



**CITY OF ALBANY  
BUDGET COMMITTEE MEETING  
City Hall Council Chambers  
Thursday, May 17, 2012  
6:30 p.m.**

**MINUTES**

**CALL TO ORDER**

Chair Sue Folden called the meeting to order at 6:30 p.m.

**ROLL CALL**

**PRESENT:** Budget Committee Members Sue Folden, Colleen Keller, Wendy Kirbey, Dick Conolly, Neil Michael, Michael Thomson, Will Summers and Mayor Sharon Konopa and Councilors Jeff Christman, Bill Coburn, Floyd Collins, Bessie Johnson, Ray Kopczynski, Dick Olsen

**ABSENT:** None

**PUBLIC COMMENT**

There was no public comment.

**CONTINUE BUDGET REVIEW**

Updates

City Manager Wes Hare said that there was a question at last night's Budget Committee Meeting about the schedule of cost of living adjustment (COLA) raises that employees have received over the last few years. At last night's meeting he had said that unrepresented employees had gone one year without an increase when, in fact, it has been two years without a COLA increase. He said that no COLA is proposed for this year.

Hare said the second issue is regarding beginning fund balances in the General Fund. He said that there has been a declining Beginning Balance which means that more money is being spent than is being made on an annual basis. He asked the group to look at the General Fund Resource Detail on page 18 of the Budget document. The 2009-2010 column indicates a Beginning Balance of about \$3.7 million and \$3.8 million had been budgeted, so it was close to what the actual balance was. The following year (2010-2011) the actual Beginning Balance was about \$2.4 million, which meant that between those two years, the City spent about \$1.3 million more than was made. He said that it leveled off after that point. In 2011-2012, \$2.9 million was the budgeted Beginning Balance and that turned out to be \$2.5 million, which is a good trend. He said \$2.5 million is the proposed Beginning Balance for 2012-2013 and \$4.6 million is what is on hand in the General Fund. Revenues typically come in during November and December. It is safe to say that it should be another year where expenditures and revenues are aligned. He said that he didn't want to leave the impression that reserves are being steadily spent down in the General Fund. The reserves have been built up a little over the last couple of years.

Budget Committee Member Will Summers asked how contingency funds are accounted for in the Beginning Balance. Hare said that the contingency is not included in the balance and the contingency is used to ensure that there is a minimum 5% reserve at the beginning of the year. The City's policy states that there will be 5-15% kept for reserve. He said that at one point there was a 20% reserve and it has now fallen below 10%.

City Councilor Jeff Christman asked where the \$2.5 million Beginning Balance gets allocated. Hare said that those funds don't get allocated.

Finance Director Stewart Taylor said that the budget is balanced; the revenues and budget are best estimates. If there were more revenue dollars, the Council could consider making the new revenue available for additional expenditures.

The Council would have to authorize the use of any dollars above what is in the Budget. Hare said that if you don't reallocate those dollars, it becomes part of next year's beginning fund balance. Christman said that if the group recommends the Budget as presented it would show \$2.5 million as a Beginning Balance. Hare said that the financial policies state that the City will be conservative and he strongly supports this approach. Folden asked when the \$2.5 million was estimated. Hare said that it was in March.

City Councilor Ray Kopczynski said the Linn County line item has dropped and asked why. Taylor said a Domestic Violence grant from Linn County was dropped.

### Debt Discussion

Taylor asked everyone to turn to page 411 of the Proposed Budget. There are limitations under Oregon Revised Statutes (ORS) about how much general obligation debt the City can incur. The City has one outstanding General Obligation bond debt and the balance is \$3,760,000. The City is well within the limitations that are imposed by the ORS. Page 412 and 413 detail all of the City's debt payments. The principal column identifies \$111 million of debt which includes the 2007 General Obligation debt, the 2002 Limited Tax Pension Obligations, and the 2004 General Revenue Obligations.

