look forward to hearing back from you.

Kind regards, Sal

On May 7, 2021, at 1:58 PM, Melanie Purcell <melanie.purcell@ashland.or.us> wrote:

Good afternoon,

Thank you for sending over your thoughts and suggestions. Attached are the numbers and some considerations for discussion.

See you all next week; have a wonderful weekend.

Melanie

Melanie Purcell
Finance Director

City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
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From: Saladin Amery [REDACTED]
Sent: Wednesday, May 05, 2021 7:15 PM
To: Melanie Purcell <melanie.purcell@ashland.or.us>
Cc: Budget Committee <BudgetCommittee@ashland.or.us>
Subject: Big Picture Proposed Cuts Needed

[EXTERNAL SENDER]

Dear Melanie,

I am sending to you this email, but I have cc'd the budget committee so everyone is aware of what I am suggesting, I don't know the exact Oregon meeting law, and I don't want to be in breach of any laws, so I assume no one should respond to this email, other than you, we can all discuss this in the next meeting. However, I feel that we need to spend more time discussing how to address cuts necessary to help get the budget back on track and into positive territory. In our last meeting, you clarified the extent of the losses we have incurred in the general fund, which as you stated can not sustain the spending as the city has been doing, even after absorbing the \$4.3mm that the federal government has given to us. You clearly indicated, and I agree, that we needed to get into the weeds and make cuts to help get us back on track. Taking a look at the attached two pages, there seems to be an increase in spending from the actual 2019-2020 numbers in the General fund and the proposed 2021-22 numbers, which is supposed to include cuts, but instead shows more than a \$10mm increase in expenditure. If you then look further in the first attachment, page 18 of the [BC Governmental Funds BN21-23 Presentation 04.13.21.pdf](#) document, you will see that even after the proposed use of the one time government funds contribution of \$4.3mm, by 2024 the fund is running at a loss of nearly \$4mm, which means we have lost over \$8mm between now and 2024. At a time, where the future economic growth of our community is uncertain, and a return to where we were in 2019 is questionable at best.

From a big picture perspective, the TOT and food and beverage taxes have been greatly impacted and there is uncertainty as to when and if they will get back to 2019 levels. Economic growth seems to be at a stand still and the citizens of Ashland have been negatively impacted by the pandemic. With this in mind, we not only have to reduce our costs, but we also need to cut our expenditures to help the city get back into positive territory. If there is any further slow down in the nations economic growth, Ashland will end up back in a place it was in 2008, which would then affect both employees and Ashland citizens in a very negative way. I suggest we put our heads together to make some tough decisions now, to avert major cuts that would negatively impact the city in the future. Here are some of the suggestions I think we should consider. Melanie, can you run some numbers with the aim of reducing costs, with the intention to get the city back to 2018-2019 cost levels, as per the suggestions below, we would want to affect these cuts without negatively impacting essential services. I would encourage the committee members to give some thought to these suggestions and make other recommendations to address the structural deficit:

- Salary cuts 15% for all executives/managers and by 10% for everyone else
- Cessation of any unnecessary city contributions to employees, such as:
 - Pensions fund contributions
 - Car payments
 - Cola payment
 - Etc, I understand that these may need to be negotiated, but need to be done
- Hiring freeze for any positions that are not currently filled or held. (ghost employee positions do not count)
- Put a hold on any large CIP projects that do not need maintenance or are not a regulatory requirement, until we get back to economic stability and the pandemic fall out and the nations economic growth is more stable and Ashland's economy has returned back to previous levels seen in 2019.
- Keep salaries at frozen to the new levels, and any future pay raises would need to be agreed by council every year.

I believe that everyone on this committee understands that we are in a tough situation and that action needs to be taken to avert another 2008 situation. I would suggest we take sometime to discuss amongst the whole committee to come up with suggestions that can get the town to a more stable economic standing, and the council can monitor and make decisions as and when needed.

Melanie, thank you for running these numbers, I know it take a lot of work. I look forward to seeing the results and to an open dialogue regarding these issues.

Kind regards, Sal Amery

<image003.png><image004.png>

<S. Amery CBC Suggestions 05.05.21.pdf>

[REDACTED]

From: Melanie Purcell
Sent: Tuesday, May 11, 2021 9:11 AM
To: Budget Committee
Subject: FW: Future funding for Ashland Parks

FYI

Melanie Purcell
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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From: Michael Black <michael.black@ashland.or.us>
Sent: Tuesday, May 11, 2021 9:09 AM
To: Melanie Purcell <melanie.purcell@ashland.or.us>; [REDACTED]
Subject: FW: Future funding for Ashland Parks

As requested, this email is being forwarded to the CBC.

Thank you,

Michael Black

From: Karen Smith [REDACTED]
Sent: Sunday, May 9, 2021 4:08 PM
To: Michael Black <michael.black@ashland.or.us>; [REDACTED]
Subject: Future funding for Ashland Parks

[EXTERNAL SENDER]

This email is sent to you with the request you share it with the Citizen's Budget Committee and City Council.

Ashland's Parks are our city's cherished jewels though the department charged with managing them has been underfunded for too long. It is impossible to maintain a parks system without adequate staff and resources, but our committed park professionals valiantly try. The decline in maintenance within our system, especially Lithia Park, is obvious.

Since dedicated, predictable funding for Ashland Parks was withdrawn by the City Council, Parks has had to go hat-in-hand for funding for over ten years. The City requires Parks to pay money to the General Fund for "central services" which will cost up to \$500,000 each year -- a shocking amount!. When Ashland was established, the City Charter created a tax to fund Parks. This tax was overturned following the passage of a 1996 state ballot measure. The withdrawal of that funding from Parks was not required, it just allowed the city to transfer money taxed for park purposes to the General Fund. A number of citizens fought a losing battle to preserve parks funding at that time.

As I see it, Ashland has taken tax money, paid by citizens for park purposes, without making sure the health of the Parks Department and system is assured. There are currently fewer staff members to manage more park acres than were in the system in 2005! This cannot continue. Everyone of every age in the community, many people from around the county, and most visitors, who we rely on to support our town, value and spend time in our parks.

I urge the Citizen's Budget Committee and the City Council to fully fund the financial requirements of the Parks Department and allocate all the Food & Beverage Tax to Parks. Our Parks system MUST have a predictable, sustainable funding base into the future. Ashland is certainly an exceptional community. but it won't remain exceptional if our parks decline.

Respectfully submitted,
Karen Smith



[REDACTED]

From: Saladin Amery [REDACTED]
Sent: Tuesday, May 11, 2021 2:50 PM
To: Melanie Purcell
Cc: Budget Committee; Department_Heads; Steve MacLennan; Nick Palmesano; Brent Knutson
Subject: Re: National Salary Comparisons

[EXTERNAL SENDER]

Thank you for the clarification Melanie, much appreciated.

On May 11, 2021, at 2:21 PM, Melanie Purcell <melanie.purcell@ashland.or.us> wrote:

Hi Saladin,

The National Average numbers includes agencies of all sizes, complexities, and forms of government. The comparison information was requested for additional perspective and does not provide any level of precision.

Melanie

Melanie Purcell
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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From: Saladin Amery [REDACTED]
Sent: Tuesday, May 11, 2021 2:01 PM
To: Melanie Purcell <melanie.purcell@ashland.or.us>
Cc: Budget Committee <BudgetCommittee@ashland.or.us> [REDACTED]

Subject: Re: National Salary Comparisons

[EXTERNAL SENDER]

Hi Melanie,

Thank you for this, could you help clarify a few points:

- National average, does that take into account big cities or is this the average for smaller town's like Ashland

- Also for Ashland, again I see a range, could you please show us what Ashland is actually paying its staff the range doesn't really help to clarify, are we to assume that Ashland is paying at the high end of that range, in which case we are way above the average, which I assume includes big cities and is not a great representation of salaries for small towns like ours?
- Also in my opinion, Ashland has an ability to pay a certain salary, the national average is irrelevant, it is all about what we can afford.

Your help to explain this would go a long way to help us understand.

Thanks Sal.

On May 11, 2021, at 10:05 AM, Melanie Purcell <melanie.purcell@ashland.or.us> wrote:

Good morning,

Attached is a brief comparison of City of Ashland salary ranges as provided earlier with the national average provided by the US Bureau of Labor Statistics. It is not a comprehensive survey and job descriptions and duties can vary dramatically between agencies. It is intended to give a flavor of how Ashland might present in a larger labor market for City positions not covered through bargaining agreements aka "non-represented". Also included is a comparison with the national average compounded with a Cost of Living comparison multiplier taken from areavibes.com, one of many cost of living calculators that indicate how a region compares in terms of salary purchasing power for similar households. This information was requested for general context and to supplement information previously supplied.

Thank you,
Melanie

Melanie D. Purcell, CPFO, SHRM-SCP
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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<National Salary Comps 05.11.21.pdf>

Yearly Salary, first step to final step: 2020-21			
areavibes.com = 15% multiplier*; BestPlaces.net = 25.2% multiplier	Ashland	National Avg	National X COL multiplier*
Administrative Assistant/Communications		66,040	75,946
Administrative Assistant	\$45,311-\$55,077	44,760	51,474
Administrative Assistant II	\$36,272-\$45,361	44,760	51,474
Executive Assistant	\$47,577-\$57,831	64,690	74,394
Administrative Analyst	\$57,831-\$70,293	49,430	56,845
Administrative Assistant/Paralegal		57,130	65,700
Legal Assistant		57,130	65,700
Paralegal	\$49,956-\$60,722	57,130	65,700
Accountant	\$57,831-\$70,293	71,420	82,133
Senior Accountant	\$66,616-\$80,973	71,420	82,133
Financial Analyst		75,840	87,216
User Support Coordinator	\$57,831-\$70,293	68,930	79,270
Senior IS Analyst	\$70,293-\$85,441	90,210	103,742
Network & Computer System Administrator	\$70,293-\$85,441	83,430	95,945
IT/GIS System Coordinator, Network Engineer		91,670	105,421
Administrative Assistant/Police		49,430	56,845
Fire Adaptive Communities Coordinator	\$57,831-\$70,293	73,660	84,709
CERT Program Coordinator	\$45,311-\$55,077	44,760	51,474
PW Executive Analyst		64,690	74,394
Recreation Coordinator	\$46,835-\$56,826	55,890	64,274
Management:			-
City Engineer		98,870	113,701
Senior Planner	\$69,947-\$85,020	77,790	89,459
Principal Planner		77,790	89,459
City Planner		77,790	89,459
Administrative Supervisor	\$49,956-\$60,722	65,310	75,107
Court Supervisor	\$57,546-\$69,947		-
Judge	\$ 63,720		-
City Recorder	\$ 93,756		-
Development Services Manager	\$63,444-\$77,117		-
Parks Manager	\$59,980-\$73,278	62,260	71,599
Outer Space and Irrigation Supervisor	\$64,379-\$78,253	62,260	71,599
Fire Marshall		69,450	79,868
Deputy Fire Marshall I		69,010	79,362
Deputy Fire Marshall II		69,010	79,362
Deputy Fire Marshall III		69,010	79,362
Maintenance Supervisor	\$63,444-\$77,117	75,600	86,940

Yearly Salary, first step to final step: 2020-21			
areavibes.com = 15% multiplier*; BestPlaces.net = 25.2% multiplier	Ashland	National Avg	National X COL multiplier*
Water Treatment Plant Supervisor		75,600	86,940
Police Office Manager		62,660	72,059
Street & Equip Supervisor	\$63,444-\$77,117	73,050	84,008
Wastewater Collections Supervisor	\$66,616-\$80,973	75,600	86,940
Water Distribution Supervisor		75,600	86,940
Accounting Manager		109,000	125,350
Foreman, Streets, Water		75,600	86,940
Facilities Manager			-
HR Manager	\$69,947-\$85,020	111,570	128,306
GIS Manager	\$69,947-\$85,020	91,670	105,421
Police Sergeant	\$76,353-\$92,806	94,470	108,641
Police Records Supervisor		91,940	105,731
PW Supervisor	\$72,285-\$88,764	75,600	86,940
Financial Systems Manager	\$73,445-\$89,271		-
IT Manager	\$80,973-\$98,423	121,070	139,231
Parks & Recreation Manager/Superintendent	\$80,964-\$98,413	62,260	71,599
Building Official	\$85,020- \$103,342		-
Planning Manager	\$85,020- \$103,342		-
Police Lieutenant	\$89,271- \$108,509	94,470	108,641
Fire Division Chief	\$89,271- \$108,509		-
Public Works Superintendent	\$89,271- \$108,509		-
Assistant City Attorney/Deputy	\$93,734- \$113,935	111,300	127,995
Deputy PW Director	\$93,734- \$113,935		-
Accounting and Audit Manager	\$93,734- \$113,935		-
Deputy Fire Chief	\$93,734- \$113,935	84,140	96,761
Deputy Police Chief	\$93,734- \$113,935	94,470	108,641
Assistant to the City Manager	\$103,312- \$138,613		-

Yearly Salary, first step to final step: 2020-21			
areavibes.com = 15% multiplier*; BestPlaces.net = 25.2% multiplier	Ashland	National Avg	National X COL multiplier*
Assistant City Administrator/Manager	\$113,902- \$152,821	124,510	143,187
Deputy City Manager		124,510	143,187
Electric Operations Superintendent	\$93,734- \$113,935		-
Department Director		124,510	143,187
HR Director	\$103,312- \$138,613	124,510	143,187
IT Director	\$103,312- \$138,613	124,510	143,187
Community Development Director	\$103,312- \$138,613	124,510	143,187
Community Development Dr/Deputy CM		124,510	143,187
Maintenance Services Director		124,510	143,187
Engineering Services Director		124,510	143,187
Electric Director	\$103,312- \$138,613	124,510	143,187
Parks Director	\$103,312- \$138,613	124,510	143,187
Finance Director	\$103,312- \$138,613	124,510	143,187
Fire Chief	\$103,312- \$138,613	124,510	143,187
Public Works Director	\$103,312- \$138,613	124,510	143,187
Police Chief	\$103,312- \$138,613	124,510	143,187
City Attorney	\$113,902- \$152,821	124,510	143,187
City Manager	\$138,448- \$168,285	124,510	143,187
National Average per US Bureau of Labor Statistics, Division of Occupational Employment & Wage Statistics			
NAICS 999300- Local Government, excluding schools and hostpitals (OEWS Designation)- May 2020			

Public Comment from 5/11/21 Citizens' Budget Committee Meeting from Leda Shapiro

From [Leda](#) to [All panelists](#):

04:06 PM

I wonder whether outsourcing the maintenance on the bathrooms also included the supplies? Have those expenses remained the same ?

