

**CITY OF ALBANY
BUDGET COMMITTEE MEETING
City Hall Council Chambers
Wednesday, May 16, 2012**

MINUTES

ROLL CALL

PRESENT: Mayor Sharon Konopa and Councilors Jeff Christman, Bill Coburn, Floyd Collins, Ray Kopczynski, Dick Olsen; and Budget Committee Members Susan Folden, Colleen Keller, Wendy Kirbey, Neil Michael, Dick Conolly, Michael Thomson

Councilor Bessie Johnson was not in attendance but viewed the meeting online.

ABSENT: Budget Committee Member Will Summers (excused)

CALL TO ORDER

Chair Susan Folden called the meeting to order at 6:38 p.m.

PUBLIC COMMENT

Jim Clausen, 1448 Geary Circle SE #3, said that he sent an e-mail to some of the Councilors after last night's meeting. He read the e-mail into the record (see agenda file).

CONTINUE BUDGET REVIEW BY DEPARTMENT

Folden noted a memorandum on the dais from Fire Chief Bradner addressing questions about FireMed usage.

Community Development

City Manager Wes Hare reviewed the Community Development Department budgets.

Planning: Hare said the Proposed Budget is dramatically lower than the current year budget, primarily due to the retirement of the Community Development Director and the decision to not fill that position in the coming fiscal year. Hare is serving as the Director and the very competent staff, while sometimes stretched thin, can meet the current demand for service. Contractual services will provide the ability to cover any spike in demand. The Budget attempts to maintain current service levels.

Councilor Ray Kopczynski asked why the Telephone line has increased. Planning Manager Heather Hansen said it was discovered that Building Inspection was being billed for the cost of the Planning Division's phones; that error has now been corrected.

Councilor Floyd Collins asked what the Building Inspection Services line item is for. Hare said that part of the salary for one of the Code Enforcement positions had been coming out of the Housing program based on the knowledge that the person was spending a fair amount of time looking into the livability of homes; this was a deal reached by previous Department Directors. Staff determined that is not an appropriate use of those funds which originated from a federal grant and shifted it to Planning; a corresponding reduction can be seen under Housing.

Housing: This is income from federal grants that the City received many years ago that must be used for housing purposes. An example of how this has been used was a loan to the Helping Hands organization to help expand the shelter.

Mayor Sharon Konopa asked if the Helping Hands loan is identified in the Budget. Finance Director Stewart Taylor

said that organization has been making interest payments which are returned to the Housing Program; the proceeds are not specifically identified in the budget. Konopa suggested that be addressed in the narrative; Hare agreed that is a good idea.

Building Inspection: Hare said this is one of the more difficult budgets in the City. The budget is dependent on applications and associated fees. If applications do not come in, there can be a dramatic drop in revenue but ongoing expenses still have to be supported; some of this was seen this fiscal year. He said the Proposed Budget shows a Beginning Balance of \$176,000 but that number will probably be closer to \$150,000. The budget proposes to eliminate funding for the vacant Assistant Building Inspector position. The good news is that things have picked up in May; staff will be carefully monitoring what is happening in this area. The goal is to maintain as many certified and experienced people as possible because they are very difficult to replace when things pick up.

Kopczynski asked why Memberships & Dues increased by 71%. Building Official Gary Stutzman said that is mainly due to the purchase of a subscription to access building standards online.

Electrical Permit Program: Hare said this relatively small budget has been somewhat difficult in recent years because the City has not been receiving the revenue to make it a self-sustaining program. In the past, most building programs were included in the General Fund; in good years the surplus would help support other services and in bad years, the General Fund could help maintain certified employees in the program. Several years ago, in response to complaints from the building industry, the legislature made a change that building fees cannot be used to support any other services. Staff believes the Proposed Budget will allow for existing service levels, but it will be a stretch as it has been for several years.

Kopczynski asked what the Contractual Services line item is used for. Stutzman said the City has only one Commercial Electrical Inspector; when that person is on vacation, a third party is hired to cover.

ADA Code Enforcement: Hare said this budget was created in response to situations around the United States where cities are being sued for failing to enforce the Americans with Disabilities Act (ADA). It is the job of the 0.75 FTE in this program to stay up on ADA standards and ensure they are being observed.

SHPO Historic Preservation Grant: Hare said the State Historic Preservation Office (SHPO) grant goes to homeowners to assist with historic preservation.