Taylor said that there is a City Facilities Maintenance budget and a significant portion has been used to assist with getting into the new Library. This is the fund that is used to address facility concerns, but the resources are dwindling and there is no method to refund it. He said one opportunity that exists is to continue assessing those facility charges to replenish the fund when the general obligation is paid off.

Folden asked, where is the projected balance of facility replacement funds located in the Budget? Taylor said that it is not included in the Budget document because spending is not authorized. The balance that is reserved for future years is \$3 million dollars and is in the reserve fund. He said future needs are being underfunded. The bulk of the debt is related to Public Works facilities; the Water Treatment Plant and Water Reclamation Plant account for \$100 million of the City's debt.

Folden said that Public Works Director Mark Shepard mentioned the Sewer Fund might be short on meeting its obligations in two years. Taylor said that the System Development Charges (SDC) for sewer would pay a portion of the ongoing sewer debt. The payment would need to be augmented in another way starting in 2016. Shepard said that the SDC portion of the sewer debt is 45% of the principal and for this next fiscal year it is about \$1.3 million dollars. He said that the SDC portion will go up over time. Taylor said that there are two future debt obligations that the City Council will be considering; the Oak Street Improvements related to the Lowe's Development Project Local Improvement District and long-term financing for the CARA line of credit. If the adjoining property owners choose in the Oak Street LID to make payments for the assessments, then the City may need to take out some debt. Assessments aren't made until after the work is completed. Folden asked if there is interest if installment payments are made. Taylor said it incurs 6.5% interest on a ten-year repayment plan.

Taylor said that the second item that may be considered by the Council is related to CARA's line of credit. The line of credit is maturing in September 2012. One approach to funding the long-term payments is to create a loan from the City to CARA. The Council will likely be considering this type of structure in July or August. Folden asked what the interest rates are for the Series 2007 CARA bonds. Taylor said that they are above 5% and it may be possible to refinance closer to 3-3.5%.

City Councilor Floyd Collins said that he remembers years ago at a previous city he worked for when they were issuing debt they opened the debt for individual citizens to buy bonds directly. He asked, if this is refunded, can a portion of the refund value be segregated and made available to local citizens at a rate higher than what is offered at local lending institutions? Taylor said that it is a good question, but he can't give a complete answer at this time. Municipal bonds are a good option and staff could explore the option to find out what the trade-offs would be.

Police & Fire Add-back List

Fire Chief John Bradner distributed a list of Fire Department funding needs [see agenda file]. He said that one of the biggest concerns is an aging truck company that has been often out of service.

There are three vacant Firefighter/EMT positions and filling these vacancies would return staffing levels to what they were two years ago; there is also a vacant Public Educator position that he would like to fill. Another funding need is annual physicals for firefighters. There are also mold and water damage issues at Fire Stations 11 and 14.

Christman asked about quotes for the water and mold issues at Stations 11 and 14. Bradner said that he is getting quotes for these issues.

City Councilor Bessie Johnson asked what the rural fire districts have been able to do in regards to funding in the past. Bradner said that the Albany Rural Fire District has contributed to purchasing equipment, but they are concerned with the mill closing.

Budget Committee Member Colleen Keller asked if medical organizations have given any discounts on physicals. Bradner said that he has tried to have insurance pay for the physicals but hasn't been successful. He said Occupational Medicine handles the Hazmat physicals and new firefighter entry exams, but he isn't sure if the City receives a special rate.

Police Chief Ed Boyd said that there are three priorities for the Police Department. He said that the first priority is to refill the unfunded Dispatcher position. The second priority is to fill two unfunded Police Officer positions, to help with patrol. The last priority is increasing equipment replacement by \$100,000 for radio upgrades that will be necessary in the next two to three years.

Kopczynski asked about hiring officers from other communities. Boyd said that positions are advertised to both entry-level and lateral police officers. Hare said that there is a state law to reimburse the originating agency for a portion of training costs if an officer leaves during their first three years of employment.

Budget Committee Member Neil Michael asked if there are officers who are getting close to retirement age. Boyd said yes; in the next two to three years there will be 8-10 officers who will be eligible for retirement.

