



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

**AGENDA**

- 4:00 p.m. **CALL TO ORDER**
- 4:00 p.m. **ROLL CALL**
- 4:00 p.m. **BUSINESS FROM THE PUBLIC**
- 4:05 p.m. **INVESTMENT POLICIES REVIEW** – Deanne Woodring  
*Action Requested: Information, discussion.*
- 4:15 p.m. **RISK MANAGEMENT POLICY** – Steve Uerlings  
*Action Requested: Information, discussion.*
- 4:30 p.m. **FINANCIAL POLICIES** – Stewart Taylor  
*Action Requested: Information, discussion, direction.*
- 4:50 p.m. **REDUCTION IN LIBRARY HOURS** – Ed Gallagher  
*Action Requested: Information, discussion.*
- 5:00 p.m. **BACK SEWER BILLS** – Mark Shepard  
*Action Requested: Information, discussion, direction.*
- 5:25 p.m. **PROPERTY TAX COMPRESSION DISCUSSION** – Wes Hare, Stewart Taylor  
*Action Requested: Discussion, direction.*
- 5:45 p.m. **COUNCILOR COMMENTS**
- 5:50 p.m. **CITY MANAGER REPORT**
- 6:00 p.m. **ADJOURNMENT**

Rules of Conduct for Public Meetings

1. No person shall be disorderly, abusive, or disruptive of the orderly conduct of the hearing.
2. Persons shall not testify without first receiving recognition from the presiding officer and stating their full name and residence address.
3. No person shall present irrelevant, immaterial, or repetitious testimony or evidence.
4. There shall be no audience demonstrations such as applause, cheering, display of signs, or other conduct disruptive of the hearing.


City of Albany Web site: [www.cityofalbany.net](http://www.cityofalbany.net)

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*The location of the meeting/hearing is accessible to the disabled. If you have a disability that requires accommodation, advance notice is requested by notifying the Human Resources Department at 917-7500.*

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TO: Albany City Council  
VIA: Wes Hare, City Manager  
FROM: Stewart Taylor, Finance Director   
DATE: October 14, 2011, for the October 24, 2011, City Council Work Session  
SUBJECT: Investment Policy and Market Update  
RELATES TO STRATEGIC PLAN THEME: ● Effective Government

Action Requested:

Receive a market update from the City's investment advisor and discuss changes proposed in the policy. The City Council will consider adopting the proposed policy at its regular meeting on Wednesday, October 26, 2011.

Discussion:

The City's current investment policy was last reviewed and adopted by the City Council as Resolution No. 5947 on September 22, 2010. Both the current policy and ORS Section 294.135 require the City Council to review the policy on a periodic basis.

Since the last review, the Government Finance Officers Association drafted a model investment policy. The proposed changes to the current policy incorporate format changes suggested in the model policy. In addition, some minor wording changes have been made to clarify meaning.

Staff has worked closely with the City's Investment Advisor, D. A. Davidson Fixed Income Management, to review the current policy and incorporate the changes. A strikeout version of the policy is not being provided because the number of format changes made the strikeout version very difficult to read. There are very few changes to the actual wording of the policy. There are no changes to the investment parameters.

Budget Impact:

The Investment Policy sets parameters for the investment of cash not needed to meet current obligations.

ST

Attachment: Resolution and Policy



TO: Albany City Council  
VIA: Wes Hare, City Manager  
FROM: Stewart Taylor, Finance Director *ST*  
DATE: October 14, 2011, for the October 24, 2011, City Council Work Session  
SUBJECT: Risk Management Report and Policy Review  
RELATES TO STRATEGIC PLAN THEME: • Effective Government

Action Requested:

Receive a report from the City's insurance broker and discuss the current Risk Management Policy. The City Council will consider readopting the policy at its regular meeting on Wednesday, October 26, 2011.

Discussion:

The City's current Risk Management Policy was last reviewed and adopted by the City Council as Resolution No. 5963 on December 8, 2010. The policy requires an annual report and review by the City Council.

Staff has worked closely with the City's Insurance Broker, Barker-Uerlings Insurance, to review the current insurance coverages and the Risk Management Policy. No changes are recommended in the coverages and language of the policy.

Budget Impact:

Costs of proposed insurances are in the current budget. The Risk Management Policy sets parameters for managing risks and insurance coverages.

ST

Attachment: Risk Management Policy



TO: Albany City Council  
VIA: Wes Hare, City Manager  
FROM: Stewart Taylor, Finance Director *ST*  
DATE: October 14, 2011, for the October 24, 2011, City Council Work Session  
SUBJECT: Financial Policies

RELATES TO STRATEGIC PLAN THEME: • Effective Government

RELATES TO: • Continue recognition from the GFOA for excellence in budgeting and financial reporting.