Oregon CDBG Housing Rehab: Hare said the Community Development Block Grant (CDBG) is a pass-through grant that goes to a nonprofit organization which administers the program.

City Manager/City Council/Economic Development

Code Enforcement: Hare said this is primarily money to assist with projects like community cleanups. This money typically leverages a great deal of volunteer effort.

Economic Development Activities: Hare said most of this is funded through Transient Lodging Tax; there is also a transfer in from the Central Albany Revitalization Area (CARA) program to help cover staff costs. The bulk of the money goes to tourism promotion through the Albany Visitors Association, the Albany Downtown Association, the Albany-Millersburg Economic Development Corp., etc.

Folden asked if this program absorbed the duties of the previous Economic Development Director. Hare said that the Economic Development Director position used to have multiple responsibilities. Transit and the Airport are now under the Public Works Department and the Economic Development was reallocated to the City Manager's Office and the Urban Renewal Manager.

Budget Committee Member Colleen Keller asked if the Transient Lodging Tax (TLT) revenue is anticipated to increase. Hare said that it hit a low about two years ago and then started to come back; this year, we are seeing healthy increases.

Folden asked why this program has transfers out to Police and Fire. Hare said the Mayor led a task force which developed a policy for how to apportion TLT. Because Police and Fire are often called in to serve for events, it was determined that it would be appropriate to use some percentage to cover their costs.

Council & Non-Departmental: Hare noted that there is a proposed reduction of 7.3% in this budget.

City Council Bill Coburn asked what the Space Rental line item is for. Hare said that is a charge for parts of City Hall including the Council Chambers.

Coburn said that \$80,000 for Memberships & Dues seems like a lot. Hare said the two biggest expenses under this item are the League of Oregon Cities at about \$30,000 and the Council of Governments at about \$40,000.

City Manager's Office: Hare said that one employee will be going to half-time next fiscal year; that is how the department was able to hold the line on Wages & Salaries. The Proposed Budget represents a 6.57% reduction over the current year.

HARP: Hare said the Historic Albany Recovery Program (HARP) is in the Budget document under Finance. The program has done a lot of good things but, due to the departure of the volunteer executive who was leading the program, staff is not proposing that the program continue. The Beginning Balance will be carried forward to allow completion of projects, but no new revenues are proposed for next year.

Hare added that, because the Housing fund has been used in ways that may not have been appropriate, staff will be looking at strategies to replenish it. About \$176,000 will need to be returned to that fund over time.

Konopa relayed a question from Councilor Bessie Johnson who is watching online. Johnson asked why there is an increase in credit card fees in various departments. Taylor said the number of customers who pay by credit card has increased resulting in increased fees.

Folden noted that Johnson had previously indicated that Linn County processed credit cards in a different way. Taylor said the law allows an exemption for property tax payments; the City is not eligible for that exemption. Staff has investigated merchant services costs and thinks it would be worth considering a separate Request For Proposal (RFP) for that work in the next banking services review.

Parks & Recreation

Parks & Recreation Director Ed Hodney noted a document on the dais titled "Proposed Parks & Recreation Fund Budget Presentation FY 2012-13" (see agenda file).

Hodney said the Parks & Recreation Department operates in three funds: 202 Parks and Recreation, 701 Facilities Maintenance, and 203 Grant Fund. The eight program budgets are included in the Budget document. The Department manages 36 properties and 800 acres, maintains 14,000 trees, and organizes special events which draw an estimated 90,000 people annually. They have sports, senior programs, aquatics, recreation, and fitness activities for 155,000 paying customers. The estimated economic impact is conservatively \$5 million for sports tournaments, swim meets, and special events, specifically the Northwest Art & Air Festival (NWAAF). They also maintain 220,000 square feet in 16 City buildings.

Hodney said property tax revenues are estimated to be 55% of total Fund 202 revenues this next year; this is up from the previous fiscal year because it is expected that there will be less non-tax revenue coming in. Charges for service are roughly 10% of the budget. Gifts and donations are about 4%. Over the last 12 months, \$2 million in cash donations, grants, and charges for service have been generated; about \$70,000 per employee. The Beginning Balance is about 17% of next year's budget and transfers from other funds are about 12%.