[REDACTED]

From: Accounting [REDACTED]
Sent: Wednesday, May 12, 2021 12:39 PM
To: Melanie Purcell
Cc: Adam Hanks; Budget Committee [REDACTED]
Subject: Re: FTE and Community Access to City Services

[EXTERNAL SENDER]

Thanks so much for the context, Melanie and Adam. I know that City staff and management has been diligently seeking cost reduction strategies and I do understand that scale back of services takes time in order for Ashland citizens to adjust. I brought up this idea in the spirit of seeking long term solutions to the general fund balance issues, rather than short term patches, such as hiring freezes or deferral of maintenance and capital projects. I am satisfied with this explanation and do not require further elaboration in meeting on Friday, unless someone else feels differently.

Best regards,
Ellen Alphonso

Sent from my iPhone

On May 12, 2021, at 8:55 AM, Melanie Purcell <melanie.purcell@ashland.or.us> wrote:

Good morning,

Just to add a little more context to how we analyze this scenario. I fully anticipated that we would see a decline in manual transactions with the pandemic; however, we have experienced nearly the same call and check volume, via the mail, drop box, and phones, as prior to the pandemic with at least 50% of approximately 19,000 transactions per month handled by human rather than auto-processing. Ashland's population appears to prefer manual interactions, i.e. checks and credit cards over the phone to electronic transactions. This creates a challenge to streamlining processing since these have to be handled by humans. This does not include the other contacts related to account open/close, billing questions and issues, and license and tax questions while continuing to issue bills. The City is currently not processing any cut-offs or formal collections for unpaid bills. There are five positions in this area, not including the .75 FTE proposed to be eliminated in the recommended budget in combination with the contracts approved by Council to outsource tax administration. During the pandemic, we have held vacancies to save funds and altered schedules and duties to take advantage of not having the doors open to make it work. Once the doors are open and the full scope of activities resumed, one vacant position will be have to be filled.

That being said, staff is discussing how best to reopen to the public and share operations effectively as well as how to promote other options that customers can become more

comfortable using. In particular, the kiosk should be available to the public this summer. The updated customer service portal will be available early in 2022 but is contingent on completing the MUNIS upgrade which has been delayed due to technical issues and availability of staff to update and test the system. Finance is coordinating with Public Works and Community Development to open with consistent limited hours to make it easier on customers and to maximize capacity across all services.

Thanks,
Melanie

Melanie Purcell
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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From: Adam Hanks <adam.hanks@ashland.or.us>
Sent: Tuesday, May 11, 2021 7:05 PM
To: Ellen Alphonso [REDACTED] Budget Committee
<BudgetCommittee@ashland.or.us>
Subject: Re: FTE and Community Access to City Services

Ellen and Budget Committee members,

Melanie and I could provide a high level presentation on this concept. In short, that is going to happen to some degree regardless and is currently in place in several areas currently. The recommended budget does include staffing reductions in Utility Billing and we have reduced front counter hours currently and had even prior to COVID in our Community Development Department. Our Municipal Court had been operating this way for quite some time.

In short, those concepts have been evaluated and implemented for the limited number of staff that perform those citizen/customer facing functions.

Again, we would be glad to review the FTE reductions and over \$3 million in expense reductions that are embedded into the proposed budget if the Committee is interested.

The automated payment machine is one technique to help offset the impact to citizens/customers for the reduction of office hours and did help facilitate staff reductions along with recently approved third party contracts for billing and collections of our Food and Beverage tax and transient occupancy tax programs.

I hope that helps provide some context to what we have already operationalized.

Thanks,
Adam

Adam Hanks
City Manager Pro Tem
City of Ashland
541-552-2046

From: Ellen Alphonso [REDACTED]
Sent: Tuesday, May 11, 2021 6:02:47 PM
To: Budget Committee <BudgetCommittee@ashland.or.us>
Subject: FTE and Community Access to City Services

[EXTERNAL SENDER]

Hi Everyone,

This is sort of a large question, and I do understand if it's too big of a research topic to include in the current biennium budget, but what would the financial impact be if the municipal utilities were to reduce their access to the public from 5 days a week to 4 days? As an example, electric is currently open Monday through Friday 7-3:30. Would we be able to reduce the number of FTEs staffing if it were open Monday-Tuesday and Thursday-Friday for example, or even staggering open times, so that departments could share citizen facing staff? Also, with the new automated payment machines, does the budget figure in cuts to FTEs for our Citizen facing utility employees?

Best regards,
Ellen Alphonso

[REDACTED]

From: Melanie Purcell
Sent: Wednesday, May 12, 2021 6:22 AM
To: Budget Committee
Cc: [REDACTED]
Subject: Article referenced in 05/11 CBC meeting
Attachments: state_budget_report. E Alphonso reference 05.11.21.pdf

Good morning,

Here is the article Ms. Alphonso provided during yesterday's Citizen Budget Committee meeting.

Thank you,
Melanie

Melanie D. Purcell, CPFO, SHRM-SCP
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

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Show Me the Money

Budget-Cutting Strategies for Cash-Strapped States

By William D. Eggers

Senior Fellow, Manhattan Institute for Policy Research &
Director, Deloitte Research

It's the most dire situation we've seen in over 20 years. Governors are dealing with unprecedented fiscal pressure. Even as the economy turns around, the state budget forecast will remain stormy since revenue growth lags the recovery by at least 12 to 18 months.¹

—Raymond C. Scheppach, Executive Director, National Governors Association

I. INTRODUCTION

The 2002 mid-term elections produced nearly two dozen new governors—the largest turnover in years. They didn't have long to celebrate their victories because their first day at work will coincide with one of the worst state fiscal crises in decades. By the time they take office, the cumulative 2003 state budget shortfall will likely be over \$50 billion.² The causes of the deficits are clear: the recession, September 11, spiraling Medicaid costs, and profligate spending in the mid- and late 1990s.³ Add them all up, and you have the budgetary equivalent of a perfect storm.

If this gives you a strong sense of déjà vu, do not be surprised. We have been through all this before, the last time only a decade ago, during the previous recession. Unfortunately, memories are short. Many states failed to learn one of the most important lessons from previous boom-bust cycles: spending must be contained during growth periods in order to avoid fiscal imbalances when the economy goes south, as it always does eventually.

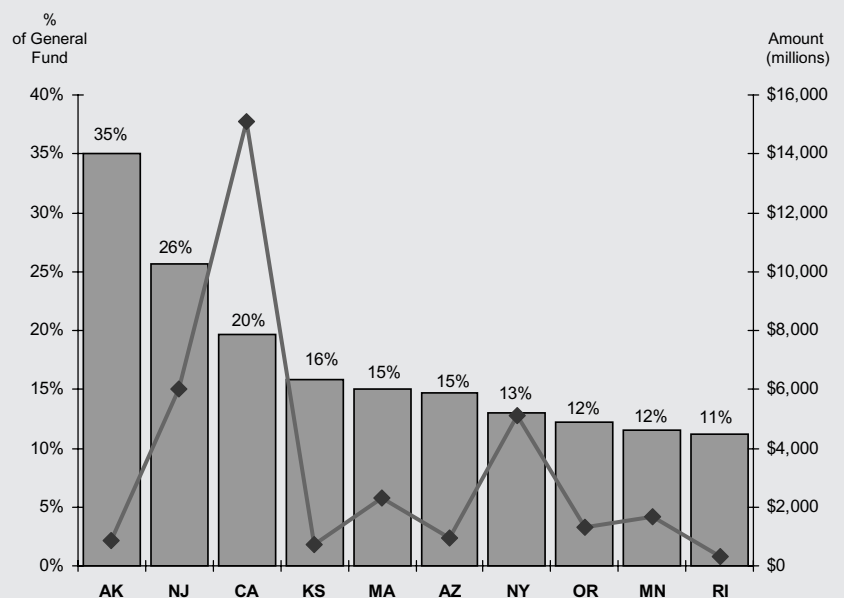
Faced with constitutional requirements to balance their budgets, the governors and state legislators from Honolulu, Hawaii, to Augusta, Maine, are scrambling to find a way out of their budget jams. Making their task eminently more difficult is the way in which many governors and state legislatures looked the fiscal year 2002 \$49 billion collective deficit square in the face—and punted. The full panoply of accounting gimmicks, rainy day fund raids, sin tax hikes and other short-term measures—enough to make Jeffrey Fastow blush—were employed in a desperate attempt to whistle past the electoral graveyard.

As hard as it is to fathom, budget problems in fiscal year 2003 will be even worse than they were in fiscal year 2002.

The National Association of State Budget Officers (NASBO) and the National Governors Association predict difficult times in the next 12 months—at least. “It’s worse than anybody expected,” said Scott Pattison, NASBO’s executive director. “We already knew that [this fiscal year] was going to be bad, but now it’s going to be terrible.”⁴

Every one of the myriad campaign promises made by this year’s group of new governors will have to take a back seat to closing the budget gaps. Just ask Virginia first-year governor Mark Warner whose governing agenda has been entirely eclipsed by his state’s worst fiscal crisis in 40 years. He closed a massive initial \$3.8 billion budget gap through a mixture of mild spending cuts, some accounting sleight of hand, and by deferring a planned car tax cut. But, thanks to dismal revenue growth, in October 2002 Warner was forced to announce another \$855 million in spending cuts. These included lay offs of over 1800 state employees; 15 percent budget cuts in 63 state agencies;

States with the largest relative budget gaps FY 2003



Source: National Conference of State Legislatures

and the closure of all Department of Motor Vehicle offices one day a week. But even after such painful cuts, Warner says he may not be through: “Public schools and Medicaid . . . may have to be cut later on.” As Virginia goes, so goes the nation: for much of this year’s freshman class, how they handle their first-term shortfall will dictate whether they’ll have a second term.

The purpose of this study, however, is not to serve up gloom and doom about state finances; there is already enough of that to go around. Instead, this study seeks to (1) provide proven, no-nonsense options that policy makers can employ to address the staggering budget shortfalls; and (2) lay out some strategies that go beyond simply plugging budget holes to address needed medium- and long-term reforms in state finances.

II. WHAT DID STATES DO IN 2002 TO ADDRESS THEIR BUDGET DEFICITS?

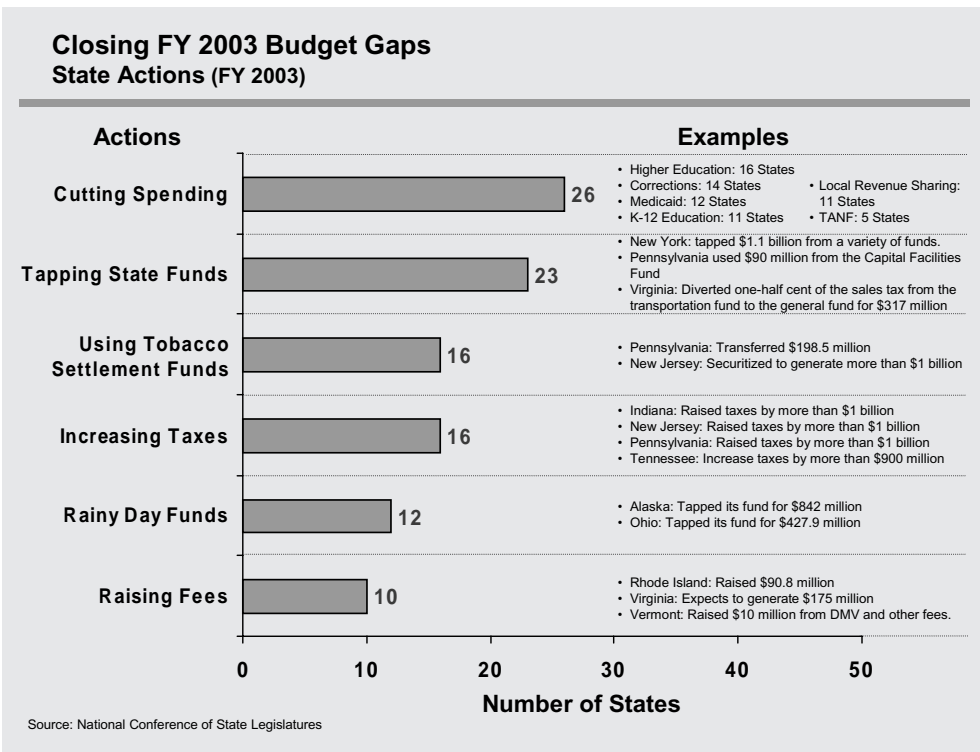
What did most states do in 2002 to address their large budget deficits? One theme clearly stood out: How *little* can I get away with doing? Everyone raided the rainy day fund. Many states hiked cigarette taxes; some of the same states plundered the tobacco settlement money. (Of course, the more cigarette tax hikes reduce demand, the less the states get in tobacco settlement money.⁵) Another popular strategy was rifling through other portions of the budget—education endowments, transportation funds—hunting for stray money to pay down the deficit.

Big tax hikes were, for the most part, politically untouchable during the heated electoral season. But targeted tax hikes, especially “sin taxes,” with their whiff of social engineering, were quite popular. Expect to pay more for your Luckies, your liquor, and your Lotto in many states. Some states raised corporate taxes, perhaps wagering that the political appeal of taxing the fat cats will outweigh the economic damage done by having a business-hostile state. Corporations, predictably, fought back with threats to withdraw from states that put the bite on too hard. Illinois lost a major gambling-barge contract after it raised casino taxes, creating what the casino company called an “unstable environment.”⁶ Of course, states are in the gambling

business themselves; some expanded their lotteries, while several others voted to add new gambling locations to reap more tax revenue.

Many states tried some variety of across-the-board spending cuts. Four House members in Alaska formed the Crouching Grouches Caucus to call for such cuts—with a focus on cutting the expenses of the legislature itself—but, as one might expect, self-inflicted surgery is never popular.⁷ Some states have been forced into temporary shutdowns of major state activities. Missouri, for instance, delayed sending out income tax refunds to taxpayers. Indiana Governor Frank O’Bannon vowed to cut education spending, possibly by cutting summer school, alternative schools, programs for gifted students, and full-day kindergarten. Washington governor Gary Locke eliminated 30 programs and hundreds of state jobs.