Action Requested:

Give direction regarding any questions or revisions to the Financial Policies. The City Council will consider adopting the proposed policies at its regular meeting on Wednesday, October 26, 2011.

Discussion:

The City's current Financial Policies were last reviewed and adopted by the City Council as Resolution No. 5970 on December 15, 2010. The policies are reviewed on an annual basis.

One notable addition was made to the policies to clarify that community organizations and events funded with transient lodging tax revenues will follow the guidelines set forth in Finance Policy F-12-11-001 as currently adopted or amended.

Budget Impact:

The Financial Policies establish parameters for the annual budget and ongoing financial operations.

ST:md

Attachment: Financial Policies



**City of Albany**  
Finance Policy  
Policy #: F-07-08-002  
Title: Financial Policies

## **I. POLICY STATEMENT**

It is the policy of the City of Albany to actively manage financial, operational, and budgetary affairs within established guidelines in order to maintain financial stability both now and in the future.

## **II. GENERAL GUIDELINES**

1. The City Manager and department directors are charged with achieving the themes, goals, and objectives adopted by the City Council in the City's Strategic Plan.
2. The implementing document for the Strategic Plan is the annually adopted budget. The adopted budget establishes types and levels of services through both operating and capital budgets. The relationships between the operating and capital budgets will be explicitly recognized and incorporated into the budget process. Resources will be identified to provide designated levels of service, and maintenance or enhancement of related capital and fixed assets.
3. The City will actively measure performance and pursue process improvements to enhance productivity and maximize resources.
4. Adequate reserves will be maintained for all known liabilities, including employee leave balances and explicit post employment benefits.
5. The City will actively seek partnerships with private interests and other government agencies to achieve common policy objectives, share the costs of providing local services, and support favorable legislation at the state and federal levels.
6. The City will seek out, apply for, and effectively administer federal, state, and foundation grants-in-aid that address the City's priorities and objectives.

## **III. REVENUES**

1. The City will actively identify and administer funding sources that create a reliable, equitable and diversified revenue stream to shelter the City from short-term fluctuations in any single revenue source and to maintain desired levels of services.
2. Revenues will be conservatively estimated in the budget process.
3. Target fund balances for operating budgets will range between 5 and 15 percent of operations.
4. The City will consider full cost recovery and comparable rates charged by other municipalities of similar size in establishing rates, fees, and charges.
5. The City will follow an aggressive policy of collecting revenues.
6. Enterprise and internal service funds are intended to be self-supporting.

## **IV. EXPENDITURES**

1. The City will identify priority services, establish appropriate service levels, and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

2. The City will operate on a current funding basis. Expenditures will be monitored on an ongoing basis so as not to exceed current revenues and targeted fund balances.
3. The City Manager will take immediate corrective actions if at any time during a fiscal year revised revenue and expenditure estimates project a year-end deficit. Mitigating actions may include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. Actions to be avoided include expenditure deferrals into the following fiscal year, short-term loans, and use of one-time revenues to support ongoing operations.
4. Target contingencies for operating budgets will range between 5 and 15 percent of operations.
5. Internal service charges and project accounting should be used when service recipients and parameters of a project can be easily identified. The charges should be based on methodologies that fairly allocate the full cost of services. The Finance Director shall review the methodologies on a periodic basis to verify that they are consistent with federal guidelines and Oregon Local Budget Law.
6. The City Manager will undertake ongoing staff and third-party reviews of City programs to measure efficiency and effectiveness. Privatization and contracting with other governmental agencies will be evaluated as alternatives to in-house service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.

**V. CAPITAL IMPROVEMENT PROGRAM (CIP)**

1. The City will monitor and periodically assess the City's capital equipment and infrastructure, setting priorities for its renovation and replacement based on needs and available resources.
2. The City will develop a multi-year program for capital improvements that will be reviewed annually in the budget process.
3. Projects in the CIP will be flagged as either funded or unfunded depending on whether or not the forecasted operating budget can support or fund the project. All funded projects are included in the operating budget for the corresponding budget year.
4. The City will maintain its physical assets at a level adequate to protect the City's capital investment and minimize future maintenance and replacement costs. The budget process will provide for review of maintenance and orderly replacement of capital assets from current revenues where possible.

**VI. CAPITAL ASSETS**

1. Capital assets are non-consumable assets with a purchase price of \$5,000 or greater and a useful life of more than one year.
2. The Finance Department will oversee a physical count/inspection of all capital assets at least on a biennial basis. All additions, deletions, and depreciation of infrastructure will be reported consistent with the requirements of the Government Accounting Standards Board Statement Number 34.
3. Adequate insurance will be maintained on all capital assets.

