

**CITY OF ALBANY
BUDGET COMMITTEE WORK SESSION
City Hall Council Chambers
333 Broadalbin SW, Albany
Wednesday, January 29, 2014**

MINUTES

CALL TO ORDER

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

ROLL CALL

Present: Budget Committee Members Susan Folden, Jeff Christman, Dick Conolly, Scott Pierson, Colleen Keller, Will Summers, and Michael Thomson; Mayor Sharon Konopa; and Councilors Bill Coburn, Floyd Collins, Bessie Johnson, Rich Kellum, Ray Kopczynski, and Dick Olsen.

Absent: None.

PUBLIC COMMENT

Tom Cordier, 2240 NW Park Terrace, Albany, said he hopes that they adopt some new ideas for how they do budgeting. He said that Scott Pierson made several recommendations last year and Cordier hopes that they look seriously at how they conduct business. He said he does not understand the numbers he sees. The Budget Committee proposes a budget and then the Council adopts it. After that, throughout the year, the Council can change the budget at will, under some constraints. Cordier said that in Fiscal Year (FY) 2012-2013 there were 11 changes to the budget, but he says that when he reads the resolutions only one says there was a change.

Cordier said that in FY 2011-2012 the Council approved \$165 million; throughout the year it was increased to \$177 million; and yet only \$103 million was spent. He said he doesn't understand why. Last year, the last change to the Budget happened three days before end of the FY. It was \$158 million and 11 days later it was \$199 million, and they spent \$130 million. In FY 2010-2011 it was \$185 million and \$113 million. He thinks it should have some basis in reality but he says that apparently there is no attempt to reconcile to get a budget to actual numbers. He hopes the Budget Committee will drive lowering the cost of city government, by doing something different so they can get a different result. Cordier said that Finance Director Stewart Taylor gave him a number, 451 payroll checks, and that it costs \$35 per check to generate. Cordier said another local government's cost is \$7 per payroll check. He thinks there is room to lower costs.

BUDGET CALENDAR

Folden pointed out the calendar in the agenda packet and asked the Committee for direction.

Budget Committee Member Will Summers said Option 1 is the only schedule that he can fully participate in.

Folden said it is usually done in 2-3 meetings depending on how closely the meetings are scheduled. In the ten years she has been on the Committee, she doesn't think they have ever used all the meetings scheduled. In the last few years, they have had a more compressed schedule. It typically takes two meetings for Department presentations.

Folden noted the Joint Capital Improvement Program meeting is on April 3, 2014.

Councilor Rich Kellum said his original objection to having the meetings close together has to do with the different ways that people learn. He gave some examples. Sometimes it take a few days to fully comprehend what a person has

learned, and from that perspective he likes having meetings over three weeks so there is some “soak” time.

Mayor Sharon Konopa noted that May 22 is before Memorial Day and suggested moving that meeting to May 20.

Councilor Bill Coburn said he is okay with how they used to do it, in 2-3 meetings on consecutive nights, because he gets in the Budget mode. He gave some examples. He doesn't think everyone learns the same way.

Councilor Ray Kopczynski said he would like Summers' contributions, and Option 1 would accommodate that.

Councilor Floyd Collins said he values Summers' input.

Kopczynski thinks there should be at least three meetings.

MOTION: Collins moved to meet on May 6, 13, 22, and 29, and Kellum seconded it.

The Committee asked staff if they can receive the Proposed Budget early this year. Finance Director Stewart Taylor said generally they receive it one week in advance.

VOTE: A vote was taken on the motion and it passed 8-6, with Konopa, Folden, Summers, Coburn, Councilor Bessie Johnson, and Budget Committee Member Michael Thomson voting no.

Discussion followed about the schedule.

Summers can submit his comments in writing for the meetings he will miss.

CITY MANAGER REPORT

Budget Outlook

City Manager Wes Hare said staff did try to be responsive to Pierson's comments; his comments and the discussion in the minutes are included in the agenda packet. Hare said one concept was to have a uniform format for Department presentations and to take more time. He noted that in years past, Public Works presentations were very detailed and they have since been simplified; however, staff is flexible and if the Committee is not getting the information in the way they want, or not enough of it, staff will make adjustments.

Hare said the state statute is fairly general about the Committee's role, which is to review the Budget. How it is done varies from city to city. In previous years in Albany, the City Manager presented the whole budget. Other cities do program budgeting where the line items are not reviewed but the general categories are. Hare said, staff's job is to be responsive to what the majority of the Budget Committee wants.