The Midwest, a region particularly hard hit by the economic downturn, did see some aggressive budget-cutting. Outgoing Illinois Governor George Ryan proposed over half a billion dollars in cuts, including closing a medium-security prison, shutting down a mental health center, reducing college scholarships, and paring down state aid to schools. In neighboring Iowa, Governor Tom Vilsak signed a budget that included furloughs for state workers and eliminated or suspended 27 state programs. In Michigan, outgoing governor John Engler cut about \$1 billion in discretionary items, including bilingual education, parenting skills training, and youth violence prevention programs.



The bottom line: some states made serious spending cuts, but most didn't do much to reduce the medium- and long-term costs of operating government. This objective can be accomplished by reducing the size and scope of government in strategic and imaginative ways, whether by reorganizing or redesigning departments and programs. Absent large tax increases, such steps are now unavoidable.

III. TEN STRATEGIES FOR CUTTING BUDGET DEFICITS

The strategies outlined in this study include short-, medium-, and long-term plans for reducing the cost of government. Some of the short-term measures are imperfect and impolitic and will do little to fix long-term budget imbalances. In many states, however, the severity of the current fiscal situation makes stopgap measures unavoidable.

It is important to remember that no matter how successful state governments are in employing short-term measures to close deficits, the seeds of fiscal crisis will remain. Only by fundamentally restructuring government will state policy makers be able to contain spending growth and return accountability to state finance. The following ten strategies will help states do both.

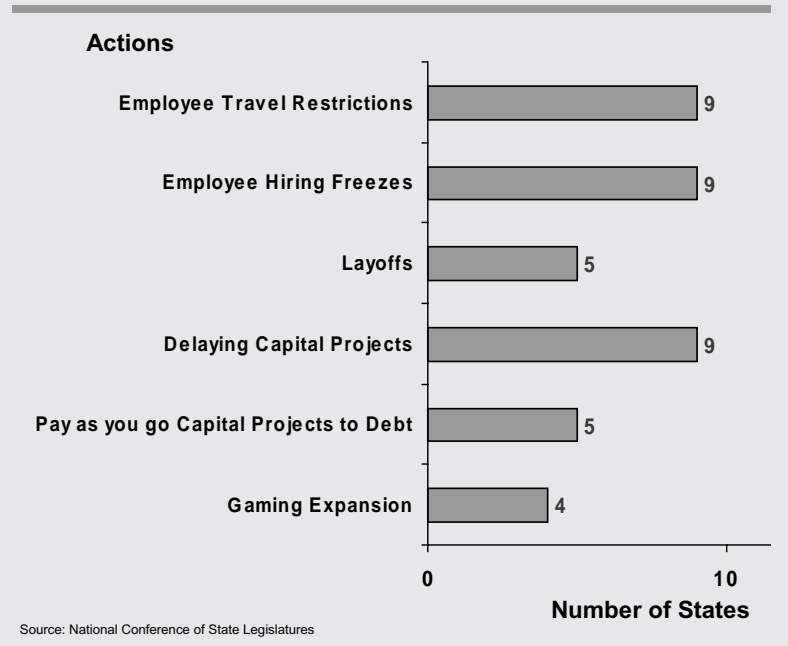
1 Go Where the Money Is: Reduce Workforce Costs

One of the most effective short-term cost reduction measures is reducing workforce costs. The reason is simple: state employees' salaries and benefits account for a significant portion of states' costs. Most states will find it almost impossible to balance their budgets without impacting state employees. Fortunately, the innovative use of Web-enabled technology can help to ease the impact of workforce reductions on customer service, while an aging workforce will allow some workforce reduction without massive layoffs.

Recommendations

- **Cap Employment:** Agencies hate full-time equivalent (FTE) employment caps because they restrict their ability to hire new employees. Nevertheless, FTE caps are a proven way to trim workforce costs.⁹
- **Freeze State Hiring:** A number of states, including Illinois and Massachusetts, froze state hiring recently.¹⁰ Although appealingly simple, this approach leaves little room for agencies to adjust their organization to function with a

Closing FY 2003 Budget Gaps (continued)
States Actions (FY 2003)



smaller workforce; the budgetary impact is also harder to estimate than with an FTE cap.

- **Reduce the number of government positions:** The most direct way to reduce the size of the state workforce is simply to eliminate government positions outright. In Florida, Governor Jeb Bush has set a goal of reducing the state workforce by 5 percent a year for five years. Through a combination of outsourcing and streamlining, Bush has already cut thousands of permanent and temporary positions from the state payroll. In Missouri, Governor Bob Holden targeted 688 jobs for elimination in his 2002 budget.¹¹
- **Eliminate phantom positions:** When agencies and higher education institutions receive funding for a certain employment level, invariably a percentage of the positions are never filled. Eliminating these positions is a relatively painless way to extract workforce savings from agency budgets. Many of the positions eliminated in Florida fell into this category.¹²
- **Provide incentives for early retirement:** Offering early retirement incentives, such as allowing employees to retire early with full benefits and a severance package, typically results in a large exodus of state workers, thereby reducing the workforce without layoffs. For maximum

savings, each agency's funding should be cut by the same amount as the total salaries of retiring employees. The budget bill adopted by the Wisconsin State Senate in 2002 contains such an early retirement package.¹³ Unfortunately, early retirement packages also carry some potential disadvantages. First, if the severance packages are too generous, they negate potential cost savings. Second, the best and most qualified employees tend to be the first to take the packages, which can hurt program management.

- **Renegotiate labor contracts:** State employee unions sometimes can be persuaded to make contractual concessions during severe budget crises rather than face the prospect of unavoidable layoffs. When former Philadelphia Mayor and now Pennsylvania Governor-elect Edward Rendell first assumed office in 1992, he faced a \$208 million budget shortfall, at the time, the city's worst fiscal crisis since the Great Depression. To reduce costs, he proposed numerous work rule changes and cutbacks in the very generous compensation packages—such as 41 paid vacation days a year—enjoyed by city employees. After holding firm after the unions walked out of their jobs, Rendell was able to extract \$353 million in concessions from the unions over four years.¹⁴ Most attempts to renegotiate contracts, however, are not this successful. Outgoing Illinois Governor Ryan failed in his attempt to renegotiate union contracts with state employee unions in 2001.¹⁵
- **Reduce retirement costs:** Some analysts question the fairness of asking current state employees to bear all the pain of budget cuts. Most states provide generous pension and health benefits for retired state employees, many of whom embark on lucrative second careers. In the spirit of shared sacrifice, states can realize savings by temporarily freezing cost-of-living adjustments (COLAs) for retirees or requiring them to pay a larger share of their health care insurance premiums, as outgoing Governor Lincoln Almond has proposed in Rhode Island.

2 Spread the Pain: Impose Broad-Based Spending Cuts

Across-the-board spending cuts are not the best way to reduce the size and cost of government. They provide little guidance about what services government should deliver or how they should be delivered. Moreover, cutbacks are usually restored as soon as tax revenues begin flowing back into government coffers, meaning long-term cost reductions are not achieved.¹⁶ But for governments needing to quickly identify budget savings—with no time to implement a more strategic process of “rightsizing” and restructuring—across-the-board spending cuts are often a necessary weapon in the budget-balancing arsenal.

Recommendations

- **Make across-the-board budget reductions:** The simplest way to address a budget deficit is to impose across-the-board cuts on all state agency budgets. When not micromanaged, across-the-board cuts allow agencies more flexibility to determine which expenses are essential and which are not. The main problem with this approach is that it penalizes the leanest and most efficient agencies, since they have less fat to cut. Dozens of states enacted across-the-board cuts this year and last, including Iowa, New Jersey, Oklahoma, and Virginia.
- **Freeze spending to prior year's level:** Another simple way to cut spending is to fund agencies at the previous year's level.
- **Freeze COLAs:** Freezing COLAs received by entitlement recipients can save costs in the short term without removing people from program rolls. The freeze can be reversed once the budget picture improves. The only governor to propose a measure of this type in 2002 is John Engler of Michigan, whose budget includes a freeze on Medicaid COLAs.¹⁷

3 Modernize Government: Reform Entitlement Programs

States have no chance to solve their long-term budget problems without getting a handle on the rising cost of entitlements. Next to the recession, the runaway cost of Medicaid—the biggest budget cost driver in most states—is the biggest cause of the current state fiscal crisis. Medicaid now accounts for one-fifth of total state expenditures, second only to education.

For the past two years, Medicaid spending has been growing at a rate of 11.7 percent per year, almost double the 6.4 percent increase in state spending projected for the next fiscal year. The ten-year projections from the Centers for Medicaid and Medicare Services show double-digit cost increases far into the future.¹⁸ States are experimenting with a variety of approaches to reduce Medicaid costs: cutting mental health care; tightening eligibility requirements; reducing payments to providers; lowering drug costs through generic drugs and drug rebates; and reducing coverage for acupuncture, podiatry, dental care, home health care, and chiropractic care. Some of these proposals make sense. Some will even save money. But none of them are likely to have more than a marginal impact on the long-term problem of rising Medicaid costs.

The real problem, as noted in an American Legislative Exchange Council (ALEC) Medicaid study by Richard Teske, lies in Medicaid's defined benefits structure, which fixes

benefits and eligibility and makes costs variable—a recipe for skyrocketing costs.¹⁹ An in-depth look at Medicaid’s problems and potential solutions is beyond the scope of this study, but one thing is certain: sustained Medicaid cost control is nearly impossible without structural reform. The most promising reform plans allow consumers to choose among multiple providers; customize benefits according to patients’ needs and circumstances; target benefits to the truly needy; and recognize that the Medicaid population consists primarily of three distinct groups—older people, blind and disabled people, and low-income families—each of which needs to be treated differently.²⁰

The large drop in welfare caseloads over the previous six years has meant that Temporary Aid to Needy Families (TANF) costs have not been a major budget driver. However, not all states have embraced welfare change to the same degree: Some evidence suggests that adopting more far-reaching reforms may help some states realize significant savings.

Recommendations

- **Adopt market-based, consumer-choice Medicaid reform:** Medicaid consumers should be given vouchers or refundable tax credits to purchase personal insurance through independent brokers from a variety of state-approved plans, including medical savings accounts, fee-for-service plans, and managed care plans. This approach would require changes in federal policy, such as turning Medicaid over to the states. Absent federal legislation, states could still apply for waivers to implement a Medicaid consumer choice pilot, as Tommy Thompson did with welfare reform in Wisconsin.
- **If comprehensive Medicaid reform is not possible, reduce costs through more targeted approaches:** A variety of Medicaid cost-cutting options can be undertaken in the absence of full-scale choice-based reform, including implementing home- and community-based alternatives to institutional long-term care, instituting private pharmacy contracts to manage drug consumption, imposing co-payments, contracting for specialized services, eliminating coverage of optional services, using buying pools, and changing the service utilization of existing populations.²¹

One of the most successful Medicaid reforms has been instituting disease state management (DSM) programs for people with chronic diseases such as Alzheimer’s, asthma, congestive heart failure, diabetes, and HIV. DSM can reduce costs (e.g., by cutting emergency room visits) and increase care through the use of customized health services, including patient education, technical assistance, and risk management.²²

- **Adopt a “pay after performance” model for TANF:** In the years following the passage of the 1996 welfare reform law, no state experienced larger caseload reductions than Wyoming, where the number of people on TANF plummeted 70 percent. The key to Wyoming’s success was a “pay after performance” policy, which compels TANF recipients to comply with work requirements and other provisions of their responsibility agreement *before* receiving their monthly grant.²³ Grants are automatically reduced to \$1 for TANF recipients who fail to comply without a legitimate reason. Those who fail to cooperate for two months see their cases closed.

In contrast to this approach, most states try—usually unsuccessfully—to impose sanctions on recipients for noncompliance *after* they receive their monthly grant. When enforced, the sanctions are often too weak to greatly influence behavior. One indication of the magnitude of savings possible from switching to a pay-after-performance model is provided by the Texas comptroller’s office, which estimates that Texas could save about \$22 million in general fund revenues by adopting this approach.²⁴

- **Use technology to reduce fraud, abuse, and overpayments:** Right now, billions of dollars’ worth of welfare and Medicaid benefits go to people who are ineligible for these programs. “Data brokers” and online eligibility systems can help fix this problem by instantly verifying the income and assets of TANF and Medicaid applicants. After years of steep welfare cost increases, the Canadian province of Ontario recently modernized its archaic, error-prone eligibility process. The results have been impressive: the system determined that 17 percent of all welfare recipients were ineligible and another 8 percent were being overpaid. Total cost savings over five years are projected to be \$1 billion.²⁵

ASKING THE RIGHT QUESTIONS

As states scrutinize their budgets in search of savings opportunities, three crucial questions should be asked of all government functions:

- 1 Should government be doing this at all? (If it is something that can be done effectively by the private sector, then the state government should not be wasting resources and energy doing it.)
- 2 How can it be done better and cheaper?
- 3 How can we apply technology to enhance services and cut costs?

4 Turn Capital Assets into Financial Assets: Sell or Lease Government Assets and Enterprises

Over the past two decades, hundreds of billions of dollars' worth of state-owned enterprises and assets have been sold or leased to the private sector worldwide. These assets have included airports, stadiums, ports, utilities, liquor operations, buildings, land, and gas and electric utilities.

The Los Angeles–based Reason Foundation estimates that cities and states own over \$226 billion in infrastructure assets that could be sold to the private sector.²⁶ By selling or leasing state enterprises to private entities, governments can turn dormant physical capital into financial capital, which can be used for more pressing needs such as rebuilding decaying infrastructure, reducing debt, or cutting taxes. State governments can also benefit financially by putting the assets on the tax rolls. A year after Connecticut privatized its off-track betting operation in 1993, it was actually netting more revenues (via a 3.5 percent tax on the company's gross revenues) than it would have been making as owner of the operation.²⁷

State asset sales during the 1990s included the trade sale of the Michigan Accident Fund, the Port Authority of New York and New Jersey's Vista Hotel (at the World Trade Center), state liquor operations, and a number of commercial properties owned by the state of New York. California realized over \$200 million in revenues from the sale of surplus buildings and real estate during the 1990s. Several governors considered or proposed the sale of state-owned airports, insurance funds, turnpikes, and water systems.

