

**Budget Committee Kickoff Meeting**  
Draft Minutes  
February 7, 2011 6:00 PM  
Civic Center Council Chambers, 1175 East Main Street

**CALL TO ORDER**

The Budget Committee meeting was called to order at 6:03 PM on Monday, February 7, 2011 in Council Chambers at 1175 East Main Street, Ashland Oregon.

**ROLL CALL & INTRODUCTIONS**

Mayor Stromberg was present. Committee members Baldwin, Chapman, Gentry, Keil, Lemhouse, Morris, Runkel, Silbiger, Slattery, Stebbins, Thompson and Voisin were present. Committee member Everson was absent. The Budget Committee went around the room and gave brief introductions.

**ELECTION OF CHAIR & VICE-CHAIR**

Mr. Slattery spoke to the election of chair. Silbiger/Stebbins m/s Everson as chair. Ms. Voisin stated she is hesitant to elect Everson due to her absence. Mr. Slattery stated that if she declines to be chair then the elected Vice Chair can become chair and the Committee can re-elect a Vice Chair. Ms. Thompson stated that it is important that the Chair be available for meetings and if is going to miss a meeting that the Vice Chair be available. The Committee voted: All ayes. Stromberg/Lemhouse m/s Stebbins vice chair. The Committee voted: All Ayes.

**APPROVAL OF MINUTES**

**Approval of minutes from previous Budget Committee meetings dated:**

**4/26/10 Budget Committee Meeting**  
**4/29/10 Budget Committee Meeting**  
**5/03/10 Budget Committee Meeting**  
**5/06/10 Budget Committee Meeting**  
**5/12/10 Budget Committee Meeting**  
**5/13/10 Budget Committee Meeting**

**Slattery/Baldwin m/s to approve minutes dated: 4/26/10, 4/29/10, 5/3/10, 5/6/10, & 5/12/10. All Ayes.**  
**Mr. Runkel stated that one page 3- roll call counts were incorrect. Page 5- a vote count was not listed.**  
**Lemhouse/Slattery m/s to approve minutes 5/13/10 as corrected. All Ayes.**

**Correction:**

**Everson/Chapman ms to accept Staffs proposal on dealing with the healthcare increase by adjusting Ending Fund Balance in contingency.**

Discussion: None.

**Roll Call Vote: Voison, Thompson, Slattery, Silbiger, Runkel, Navickas, Lemhouse, Jackson, Everson, Douma, Chapman, Baldwin, Stromberg: YES, Motion Passes 13/0**

**PRESENTATION BY STAFF**

Ms. Bennett greeted the Committee and gave an overview of the meeting. Mr. Tuneberg spoke to the packet and the schedule. The budget calendar was accepted by the Budget Committee. If Committee members have any conflicts with dates he advised them to let staff know so we can make changes if need be. Mr. Tuneberg stated that both Social Service and the Economic and Cultural Development Grant process will be part of this year's process, and will need volunteers for subcommittees.

Mr. Tuneberg spoke to Oregon State budget training. This year there is no training in the Rogue Valley, however Mr. Tuneberg will be putting on a Budget training this year to walk through the Budget Process using the States book and explain how the process works in general and how it is used in Ashland. The training will be on February 24, 2011 at 6:00 PM held in Council Chambers. He stated that if anyone is interested to please let staff know so enough materials can be prepared. Lemhouse stated he attended two years ago and it was good information and encouraged attendance.

Mr. Tuneberg discussed the FY 2011-12 Budget. Mr. Tuneberg discussed the long term improvements operations chart that shows the financial conditions of the City (see slide). Green indicates the fund will hit or exceed the Ending Fund Balance (EFB). Yellow means the funds are in trouble and not meeting trouble meeting requirements for funds. Red indicates that there is work to do on the fund. Ms. Bennett stated it looks much better than the last few years and thanked the Committee for the work they have done with the Budget which led to less Red. Mr. Tuneberg stated that this is only looking at operations CIP is not reflected. Areas of concern are where the enterprises are. The General Fund and the Parks fund show green through 2012 and yellow in 2013 and then goes red the following years. All enterprises have aging infrastructure they are capital intensive, they need to pay for. Gentry questioned how red and yellow is determined. Mr. Tuneberg stated for the most part this is going forward with what is generated and assumptions. The CIP that has been approved goes in the decision making.