Johnson said that the Public Safety Levy just passed and it would not look good if layoffs occur and the positions are not filled. It is important to keep these positions funded. She said that she noticed that there is an unfunded position in Municipal Court and thinks deleting the position is wrong because staff will have more work. She suggested keeping the position available to be filled.

Folden asked how many positions Police is down over last year. Boyd said that it is down 3.7 for this year.

Collins asked if Albany Police Department dispatches for other agencies. Boyd said that they do not. Collins asked how many dispatch organizations are in the immediate area. Boyd said that Linn County dispatches for themselves, Albany Fire and Ambulance, and some other local areas. Benton County and Corvallis dispatch together for their area. Collins asked if there is an opportunity to have a regional dispatch with Linn County. Boyd said that it has been looked at a couple of times. He said the beginning costs will be less, but will likely go up over time. He said that the agency loses control with the way things are dispatched and the procedures and protocols that are used. Collins asked if this could be addressed when an Intergovernmental Agreement is set up. Boyd said that it could be, but you become one vote on a board. Collins asked what the capital cost is for each agency having their own call center instead of using a regional call center. Boyd said that he doesn't know.

City Councilor Bill Coburn asked if there is consensus to add back personnel as a priority. He suggested waiting six weeks to see what the Beginning Balance is before considering adding back personnel if there is consensus. Taylor said that the Beginning Balance is not as conservative as he would like it to be. Included in the proposed Budget is a transfer from the Equipment Reserve just to balance the budget and maintain the financial policy of a 5% contingency. Hare said that it

appears that the revenues and expenditures match in this fiscal year. He said that the Beginning Balance helps to hedge against unexpected issues and problems.

Christman asked if there is a reason why the Budget Committee couldn't meet four months into the new fiscal year to see where the fund balances are at and then make a recommendation to the Council. Taylor said the Budget Committee could do this although it is out of the scope of what they normally do.

The Budget Committee's role ends after approving the proposed Budget. He said that once the Budget is adopted, the Council can modify it through the year. Hare said that the property tax receipts won't be complete until November or December, and the Budget Committee and Council shouldn't make any decisions until it has been determined that there are no issues.

Folden said that she is not comfortable recommending any additional positions due to the growing personnel costs and lack of funding for facility equipment. She read in the memo [see agenda file] that although patrol has been reduced, there hasn't been a higher incidence of injury accidents. She asked if there are any changes in proportions regarding injuries related to drunk drivers. Boyd said that he didn't have enough time to gather that information; accidents that involve alcohol and injuries are a little more difficult to track. She said that she is glad to see that the accident numbers haven't increased.

Kopczynski said that one of the things the Council challenged staff to do was to keep the Police and Fire Departments whole. He would like to see some of the positions be added back.

Coburn said that he would like to add back an EMT/Firefighter and a Police Officer or Dispatcher position. He said that he is willing to wait and see what the revenues will be.

#### BUDGET COMMITTEE DELIBERATION

Folden said that she encourages all of the Budget Committee members to speak up so the Council knows how the group thinks.

Kopczynski asked how the Public Safety Levy factors into the staffing issues discussed in the memos. Hare said that the Levy helps because it ensures a reliable revenue source that otherwise couldn't be counted on. Compression could affect the levy, but it is safe to say that more property tax will be received through the levy in the next fiscal year. How much more is unknown at this time.

Collins supports looking at the fund balances again once the tax revenues have been received. He said that if revenues are up, he would replenish the reserve funds, and then reinstall the equipment replacement transfers that have been deleted over the years, and then he would consider the add-back list. He said that if the City receives increased revenues, then funds can be put back to where they were in the past, rebuild the reserve funds, be prepared to buy equipment in the future, and balance that with the operating staff.

Budget Committee Member Wendy Kirbey said that she appreciates the information that Boyd shared. She feels better that there aren't more traffic accidents. The thing that worries her most is equipment because it can snowball quickly. It is important to build that fund back as quickly as possible so that equipment can get replaced when needed. She said that she appreciates the extra information from the Fire and Police Chiefs.