Hodney said this is an incredibly efficient and effective organization. They have 0.52 FTE for every 1,000 residents, well below their peer groups. They secured cash donations of about \$8 per capita this year compared to about \$0.50

per capita for their peer groups, and they are budgeting almost \$11 per capita next year. They also generate about 25,000 volunteer hours each year, equivalent to 12 FTE worth over \$450,000. They had donated in-kind business services and materials of about \$200,000.

Hodney expressed his gratitude to all of his staff, led by Recreation Programs Manager Katie Nooshazar, Aquatics Manager Rob Romancier, and Parks & Facilities Maintenance Manager Craig Carnagey.

Hodney said that, since 2010, the Department has eliminated six positions, 19% of the positions in Fund 202; an additional reduction is proposed in Park Maintenance. Remaining staff has absorbed the workload and, by and large, services are intact. Annualized savings from the FTE reductions are about \$706,000 per year. The Department does line item account reductions each year, has eliminated most funding for capital projects except those that can be funded by Parks System Development Charges (SDCs), and increased Contingency from \$82,000 to \$304,000. This will cover any unanticipated increase related to personnel depending on how union bargaining goes, and is a safety net in case revenues fall short.

Hodney said the Department anticipates a 1.07% reduction in total projected operating revenues, which includes 2.65% less in tax revenue than the previous year budgeted. Expenditures are reduced by a corresponding 1.07%. Self-supported programs include Parks SDCs, Parks Capital Improvements, and the Senior Foundation. Charges for service and program sponsorships are extremely volatile in this economy. Revenues also include a Beginning Balance which is a 13% increase from this current year. Staff worked hard this year to save almost \$400,000 and produced an additional \$490,000 in revenue.

Hodney said the Central Service Charges and Telephone expenses for all programs have been consolidated into 1408 Admin. The budget for 1407 Park Maintenance includes a reduction of 1 FTE, as well as an increase in the Work Crew to help mitigate the loss of that FTE and absorb Sheriff's costs increases. Vandalism Repair is proposed to increase to deal with costs associated with increasing wire theft and other repairs. Facilities Maintenance will lose one FTE as a person retires and, consistent with the City's policy, will not be replaced.

Hodney said the Foster Grandparent Program grant is \$147,000 annually for three years and helps to reduce the total cost of the Adult Recreation Services program. The Performance and Cultural Arts budget is proposed to increase to stage the first July 4th fireworks program; funding is mostly from donations. The Department will continue to support Greater Albany Public Schools (GAPS) through the Community Pool operations, the Community After School Program, and the School's Out program.

Kopczynski said that page 34 of the Budget Summary shows a dramatic decrease in Adult Recreation Fees and Fitness Program Fees. Hodney said that there has been a significant decline in the purchase of services which reflects the market and may also reflect that others are providing services.

Collins asked if the ratio between the Albany Community Pool revenue and expenses is typical of aquatic programs throughout the state. Hodney said indoor aquatics facilities generally do not recover anywhere close to their operating expenses. He noted that revenue also comes to the program from concessions, sponsorships, etc. Romancier added that the 46% cost recovery rate is average for an indoor pool.

Collins noted that the River Rhythms donations total \$13,000. He commented that this is the best deal in the Valley for recreation. Councilor Jeff Christman agreed; he encouraged the public to attend the concerts and put money in the donation basket.

Christman asked about revenues and expenses associated with the NWAFF. Nooshazar reviewed applicable line items; she will provide a spreadsheet with that information.

Kopczynski asked for additional information regarding which revenue accounts are linked with which programs. Hodney will provide that information.

Folden said the Parks Capital Improvement Program shows a Fiscal Year (FY 2011-12) Budget of \$1 million and

year to date expenditures of \$470,000. Hodney said he doesn't think all of what was budgeted will be spent; but he is still hoping to fund \$400,000 to GAPS for the gymnasium the City will be using.

Human Resources

Human Resources Director David Shaw said that HR works with departments to set salaries, post jobs, screen applications, do background checks, and provide orientation. The department does classification and compensation studies, manages benefits and family leave, and handles Title VII compliance, labor relations, employee relations, collective bargaining, workers' compensation, policies, and performance management. At the end of an employee's work life, HR does exit interviews, helps with retirement issues, and handles unemployment insurance.