Various methods can be employed to carry out such sales, including auctions, negotiated sales, management or employee buyouts, and placement with investors. The nature of the sale determines which method is best. Asset sales must be handled carefully and usually take a year or more to complete.

The largest state privatizations over the past decade have involved the sale of state-run workers' compensation funds.

PRIVATIZATION OPPORTUNITIES

Enterprises: Golf courses, turnpikes, water systems, airports, hospitals, ports, liquor operations, gas and electric utilities, liquor store operations, wastewater treatment plants, waste-to-energy plants, dormitory food service.

Assets: Tax liens, loan portfolios, stadiums.

Real estate: Public housing, hotels, surplus lands and buildings. (Governments at all levels in the United States own property worth at least \$4.5 trillion altogether.)

The pioneer in this movement was Michigan, which sold its Accident Fund in 1993 through a public auction process to Blue Cross/Blue Shield of Michigan for \$255 million. One condition of the sale was that Blue Cross/Blue Shield continue to offer small businesses workers' compensation insurance. A.M. Best, a respected insurance rating firm, now rates the privatized Accident Fund's financial condition as excellent. Several years later, Nevada followed Michigan's lead. It privatized its state-run workers' compensation insurance fund and opened the market to private insurers.

Recommendations

- **Direct a special legislative committee or executive branch unit to identify privatization opportunities:** New York State was a leader in selling off state assets and enterprises during the 1990s, including completing the first airport privatization in the country (Stewart National Airport). Instrumental to this success was the creation of a unit within the state's Empire State Development Corporation that was devoted to identifying privatization opportunities and then making the transactions a reality. The privatization unit sold off a golf course, a hotel, New York Coliseum, the Long Island Railroad Freight Division, the 14th Street Armory, and 20 surplus mental health properties. Direct revenues from the sales have amounted to over \$163 million—not to mention the considerable savings of not having to maintain the properties. Any group like this is going to generate bureaucratic and political heat; to succeed, it requires top-level staff with transaction experience, a commitment to privatization, and unwavering support from agency heads and state policy makers, especially the governor.
- **Provide a financial incentive for agencies to turn physical capital into financial capital:** Some agencies are disinclined to sell nonproductive assets, fearing that any savings will only reduce their budget. The easiest way to rectify this situation is to let the agency keep a share of the money earned from the sale, rather than having all proceeds revert to the general fund. Another option is to agree to not reduce an agency's budget by the full amount of the operating savings generated.²⁸
- **Adopt a capital charge system:** Most agencies have little incentive to extract the greatest value from the use of their assets because the capital cost of land, buildings, and other assets is not reflected in their budgets. This can be rectified by assessing a "cost of capital" charge on all assets. A capital charge essentially applies an interest rate to all capital, creating an actual cost for using capital. The charge creates an incentive to balance a capital expenditure against its

usefulness in achieving the agency’s goals because suddenly, the once-invisible costs of land and buildings become very real to agencies that find themselves charged for their use.²⁹

REVENUES FROM SELECTED STATE PRIVATIZATIONS OVER THE PAST DECADE

California	Surplus buildings and real estate	\$200M
Michigan	Accident Fund	\$255M
New York	14th Street Armory	\$15M
New York	Long Island Railroad Freight Division	\$28M
New York	Mental health properties	\$62.5M
New York	Radisson Golf Course	\$3.2M
New York	Stewart International Airport	\$35M
Ohio	Liquor stores	\$21M
Virginia	Student loan portfolio	\$62M

Sources: Reason Foundation, New York Empire State Development Corporation

5 Apply Antitrust to Government: Introduce Competition in Service Delivery

Bureaucratic monopolies are bad for taxpayers and public employees. When government bans competition, it communicates a message to public workers that state systems and those who run them are inferior. Competition creates the conditions for increased productivity and new partnerships in which the private sector provides some functions while public employees concentrate on what they do best—and where they are needed most. By opening up public services to competition from private providers, states can realize savings and improve service quality. Private vendors are often able to produce savings through innovation, advanced technology, and a commitment to customer service. Once exposed to competition, public employees will also find ways to reduce their own costs. In Indianapolis, Mayor Stephen Goldsmith bid out more than 70 city services at an average savings of 20 percent.³⁰

For many social, health, and educational services, the best way to realize the benefits of competition is to allow service recipients to choose their own providers. In addition to providing greater freedom, choice-based programs bring consumer pressure to bear, creating incentives for people to shop around for services and for service providers to supply

ANNUAL COST SAVINGS ACHIEVED FROM COMPETITIVE GOVERNMENT PROGRAMS

Indianapolis	\$46M
Los Angeles County	\$50M
New York City	\$42M
Philadelphia	\$38M
San Diego County	\$17M
State of Virginia	\$32M

Sources: Individual city and state governments and various Reason Foundation publications

high-quality services at low costs. States now use vouchers to provide a host of services, including day care, recreation, education, mental health, drug treatment, housing, help for people with developmental disabilities, and job training.

Recommendations

- **Do a competition review:** Before opening up services to competition, states need to know what is being delivered in-house, what is already being contracted out, and what competitive opportunities exist. Most state governments do not have this information. The legislature should require the executive branch to conduct a comprehensive, government-wide inventory of activities that could be performed by the private sector. One approach is the 1998 Federal Activities Inventory Reform Act, which requires federal agencies to catalog the commercial services they provide and open them to private sector competition. This program has identified more than 900,000 federal positions as being commercial and, therefore, potential competitive opportunities.
- **Mandate that a certain percentage of services be opened up to competition each year:** Simply identifying the functions that can be competed out does little good if agencies fail to do anything with this information. Agencies should be required to compete out a certain percentage of commercial functions each year. At the federal level, President George W. Bush has called on federal agencies to compete at least 5 percent of these positions in 2002, rising to 10 percent next year and increasing as the sourcing potential of more positions is assessed.³¹ The White House expects savings from competitive sourcing to range between 20 and 30 percent.³²

INSTITUTIONALIZING COMPETITION

To ensure that competition is not simply a passing fad, a number of cities and states have established competition councils to institutionalize the concept throughout state government. The two oldest and most prominent are Virginia's Commonwealth Competition Council and the Texas Council on Competitive Government (CCG). Of the two entities, which have each existed for about a decade, the more powerful is the CCG, which can compel state agencies to open functions to competition. CCG projects are also exempt from state procurement laws, a provision that helps to ensure freedom to pursue creative solutions. In all, the CCG has saved the state more than \$65 million since its inception.³³

- ***Incorporate employee incentives into competition programs:*** Agencies or divisions that compete with the private sector to deliver state services should be allowed to distribute a portion of any cost savings that result from winning a competition to the employees who participated in the process.

Indianapolis city employees pocketed tens of millions of dollars from competition savings rewards over the past decade. In response to such incentives, union workers at Indianapolis Fleet Services, the city agency responsible for maintaining and repairing the city's fleet of some 2,500 vehicles, cut their overhead by two-thirds, reduced the number of managers by 75 percent, doubled the productivity of their mechanics, established bonus-pay plans based on performance, and for the first time created customer-evaluation procedures.³⁴

6 Fund Results: Reduce or Eliminate Programs That Perform Poorly

There comes a time when every program must be judged either a success or a failure. Where we find success, we should reward it, repeat it, make it the standard. And where we find failure, we must call it by its name. Government action that fails in its purpose must be reformed or ended.

—Governor George W. Bush (2000)

Governments typically focus on inputs—measuring the quality of a service by the amount of money spent providing it. If crime goes up, police departments receive more money. If student test scores go down, schools are given more cash. Poor outcomes lead to more inputs rather than an improved process.

To reverse these misguided budget incentives, many states implemented performance measurement and budgeting systems during the 1990s. The idea was to spell out the precise outcomes that each department or private vendor is expected to accomplish and at what cost. Rather than funding asphalt, trucks, and employee hours (inputs) or even funding a certain number of repaired potholes (outputs), legislatures would purchase smooth streets (outcomes). Performance standards also can be used to evaluate and reward state employees, enabling managers to tell at a glance whether a certain division is over or under budget, whether its productivity is adequate, and what areas need improvement.

With a few exceptions, performance budgeting has not worked nearly as well in practice as in theory. One of the main stumbling blocks is a legislative reluctance to incorporate performance information into the budgeting process. A recent survey found that nearly all states have a performance measurement system in place but only 21 report that performance information influences the legislature when making policy choices.³⁵ This is unfortunate because, if done correctly, results-based budgeting and management can be a powerful tool for eliminating wasteful government spending. In Washington State, for example, to better assess which programs' funding should be reduced or increased, the state budget office is asking for outcome descriptions to be added to each agency activity. Another promising approach is the program assessment process being developed at the federal level by the Office of Management and Budget (OMB, see box).

PRESIDENT BUSH'S ACCOUNTABILITY BUDGET

President George W. Bush's primary budget reform initiative is to link funding to performance for scores of federal programs. The idea is to get legislators and interest groups to focus less on how much each program's funding has increased over last year's base level, and more on what the program has actually accomplished. The goal, says OMB director Mitch Daniels, the architect of the new budgeting approach, "shouldn't be merely how much, but how well. There are plenty of places to reduce spending when you separate the effective programs from the ineffective programs."

Programs that the OMB rates "ineffective" are slated to get reduced, or axed entirely, while programs rated "effective" will see their budgets boosted. For instance, Bush's budget recommends that the U.S. Department of Agriculture's (USDA's) \$80 million watershed program be shut down. Why? Of the three federal agencies that build dams for farmers—the Federal Emergency Management Agency, the Army Corps of Engineers, and the USDA—the USDA is the worst performer. And dam building for farmers is hardly the only case. There are 48 different federal job training programs, a third of which reside in the Department of Labor.

OMB is also developing uniform evaluation metrics, or "common measures," for scores of cross-cutting, governmentwide functions that are performed by multiple agencies: job training and employment, low-income housing assistance, flood mitigation, and so on. The common measures for evaluating performance will enable OMB and Congress to compare the efficiency and effectiveness of these programs on an apples-to-apples basis.

Job training programs, for example, could be compared on the basis of outcome and efficiency measures like attainment of a job, earnings gains, or total program cost per placement. In a results-based government framework, the least effective and efficient job training programs based on the measures might be consolidated into the high-performing programs or eliminated outright.

Source: William D. Eggers, "The Accountability Budget," *Wall Street Journal*, February 4, 2002.

Recommendations

- **Grade program performance:** The Bush administration's fiscal year 2003 budget contains an OMB scorecard that grades each federal agency on how well it manages its operations. Green dots signify that nearly all management goals had been met; yellow dots, that some had been met; and red dots, that substantial improvement was necessary. In 2002, over 75 percent of the OMB's grades were red dots. Simplistic? Sure, but it got the point across, especially once the president began referring to the grades in budget meetings with his cabinet secretaries and the grades were published in newspapers all over America. A similar approach would help states to engage citizens in the budget process and prod agencies to improve their performance.
- **Buy outcomes from high performers; reduce or eliminate payments to poor performers:** If results-based budgeting is to be more than an academic exercise, there must be rewards for good performance and real consequences for poor performance. Programs that do not work should be reduced, eliminated, restructured, or consolidated into programs that do work. The best way to do this is to develop common evaluation measures for programs performing similar work and then compare performance based on effectiveness and efficiency. After comparing programs' performance, lawmakers can buy outcomes from the high performers and cut payments to the low performers. Until recently, Texas had two large job training programs located in two different agencies whose functions and clientele overlapped.³⁶ In 2000, several independent performance evaluations of the programs demonstrated conclusively that one of the programs achieved much better results than the other, which was plagued with financial and operational problems.³⁷ Rather than expend significant taxpayer resources trying to "fix" the poor performer, the legislature simply eliminated it, saving the state \$25 million per year.³⁸
- **Tie funding for higher education institution to performance:** To balance budgets, a number of states are reducing their support to higher education institutions. However, instead of just mindlessly cutting college and university budgets, state legislatures should use this opportunity to rethink their whole approach to higher education. Because much of their funding comes not from state legislatures but from tuition fees, research grants, and endowments, state colleges and universities should be given more freedom to set tuition rates and exempted from various state procurement and personnel regulations.³⁹ Such freedom is necessary for them to thrive in the increasingly competitive marketplace of

higher education. In exchange for this freedom, however, legislatures should require greater accountability. Some states, such as Tennessee, tie a percentage of higher education funding to meeting certain performance measures, such as undergraduate degrees awarded, administrative costs, and use of tenure-track faculty in teaching undergraduates.

7 Change the Incentives: Reward Employees for Saving Money

Most public employees are smart, industrious people who work in ways that are consistent with the incentives and rewards in their workplaces. Unfortunately, traditional compensation systems treat all employees the same, giving workers little incentive to increase efficiency and may even reward inefficiency.

There are a variety of ways to link pay to performance, including performance contracts, performance bonuses, shared savings, gain sharing, and productivity awards. In addition, step-pay raises and COLAs can be eliminated. One of the best strategies to realize budget savings and begin the transition to pay for performance is by providing financial rewards for employees, teams, and divisions for saving money.

Recommendations

- **Establish an employee incentive and gain-sharing program:** Statewide employee incentive and gain-sharing programs do not generally have huge budgetary impacts, but they do help promote a culture of innovation, provide incentives to save money, and achieve some bottom-line cost savings. The Texas Incentive and Productivity Commission, for example, has saved Texas taxpayers more than \$66 million—\$34 for every dollar invested in the commission over the decade. These savings have been generated through a suggestion system and a group incentive pay program; both programs reward state employees who offer creative ideas for improving productivity and saving money.
- **Tie bonuses to meeting budget reduction targets:** Tying employee bonuses directly to their success or failure to meet budgetary targets can provide a powerful incentive for departments to cut costs. The legislature could simply allow, for example, employees of a given agency or division to keep 10 percent of all baseline savings. Already, public works department employees in Portland, Maine, receive between \$100 and \$250 for reducing construction costs by 10 percent or more. In Charlotte, North Carolina, all city employees get a bonus if the budget comes under a certain savings target.

