

CITY OF ALBANY
CITY COUNCIL (WORK SESSION)
Municipal Court Room
Monday, October 24, 2011
4:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 4:02 p.m.

ROLL CALL

Councilors present: Councilors Dick Olsen, Jeff Christman, Bill Coburn, Bessie Johnson, and Ray Kopczynski.

Councilors absent: Councilor Floyd Collins.

BUSINESS FROM THE PUBLIC

There was no business from the public.

INVESTMENT POLICIES REVIEW

Finance Director Stewart Taylor explained that staff brings three policies on an annual basis to the Council for review. The policies establish specific parameters in three areas: investments, financial standards, and risk management.

Taylor said that Davidson Fixed Income doesn't make the City's investments, but does make suggestions. It is beneficial for them to meet with the Council annually to review market conditions and the City's current position in the market, along with the City's objectives. Taylor said that Steve Uerlings from Barker-Uerlings Insurance is also attending the work session today.

Taylor said the Risk Management Policy and the Investment Policy contain no changes. The Financial Policy did include changes so the agenda packet includes a marked-up copy.

Taylor introduced Deanne Woodring from Davidson Fixed Income. Woodring said she looks at investment policies from throughout the country and said that Albany's policy has all the necessary elements. She is on the Government Finance Officers Association (GFOA) Model Policy Review Committee and is working on an Oregon State Treasury sample policy. She also participates on the Oregon Short-term Fund Board (OSTFB) implementation and GFOA's Best Practices. Both groups will be publishing their recommendations in January. The revised Financial Policy before the Council today incorporates the changes recommended by the OSTFB and GFOA Best Practices.

Woodring is pleased with how the City's investment portfolio is positioned. The priority is safety; keeping a high-quality portfolio protects the City's investments.

Taylor said it is difficult to predict where the market is going.

Woodring said that there has been a lot of intervention by the federal government to try to stimulate the economy, but it just seems to put pressure on interest rates. Also globally, the market has been chaotic and unpredictable.

RISK MANAGEMENT POLICY

Taylor introduced Senior Accountant Mike Murzynksy, who is the City's Risk Manager.

Murzynsky introduced Steve Uerlings, CIC, ARM, CRM, President of Barker-Uerlings Insurance. Murzynsky described the work Uerlings does for the City. His advice is helpful for risk issues and he keeps the City advised of changes in the legislature.

Uerlings said there is a resolution about recreational immunity coming to the next Regular Session for approval.

Uerlings provided the Council with the *Risk Management Report* (see agenda file). Uerlings reviewed the report.

Uerlings explained that the City buys excess earthquake coverage, as do many other large Oregon cities, because the City/County Insurance Services (CIS) pool has a statewide limit of total exposure. The number of tort claims is going down; 19 is a fairly low number for a city of our size. In 2007 there was a high spike for auto liability, but otherwise it too is low for a city this size.

Uerlings said that CIS's average insurance claim is \$5,800, whereas Albany's is \$4,000. Overall the City's performance is excellent in terms of risk management policies and procedures.

Uerlings explained that the issue of recreational immunity came from a Portland case, where the public right-of-way (ROW) next to recreational sites was being used as shared space. CIS suggests cities adopt a resolution of recreational immunity. Albany has two areas by parks that are shared ROW. The immunity protection may not come

into play, but cities in Oregon are considering adoption of the resolution as another tool for protection. City Attorney Jim Delapoer agreed that this is being done uniformly and he is supportive.

Taylor said the City has an active Executive Safety Committee and departments also have Safety Committees. They do regular walk-throughs to identify hazards in the work place. They have done well to identify potential exposures and are helpful in reducing claims. Uerlings said he also meets with the Safety Committees quarterly to discuss what they found and changes in procedures. They discuss workers' compensation claims as well as auto liability and other types of claims.

FINANCIAL POLICIES

Taylor said that a strike-out version of the Financial Policy is in the agenda packet. The changes were the addition of the Transient Lodging Tax policy and other minor corrections. Taylor pointed out that this is where the City Council establishes parameters in the budget for funding beginning balances and contingencies. The recent struggles to balance the budget emphasize the importance of maintaining minimums. Uncertainties in revenues due to pressures such as compression have caused us to draw on those balances. This uncertainty highlights the need to maintain the 5% minimum balances. There will be a final version of the Policy on the Consent Calendar at the next Regular Session.

Councilor Ray Kopczynski asked, in Section V, item 6, who determines what programs get eliminated, and is there public input? City Manager Wes Hare said the Budget Committee has a lot to do with discussing programs being eliminated but ultimately, it would be the City Council's decision.

Kopczynski noted that Section VII, item 4 says that General Obligation Debt will not be used for self-supporting enterprise activities. He asked staff to explain. Hare said that Ambulance, Water, or Sewer are examples of Enterprise Funds that have other financing tools available.