Shaw said that since FY 2009-10, the HR budget is down 25% and staffing is down 20%. They have managed by shifting some duties to Finance and the City Manager's Office, and by doing very little training. There are perhaps longer response times than departments would like but, other than that, they have continued to serve the City. There have been very few recruitments and many of those have been internal recruitments which have resulted in savings in recruitment costs, advertising, physicals, and drug tests. On the flip side, there have been increased costs associated with labor management and the City is currently in negotiations with all four bargaining units. The Proposed Budget is a 3.25% reduction over the current year.

Christman said the presentation at the last meeting included a chart of expenses associated with employees; the items with the largest increases were medical and dental. He asked what portion of those costs is paid by the employee. Shaw said most employees pay roughly 3% of the premiums for the coverage they elect.

Kopczynski said that most employees probably don't realize the real costs of these premiums. Shaw said the City relies on the Employee Benefits Committee to educate their fellow employees and, through that committee, was able to redesign the program and come up with some savings. Changes included combining the two plans into one; increasing deductibles, out-of-pocket maximums and co-pays; and enhancing the dental and vision slightly to offset some of those increases.

Information Technology

Information Technology (IT) Director Jorge Salinas said the IT Department is mostly an internal services provider that works for all departments within the City. They are responsible for maintenance and support of network infrastructure, mapping services, Geographic Information Systems (GIS) application development, business applications, telephone systems, server room operations, database systems, virtual infrastructure, information system security, desktops, laptops, and mobile data terminals used in Police and Fire vehicles. The department has been and will continue to be involved in multiple projects on behalf of the City, including the development of new GIS applications, software and hardware upgrades, cyber security related projects, and Police covert surveillance operations.

Salinas said other services of the IT Department include development of an Emergency Operations Center (EOC) application that will allow inspectors to assess and upload building structural damage information and make it available to other EOC members during a natural disaster. Their overall server uptime has been at 99.99% for the last three fiscal years. They are currently running servers under the configuration of 70% virtual and 30% physical which has saved the City thousands of dollars in hardware refresh cost. They support departments such as Police, Fire, and Public Works on a 24 hours a day, 7 days a week schedule.

Salinas said that in FY 2009-10, the IT Department was managing 46 servers for the City. As time has passed and departments are requiring additional technology to become more efficient to meet new requirements, they have had to increase the server fleet numbers in order to satisfy demand. There are now 86 (about 60 are virtual servers). Thanks to this new virtualization technology, they have been able to absorb a larger workload while maintaining the same number of staff. Provisioning a server for a department used to take three to four weeks from order to deployment; it now takes about three hours.

Salinas said IT Services program currently has 8.5 budgeted FTE which includes a reduction of .5 FTE that was transferred to the Permits program. GIS has two budgeted FTE which includes a .5 FTE reduction due to employee retirement. Permits has 0.5 budgeted FTE. The FY 2012-13 IT Services Proposed Budget is \$1,253,600, which is a decrease of 0.07% over FY 2011-12. The FY 2012-13 GIS Services Proposed Budget is \$395,200, which is \$43,200 less than FY 2011-12 or a decrease of 9.85%. The FY 2012-13 Permit Tracking Proposed Budget is \$86,300, which is \$10,600 less than FY 2011-12 or a decrease of 10.94%.

Salinas said that IT Services Materials & Services went down by \$16,700 or 7.55%. They are expecting a Beginning Balance of \$40,000 which will help mitigate increased costs. The majority of the increase for FY 2012-13 in the IT Services Proposed Budget comes from software maintenance and support, in particular the Eden financial system that is expected to be about \$60,000. Even though personnel services went up, the wages and salaries line is lower in comparison to FY12 due to the transfer of .5FTE to the Permits program.

In GIS Services, there is a need to start funding IT Equipment Replacement since the contribution to this fund had decreased during the past few years. They also included \$12,500 for aerial mapping which was not funded during the past three years.

In Permit Tracking, Materials & Services are down 13.15%, mainly due to the renegotiation of the maintenance and support contract, which went down by \$5,600, or 17.89%. Prior to this change, the contract had been on a steady 10% increase for the last few years.

Salinas expressed appreciation to the IT and GIS staff for their hard work during this year and to the other City departments for their continued support and flexibility.

Kopczynski referred to the action noted on page 246 – “deploy new city domain”. He asked why that is needed. Salinas said a new domain is needed to avoid some issues with the old domain; there will be no cost other than the labor to get it in place.