Regarding the Budget outlook, Hare explained that while there may appear to be volatility in the budget, there really isn't much in terms of what they spend in the course of a year. Over the last five years in particular, they have seen fairly flat rates of revenue for the General Fund and higher rates of increase in utilities because they are required to sustain operations; but the General Fund has been constrained. It is staff's responsibility to suggest ways to align expenditures with revenue, and they have done that by determining the discretionary spending and making changes. Hare said the bulk of the cost is for personnel, especially Police and Fire, for a total of 83%. They do not have control over these numbers and they are starting to feel the pinch. There was some relief in the Fire Department due to a grant, but it goes away this year. Hare said the Fire Chief will tell the Committee about staffing challenges, and the Police Chief has similar concerns. There are new techniques that are useful for property crime, a consistent problem in Albany, but the bottom line is that there is not funding available to attack the problem. It is not just a concern in Police and Fire; overall the City has cut more than 40 positions in the last five years. The City has an operating Library of 42,000 square feet being staffed with the same amount of people as the previous Library of 17,000 square feet. It is a challenge. Hare commended Library staff and said that the built-in automation has helped.

In summary, Hare said the outlook for budget is more of the same over the last five years; it is tight, and it takes

effort on part of City staff to keep expenses aligned with revenues.

Strategic Plan Update

Hare said the Strategic Plan (SP) lays out what the Council has determined to be the priorities for Albany. Hare described the four themes:

- Safe City: This explains why 83% goes to public safety.
- Healthy Economy: The City's influence is limited but they do try to encourage investment and have had some success.
- Healthy Neighborhoods: Having livable places including safety, but also amenities like parks, programs, decent streets, etc.
- Effective Government: Striving to accomplish tasks in a cost-effective manner as much as possible; for example, department reorganizations, and contracting out or doing work in-house depending on expense and quality.

Hare said the SP is the foundation of the Budget; the Budget is created to serve the SP because it is where the priorities are determined.

Kopczynski asked when the SP will be reviewed. Hare said in February. Typically it doesn't change dramatically, so if the Committee reviews the current SP they would see the main priorities; though some actions to support the priorities may change.

Collins said it would be worth explaining the difference between restricted funds, reserved funds, etc., in Oregon Budget law. Collins thinks that is the confusion that Cordier expressed. He asked Hare to elaborate.

Hare said that the Budget document is governed by Oregon law; by looking at the Oregon Revised Statutes, one can get a sense of the restrictions. Typically, there is fund accounting with different kind of funds, categories, and line items. What the Committee is actually adopting is "spending authority." There could be a lot of money in one fund that is not spent in one year, such as System Development Charges, but it can only be used in certain ways such as funding infrastructure due to growth. The reason the total budget doesn't align with what is actually spent is because different funds have different functions. The General Fund is primarily property tax supported, generally for services that do not support themselves by fees and charges. It has been determined by the governing body that those activities need to be subsidized by taxes; i.e., police and fire services. Fire does earn some revenue by contracting with other agencies (about 30%). Police does not generate much revenue in fees; the traffic ticket revenue is used by Municipal Court to collect and impose the fees. Franchise fees are what utilities pay for use of the public right-of-way that was purchased and is maintained by the City. Water and sewer funds are supported by rates. Hare said, all these segregated funds can only be spent on certain items.

Hare said the City also needs to save cash so that a catastrophic failure can be fixed. Police, Fire, and utilities comprise the bulk of City expenditures. There are other things that introduce great variability in the budget; for example, water bonds that were used for the construction of the Water Treatment Plant were refinanced and doing so saved \$5 million. That transaction shows up in the Budget as a new expense for \$30 million because of the way it must be reported by law, so it looks like the Budget increased by \$30 million when in reality it actually saved money. Hare said a healthy budget is when there is more money coming in than being spent. It is complicated when looking at a 500 page Budget to get the whole story.

Hare described the various assurances built into the system that indicate the City of Albany is budgeting the right way. The annual audit is performed by an independent auditor and the Audit Committee includes a City Councilor and Budget Committee member. The auditor tells the Audit Committee what they find and will point out weaknesses in financial systems or practices. The City of Albany had an unblemished audit this year. Another assurance is the City's bond rating; Moody's gave the City a high rating during the refinance. He said, when the City has a good rating, we get the best interest rate and save millions of dollars. Given the demographics, Albany probably has the best rating possible. Staff also prepares a Comprehensive Financial Annual Report (CAFR) according to standards developed by the Government Finance Officer's Association (GFOA). In addition the City of Albany has won the GFOA Award of Excellence for the Budget document for

over 30 years, which indicates we are working to the industry standard. Hare said Dashboard is unique in that a citizen can look at the city's books every day; it is a remarkable system for those who want to track what the City is doing.