REDUCTION IN LIBRARY HOURS

Library Director Ed Gallagher said there is a slight reduction in library hours as the result of three employees taking advantage of the Voluntary Separation Incentive Programs (VSIP). They are not fully filling the vacant positions this fiscal year and will continue with .875 full-time equivalent (FTE) less, by redistributing staff duties.

Gallagher noted that without the RFID system they couldn't do as much work as they do. In some ways the RFID system masks the staffing shortage because it handles 70% of the circulation.

Councilor Dick Olsen asked, what is the percent reduction to the Carnegie Library, in terms of hours? Gallagher said it has been open 40 hours a week, so being open 8 fewer hours is 20%. Olsen asked, what is the reduction in payroll at the Main Library? Gallagher said he is not reducing staff that has already been budgeted; rather, he is just redistributing where employees spend their time.

Councilor Bessie Johnson arrived at 4:34 p.m.

Discussion followed about the ratio of hours at each library. Hare noted that this is not about two libraries; it is about one library system and trying to make the best use of the total hours available.

Olsen said he objects to closing the Carnegie Library by 20% and the Main Library by 3%. Hare pointed out that usage rates at the two libraries are different and they are trying to minimize the impact on folks at the Main Library since it is used more heavily. Olsen feels they are headed down the road to where the Carnegie Library will slowly be phased out. He objects to the plan. Hare said that closing the Carnegie Library is not the goal.

Johnson wanted to clarify that the employees from the Carnegie Library would not be working fewer hours overall. Hare said that is correct; they are just redistributing where they spend their time.

Gallagher said that libraries are closing all over the country or losing hours. Albany's libraries have done the best they can.

Konopa asked Gallagher if he thinks the popular new electronic book devices will hurt libraries. Gallagher said that for those who can afford the gadgets there might be a decrease in library use, but many of their patrons are the young, old, homeless, etc. Gallagher says they can run on parallel tracks. For example, the libraries work with technology and have 15,000 electronic books that can be downloaded.

Gallagher said the Carnegie Library is close to celebrating a 100 year anniversary.

Johnson asked if students use the libraries. Gallagher said yes, there are many from Linn Benton Community College (LBCC) and the Greater Albany Public Schools (GAPs).

Konopa asked, is the Library Foundation still considering funding Fridays? Gallagher said yes, they are considering it. If they cannot than the hours at Carnegie will be cut.

BACK SEWER BILLS

Public Works Director Mark Shepard said the Albany Municipal Code (AMC) outlines the parameters for back-billing. The Council asked staff to consider other options to resolve the back-billing. Staff has an idea for the Council to consider but it is outside the AMC so requires Council approval.

Shepard said there are eleven sewer-only properties that have been under-billed for several years. The largest property experienced a drop in their sewer bill by \$800 a month, at a time when sewer rates went up. It is probably something the owner could or should have noticed. Staff is proposing a settlement, where the customer pays 50% of the back-bill by a date certain as full payment. The positive outcome is that this would avoid litigation. The potential negative is that the City has back-billed other properties in the past and those property owners have paid according to the AMC, so the recent back-billings would be being treated differently.

Shepard said that under Utility Services Manager Mark Yeager and Customer Service Supervisor Patty McInnes, great strides have been made in the utility billing processes and finding errors. Overall staff has done a good job managing, billing, and collecting more than 15,000 accounts each month. It is no small task.

Hare said he did online research on utility back-billing. He said it is a national issue and different states deal with it differently. Some agencies back-bill for up to a year and some back-bill for several years. Some give the authority locally. This is not a new or unique issue to Albany. Utility Billing staff is working to tighten controls.

Delapoer said that utility rates are a fixed cost which is divided among customers. If a customer doesn't pay their full bill, the rest pay for it. If they forgive certain sewer bills, the result is increased sewer rates since the cost of providing service is a fixed sum. In past scenarios that involved back-billing, customers have paid the whole amount. In this case staff's inclination is a uniform compromise proposal to all eleven customers. If they don't accept the offer, then Delapoer will pursue collecting the total amount. This is a decision for the Council to weigh, if it is worth the discount to relieve the risk of litigation. Discussion followed about how a decision today might impact the collection of future back-bills by setting a precedent.

Kopczynski pointed out that the money lost over the last several years has already been amortized over the user base; so it won't impact other customers now, but getting the back-bills paid up will delay future rate increases. He suggested various payment options with a combination of percent-discounts based on the number of years it takes to pay.

Konopa asked if a lien could be put on the property. Delapoer said no and explained why. Discussion followed.

Olsen thinks that if the City didn't charge correctly then the customer shouldn't have to pay the bill at all. But since the rest of the Council does not support that theory, he would support offering them a 50% discount.

Councilor Bill Coburn does not agree with Kopczynski's suggestions of paying over several years. He asked, if a landlord sells the property before it is paid off, how do we collect the balance? Delapoer said they could get promissory notes, which would fall to the signer of the note rather than the property. Discussion followed about charging interest for long-term payment agreements.