New Zealand has made the most progress in tying pay to performance. “Jobs for life” have been replaced by fixed-term employment contracts. Each year, a performance agreement for the chief executive is developed in parallel with the budget. The agreement states the outputs for which the chief executive will be held accountable as well as dimensions of the financial performance. At the end of each year, the agreement is reviewed to determine the appropriate action—for example, whether bonuses should be awarded or employment terminated. Typically, at least 10 to 15 percent of each chief executive’s salary depends on performance, and a bonus of up to 20 percent can be earned for superior performance.⁴⁰ In turn, chief executives typically require performance agreements from their senior managers, who do the same for those working under them—creating a pyramid of performance agreements that become powerful levers for driving change downward.

A more radical approach is suggested by Ohio University economist Richard Vedder: tie public officials’ salaries to the size of government. “What if law or constitutional provision permit[ted] the payment of substantial cash bonuses to all legislators, statewide officials, high level political appointees and judges if spending is reduced below 18 percent of personal income?”⁴¹ The answer: spending would almost certainly be reduced.

- **Replace longevity pay with performance pay:** In many states, employees get an extra \$50 or \$100 a month based on nothing other than how many years they have been showing up for work. Such “longevity pay” penalizes some state employees at the expense of others, provides a disincentive for young people who do not necessarily want a career in government, and sends the message that the state cares more about time served than quality of work. Replacing longevity pay with performance bonuses could save money in the short term and, more important, send the message that results are valued most.

8 Get Rational: Reduce Duplication and Overlap

Duplication and overlap in government cost taxpayers billions of dollars. When Mark Forman, the Bush administration’s e-government czar, began looking into duplication and overlap, he found that each of the federal government’s 32 lines of business—ranging from delivering welfare to operating parks—is performed by an average of 19 agencies. Not only is there massive program duplication, but also tremendous redundancy in administrative systems (e.g., the 18 different payroll systems within the federal government).⁴² According to Forman, this kind of duplication at the federal level costs taxpayers at least \$9 billion in redundant information technology (IT) costs alone. At the state level, the Raleigh-based John Locke Foundation

found that North Carolina could save at least \$60 million by merging agencies and departments with overlapping functions.⁴³

Higher education is one area often rife with duplication and overlap. In most states, too many colleges and universities are doing too much of the same thing. “There is no need to have 13 Ph.D. programs in history,” an Ohio Senate staffer told *Governing* magazine. “Maybe we’re better served to have two in the state, one in the north and one in the south . . . We want to start to specialize, especially in graduate education.”⁴⁴

Most people accept that duplication and overlap exist. Doing something about them is quite another matter, given the fierce opposition that always accompanies attempts to restructure government. As Steve Kolodney, the former chief information officer of Washington State, rightly notes, “Public institutions have not been created over very many years, simply to lose their identities, their constituencies and all of their traditional purposes.”⁴⁵ Consolidation and rationalization are not easy, but with sufficient political will they are possible.

The first step is to identify the duplication and overlap. The best way to do this is to determine the main lines of business performed by government—delivering health care, managing assets, incarcerating criminals, offering job training, and so on—and then figure out which agencies provide each service. Typically, when policy makers develop business process maps they discover that multiple agencies are involved in each function or business process.

Recommendations

- **Use results-based budgeting to reduce redundancy:** The least politically explosive and most objective way to push through consolidation and rationalization is to use the performance-based approach described in Strategy Six. If three different agencies, for example, are involved in energy conservation, administrators would first develop common measures of performance for energy conservation and then compare the performance and unit costs of the agency programs. The least efficient and worst-performing programs would be eliminated or merged into the best program.
- **Adopt an enterprise approach to IT spending:** Most governments are spending more than necessary on IT but not spending enough on e-government. Lacking coordination on IT spending, each agency buys its own expensive hardware and software systems. This not only wastes money but typically results in islands of incompatible systems that cannot communicate with each other.

This was the situation Jeb Bush confronted when he became governor of Florida. There were 200 different IT groups, 150 state Web sites, 23 data centers, and no central IT standards or statewide coordination. By centralizing all IT authority and employees under one State Technology Office, Florida generated large cost savings—over \$11 million in the first year alone—from increased efficiency and economies of scale. In Pennsylvania, the budget office and the chief information officer work together to prevent redundant IT spending by leveraging the budgeting process to force agencies to collaborate on IT systems.

- **Consolidate state data centers:** Governments are also realizing multimillion-dollar savings from shutting down and consolidating large, mainframe-based data centers. In the past few years, New Jersey went from six data centers to one and South Carolina from 11 to one. Pennsylvania outdid both going from 18 data centers to one and saving about \$140 million over five years. “We want to free up both cash and staff resources and to redirect them toward new technologies,” says Curt Haines, a manager for the state’s computer services division.⁴⁶
- **Consolidate certain small agencies:** Agencies with fewer than 100 employees often find it difficult to carry out administrative support functions such as accounting and budgeting, purchasing, and human resource administration.⁴⁷ Consolidating entire agencies or the administrative functions of small agencies offers the potential of cost savings and improved performance. In 1996, Michigan consolidated the regulatory functions of the state’s former Departments of Commerce and Labor with those of a number of other agencies to form the Department of Consumer and Industry Services. The consolidation resulted in cost savings, streamlined services, and better customer service.
- **Merge business functions in some school districts.** In most states, only about half of every dollar spent on education ever makes it into the classroom. One culprit: the exorbitant per capita costs experienced by many small school districts that choose to provide their own information technology, finance, bus, food and, security services. Most of these support functions could easily be standardized and streamlined. Economies of scale could be gleaned from consolidating them into regional service centers serving multiple districts—at a significant cost savings.

In Texas, for example, there are three transportation cooperatives that provide bus services for multiple school districts. One of these, the Bowie County Transportation cooperative, provides bus services for 13 districts in

Bowie County through interlocal agreements with each district. The cooperative is run by a board, comprised of superintendents for each of the districts, which establishes policy and operational procedures. The cost-per-mile achieved by the Bowie County cooperative is far lower than the state average for bus transportation. Meanwhile, Dallas County Schools provides media, information technology, psychological counseling and student transportation services to 15 independent school districts in the Dallas area. Such shared-services models could be used for a host of other school business functions (see box below).

SCHOOL DISTRICT SHARED-SERVICES OPPORTUNITIES

- Facilities Use and Management
- Asset and Risk Management
- Financial Management
- Purchasing and Warehousing
- Food Services
- Information Technology
- Transportation
- Safety and Security

9 Take the Cost Out: Use Technology to Slash Overhead

The private sector is finally starting to see verifiable cost savings and productivity increases from IT investments. Cisco Systems is netting about \$825 million annually in e-commerce savings, half of that from Web-enabling its supply chain and providing vendors and business partners with integrated ordering tied directly into Cisco’s back-end systems. IBM has claimed even greater savings—\$1 billion annually—from shifting nearly all its business processes to the Web.⁴⁸ Not to be outdone, Oracle’s Larry Ellison says his company is saving a cool \$2 billion a year by moving training and customer service online and using the Web to consolidate databases and information systems. Such savings typically represent permanent reductions in the cost of doing business.

Such savings have so far proven illusory for state governments. There are many reasons: the savings do not come overnight, they are not always easy to identify (they are embedded within processes, activities, and programs), getting to the savings involves some pain (i.e., some public employees could lose their jobs), and tight budgets mean that huge capital outlays to fund the e-governments of the future are not in the cards.

Despite the obstacles, there are proven ways to extract cost savings from e-government and IT—for governments with the political will to do so. Under the aegis of its EMPOWER Kentucky initiative, Kentucky realized \$140 million a year in cost savings and revenue gains from using technology to reengineer the state’s business processes.

TEN WAYS E-GOVERNMENT CAN SAVE STATES MONEY

- 1 Reduced workforce costs
- 2 Higher employee productivity
- 3 Reduced paper costs
- 4 Reduced processing costs
- 5 Better supply chain management
- 6 Better prices on goods and services
- 7 More efficient markets
- 8 Reduced travel and training costs
- 9 Reduced fraud and abuse
- 10 Lower building and property costs

Recommendations

- **Require agencies to procure most goods and services online:** Every year, states spend billions purchasing goods and services, using notoriously inefficient paper-based procurement systems. According to a state of Texas study, governments spend 5.5 percent of procurement budgets simply on processing costs.⁴⁹ If done correctly, moving procurement online can increase competition, speed up transactions, reduce administrative costs and staff time, consolidate purchasing, and drive down prices. To speed the transition from paper-based to digital purchasing, Florida, North Carolina, and a host of other states have mandated that state agencies ditch their archaic paper-based purchasing systems and use enterprise-wide e-procurement platforms.
- **Reduce procurement budgets by 2 to 5 percent to reflect savings from e-procurement:** Several state governments—and scores of private firms—have achieved cost savings by moving purchasing online. Pennsylvania, for example, has saved more than \$13 million in commodity costs since 1999 by conducting online “reverse auctions,” in which sellers compete to offer the lowest prices on commodities or services.⁵⁰ By improving the flow of information between buyers and sellers, reverse auctions and other forms of e-procurement can make markets more efficient, increase competition among suppliers, and reduce the costs of doing business with buyers. Anticipating economic dividends from online purchasing, in 2001 Virginia reduced each agency’s procurement budget by 5 percent.⁵¹

SAVING MONEY BY WEB-ENABLEMENT

Organization	Process Web-Enabled	Estimated Cost Savings
Cisco Systems	Supply-chain management	\$412.5M
Cisco Systems	Financial Reporting	\$86M ⁵²
DoD Financial & Accounting Service	Reverse Auctions	\$2.1M
DuPont	E-procurement	\$200M ⁵³
Honeywell	Travel booking	\$4M ⁵⁴
IBM	Training	\$395M ⁵⁵
IBM	Customer Service	\$750M ⁵⁶
IBM	E-procurement	\$270M
Oracle	Customer Service	\$550M ⁵⁷
Shell Oil	Knowledge Management	\$200M ⁵⁸
State of Pennsylvania	Reverse Auctions	\$13M ⁵⁹

- **Save money by letting customers serve themselves:** Letting customers help themselves via self-service transactions on government portals allows states to reduce costs and improve customer service. Leading private companies are experiencing huge cost savings from shifting millions of customer calls to self-service Web transactions. By moving 35 million customer service calls to a Web-based self-service environment, IBM saved \$750 million in 2000. Every service call handled through ibm.com instead of a customer representative saves between 70 and 90 percent.

The best near-term opportunity for governments to achieve hard cost savings from self-service Web transactions is by digitizing internal functions such as finance, training and human resources (HR) management. The State of Florida estimates it will save \$24 million a year by Web-enabling and outsourcing its HR, payroll, and benefit administration functions now serving 135,000 employees across 30 agencies. Florida's HR outsourcing and technology enhancement initiative will also allow it to reduce the number of employees delivering HR services by 1,000 FTEs.

- **Use technology to cut fraud, waste, and abuse:** Billions of government dollars each year are wasted because of overpayments, false claims, and outright fraud. Neural networks, data mining, and other computer technologies can make it much easier for governments to detect and reduce fraud and erroneous payments. Another promising fraud reduction model is audit recovery programs. A division in the U.S. Department of Defense that makes commodity purchases of about \$4.9 billion a year has recovered \$111 million over the past seven years, and \$24 million last year alone, by using recovery audit techniques.

10 Arm for Battle: Create Cost-Cutting Brigades

When Texas was facing a massive state budget deficit in the early 1990s, the state political leadership assembled over 100 of the best budget analysts, auditors, and number crunchers in Texas government and gave them a single mission: get us out of this budget crunch! In five months, the team came up with over 1,000 recommendations and identified over \$2.4 billion in budget savings, ending the budget crisis and averting the need to impose a state income tax. The success of the review gave rise to the Texas Performance Review, a biennial review of Texas government that has resulted in \$13.1 billion in savings and gains to state funds since it was launched in 1991.

Every state should have a powerful independent agency that conducts periodic, top-to-bottom reviews of state programs, agencies, and departments and makes recommendations to maintain, eliminate, redesign, or restructure them. There are advantages to establishing such entities:

- They provide a permanent counterweight to the inertia and resistance to change inherent in government.
- They build institutional knowledge. Performance review analysts get to know where all the bodies are buried. Many years of conducting program reviews enables them to go head to head with agencies during legislative testimony and member briefings.
- Legislative committees and state budget offices are easily sidetracked by other priorities and typically lack the dedicated resources needed to lead a transformation initiative.

To be sure, most states already have some kind of performance auditing function in place. These generally fall into three categories: (1) one-time, comprehensive program reviews of

RESULTS FROM LEADING STATEWIDE PERFORMANCE REVIEWS/BLUE-RIBBON COMMISSIONS

Review Initiative	Estimated Cost Savings/Cost Avoidance/Revenue Gains
EMPOWER Kentucky (1996–2001)	\$140M (annual)
E-Texas/Texas Performance Review (1991–)	\$13.1B
Illinois Statewide Performance Review (1999–)	Not calculated
New Century Colorado (1999–2000)	\$41-49M ⁶¹
Pennsylvania IMPACT Commission/PRIME (1995–)	\$600M

the entire state government; (2) regular periodic options reviews of agencies and functions; and (3) sunset commissions.⁶⁰ But in only a handful of states are these entities specifically charged with identifying cost savings opportunities, and in even fewer states do they have enough clout to have much impact on the budget process.

Success requires strong legislative and executive support, first-rate analytical capabilities, the authority to compel agencies to turn over data, and some insulation from parochial political interests. Texas probably has the most robust independent review capabilities of any state. The Texas Performance Review, (now called “e-Texas”) the Texas Sunset Commission, and the 200-person-strong State Auditor’s office all have considerable clout with the Texas state legislators, as well as other powerful state leaders, who are needed to champion their recommendations. The legislative and executive branches take notice when all three forces join together in support of eliminating or restructuring a state program.

Recommendations

- **Establish and/or strengthen periodic performance and program reviews:** One-shot performance reviews, whether conducted by blue-ribbon citizen commissions or state employees, are helpful for identifying some cost savings and opportunities for improvement, but without follow-up they will do little to change the culture of government over the long term. States need an ongoing capacity to drive continuous improvement, innovation, and cost savings in government. States without performance review capabilities should establish them; states with such capabilities should look for ways to strengthen them.
- **Establish performance review processes for school districts and higher education institutions:** Tremendous cost savings are possible by taking a microscope to the business operations of school districts and colleges and universities. Each state university campus, for example, is typically the size of a small city, doing everything from managing student housing and running bookstores to operating huge capital plants. These types of business functions lend themselves well to increased efficiencies

through outsourcing, public-private partnerships, reengineering, and better use of information technology. Performance reviews conducted by outside organizations can help uncover such cost-savings opportunities. The two most successful school performance review processes are in Florida and Texas.