Collins asked Hare to explain why there would be 11 resolutions affecting the budget throughout the fiscal year. Hare said the reason is that there would have been 11 circumstances that staff didn't envision when the Budget was created, such as: refinancing the water bond, a grant opportunity, an issue with wildfires, the conflagration act, Fire Department assists, unanticipated revenues, or any other scenario where staff needs to ask for authority to do something that the Budget document did not authorize. Hare said, it is not uncommon for a city of our size to have supplemental budgets. If a city exceeds certain limits, it requires certain actions.

Collins used the budgeting of a household as an illustration; a homeowner can anticipate their income versus their expenses and save for home improvements, yet there is always the chance of an unforeseen expense which requires use of income or savings. Hare said the City also uses transfers and explained that while it is just moving funds around it still appears in the total budget. For example, the public safety levy shows twice in the Budget; once as received and once as spent. There is a number in the CAFR that represents how much was really spent excluding transfers, etc., which is \$76 million. The information is accessible and available but is not required to be reported. Hare looks at the numbers frequently and there is an internal fund balance report that he checks daily.

Summers asked, who watches over the \$26 million (in revenues?) to make sure it is appropriated, the federal or state government? Hare said that is just what was in the General Fund. To Summers' question, Collins said the people responsible for oversight is the Budget Committee. Hare said it is difficult to explain numbers when they have to be reported in certain ways in order to meet so many regulations. He said, if we don't use Generally Accepted Accounting Principles (GAAP) then we are vulnerable; but for most people who are not accountants, it is frustrating and the numbers are hard to get at.

Olsen asked if the members of the Budget Committee get Hare's weekly column, *WeShare*. It recently included an article titled "Where Does My Money Go"; Olsen asked staff to send it to the lay members of the Committee.

Olsen suggested including information in utility bills. Hare said staff tries to distribute information in many ways, though they try to limit what is in utility bills because it increases mailing costs and people tend not to read those inserts anyway. However if the Council so directed, staff would do so.

Johnson asked, when Cordier was saying the City budgeted \$158 million, increased it to \$199 million, but then only spent \$130 million, does that example fall under your explanation? Hare said yes; the increase was because the City needed additional authority from the Council to refund the water bond, which ultimately saved the City money. Collins said it is the same scenario as refinancing a home; it may look like the homeowner made a big expenditure that year because they redid the loan but in actuality, it saved them money.

Budget Committee Member Jeff Christman said that Hare suggested the Committee look at the budget in sections, such as Utility Billing, General Fund, etc. He said, if you try to look at it as a whole it does not align because it has to be laid out this way in order to meet reporting requirements. Reviewing funds one at a time will help it to make sense in the end.

FINANCIAL TRENDS AND FORECASTS

Taylor thanked the members for their participation on the Budget Committee. He said they use the January Work Session to review where they have been and where they are going. He said the Financial Trends and Forecasts is also on the City's website.

Taylor noted that the Budget Committee received an email from the Department of Revenue about training for Budget Committee members. He said Finance staff also attends the training. The training focuses largely on the process and the role of the Budget Committee. They discuss how the Budget moves from requested, to proposed, to approved, and finally adopted; including what action can be taken and when. The free training is in Salem at February 19, 2014.

Taylor highlighted the trends that are representative of the City's financial position. He noted that when they compile

the warning trends, no single trend provides a full picture; but a combination of several trends moving in the same direction over time would be cause for concern. The information provided is the audited information as of June 30, 2013; so they are half way through the FY 2013-2014 budget and are looking at information that is now six months old.

Taylor began reviewing the Financial Trends and Forecast document. Taylor said page 2 shows the total revenues for public safety transfers are \$650,000 less, due to compression. Compression primarily hits the public safety levy and impacts total revenues in the General Fund.

Taylor said that page 4 includes a new chart which illustrates a significant concept about compression, which continues to increase over the previous year. This represents a loss of revenue.