Johnson asked what the difference is between a contingency and a Beginning Balance. Taylor said that Beginning Balance is a revenue and contingency is an expenditure. If the contingency isn't spent, then it is available as part of next year's Beginning Balance. Johnson asked what the funds can be used for and if they could be used for something else. Taylor said the funds are specific in their uses. He said that some funds have large beginning balances because they are capital funds or equipment replacement funds. In most of the budgets, the contingency funds are 5% or less.

Folden asked how much of the contingency could be used without approval from the Council. Taylor said that any use of the contingency would have to be approved by the Council. Johnson asked if contingency funds can be used for other

departments. Hare said that several of the funds have rules about how they can be used. For example, street funds are dedicated funds and there are limitations about how those funds can be used.

#### CONSIDERATION OF RESOLUTION

MOTION: Coburn moved to approve the 2012-2013 Budget as presented with the changes as outlined in the document titled "Changes to the Proposed Budget" [see agenda file] and Kopczynski seconded it.

Coburn thanked the City Manager, Department Directors, and staff. He said that everyone has done a great job on the Budget. Hare said that the Finance Department does an incredible job with creating the budget. He said that a lot of the actual work of putting the document together is done by the administrative staff.

Mayor Sharon Konopa said that in the past there had been a lot of contentious issues that the Budget Committee has had to handle. She said that Hare and Taylor, along with the Finance staff, have done a fantastic job. Konopa commends all staff for a great job on the Budget and for making this a smooth process. Kopczynski thanked Hasso Herring for the nice editorial in the *Albany Democrat-Herald*.

Folden said that this is the third year the Fire Chief has talked about the annual physicals for firefighters and suggested Council look at adding this into the budget if funds become available. She said maybe a grant or partnership within the community could reduce the costs of the physicals.

Christman said that the document from the Parks & Recreation (P&R) Department [see agenda file] breaks out the events that are handled within the community. He said the document was helpful and included a breakdown of cash received, expenditures, percentage of cost recovery, and in-kind resources. If the in-kind resources were added back in, the events are covered 100%. The community steps up and donates resources for the events. Christman thanked P&R for the report.

Christman received an e-mail from Library Director Ed Gallagher regarding the costs and transaction volume at the Main Library and Carnegie Library. There is a 90/10 percent split for activity, and the cost is essentially the same split between the two libraries. Christman appreciates the information that was provided by Gallagher.

Christman said that membership and dues are not much when they are looked at as individual line items, but when those numbers are added up, it comes to \$149,000. In the future, he would like to see a detailed list of what the memberships and dues are for. Until wages and salaries are dealt with, the budget situation is not going to get better. There is not the same flexibility that a private company might have and some of that needs to change. He realizes that is not something that can be changed right away, but at some point that change needs to be made and different ways of doing things have to be thought through. Kopczynski said that he agrees that the memberships and dues line item needs to be reviewed.

Johnson said that the \$54,000 for a turtle management study and \$201,600 for the foster grandparent program could be overseen by a private sector organization. She said this is enough for a police officer position.

VOTE: The motion passed 13-1, with Johnson voting no and was designated Resolution No. B2012-1.

City Councilor Dick Olsen said that he appreciates the fine balance that staff has achieved with the Budget. He said the document from P&R shows all of the participation from the public. It shows that the public is happy with the City and he is glad that the framework is there for them to participate. He thanked staff for a nice Budget.

Coburn thanked the Mayor for her work on the Public Safety Levy.

Summers said that the P&R document shows the level of support that people have for wanting to participate and to make Albany the best City it can be. He said that the City supporting these activities helps allow this type of participation.

Albany Budget Committee  
Page 6 of 6  
May 17, 2012

NEXT MEETING DATE

To be determined.

OTHER BUSINESS

There was no other business.

ADJOURNMENT

There being no other business, the meeting was adjourned at 8:15 p.m.

Respectfully submitted by,

Diana Eilers  
Administrative Assistant I

Reviewed by,

Stewart Taylor  
Finance Director