Kopczynski asked if any consideration has been given to going to open source. Salinas said that is being evaluated. The Library system is going to open source and Linn Benton Community College (LBCC) and the Lebanon Library will be hosted in the City’s infrastructure. There will be a charge back to those entities.

Folden asked over what time period the City went from 46 to 86 servers. Salinas said from FY 2009-10 to the current year. In response to further inquiries, Salinas said some of the servers were for applications brought into the city and others were for backup technology. The newer servers are more efficient and reliable than the old ones. The City is on a private cloud and does not pay outside hosting fees. The virtual environment makes it easier to maintain and recover from disaster. There was a recent Federal Bureau of Investigation audit for the Police systems; there were a couple of fixes required and the re-audit is pending. For security reasons there are servers outside the firewall that are replicated out.

Folden asked if the aerial mapping was done in partnership with others. Salinas said the last aerial mapping three years ago included Millersburg; the project total was about \$100,000 and Millersburg’s portion was about \$5,000. Staff felt it was important to start putting money into that fund now; it will take about four years to build the bank and then they will see who else wants to participate.

Public Works

Public Works Director Mark Shepard expressed appreciation to the Budget Committee for their time and service. He said there have been significant changes in Public Works (PW) since last year. In addition to him stepping into a new role, there are multiple other people within the department that have taken on expanded roles. They have built a strong and cohesive management team to direct the many facets of the Public Works Department. Together they have worked to look for improvements and efficiencies within the Department in order to reduce expenses while maintaining service levels.

Shepard said multiple initiatives were undertaken to find efficiencies and reduce costs. Personnel costs are the highest ongoing costs; the efforts of the PW management team have resulted in a 2013 budget proposal that results in an annual saving of about \$500,000 in personnel costs. These savings will help reduce the cost of delivering services which reduces the water and sewer rate increases required to meet obligations. In order to achieve these savings, they have restructured the organization and strengthened collaboration between work units. The resulting organization required that some positions be downgraded and others eliminated. These were not easy decisions but the PW Department is proposing a budget with four fewer FTE and seven fewer supervisory positions. These changes come at a cost but are being absorbed by personnel.

Shepard said, in addition to the reorganization, there are smaller but not insignificant initiatives that add up to additional savings. These include consolidating operations, reducing memberships in associations, bringing the operations complex under the City-wide facility maintenance program, and reducing funding toward PW facility replacement by 50%. While identifying efficiencies and savings in the PW Department, they have maintained their focus on meeting the themes and goals of the City's Strategic Plan. They have worked to balance the three budget responsibilities of paying off debt, meeting the demands of operating and maintaining infrastructure, and making capital investments in infrastructure and programs.

The PW Department has a total Proposed Budget of \$80.63 million which is a 3.3% reduction from the current year, with a total of 112 FTE. Not all budgets programs are reduced because people are moved between budgets; however, there is an overall net reduction in personnel costs of just under \$500,000 across the department. Shepard distributed copies of the Public Works Department Organizational Chart (see agenda file).

Shepard said the PW budgets are numerous and complex. He will provide background and big-picture information.

Economic Development: Albany Municipal Airport: There is a decrease in personnel costs as a result of restructuring. They have eliminated the Airport and Transit Manager and Street Supervisor positions and combined those duties into one Transportation Superintendent who is in charge of Transit, the Airport, and Streets. Day-to-day issues at the Airport will be contracted out. This structure is in line with the Airport Advisory Commission's recommendation.

Konopa suggested that the narrative on page 256 be revised to include language that identifies the Airport as a vital piece of economic development; Shepard agreed.

Albany Transit System (ATS), the Linn-Benton Loop, and the Paratransit System (Call-A-Ride): The ATS has a reduction of 7.7% which reflects spending down reserves. The Linn-Benton Loop budget has a 76% increase, nearly all of which is the capital purchase of a new bus. The Call-A-Ride program has a budget increase of 19% percent, primarily due to grant funding. The total of the three programs is just over \$2 million. Of this, about \$436,000 (22%) comes from the General Fund and the remainder from grants and other outside funding sources.

Kopczynski asked about the ATS line item, "LBCC Pass Program". Shepard said LBCC pays a fee for their students to get bus passes. The revenues reflect the new fare increases. This was previously included in the LBCC Fare Match Program but is segregated out in the Proposed Budget.