Shepard asked if staff has Council's direction to negotiate a 50% discount to pay up to a year, or 50% discount with payment up to five years with interest charges. Delapoer stressed that the City needs to treat the customers the same. It is important that staff does not negotiate different terms with different customers. If the customer does not accept the offer, they should collect 100% of the back charges. The Council agreed.

Delapoer said staff prefers a motion for this action since it is outside of the AMC policy. He suggested that the motion be to offer a 50 % reduction and if the offer is accepted, for those over \$30,000, payments should not exceed five years, with a reasonable interest rate; and those under \$30,000, offer a 50% reduction over one year, no interest.

MOTION: Coburn moved that sewer back-bills over \$30,000 be offered a 50% reduction with a payment plan not to exceed five years at a reasonable rate of interest; and that sewer back-bills under \$30,000 be offered a 50% reduction with a payment plan not to exceed one year with no interest. Olsen seconded the motion and it passed 5-0.

PROPERTY TAX COMPRESSION DISCUSSION

Hare explained that there has been a drop in property tax revenue that the City receives. The City will get less revenue due to compression and they are not seeing the rate of new construction that the City has experienced in the past. There were 80 Single Family Residence (SFR) permits last year, but they were all in North Albany so they show up in the property taxes from Benton County. Linn County revenues are lower than projected, by about \$1 million in the current fiscal year. Another factor is that natural gas franchise revenues are decreasing since demand for the product is decreasing. Hare is already talking to department directors about how to cut expenses in the current fiscal year. The problem only gets worse next year. Hare said that if the Fire and Police levy passes in May 2012, the revenue would not be realized until 2013-2014.

Hare said he met with Police Chief Ed Boyd. The Police Department is already down four positions, so a reduction in staff is not their first choice. There are other tools available for reducing costs, such as redistributing resources, but they will not be easy.

Taylor said he had three items to bring to the attention of the Council. First, he overstated property tax projections due to an error in reading the reports from Benton County. The amount was about \$300,000. Taylor didn't realize a certain number included debt. The second item is that there has been a change in assessed value. Growth in assessed value has averaged 5% per year. This past year other cities averaged just under 3%. Albany was at about 3.7% and this year it fell dramatically. Taylor did not anticipate that much of a drop. The third item is compression. As the difference between assessed and market values narrows, more and more properties fall into compression. This has the greatest impact on the Fire and Police operating levy. The increase in compression is 96% over last year, which was an increase of 81% over the year before. The dollars lost to compression is \$720,000.

Konopa asked, when will Walmart be on the tax rolls? Johnson said that whatever portion is completed as of January 1, which should be 100%, will come in one year from now. Hare said it will help, but it is not going to make a huge difference.

Taylor said that compression is a major influence on the budget. The impact is much more dramatic in Albany and Linn and Benton Counties, than in other cities in Oregon. Discussion followed about other Oregon cities and the impact of the economy on states that depend on sales tax.

Hare pointed out that Albany has cut 30 positions since 2009 through layoffs and attrition.

Konopa said that legislators need to know how this is affecting cities.

Kopczynski said that Central Albany Revitalization Area (CARA) has grown and he would like to believe that the assessed value has increased due to the improvements that have been made. This means that CARA is doing what it is supposed to do. Konopa added that CARA has brought in a lot of private investment to the downtown area, which might not have come otherwise.

Hare said tonight was an update for Council. Staff will come back with ideas for savings. They have already been under a hiring chill, but now he's imposing a hiring freeze.

Hare said the Budget Committee will convene in January. Staff is also considering how to more fully engage the community in budget discussions. He said, we need to ask them what services they want, given the amount of resources available.

COUNCILOR COMMENTS

Konopa said that the October 2011 edition of *Local Focus* by the League of Oregon Cities had a nice article about the late Councilor Ralph Reid, Jr. on page 26. There was also an article about Albany's award for Talking Water Gardens on page 15 (see agenda file).

Konopa said the Council got a thank you card from the Festival Latino group (see agenda file).

CITY MANAGER REPORT

Delapoer said that staff learned that Lowes is analyzing their stores system wide and closing certain locations. The good news is that Albany is not one of them. The bad news is that they are held up on their permits from the state. Lowes has asked Albany to modify the deadline for two months past October 2014. Delapoer noted that this also extends the time the City has to get the infrastructure done. Delapoer would like to accept the modification with the Council's approval. He pointed out that none of the delays experienced so far are the fault of the City.

MOTION: Johnson moved to authorize the City Manager to modify the Lowe's Infrastructure Funding Agreement to extend the deadlines as reported by staff. Kopczynski seconded the motion and it passed 5-0.

ADJOURNMENT

There being no further business, the Work Session adjourned at 5:44 p.m.

Respectfully submitted,

Mary A. Dibble, MMC
Deputy City Clerk

Reviewed by,

Stewart Taylor
Finance Director