In Florida, each school district must undergo a best financial management practices review every five years. The reviews are conducted by the state legislature’s Office of Program Policy Analysis and Government Accountability (OPPAGA) with the help of outside consultants. Nearly two-dozen of these school performance reviews have been conducted since 1997.

The longest-running school performance review process is in Texas, where since 1991, the Texas School Performance Review, operated out of the State Comptroller’s office, has conducted more than 60 audits of school districts serving over 1.4 million students. The reviews have identified a total net savings of more than \$600 million through better business practices. Typically nine out of every ten suggestions made by the performance review team are ultimately adopted by the school districts.

- **Establish and/or strengthen sunset review processes:** Nearly half of all states have established a process for regularly assessing and “sunsetting” programs. Unfortunately, in all but a handful of states, the sunset process has little or no impact on budget negotiations, and programs are almost never actually “eliminated.” This has left a general feeling that sunset processes have failed to live up to the expectations of their original backers. But this does not mean that sunset commissions cannot work; they just need the right combination of structure, resources, legislative backing, and executive branch cooperation. Since 1982, for example, the Texas Sunset Commission, a branch of the Texas legislature, has abolished 43 agencies and consolidated another 10, saving the state over \$630 million. Moreover, thanks to the permanent existence of a powerful legislative sunset committee, the bulk of the commission’s recommendations end up becoming law.

IV. TOWARD A MORE STABLE FISCAL FUTURE

Piling up more debt, using short-term accounting gimmicks, and implementing targeted tax increases might get some states through the current budget crisis. However, by pushing today's costs into tomorrow's budgets, state lawmakers are just prolonging the misery. Worsening structural imbalances between revenues and expenditures mean that many states can expect hard times throughout the next decade. "States are going to have to rethink how they finance their budgets in the future," says Claire Cohen, vice chairman of Fitch, a credit-rating agency. "Their problems haven't ended."⁶² Some of this decade's most contentious debates are likely to revolve around proposals to address these problems, whether by broadening the tax base, introducing a state income tax (in those states without one), or trying a variety of other approaches.⁶³

Before contemplating any massive changes in state tax structures, policy makers need to squarely address the expenditure side of the equation by reducing the cost of state government. They should use the fiscal crisis as an opportunity to make needed, albeit politically difficult, reforms to state programs and processes. The dozens of strategies and recommendations outlined here—from reforming entitlement programs to thinning the ranks of state employees—can help not only cut costs but transform state government. What is needed are political leaders willing to make tough decisions and invest their time, staff resources, and, most important, political capital in the difficult task of reforming government.

ABOUT THE AUTHOR

William D. Eggers is a Senior Fellow at the New York–based Manhattan Institute for Policy Research; a Director of Deloitte Research, the research arm of Deloitte Consulting; and an appointee of the Office of Management and Budget’s Performance Measurement Advisory Council (PMAC). A nationally recognized expert on government reform, for over a decade he has written and advised policy makers on issues such as government efficiency, e-government, privatization, civil service reform, and government performance. He is the former project director for e-Texas, a state initiative charged with developing recommendations to save tax dollars, increase the use of technology, improve customer service, and inject private sector competition into state services. Mr. Eggers also served as a commissioner for the Texas Incentive and Productivity Commission, a designee on the Texas Council on Competitive Government, and chair of the Government Reform Policy Committee for then-governor George W. Bush during his presidential campaign. He is the 1996 winner of the prestigious Roe Award for leadership and innovation in public policy research. Mr. Eggers is also the coauthor of *Revolution at the Roots: Making Our Government Smaller, Better, and Closer to Home* (Free Press, 1995) for which he was given the 1996 Sir Anthony Fisher International Memorial Award for the book “making the greatest contribution to the understanding of the free economy during the past two years.”

Mr. Eggers can be contacted by e-mail at weggers@dc.com.

ACKNOWLEDGEMENTS

A number of the ideas presented here were gleaned from several years working for the State of Texas’ e-Texas initiative (formerly called the Texas Performance Review). As such, the author would like to thank Texas Comptroller Carole Keeton Rylander, Deputy Comptroller Billy Hamilton and the staff members of e-Texas for their keen insights into the extremely difficult process of making government less costly and more efficient.

Thanks also to Manhattan Institute research associate, Eve Tushnet, who helped research section II of this study.

Additional Resources and Suggested Reading

“Crisis in State Spending: A Guide for State Legislators,” American Legislative Exchange Council, January 2002, <http://www.alec.org>

“Mid-Year Review of State Budget Policy,” American Legislative Exchange Council, July 2002

Texas Performance Review and e-Texas Reports: <http://www.window.state.tx.us/tpr/tpr.html>
Contact Ruthie Ford, Manager; ph: 512-463-4263, email: ruthieford@cpa.state.tx

New Century Colorado Report: http://www.state.co.us/gov_dir/govnr_dir/nccfinalreport.htm

National Association of State Budget Officers (Various Reports): <http://www.nasbo.org/>. Contact: Scott Pattison, Executive Director, 202-624-5382.

State of Illinois Office of Statewide Performance Review: <http://www.state.il.us/gov/preview/default.cfm>

William Sherman, Vice President, Privatization Group, Empire State Development Corporation, State of New York: ph: 212-803-3680; email: WSHERMAN@empire.state.ny.us.

William D. Eggers and John O’Leary, *Revolution at the Roots: Making Our Government Smaller, Better and Closer to Home*, (New York: Free Press, 1995).

David Osborne and Peter Plastrik, *The Reinventor’s Fieldbook: Tools for Transforming Your Government* (San Francisco: Jossey-Bass, 2000).

Footnotes

- ¹ Robert E. Pierre, "Slump Is Still Taking Toll on State Budgets," *Washington Post*, May 17, 2002, p. A12.
- ² "State Budget & Tax Actions 2002," National Conference of State Legislatures, October 11, 2002, <http://www.ncsl.org/programs/fiscal/presbta02.htm>.
- ³ The economic downturn caused tax revenues to decline and demand for government programs to rise. Tax revenues, which grew 8 percent in 2000 and 6.5 percent in 2001, declined by 14 percent in 2002. Personal income, corporate income, and sales tax revenue growth were all considerably slower than in recent years, while capital gains tax revenues plummeted. The September 11 attacks forced states to make major unanticipated investments in public health and security services. Medicaid, which now accounts for more than 20 percent of total state spending, jumped 11.6 percent each of the past two years. States also spent lavishly in the 1990s, creating hundreds of new programs and locking in ever higher continuing costs. By 1999, state government spending was a higher percentage of the gross domestic product than ever before.
- ⁴ Craig Timberg and Michael D. Shear, "Falling Tax Revenue Trips Budget Alarms," *Washington Post*, June 27, 2002, p. A1.
- ⁵ As of July 1, 2002, 15 states had raised their cigarette taxes in fiscal year 2002, and more than a dozen others were considering doing so. American Legislative Exchange Council, *Mid Year Review of State Budget Policy*, July 2002. At least 12 states have securitized their tobacco settlement money by selling bonds to investors in exchange for a one-time payment that can be used to balance the books. Robert E. Pierre, "Tobacco Tempts States in Financial Need," *Washington Post*, June 30, 2002, p. A3.
- ⁶ Don Babwin, "Company blames tax increase for scrapping expansion plans," *The Associated Press*, June 18, 2002.
- ⁷ The caucus suggests the following cuts: cutting legislative costs, possibly by shortening sessions or cutting salaries and office costs; cutting 25 percent from salaries of appointed state workers who earn more than \$60,000 per year; cutting or eliminating services such as public broadcasting, parks and recreation, libraries, museums, municipal assistance and revenue sharing, and state funding for extracurricular activities; limiting travel budgets by relying on teleconferencing and videoconferencing; and raising the eligibility bar for Denali KidCare.
- ⁸ As of May 9, 2002, ten states—Iowa, Michigan, Minnesota, Mississippi, New Jersey, North Carolina, Rhode Island, Utah, Vermont, and Washington—had cut local revenue-sharing dollars to balance fiscal year 2002 budgets. Another seven states—Arizona, Iowa, Mississippi, Rhode Island, Tennessee, Utah, and Vermont—have proposed similar actions in 2003, according to the National Conference of State Legislatures.
- ⁹ John Sharp, *Disturbing the Peace: The Challenge of Change in Texas Government*, The Texas Performance Review, Comptroller of Public Accounts, December 1996, chapter 7, p. 1.
- ¹⁰ State Budget Update, National Association of State Budget Officers.
- ¹¹ *Ibid.*
- ¹² Diane Rado and Shelby Oppel, "Bush Budget Cuts Jobs, Taxes," *St. Petersburg Times*, January 18, 2001, p. A1.
- ¹³ Amy Rinard, "Ellis Slaps Both Parties Over Budget Bills," *Milwaukee Journal Sentinel*, April 14, 2002, 02Z.
- ¹⁴ William D. Eggers and John O'Leary, *Revolution at the Roots: Making Our Government Smaller, Better and Closer to Home*, (New York: Free Press, 1995), p.154.
- ¹⁵ "Governor Says Temporary Layoffs Might Be Considered to Solve Crisis," *Associated Press State & Local Wire*, February 7, 2002.
- ¹⁶ William D. Eggers, "Rightsizing Government: Lessons from America's Public-Sector Innovators," Reason Foundation *How-to Guide #11*, January 1993, p.2.
- ¹⁷ Chris Christoff and Wendy Wendland-Bowyer, "Engler's Budget Drains Surplus," *Detroit Free Press*, February 8, 2002, 1A.
- ¹⁸ Centers for Medicaid and Medicare Services, *National Health Expenditure Projections 2001-2011*, March 2002, p. 5. The largest component of Medicaid spending, prescription drugs costs, is projected to grow by an average of 12.7 percent annually until 2011.
- ¹⁹ See: Richard Teske, "Abolishing the Medicaid Ghetto: Putting Patients First," in *The State Factor*, American Legislative Exchange Council, April 2002.
- ²⁰ *Ibid.*, pp.13-17.
- ²¹ Carole Keeton Rylander, "Smaller, Smarter, Faster Government: Recommendations of the Texas Comptroller," *e-Texas report*, issue HHS-20, vol. 2, pp. 137-257.
- ²² *Ibid.*, pp. 195-197.
- ²³ *Ibid.*, p. 240.
- ²⁴ *Ibid.*, p. 244.
- ²⁵ Mark Elleoff, partner with Accenture, interview with the author, June 2002.
- ²⁶ Robert Poole et al., "Mining the Public Balance Sheet: What Cities and States Have to Sell," *Reason Foundation Policy Study No. 139*, August 1992.
- ²⁷ George Wandrak, deputy executive director of the Connecticut Division of Special Revenues, speech in Hartford to the Yankee Institute, September 1994.
- ²⁸ Bill Sherman, Empire State Development Corporation, state of New York, interview with the author, July 2002.
- ²⁹ This conclusion, however, is subject to the proviso that the difficulty of obtaining new capital provides some incentive not to return capital. Some departments believe that it is preferable to retain the capital on a balance sheet and incur the capital charge, in order to avoid going through a rationing process at a later point when a capital injection may be required.
- ³⁰ *The Entrepreneurial City: A How-To Handbook for Urban Innovators*, (New York: Center for Civic Innovation, Manhattan Institute for Public Policy, 1999), p. 1.
- ³¹ *The President's Management Agenda*, Office of Management and Budget, Fiscal Year 2003, p. 17, 2002.
- ³² *Ibid.*, p.18.
- ³³ E-Mail from Dan Contreras, Executive Director of the Texas Council on Competitive Government (CCG), July 9, 2002.
- ³⁴ Stephen Goldsmith, "Managing City Finances: Doing More for Less," in *The Entrepreneurial City: A How-To Handbook for Urban Innovators*, (New York: Center for Civic Innovation, Manhattan Institute for Public Policy, 1999), p. 2.
- ³⁵ Donald P. Moynihan, *The State of the States in MFR*, A Report of the Government Performance Project, The Maxwell School's Alan K. Campbell Public Affairs Institute at Syracuse University, 2001, p. 30.
- ³⁶ The programs are, respectively, the Smart Jobs program at the Texas Department of Economic Development and the Skills Development Fund at the Texas Workforce Commission.
- ³⁷ Carole Keeton Rylander, "Smaller, Smarter, Faster Government: Recommendations of the Texas Comptroller," *e-Texas Report*, issue WF-1, vol. 2, pp. 91-97.
- ³⁸ *Ibid.*, p. 97.
- ³⁹ Carole Keeton Rylander, "Smaller, Smarter, Faster Government: Recommendations of the Texas Comptroller," *e-Texas Report*, issue ED-4, vol. 2, p. 21.
- ⁴⁰ William D. Eggers, "The Wonder Down Under," *Government Executive*, March 1997, p.38.
- ⁴¹ *Crisis in State Spending: A Guide for State Legislators*, American Legislative Exchange Council, January 2002, p. 12.
- ⁴² Karen Robb, "OMB To Crack Down on IT Systems Standards," *FederalTimes.com*, July 1, 2002.
- ⁴³ John Hood, Don Carrington, and Roy Cordato, "Executive Summary," in *Changing Course: An Alternative Budget for North Carolina*, John Locke Foundation, May 2001, p. 9.
- ⁴⁴ Charles Mahtesian, "Higher Ed: The No-Longer Sacred Cow," *Governing*, July 1995, www.governing.com.
- ⁴⁵ Steve Kolodney, interview with the Author, May 2001.
- ⁴⁶ Tod Newcombe, "The Disappearing Data Center: Government Consolidates Big Iron," *Government Technology*, January 1999.
- ⁴⁷ Carole Keeton Rylander, "Smaller, Smarter, Faster Government: Recommendations of the Texas Comptroller," *e-Texas Report*, issue GP-3, vol. 1, p. 200.
- ⁴⁸ Ira Sager, "Big Blue Gets Wired," *Business Week E.Biz*, April 3, 2000, p. EB 99.
- ⁴⁹ Drew Robb, "Plugging in to Electronic Procurement," *Government Technology*, September 2000, p. 80.
- ⁵⁰ As opposed to "forward auctions," in which buyers bid against each other for an item until the highest bidder is left standing.
- ⁵¹ Ron Bell, Department of General Services, State of Virginia, interview with the author, June 28, 2001.
- ⁵² Desiree de Meyer, "Speed Up Financial Reporting," Special Report: Payback, *SmartBusinessMag.com*, May 2001, p.56.
- ⁵³ David Rocks, "The Net as a Lifeline," Special Report: Saving Money on the Web, *BusinessWeek e.biz*, October 29, 2001, p. EB 23.
- ⁵⁴ Renuka Rayasam, "Tame Travel Expenses," Special Report: Payback, *SmartBusinessMag.com*, May 2001, p.59.
- ⁵⁵ Desiree De Myer, "A Smarter Way to Stay Smart," *SmartBusinessMag.com*, May 2002, p.48.
- ⁵⁶ Ira Sager, "Big Blue Gets Wired," p.99.
- ⁵⁷ G. Christian Hill, "Dog Eats Dog Food. And Damn if It Ain't Tasty," *eCompany Now* (now Business 2.0), November 2000.
- ⁵⁸ Most of these savings are in cost avoidance, as opposed to hard budget savings. Source: "Share Knowledge (Ignorance Costs Millions)," *SmartBusinessMag.com*, May 2002, p.52.
- ⁵⁹ Gary Ankabrandt, Pennsylvania Department of General Services, interview with the author, July 2001.
- ⁶⁰ David Osborne and Peter Plastrik, *The Reinventor's Fieldbook: Tools for Transforming Your Government* (San Francisco: Jossey-Bass, 2000), pp. 77-78.
- ⁶¹ The overwhelming majority of these savings came from cost avoidance, as opposed to hard budget savings. Source: "Transforming State Government," New Century Colorado, June 2000, Executive Summary, pp. 1-3.
- ⁶² Penelope Lemov, "Deficit Deluge," from *Governing's* May 2002 issue, <http://www.governing.com/5deficit.htm>.
- ⁶³ Structural imbalances will also be the subject of future ALEC studies.