Kopczynski asked if increased assessed values will help compression. Taylor said yes, and hopefully the City can grow its way through the trend but it will take quite a bit. They need more than just an increase in existing assessed value, they also need new growth. If Albany had 5-6 new industrial businesses like the Target Distribution, for example, then revenues would be in good shape. Hare said that by growth, Taylor means new investment, not just the value of homes increasing. Hare said, if people choose to invest resources in Albany it will increase the total value of our town. There have been some promising signs such as new major apartment complexes under construction, new assisted living facilities, and new commercial; but on the downside Albany lost Albertsons and Rays Market. The point is, Albany needs new investment to sustain services.

Pierson asked if there is the ability to estimate 2014 numbers on the graphs. He suggested that Taylor do something different with the graph so that it is more representative. Taylor thanked him for the suggestion. Taylor said the numbers are on Schedule 4as, from Linn and Benton Counties. Finance uses audited numbers for this report.

Taylor said that all the public safety revenues go into a fund and they can specifically link it to voter approval of an operating levy, which is important because it is treated differently than other funds. He said they don't spend it from there, but they want to capture it there. It is then moved to the operating funds, so it shows in two places; but they want to make it very clear in the budget. The auditors look at the transfers out, to make sure the revenues were used appropriately.

Kopczynski said that on page 7, the graph makes it appear that 2013 is improving, not decreasing, because of what the "Warning trend" says. He asked which variable used in the table impacts the graphs. Taylor said intergovernmental revenues have two sources: outside sources such as fire districts, and shared revenues from the state. The state's revenues will grow at fairly constant rate, but revenues from the districts will vary, and are also more difficult to estimate. Pierson suggested that the table could state the shared revenue and the others separately, and then the graph could show the fluctuations. Discussion followed about using bar charts or stack bars. Summers said, 2013 is below 2010, so we are still catching up. Taylor said that is correct; about 4-5 years ago they changed the methodology of how the fire service fee was calculated, by changing it to a property tax levy base so it is easier to calculate.

Taylor said that page 11 shows Personnel Services, which are impacted by cost of living allowances (COLAs) and Volunteer Separation Incentive Programs (VSIPs). During past budget processes when there was hope for a quick turnaround in the economy, the budget document showed authorized but unfunded positions for all departments. Two years ago they dropped those except for police and fire because the Council wanted to continue to show those positions. Pierson said in that same chart, he would like to see the items broken out to full-time employees (FTEs), temporaries, overtime, and benefits. He said it would answer a lot of questions before the Committee even needed to ask. Taylor said a lot of what Pierson is describing is not readily generated in these reports. Staff tries to base the document on audited 2013 numbers; the detail Pierson is suggesting is not presented in the reports so it would take some mining to pull it out. Konopa noted that when the Committee goes over the budget document, much of what Pierson is looking for will be covered. Discussion followed.

Summers asked if the upward change due to COLAs will be the same going forward. Taylor said it depends on union bargaining agreements; they do not renew at the same time so there are different obligations at different times. They lost one arbitration that they didn't anticipate.

Taylor said that page 13 shows that for Materials & Services (M & S), it is getting more difficult to give departments

the materials they need to do a good job. All the numbers are negative. There was a significant drop in 2010 due to a reduction in Equipment Replacement. Taylor reminded the Committee that this Forecast document only applies to the General Fund. At the end of calendar year 2013, they took money from Equipment Replacement to supplement revenues in the General Fund by \$300,000. Expenditures exceeded current revenues.

Summers said if the graphs looked at the dollars, it would show a downward slope which is not evident with the percentage change. Taylor said this model came from an International City Managers Association (ICMA) program called "Financial Trends Monitoring System"; though staff could change the model. Summers said if they are using percentages to make comparisons between numbers that have a large gap, it works; but in this case the change in percentage is small, so the numbers would be more helpful. Pierson said that they may notice that the M & S is going down, but that is more alarming than the graph above. Even more alarming is that they are not adequately funding Equipment Replacement. Taylor said the City has a policy to overstate expenditures and understate revenues; the only reason they sustained current levels in Equipment Replacement is because of that policy. Discussion followed.

Hare said, none of these graphs being reviewed show what will become clear in the budget, which is that the long-term trend shows that for our per capita employees, we are at levels that are off the charts. He said, we have never been this low in employees. There are two competing trends: rising personnel costs which are mostly beyond our control (such as binding arbitration), and revenues that do not keep pace. This has been going on for 5-6 years. Directors are doing what they can, such as reducing FTEs, looking for efficiencies, etc. Hare said, it works for a period of time because it forces staff to look for better ways of doing things, but we are getting to the point now where we are very stretched. Now, do they look at cutting services? Hare said, there will be some tough decisions to make.