Shepard said that Christman previously requested information about the impact to rider fares if General Fund transfers were eliminated. The answer is not straightforward because money other than fare money is required to obtain grant funding. He distributed and reviewed a summary of how fares would change if General Fund money was eliminated and the grant funding went away (see agenda file). ATS fare would go from \$1 per ride to \$5.50 per ride. The Linn-Benton Loop would go from \$1.50 to \$1.79. The Call-A-Ride would go from \$2 to almost \$8. Shepard noted that funding for Transit is a policy decision. There are no federal or state mandates requiring the City to provide transit services; however, the transit system does provide a service to citizens and an alternative to single-user vehicles which impact parking, traffic, and the environment.

Christman said his question, specific to ATS, is whether we can increase fares a bit to reduce the subsidy coming from citizens who do not ride the bus. Airport & Transit Manager Chris Bailey said there are federal rules about how

you can match federal transit grant money; grant match cannot come from other federal money or from fares. The City applies for the federal grant as part of a state program; this year the City's share is \$233,000. To get that, the City has to provide about \$200,000 in non-federal, non-fare revenue.

Albany Station REA Building, Albany Station Pathway, North Albany Park and Ride: Shepard said these are three capital projects for which the City has received grant funding. The REA Building budget is being kept open because reimbursements may not be received until after the beginning of the fiscal year. The Albany Station Pathway is the path from the REA building to Swanson Park; there are issues related to Oregon Department of Transportation (ODOT) requirements and there may be a need to look into other funding alternatives to complete that project now or in the future. Regarding North Albany Park and Ride, they continue to work on the design and hope to do construction this summer.

Street Fund Programs: Shepard said the total Proposed Budget is \$13,403,000, an increase of 3.8%. The increase is a result of tapping into State Transportation Planning (STP) money that ODOT holds to build projects. No General Fund money goes into the Street Fund. Reductions in personnel are largely attributed to eliminating the Street Supervisor and the Street Field Supervisor (which was changed to a Lead Worker). Money was set aside for operating contingency for the first time in recent history. The Street Capital budget is comprised primarily of STP exchange funds the City has saved up for projects. The North Albany Frontage Fee Projects is spending down some reserves for sidewalks on Gibson Hill Road; they are leveraging money to get federal funding for that project. In the Transportation SDC Improvement Fee program, they are spending down reserves to do projects on Main Street and North Albany Road.

Kopczynski asked why "Street Administration, Maintenance: Property" is increasing by 1900%. Shepard said that is due to mold and other issues associated with a church that the City owns. They are looking at options, including moving or potentially demolishing the building.

Kopczynski referred to page 54, Street Fund Resource Detail; he asked what the Street Mitigation Fees are. Shepard said there are times when utility improvements are done to a street that is not in good condition and a temporary patch is put in knowing that an overlay will be done in the near future. The utility pays some of their savings to the mitigation fee to help with overlaying streets that have multiple cuts from utility improvements.

Folden asked where the slurry seal budget was in prior years. Shepard said the Department flexes funding between overlays and slurry seal; there has been no funding for slurry seal in recent years.

Sewer Funds: Shepard said the total proposed Sewer Fund budget is about \$31 million, a decrease of about 2% over last year. The annual debt service payment for the Water Reclamation Facility and Talking Water Gardens is just over \$5.3 million in FY 2012-13, about 18% of the budget. The budget was built with the assumption that there will be an 8% increase in sewer rates effective July 1, 2012. Council will have a discussion about sewer rates next Monday. Multiple sewer line failures were experienced this winter and Shepard would anticipate such events to increase, until the City can start investing in the collection system.

There are six operating budgets in the Sewer Fund as shown in the budget document. While the total operating budgets remain essentially flat, 1.5 FTE has been added; 1 FTE in Wastewater Collection and 0.5 in the Water Reclamation Facility. There are four capital budgets. The focus is on trying to do repairs on the main line collection system.

He reviewed the Sewer Debt Service program. The program used to manage reserves to pay back debts for the Water Reclamation Facility and wetlands. The annual debt payment is about \$5.3 million; \$4 million is the responsibility of rates and \$1.3 million in is the responsibility of SDCs. There are enough reserves in the budget that SDCs will carry their full burden through FY 2015-16 but, if SDC revenue does not pick up, they will have to find other revenue sources to pay the SDC share after 2016, likely rate money. He briefly reviewed the remaining program budgets under Sewer.