The American Legislative Exchange Council's Tax and Fiscal Policy Task Force develops policy to reduce excessive government spending and lower the overall tax burden. Its legislative members have been at the forefront of developing sound, free-market tax and fiscal policy. The Task Force has developed budget reform policies, tax and expenditure limitations; supermajority requirements for tax increases, and dynamic revenue forecasting. Recent task force publications include [Mid-Year Review of State Budget Policy](#) and [Crisis in State Spending: A Guide for State Legislators](#).
www.alec.org

The Manhattan Institute Center for Civic Innovation (CCI) sponsors the publication of books like [The Entrepreneurial City: A How-To Handbook for Urban Innovators](#), which contains brief essays from America's leading mayors explaining how they improved their cities' quality of life; Stephen Goldsmith's [The Twenty-First Century City](#), which provides a blueprint for getting America's cities back in shape; and George Kelling's and Catherine Coles' [Fixing Broken Windows](#), which explores the theory widely created with reducing the rate of crime in New York and other cities. CCI also hosts conferences, publishes studies, and holds luncheon forums where prominent local and national leaders are given opportunities to present their views on critical urban issues. [Cities on a Hill](#), CCI's newsletter, highlights the ongoing work of innovative mayors across the country.
www.manhattan-institute.org



[REDACTED]

From: Melanie Purcell
Sent: Wednesday, May 12, 2021 4:24 PM
To: Shane Hunter; Budget Committee
Cc: [REDACTED]
Subject: RE: Request for proposed motions by 4pm Thursday (directed to Melanie)

Follow Up Flag: Follow up
Flag Status: Flagged

Good afternoon,

We did have a question regarding the public meetings requirements for this type of communication so I checked in with City Attorney David Lohman. His answer follows:

It's a good question, but no public meetings law issue arises unless a quorum of BC members (or a quorum of the Councilmembers) engages directly in back-and-forth dialogue about the suggested motions or does so using you as a go-between for indirectly conducting such back-and-forth dialogue.

An elected official is free to tell any or all fellow members of a public body his or her position or contemplated action on a public matter (in effect to "broadcast" what he or she is thinking). A public meetings issue arises when members of a public body members engage in discussion or debate on that position or contemplated action (in effect to participate in two-way communication that, for example, is made possible by exchanging views through participation in a phone conversation or through exchange of emails.)

The proposal, as I now understand it, is this: (1) BC members are asked to send you the motions they currently have in mind (reserving, of course, the possibility of changing them or adding to them at the meeting); (2) you will compile those suggested motions, without modifying or commenting on them; (3) you will send those suggested motions to the full group and caution them not to share their reactions to those suggested motions with you or with one another until the meeting; and (4) the BC members will refrain from discussing their reactions to the various motions they receive in advance until the meeting, except that they are not precluded from having such discussions with fewer than a quorum of the group. If that summary accurately describes the course of action, then it complies with public meetings law.

Please note that for the appointed BC members, 8 members constitutes a quorum. Councilmembers, however, need to be aware that such a discussion that involves as few as 4 Councilmembers would raise a public meetings law issue.

--Dave

Thank you,
Melanie

Melanie Purcell
Finance Director
City of Ashland | Finance
20 East Main Street, Ashland, OR 97520
541-488-5300 Office | Voice, TTY 800-735-2900 | 541-552-2059 fax

This email transmission is official business of the City of Ashland, and it is subject to Oregon Public Records Law for disclosure and retention. If you have received this message in error, please contact me at (541) 488-5300

From: Shane Hunter [REDACTED]
Sent: Wednesday, May 12, 2021 9:37 AM
To: Budget Committee <BudgetCommittee@ashland.or.us>
Cc: Melanie Purcell <melanie.purcell@ashland.or.us>; Adam Hanks <adam.hanks@ashland.or.us>
Subject: Request for proposed motions by 4pm Thursday (directed to Melanie)

[EXTERNAL SENDER]

Budget Committee Members,

Given that we have three hours and many ideas, I would like to streamline the process for Friday as much as possible. Mr. Runkel had a good idea to do so.

Please review the information you have thoroughly today and tomorrow. If you have any motions to put forth, please send them to Melanie by 4pm on Thursday.

She will send out the motions to the group so we all have a chance to review them prior to the meeting. This list is not limiting or prescriptive in any way.

In doing so, we will be able to prepare any discussion items relating to those motions. Some of them may be similar, and we will not necessarily make all of the listed items actual motions. But the idea is by doing this we will be more prepared to have focused discussion on those motions that are proposed.

We're doing well so far! Let's keep it up!

--

This isn't really
a haiku at all, it's just
a sentence I wrote.

City of Ashland

*BN 2021-2023 City Manager's
Recommended Budget -
Capital Improvement Plan*

ASHLAND CITIZENS' BUDGET COMMITTEE

MAY 14, 2021

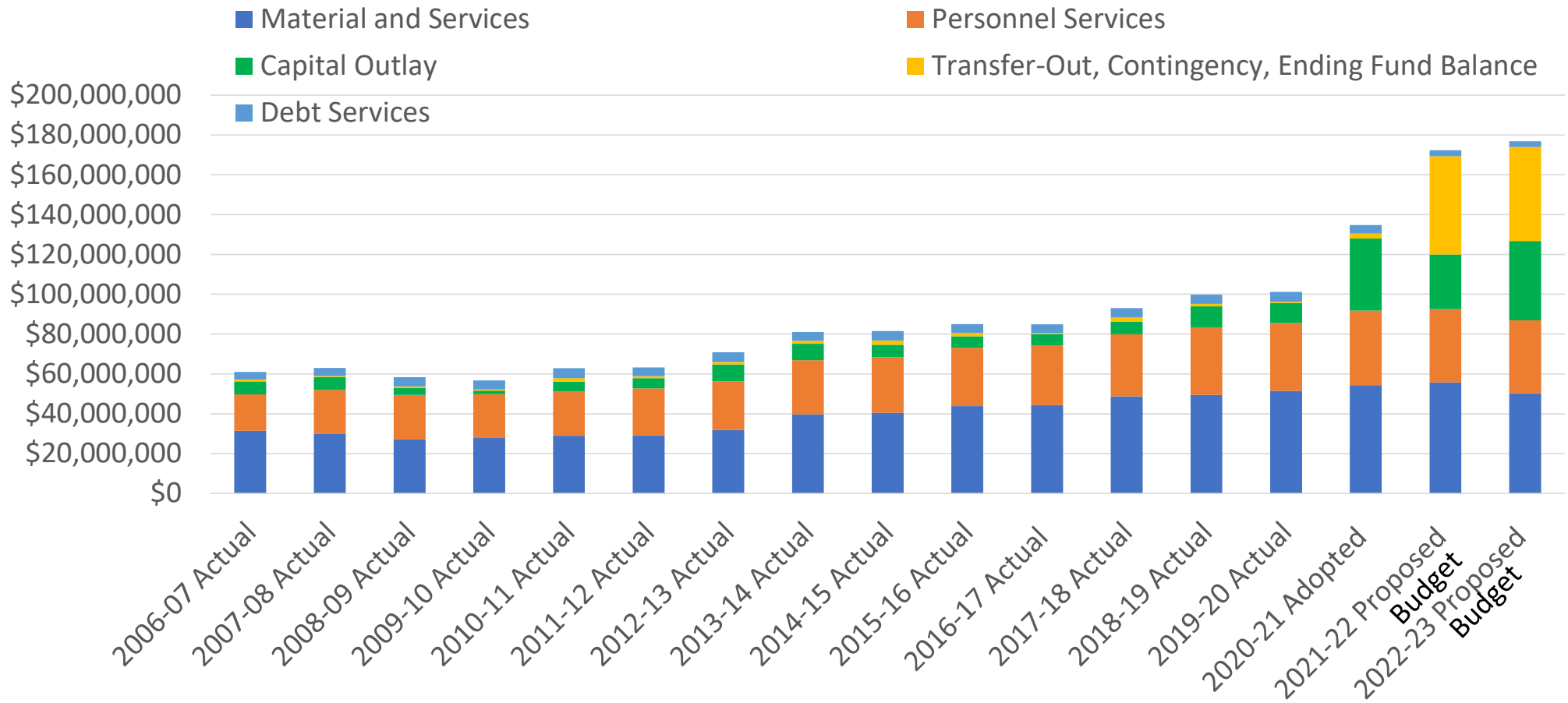
Capital

- The City Council adopted the 2021-2040 Capital Improvement Plan (CIP) on March 16, 2021, providing an overview of the capital needs of the community for the next twenty years. [030221_Adoption_of_the_2021-2040_Capital_Improvement_Program_CCFinal.pdf \(ashland.or.us\)](#)
- Projects are reviewed by the City Council at multiple stages before construction and actual expense is incurred.
- Large projects may be debt financed, through bond issue, state or federal loan program, or other debt instrument, to spread the cost of the improvement over the users for generational equity and rate stability.

Capital

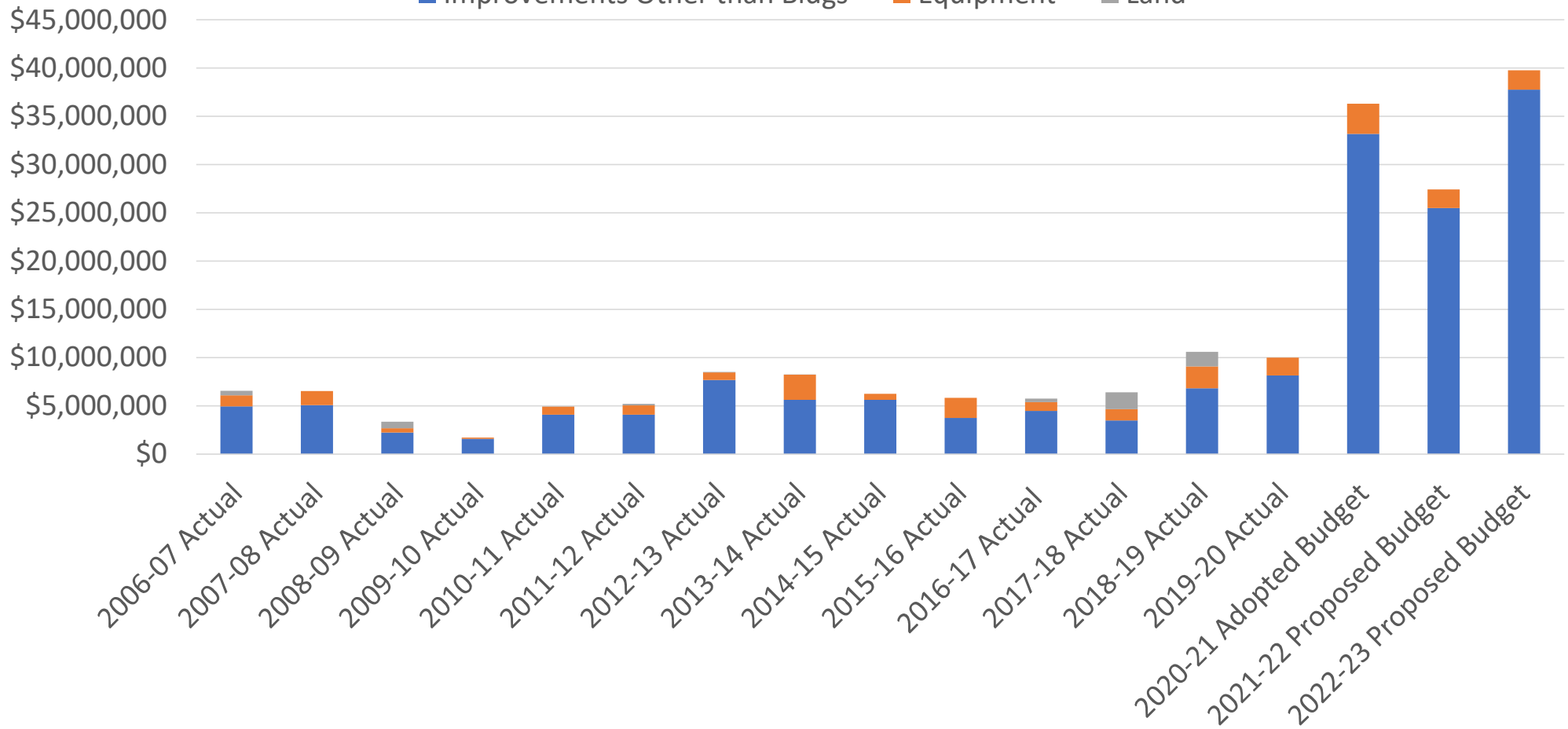
- The CIP includes anticipated projects identified for maintenance, update, or replacement based on conditions, regulations, and life expectancy of the existing infrastructure.
- Priority is established as:
 - Regulatory- mandated for compliance with regulations or law,
 - Deficiency- services are being negatively impacted or an unacceptable condition exists,
 - Capacity- services cannot keep up with demand or will be negatively impacted if not addressed within the anticipated construction timeline
 - Life-Cycle- the infrastructure has reached or will reach the end of its expected useful life within the anticipated construction timeline.
- Electric and Parks & Recreation did not include the priority identifications; however, the Electric improvements relate to capacity and safety of the electrical system and Parks & Recreation are specific to the conditions of the named facilities.