Where yellow is shown the fund is starting to struggle in meeting the EFB that has been set, so the City needs to decide whether contingency is used. This leaves the fund below target but still operating. Where red is shown it indicates the fund will go negative in EFB which violates policy and will cause trouble meeting cash requirements or capital requirements if action is not taken.

Mr. Tuneberg discussed the Operational Budget, Preliminary Operational Projections and the Preliminary Projected Ending Fund Balance Variances (see attached). These slides show what the City Budgeted from an operational basis. He stated that these show the larger funds in the Central Service Fund. Keil questioned the Enterprise Funds, Water, Wastewater, Electric and Telecom. He stated that Enterprise Funds should be used as profit making and is surprised to see negative numbers in some of these funds. Ms. Bennett discussed that in the majority of those cases there was some kind of onetime thing going on. She stated that these are good questions to ask during the Departmental Budget Meetings. Mr. Tuneberg stated that there are things that the City does to spend down EFB for example if the City was to borrow money this year for a project and it takes two years to complete then the first year there will be a larger EFB because some of that money will still be sitting in Reserve at the end of the Fiscal year waiting to be spent in the next year. In the next year it will show revenues to expenses upside down.

Mr. Tuneberg discussed the Operational Projections (see slide). The projections are very preliminary. He stated the Water Fund is not looking good. Water cost remains high; sales are going down and there is a tremendous amount of infrastructure that is aging. The City will be working on this issue very diligently. If the City runs out of water in the summer no sales are made. If sales are not made the City does not make money. Stebbins stated she would find it helpful to have a chart that shows FY 2010 budgeted EFB, the actual and the difference between the two.

Mr. Tuneberg stated that the projected General Fund, Central Services, Parks & Recreation, and Electric are all above EFB, the Street Fund is close, Water Fund is below, Wastewater and Telecom are close to target.

Mr. Tuneberg discussed the General Fund Over Time (see slide). He stated that the circles represent the changes in the General Fund. In December 2008 and 2009 revenues fell short of expenditures of the General Fund and the City had to take drastic actions. In 2010 the revenues exceeded the expenditures.

Ms. Bennett spoke to how the City proposes to build the budget (see slide). The City proposes to build the budget policy based like the last two years. Across the board methods such as hiring freezes to control spending, does not yield the most effective or efficient results. Ms. Bennett proposes that the City should continue to use screening criteria for making decisions about programs and activities that should be funded. Mayor Stromberg questioned if the City is still prioritizing within funds instead of across funds. Ms. Bennett answered that it is tough for the City to prioritize across funds, some funds there is flexibility in terms of moving money back and forth. But if you have an enterprise money should not be moved back and forth. Even if money is moved between funds the funds still must be balanced.

Ms. Bennett suggests that ranking criteria should be used again in terms of reductions or additions. The City might want to modify performance measures. Ms. Bennett went over highest priority, medium priority and lowest priority criteria (see slide). Gentry questioned where the Council Goals fit into this criterion. Ms. Bennett answered that it is suggested that the Council Goals that are funded or are able to be accomplished with existing staffing resources will be included in the budget. Anything that requires an additional expenditure beyond the ground rules, staff will propose as an add package.

Ms. Bennett went over an example of performance measures (see slide).

Ms. Bennett spoke to 2012 Ground Rules (see slides). The ground rules proposed are staff will balance the General Fund without increasing property taxes. Staff proposes the flexibility to look at the utility rates to make increase to balance the utility funds and any major proposed fee increases used to balance the budget will be identified. Thompson questioned what a major proposed fee increase would be. Ms. Bennett answered that an example may be ambulance rates. .