Councilor Dick Olsen asked if Albany's development is more anemic than other cities in Oregon. Hare said that he

thinks it is fair to say we are close to average. Cities in the Metro area are doing better and cities in central Oregon are more heavily affected.

Water Funds: Shepard said the Water Fund budgets were prepared with an assumption of a 4% rate increase effective January 2013. The projection will be reviewed in November and the actual rate increase may be higher or lower. He noted that Folden had previously requested information regarding the impact of rate increases. He distributed and reviewed a summary sheet of the rate impacts (see agenda file).

Folden asked if water use is down. Shepard said the demand has been down which is likely a factor of the economy as well as weather.

Christman asked for additional information regarding water revenues from the city of Lebanon. Shepard said that Lebanon stopped paying the City of Albany for the canal when the previous agreement expired. Staff is in negotiations with Lebanon and will be bringing this to the Council.

Shepard reviewed the Water Fund operating budgets and capital projects.

Kopczynski asked why “Water Administration, Facilities Engineering Charges” have increased dramatically. Shepard said that is a reflection of the reorganization.

Capital Replacement: Shepard said this program is for building replacements and refurbishments. The budget is proposed to be cut in half but he thinks it is important to try to fund it at some level.

Public Works Services: Shepard said these are the PW internal services funds and they include about \$300,000 in personnel cost savings.

Coburn referred to page 360; he asked what the \$34,000 in software license fees is for. Bailey said that this was previously under Operations Admin which shows a corresponding reduction. It is for annual license fees for cardiograph software used to evaluate and prioritize assets.

Grants: Shepard briefly reviewed the PW Grant funds. Not included in the Proposed Budget is a new Federal Emergency Management Agency (FEMA) emergency improvements program grant that was just established and that currently relates to the Belmont Road culvert project.

Collins said he doesn't see any major funding related to the storm water regulations. Shepard said that the Storm Water Master Plan is expected to be completed in about a year. The City will be mandated to do certain things and there will need to be a discussion of how that will be funded. Many communities already have storm water utilities and it won't be long before Albany is required to meet those mandates too.

BUDGET COMMISSION DELIBERATIONS

Folden said she has asked Taylor to talk broadly about the City's debt.

Coburn suggested that the group adjourn for the evening and hear that issue, as well as other information that has been requested from staff, at the next meeting.

Folden asked if there are other questions or requests for information.

Kopczynski asked why franchise fees have dropped. Hare said that is largely a combination of weather-related issues, a drop in natural gas prices, and the fact that people are getting rid of telephone landlines.

Folden asked how long it has been since staff had Cost of Living Allowances (COLAs). Hare said that unrepresented employees, Fire, and AFSCME had COLAs in the current fiscal year; and Police is currently bargaining over whether they will get COLAs this year. The preceding year, unrepresented employees and Fire

received no COLAs; and the other units did receive COLAs last fiscal year.

Folden said the Proposed Budget has a Beginning Balance of about \$2.5 million in the General Fund; the previous budget was \$2.9 million, a drop of nearly \$500,000 in Beginning Balances. The General Fund Contingency is proposed at \$1.2 million, a reduction of \$300,000 over the current year. This is concerning to her; she asked if the hope is that assessed values will go up and bring in more property tax. Hare said that is part of it. There are other things on the horizon that may help in future years. There will be some debt retired in the General Fund which will provide a little more than \$200,000 in 2015, and the Public Safety Levy was just passed by voters, which will help in future years.

Hare said it would be foolish to make optimistic projections about revenues so that leaves us with controlling costs. The proposal is to do that by reducing staff or trying to reduce costs associated with staff which is why the proposal includes no COLAs, although the City will still offer step increases to eligible employees as well as cover the increased cost of benefits.

NEXT MEETING DATE

The next meeting will be on Wednesday, May 17, 2012, at 6:30 p.m.

OTHER BUSINESS

There was no other business.

ADJOURNMENT

Hearing no further business, Chair Folden adjourned the meeting at 9:45 p.m.

Submitted by,

Teresa Nix
Administrative Assistant

Reviewed by,

Stewart Taylor
Finance Director