Olsen said, that trend requires that the increased investment needs to be handled by the same number of employees. Hare said that is correct. He used the apartment complex and assisted living facility as an example: they will bring new revenues to the tax rolls, but there will also be more citizens needing City services. He said what costs the most is apartments, because their calls for services are high. The same is true for assisted living facilities; one bed generates one call per year. It needs to be the right kind of growth to be helpful. Discussion followed.

On page 15, Kopczynski noted that the net bonded debt is dropping significantly. Taylor said the City consistently makes payments.

Taylor pointed out the ending fund balance on page 17. He said the Audit Committee met recently; the group includes Folden as Chair, and Konopa, Kopczynski, and Johnson. The Audit Committee wanted Taylor to make sure he mentions the ending fund balance. The City's policy is to maintain 5%; he explained how it varies throughout the year based on ups and downs. They like to end at 9-10%, so at 8.67%, it means they are squeezing tightly with very little wiggle room. They are budgeting in a detailed manner and trying to be very accurate. In the second quarter, health insurance had a very good claims history, so they could expect a favorable increase in the next year; but if there happens to be one or two major claims in the third quarter that could change. There are fluctuations but they do the best they can to project expenditures. The downside is understating revenues could result in laying off an employee, so there is pressure to get it right.

Hare added that this is called "minding your budget." By overestimating expenditures and then underestimating revenue, they might be forced to cut positions and service levels when in actuality there was money; they don't want to do that, particularly when times are tight. They are pushing the budget to be much more accurate than it has been in the past. There is not much room for unforeseen circumstances, such as the Hewlett Packard tax court decision which resulted in a \$300,000 loss for Albany.

Christman asked if Taylor could guesstimate when the ending fund balance might hit 5%. Taylor said he does not want to get there and he would not budget to get to that number. He doesn't think they will get much lower than 8% unless there is a significant unforeseen circumstance. Hare said that personally, he thinks the policy is a little low, but he doesn't know too many that would want 5%. He doesn't like it to sink below 10%. He said, our goal this year is to try to ensure that revenues and expenditures are closely aligned, so they are not expecting to deplete the ending fund balance.

Pierson said there may be questions about why the City has \$2.3 million in the bank; they won't know about the fluctuations. He said he likes what Hare is saying. In the private sector it is the same way; it is difficult to project

numbers so he likes having a minimum and they manage to that number. Hare said it goes back to the bond rating and financial policies; if the bond ratings suffer, that is a cost. There are cities that maintain 45% because they think that is what they need. Some other cities are lower, and policies vary. For public agencies it is a difficult policy to maintain particularly with binding arbitration, because they look at the money the City has “sitting around” and give it in raises. Hare said, we are competitive with staff pay, but we are hard pressed to maintain that level.

Pierson said the City has tough decisions to make. He said that in the private sector, they were happy they had to face the same issues in 2007, because they are better companies now by being much more efficient and profitable. He said, this is a way to get smarter as a community, but there is a limit because there is a time when you start hurting more than you are benefiting. But overall, it has been beneficial. Konopa agreed that with the downturn in the economy the City has become more efficient. It looks like it may be a gloomy picture but compared to other cities, Albany is doing great. He said, we manage funds and look to the future and are fortunate to have staff that also looks out for the City’s funds.

On page 18, Taylor said the market values have declined from the previous year, though it declined less than it did in FY 2012-2013. A variable in compression is the market rate. Measure 5, passed in 1990, limited what can be applied based on 1995-1996 values. The cap is \$5 for education and \$10 for government. The amount of tax levied is against assessed value, so there is a distinction in market versus assessed value. Assessed value is based on Measure 50, passed in 1997. Taylor said property tax is applied to assessed value by overlapping districts; Albany is at \$6.3984/1000. If that number is higher than the calculation of \$10/1000 of market value, then it has to be compressed. So compression has increased, because that gap has narrowed.

Taylor said page 20 shows how that gap is narrowing. If the levy exceeds \$10/1000, then it is compressed. More and more properties have become compressed. There is a document from League of Oregon Cities, a property tax primer that gives examples of how compression works. If the members are interested in that document Taylor will send it to them.