Expenditures History with capital



Capital Outlay History

■ Improvements Other than Bldgs ■ Equipment ■ Land



Planned Capital by Fund



Capital Projects	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Adopted Budget	2021-22 Proposed Budget	2022-23 Proposed Budget
(0670) Water Fund	\$1,535,991	\$4,250,174	\$2,808,253	\$17,668,270	\$7,794,670	\$20,162,500
(0675) Wastewater Fund	1,798,297	391,310	415,220	2,519,500	6,628,500	4,280,000
(0690) Electric Fund	0	953,459	227,679	0	975,000	275,000
(0680) Stormwater Fund	0	19,166	0	165,000	415,250	150,000
(0695) Telecommunications Fund	0	0	11,386	15,000	12,500	12,500
Special Revenue Fund	323,280	799,874	4,064,112	6,567,237	4,811,792	4,341,437
(0411) Parks Capital Improvement Fund	261,363	124,575	343,387	3,090,000	2,849,000	6,985,000
(0410) Capital Improvement Fund	597,236	1,110,283	109,987	475,000	895,000	284,249
Internal Service	1,192,327	2,368,215	1,200,492	2,680,500	1,654,400	1,704,400
General Fund	248,025	113,597	203,404	385,000	85,000	85,000
(0211) Parks General Fund	4,831	5,090	19,917	50,000	85,000	50,000
Total	\$ 5,961,350	\$ 10,135,743	\$ 9,403,837	\$ 33,615,507	\$ 26,206,112	\$ 38,330,086

Planned Capital by Category



Project Category	FY2021-22	FY2022-23
Transportation	\$6,051,262	\$5,882,794
Water	\$7,630,837	\$22,679,168
Wastewater	\$6,626,000	\$4,462,500
Stormwater	\$415,250	\$475,000
Facilities	\$995,000	\$2,695,000
Electric	\$975,000	\$275,000
Parks & Recreation	\$2,765,000	\$8,035,000
Airport	\$263,000	\$2,618,000

Capital - Electric

Electric	FY2021-2022	FY2022-2023
Wildfire Mitigation	\$ 50,000	\$ 75,000
Substation Purchase*	900,000	-
Substation Upgrades*	-	150,000
Underground Cable Replacement*	25,000	50,000
TOTAL Electric	\$ 975,000	\$ 275,000

* Substation Purchase and related upgrades are anticipated to save the Electric Fund at least \$150,000 annually in charges from Bonneville Power Authority (BPA)

Regulatory/ Deficiency Capital - Transportation

Regulatory	FY2021-2022	FY2022-2023
Lithia Way (OR 99 NB)/E Main Street Intersection Improvements	73,750	-
TOTAL Transportation Regulatory	\$ 73,750	\$ -

Deficiency	FY2021-2022	FY2022-2023
Street Overlay/ Reconstructions	\$ 3,500,000	\$ 2,225,000
Sidewalk/ Pedestrian	75,000	177,000
Bicycle	135,700	189,980
TOTAL Transportation Deficiency	\$ 3,710,700	\$ 2,591,980

Regulatory Capital - Water

Regulatory	FY2021-2022	FY2022-2023
Dam Safety Improvements	\$ 2,400,000	\$ 2,400,000
Reeder Reservoir Sediment Removal	-	140,000
Annual Pipe Replacement	300,000	300,000
Distribution Pipe Projects	1,021,000	342,000
ODOT Bridge Pipe Relocation (Coleman Creek in Phoenix) - TAP	58,170	-
TOTAL Water Regulatory	\$ 3,779,170	\$ 3,182,000

Deficiency/ Life Cycle Capital - Water

Deficiency	FY2021-2022	FY2022-2023
East & West Fork Transmission Line Rehabilitation	\$ 1,050,000	\$ 1,050,000
7.5 MGD Water Treatment Plant	2,700,000	15,400,000
TAP BPS Backup Power	60,000	350,000
Regional BPS Short-term Expansion- TAP	25,000	-
TOTAL Water Deficiency	\$ 3,835,000	\$ 16,800,000

Life Cycle	FY2021-2022	FY2022-2023
Hydrant Replacement Program	\$ 80,000	\$ 80,000
TOTAL Water Life Cycle	\$ 80,000	\$ 80,000

Regulatory Capital - Wastewater

Regulatory	FY2021-2022	FY2022-2023
WWTP Process Improvements (Miscellaneous)	150,000	150,000
Shading (Capital Cost + first 6 years of O&M)	709,000	453,000
UV System Upgrades	1,400,000	-
Outfall Relocation / Fish Screen	1,250,000	1,250,000
WWTP Process Improvements (Headworks)	2,200,000	1,000,000
Secondary Clarifier 2 Improvements		397,500
TOTAL Wastewater Regulatory	\$ 5,709,000	\$ 3,250,500

Deficiency/ Other Capital - Wastewater

Deficiency	FY2021-2022	FY2022-2023
WWTP Process Improvements (Harmonics)	\$ -	\$ 110,000
Wastewater Line Upsizing - 18" & 24" Parallel Trunkline - Wightman to Tolman Creek Road	712,000	712,000
TOTAL Wastewater Deficiency	\$712,000	\$ 822,000

Prerequisite for Other Project	FY2021-2022	FY2022-2023
Hardesty Site Development & Equipment Storage	\$ 80,000	\$ 80,000
TOTAL Wastewater Prerequisite	\$ 80,000	\$ 80,000

Capacity Capital - Stormwater

Capacity	FY2021-2022	FY2022-2023
E Main Street @ Emerick Street	\$ 235,000	\$ -
Siskiyou Boulevard @ University Way	129,000	-
Cemetery Creek Basin Stormwater Quality Improvement (hydrodynamic separator)	11,250	-
Dewey Street @ E Main St	-	247,000
N Mountain Avenue @ Railroad Tracks	-	188,000
TOTAL Stormwater Capacity	\$ 375,250	\$ 435,000

Prerequisite for Other Project	FY2021-2022	FY2022-2023
Hardesty Site Development & Equipment Storage	\$ 40,000	\$ 40,000
TOTAL Stormwater Prerequisite	\$ 40,000	\$ 40,000

Life Cycle Capital - Airport

Life Cycle	FY2021-2022	FY2022-2023
Entitlement Grant - Airport Improvements - Taxiway Rehabilitation (Environmental/Planning)	\$ 263,000	\$ -
Entitlement Grant - Airport Improvements - Taxiway Rehabilitation (Construction)	-	2,598,000
Pavement Maintenance Program	-	20,000
TOTAL Airport Capacity	\$ 263,000	\$ 2,618,000

Deficiency/ Other Capital - Facilities

Capacity	FY2021-2022	FY2022-2023
City Facility Upgrades & Maintenance	\$ 280,000	\$ 280,000
Community Center & Pioneer Hall Rehabilitation	415,000	415,000
TOTAL Facilities Capacity	\$ 695,000	\$ 695,000

Prerequisite for Other Project	FY2021-2022	FY2022-2023
City Facility Optimization Program	\$ 200,000	\$ 200,000
TOTAL Facilities Prerequisite	\$ 200,000	\$ 200,000

Capital – Parks & Recreation

Parks & Recreation	FY2021-2022	FY2022-2023
Japanese Garden	\$ 1,250,000	\$ -
Ashland Creek Basketball Court	75,000	-
E. Main Park Development	475,000	475,000
CIP Project Manager	400,000	400,000
Daniel Meyer Pool - Rebuild	115,000	5,000,000
Bear Creek Greenway Pedestrian Bridge	75,000	675,000
Repair Butler Perozzi Fountain	75,000	325,000
Kestrel Park Pedestrian Bridge	25,000	550,000
Mountain Bike Skills Park & Pump Track	25,000	225,000
TID Irrigation	50,000	50,000
Winburn Way Sidewalk	-	200,000
Oak Knoll Playground	-	100,000
Beach Creek Restoration	-	35,000
Mace Property Trail	-	-
TOTAL Parks and Recreation	\$ 2,565,000	\$ 8,035,000

Looking Forward

- Update of the F&B ordinance to distribute 98% of the proceeds to the Ashland Parks & Recreation Commission and 2% to be retained by the General Fund to offset administration.
- Adopt an ordinance directing the specific allocation of property tax millage to be transferred to the Ashland Parks & Recreation Commission on a stepwise decreasing schedule;
- Council adopt a Franchise Fee ordinance to establish universally applied franchise fees to all purveyors of utilities within Ashland City limits and direct a stepwise increasing amount to the Streets Fund for capital investment; and
- Schedule study sessions for Council to explore strategic financial plan elements including Capital Improvements Plan, debt management,.... September 2021- March 2022

Ashland Citizen Budget Committee Motions for Discussion BN2021-2023

Please make motions as precise as possible to assist staff in accurately conveying your intents and wishes to Council.

Motion approved at 05/11/2021 meeting:

- 1) MOTION TO reduce the General Fund revenues by the \$100,000 from marijuana taxes and offset with the proceeds of future property sales; and to increase the Housing Fund revenues by \$100,000 from marijuana taxes.

Motions to amend the City Manager's Recommended BN2021-2023 Budget without policy changes:

- 2) MOTION TO reduce mayor and council personnel services by \$150,000 /year and increase both police and fire by \$75,000 /year (NOTE: Expenditures by type are subject to the Council and City Manager discretion; reductions by department are more consistent with the CBC role.)

Motions to amend the City Manager's Recommended BN2021-2023 Budget with policy changes and/or other actions needed to implement:

- 3) I move to cut the City Manager's Recommended General Fund 2021-23 budget by \$500,000 as a first step in reducing the city's long-term structural budget deficit. (QUESTION: Is the intent to reduce the use of fund balance or increase other expenditures? Is there an intended service area to be impacted?)
- 4) HR Department: I move to decrease the funding to the HR Department by 50% in the 21-23 budget and have the city manager immediately explore the feasibility of streamline and outsourcing the city of Ashland's HR needs.
- 5) Water Treatment Plant: I move to reduce funding appropriations to zero for the construction of a new 7.5mg water treatment plant and outline to the BC and council a plan and detailed cost estimated to fix the 7.5mg plant presently in operation usable for the next 20years. (QUESTION: What dollar amount is intended to be reduced: engineering, construction, or both? Is the intent to reduce the use of fund balance, delay debt issue, or shift funds to the study of the requested plan?)
- 6) I move to make a motion to hold funding for AFN at 2019-2020 actual levels as outlined in the 2021-2023 budget, until a study has been made and council has decided on future policy going forward.

- 7) I move to have City Manager pro- tem eliminate the HRA VEBA fringe benefit which is 2% of salary allocations to zero phased in over 2 years over this 2-year budget. (QUESTION: What dollar amount is intended to be reduced and in which funds? Is the intent to reduce the use of fund balance or increase other expenditures?)
- 8) I move to have City Manager pro-tem to eliminate car allowance for all department heads. (QUESTION: Is the intent to reduce the use of fund balance or increase other expenditures in each fund?)

Motions to Recommend topics and/or actions to City Council:

- 9) INFORMATION Systems Division: I move to have the city look to a 3rd party vender - to evaluate whether the city get these same services at a reduced costs as that outlined of (page 103) of the budget. If operational synergies or cost reduction can be achieved to outsource those services to that 3rd party vendor.
- 10) I move to reduce the top 30 executives and manager salaries by 10% and all other staff salaries by 5%, for the 2021 -2023 details to be worked out by city manager and finance director and presented to council.
- 11) I move to make a motion to freeze any new hires in positions that are not already held, except for the city manager position. Any exceptions would need to be presented to council for approval on a case by case basis.
- 12) I move to recommend to Council that it consider Communications capacity as a necessary operational element and work to replace that capacity during the strategic planning process that lies ahead.
- 13) I move to recommend to Council that it review commission structure and composition to ensure alignment with the strategic plan once the plan is complete.
- 14) I move to recommend to Council that it directs staff to update the existing salary comparison prior to the next budget process.
- 15) I move to recommend to Council that it directs staff to complete research comparing staffing FTEs at the City of Ashland to cities of similar size and characteristics.
- 16) I move that the Ashland Municipal Court reduce its days from four to two. In so doing, a cost savings may be realized. Criminal matters may be referred to Jackson County and only municipal violations taken up by the court which would fulfill our charter requirement.

- 17)** I move an examination of City of Ashland legal services. As our senior attorney is vacating it may be possible to reduce staff and further consider contracting legal services through a firm such as Local Government Law Offices. Allowing the senior position to remain vacant while examining this option returns the legal office to it's former staff size of 1.5 attorneys and represents a cost savings.
- 18)** I move that the Citizens Budget Committee go on record in favor of phasing out city payment of employees' share of PERS retirement contributions.
- 19)** I move that the Citizens Budget Committee recommend to City Council that it allocate at least \$300,000 and as much of \$500,000 of the \$4.3 million federal American Rescue Plan dollars to a city Small Business Revitalization Program.

Citizen Budget Committee Motion to Approve the 2021-2023 Levy Tax

"I move to approve the property tax levy in the amount of \$4.2865 per \$1,000 of assessed value for fiscal year 2021-2022 and fiscal year 2022-2023 respectively, approve property taxes for the payment of general obligation principal and interest bonded debt in the total of \$220,037 for fiscal year 2021-2022, and \$215,339 for fiscal year 2022-2023.