**VII. DEBT**

1. The City will generally limit long-term borrowing to capital improvements.

2. The City will follow a policy of full disclosure on every financial report, official statement, and bond prospectus.
3. The City will strive to maintain its high bond ratings, currently A2 from Standard and Poors and A from Moodys, and will receive credit ratings on all its bond issues.
4. General obligation debt will not be used for self-supporting enterprise activities.
5. The City shall ensure that its general obligation debt margins are within the 3% true cash value limitation as set forth in ORS Section 287.004.
6. Funding strategies that are necessary to support debt obligations should be implemented prior to debt payments becoming due so that debt obligations can be met from current revenues.
7. The City will use voter-approved general obligation debt to fund general-purpose public improvements that cannot be financed from current revenues. Special purpose debt including certificates of participation, revenue bonds, and loans will be linked to specific funding sources.

### **VIII. Grants**

1. Community organizations that desire financial support from the City must submit a Community Grant application no later than March 1 in order to be considered for funding in the next budget year. Applications will be reviewed by the department director assigned by the City Manager. Primary consideration will be given to requests that further the goals and objectives in the Strategic Plan. Applications that are approved by the department director and City Manager shall be included in the Proposed Budget to be considered by the Budget Committee and City Council.

Any recipient of a Community Grant shall submit an accounting of how the funds were expended and the benefits achieved as required by City Council Resolution No. 5089. Recipients of grants greater than \$100,000 must also submit an independent review of financial policies and procedures related to the grant proceeds no later than six months following the end of the fiscal year in which the funds were granted.

Notwithstanding the above, community organizations and events funded with transient lodging tax revenues will follow the guidelines set forth in Finance Policy F-12-11-001 as currently adopted or amended.

2. City departments are encouraged to seek grants and other financial support from private, nonprofit, and government agencies that would supplement City resources in meeting adopted goals and objectives. Grants that are available on an annual basis should be included in the proposed budget and do not require further City Council action once the budget is adopted, unless required by the granting agency. The City Manager is responsible to oversee other grant applications. All awarded grants must be accepted and appropriated by resolution of the City Council as required by Oregon Local Government Budget Law (ORS 294.326(3)).

### **IX. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING**

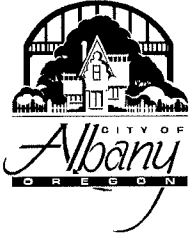
1. The Finance Department is responsible to see that all accounting, auditing, and financial reporting comply with prevailing federal, state, and local statutes and regulations including generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of

Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).

2. The Finance Department will conduct periodic internal audits of financial procedures such as cash handling, purchasing, and accounts payable to test internal controls and to detect instances of fraud or abuse. The Finance Director shall establish locations and limits for petty cash, purchase cards, and other cash and purchasing procedures consistent with operational needs, GFOA best practices, and Oregon Administrative Rules and Revised Statutes.
3. The City will seek out and contract for the assistance of qualified financial advisors, consultants, and auditors in the management and administration of the City's financial functions.
4. The City Council will be provided monthly financial reports of revenues and expenditures.
5. A complete independent audit will be performed annually.
6. The City will issue annual financial reports in accordance with generally accepted accounting principles (GAAP) as outlined in the Governmental Accounting, Auditing, and Financial Reporting (GAAFR) publication.
7. The City will annually seek the GFOA Certificate of Achievement for Excellence in Financial Reporting and the GFOA Distinguished Budget Presentation Award.

Supersedes: Res. No. 5970836	Created/Amended by/date: Res. No. 102/2615/110	Effective Date: 102/2615/110	Reviewed by Council: 102/206/110
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TO: Albany City Council  
VIA: Wes Hare, City Manager  
FROM: Ed Gallagher, Library Director  
DATE: October 19, 2011, for the October 24, 2011, City Council Work Session  
SUBJECT: Reduction in Library hours

Action Requested:

Discussion; direction

Discussion:

Three Library staff have taken advantage of the VSIP program this fiscal year. Due to budget cuts we are not fully replacing those positions, which leaves us just under an FTE short. By State Library standards we have been understaffed by 5 FTE for quite some time, so this new increased shortage makes it necessary to reduce hours, to spread staff around to help fill in the gaps.

The Library Board and staff are recommending that we start with a small reduction of three hours on Saturdays at the Main Library, as well as closing Fridays at the Carnegie Library (which frees up 10-12 staff hours to be used elsewhere).

Starting November 5, 2011, the Main Library would open from 1:00 p.m. to 5:00 p.m, rather than be open 10:00 to 5:00 p.m. The Albany Public Library Foundation would like Fridays to remain open at the Carnegie, and is considering funding to make it possible. If they decide not to fund Fridays, the Carnegie would be closed beginning, Friday, November 18, 2011.