Ms. Bennett continued with the FY 2012 Ground Rules. Base budgets prepared by Departments for expenditures will be built on two assumptions: Departments can keep existing staff and can increase materials and services within their control by 2%. If need be the Budget Officer and City Administrator will make reductions to balance each fund. Major reductions would be discussed with the Budget Committee. Lemhouse asked if Staff is ruling out materials and service cuts and why is that off the table. Ms. Bennett answered that it is not being ruled out completely. Department Heads will be allowed to propose add packages any new staffing or any increase in materials and services above 2%. Add packages will not be included in the Budget. If a Department has an add package the most urgent will be recommended to the Budget Committee. Capital spending will be capped by the CIP adopted by Council in December of 2010. The technology debt will be financially allocated as in the past four years, with some transferred to Electric and putting General Fund amount into the Debt Service Fund. Cost of Living Allowance's (COLA's) will be as negotiated in union contracts. Ms. Bennett stated that there are two contracts where the City has negotiated COLA increases which are Police and Fire in the amount of 3%. The IBEW clerical technical union has a reopener for wages the amount is currently unknown and there are two open contracts one for Electrical and one for Laborers.

Stebbins questioned the 1.6 tax rate that was increased for the Fire Hoses. Would there be a better place to spend this since Fire got a grant to cover the hoses. Ms. Bennett said the good thing about the 1.6 being a sinking fund instead of the General Fund is that there will always be money set aside for the fire hoses. Ms. Bennett stated that this discussion can continue in the Budget Committee meetings and the Committee can decide whether to cut the tax move the tax or keep the tax the way it is. Runkel stated that in the minutes of May 13, 2010 stated that the tax increase of 1.6 was set for only one year. Keil questioned what 1.6 cents is in dollars. Ms. Bennett answered that a penny is worth \$19,300.

Slattery questioned why it is a good idea to have across the board adds but not across the board cuts. Ms. Bennett answered because of the cost pressures. The Committee discussed that adds should only be looked at as a need basis.

Mayor Stromberg asked Staff to run through the additional PERS assessments, expected medical health insurance increases and the prospects for self insurance. Ms. Bennett gave an over view of PERS impact. General Fund impact is \$222,000, Street Fund \$22,000, Water Fund \$40,000, Wastewater Fund \$24,000, Electric Fund \$52,000, Telecom Fund \$18,000 Central Service Fund \$100,000. Total City impact is \$495,000, total Parks Fund impact is \$65,000. Overall total impact is \$560,000. Ms. Bennett spoke to Healthcare. CCIS is projecting double digit increases. Staff decided on a 10% increase for healthcare. Thompson questioned what the City's long-term strategies are for healthcare. Ms. Bennett answered that the City is working on getting out of CCIS for at least two to three years to build experience. The problem with the City being self insured is lack of experience. Currently the City is looking into different healthcare options. Stebbins questioned if healthcare changes will occur in the next fiscal year. Ms. Bennett answered yes.

The Committee discussed the Grant Process. It was set by motion during the Budget Committee meeting on 5/13/10 that grant presentations would be omitted for both Social Service and Economic and Cultural grants and have a Q&A from the Subcommittee instead. Late and incomplete applications will not be accepted. Mr. Tuneberg stated that volunteers are needed for Social Service Grant meetings on March 16<sup>th</sup> and 17<sup>th</sup> and Economic and Cultural Grant meetings on April 6<sup>th</sup> and 7<sup>th</sup>.

Mr. Tuneberg stated that a volunteer for appointment as the liaison for the Audit Committee is needed. Stebbins volunteered to be the Budget Committee liaison.

Lemhouse stated that if a grant applicant doesn't show up for the Q&A portion of the meetings the Committee should not hold attendance against the applicant. Since there is not presentation applications should be very thorough.

Slattery/Lemhouse m/s to recommend to Council, Roberta Stebbins as the Budget Committee liaison for the Audit Committee. All Ayes.

**PUBLIC INPUT**

None.

**ADJOURNMENT**

The Budget Meeting was adjourned at 7:55 PM.

Respectfully Submitted,  
Melissa Huhtala  
Administrative Secretary