Budget Impact:

None.

EG



TO: Albany City Council  
VIA: Wes Hare, City Manager  
FROM: Mark Shepard, P.E., Public Works Director *MWS*  
DATE: October 18, 2011, for October 24, 2011, Council Work Session  
SUBJECT: Sewer Back Bills

RELATES TO STRATEGIC PLAN THEME: • A Safe City

Action Requested:

Staff is seeking direction from Council regarding disposition of sewer back bill balances for several sewer only accounts.

Discussion:

*Background*

While responding to a request for customer service in August 2011, Utility Billing staff discovered that eleven multiple dwelling sewer-only accounts were not being billed properly for sewer service. Staff brought this issue to the Council's attention at a meeting in September. At that meeting, Council discussed how to respond to this issue since several of the accounts face very large back bills in accordance with the Albany Municipal Code language on recovering fees for unpaid services due to billing errors.

The standard procedure for calculating the billable usage for most sewer customers is to conduct a "winter average" water use analysis once per year. The average water consumption for the previous winter months (November, December, January and February) is used to establish the sewer usage for the following year beginning July 1.

There are approximately 570 "sewer only" accounts, customers that get their water from a well where no water meter data is available to calculate the winter average water use. For these customers the computer program assigns eight (8) units of sewer usage. For multiple dwelling unit customers, the accounts must be manually assigned eight (8) units of sewer usage per dwelling unit.

In 2004 the winter average calculation process was applied incorrectly to some of the sewer only accounts. The sewer usage amount was re-set to eight (8) units for all the accounts. Apparently, the manual adjustment process that is required for multi-family accounts to multiply the usage by the number of dwelling units was not completed. Thus, for example, instead of a triplex being billed 24 units of sewer usage, the account was only billed eight (8) units of sewer usage.

Albany Municipal Code (10.01.95) provides direction for how staff is to handle billing errors. "When the utility determines that a customer has not been charged or has not been charged enough for sewer services, the utility will back-bill the account based on the date the error first occurred, the date the current customer became responsible for the bill, or a period not to exceed six years, whichever is less. If the date cannot be reasonably determined, the utility will estimate the bill for a period not to exceed one year. Customers who receive such a delayed bill will be offered the opportunity to make arrangements for installment payments." There is similar language that requires staff to process a credit or refund to a customer that has been mistakenly billed too much for service.

Applying the winter average process to the multi-family customers without doing the manual adjustment resulted in a substantial reduction in the bills, one that most customers would have likely noticed. For example, prior to the errant running of the winter averaging process, one customer with 102 dwelling units was receiving a monthly sewer bill of \$2,530. After the procedure was carried out and the manual adjustment was not made, this same customer's bill dropped to \$1,743. This occurred during a period when sewer rates were increasing nine (9) percent per year to pay for the capital improvements at the wastewater treatment plant. This example customer's bill should have been \$2,757 dollars per month. Staff is not aware of any customers that called to make the City aware that something had changed in their bills.

The billing error took place seven (7) years ago. The Albany Municipal Code (AMC) stipulates that the recovery of fees for unpaid services is limited to six (6) years. There are eleven (11) sewer-only, multifamily customers that are affected by this back bill process, seven (7) duplexes, one (1) triplex, and three (3) manufactured or mobile home parks.

These back bill amounts reflect the forfeiture of charges for one (1) year of service to the customers. Losses of revenue that occur when some customers have not been properly billed for service can result in the remaining customers paying higher rates to meet the revenue requirements for the sewer system.

Account	Dwelling Units	Prior Sewer Usage	Correct Sewer Usage	Sewer Back Bill
A	2	8	16	\$ 955.62
B	2	8	16	\$ 955.62
C	2	8	16	\$ 955.62
D	2	8	16	\$ 955.62
E	2	8	16	\$ 955.62
F	2	8	16	\$ 955.62
G	2	8	16	\$ 913.83
H	3	8	24	\$ 1,911.25
I	37	8	296	\$ 34,402.46
J	44	8	352	\$ 41,091.83
K	102	8	816	\$ 96,518.02
Total:				\$ 180,571.11

#### Staff Recommendation

Staff is weighing a proposal to the affected customers whereby the City would accept 50 percent of the back due bill so long as firm repayment arrangements are met. This offer may help resolve the matter without the need for contentious and expensive litigation, but will not be fully consistent with the manner in which other customers have been treated in similar situations. Such a discount will also likely be demanded by others in the future should a similar mistake ever be discovered. Staff is not comfortable offering this discount without Council concurrence.

#### Budget Impact:

The impact to the Sewer Fund will depend on Council direction.

MAY:kw