Taylor said page 21 represents expenditure increases. Taylor said, in prior years growth in expenditures has been over the previous year’s budget number, but in 2013, we didn’t meet that because we had to make changes. We are taking a different approach, not over budget, just over the year-end balance. Some departments may want to explain why it is different and why some are due to circumstances that weren’t included in Taylor’s methodology. Those discussions will be had in the meetings used to develop the proposed budget, but he wanted to point it out now because it is different than previous years. This forecast is going forward, with very conservative growth estimates.

Taylor said they would like to move to a biennial budget. The State of Oregon does it, as well as several cities, counties, and districts. The primary driver is that it is a tremendous time saver. This would allow other work to be done in the off-year, such as Requests For Proposals for audit, banking, or purchase card services, etc. There would be benefits throughout City departments because with a reduced number of employees it would allow time to be spent on other tasks. The Budget process is very time consuming, and the biennial budget would maximize resources and time. Taylor said it doesn’t pencil out differently than a single year budget. The forecast would be in biennial format. Benton County uses the same financial software as Albany, so the compatibility with the software would be smoother. West Linn, Milwaukie, Sandy, and Lake Oswego are all moving to biennial budgets in 2015. Taylor proposes that Albany does the annual Budget now, and then next year they will come up with the concept of a biennial budget. That would allow a year to work through the process.

Collins asked Taylor if there are disadvantages. Taylor is not sure. He said there would still be an annual audit, though the midterm audit would be simpler. Collins said, we are already doing an 18 month projection for revenues and expenditures and a biennium budget would project 30 months out which is a bigger gap. It would not be as precise and that could lead to some criticisms.

Hare supports Taylor’s concept, and agreed that estimates would be further out, but it is still much easier to adjust to changes throughout the biennium than it is to go through a whole new Budget process each year. He said, we would still have the same ability to recognize the changes, and the amount of resources and time it would save is huge. With fewer staff, it also reduces the burden in all departments.

Collins asked what the other departments might be doing in the off years. Hare said Human Resources has not been giving enough attention to safety committees. Routine operations of the City are not being handled as well as they

could be. Collins said they should consider what would be done in the off year to make sure it is meaningful work. Hare said he is getting pressure from three departments already, saying they need more people, but they don't have the money. So the alternative is to look for efficiencies, and a biennial budget is one that would help all departments.

Kellum said he thinks the economy is not getting better, and the further out staff projects forward the bigger a problem could become before something could be done about it. He said a biennial budget produces red flags for him for many reasons and causes him concern. Hare said there are still reasons to be optimistic about the economy; in Oregon, revenues for local government have been intentionally constrained. He discussed a balanced perspective.

Pierson said he would like to see a business argument in favor of the biennial budget, for example how many FTEs or staff hours it would save City wide. He said, give us a business proposal showing how much time would be saved; including an analysis of the cuts that would not have to be made if compression were to continue and likewise, what services could be improved if the economy improves. He said, tell us the good and bad for each department. The community's biggest interest is if the City is spending money in the best way. He said, give us a business model. This is an image issue, and the way the data is presented will support or refute that argument.

Kopczynski said as part of the discussion he would like to know how other communities benefited from it, and what the quantifiable improvements are.

Johnson said she will keep an open mind. Since things are not being done now, it could just mean that staff can get more things done. The workload has not decreased even though then number of employees has; a biennial budget would allow staff to get other things done in the off year.

Konopa said she has heard positive feedback from other jurisdictions. The City would still have an audit each year; she asked Taylor is there would savings since the auditing might be different type. Taylor doesn't think so. Discussion followed.

Coburn asked if the Budget Committee would still meet every year. Taylor said it would not be required. They would however still has a Budget Committee Work Session, because it is important to give the results of the most recent audit and the financial trends. Coburn said his concern is that each Budget year there are comments about the challenges of understanding the Budget and meeting every other year could just make that worse. It could also mean that a new Councilor could be on for a full year without seeing a budget.

Olsen said he has been reviewing budgets for 20 some years now. He finds that it is a learning process and it is hard to understand. He has full faith and confidence in Hare and Taylor; but he thinks the City may have been in bad shape if they didn't look at it every year. He has reservations about not meeting every year.

BUDGET COMMITTEE COMMENTS

Folden said the agenda packet included comments from Pierson about the budget during a May 20, 2013, Work Session. He had asked for more information during presentations and more consistency across department presentations. She asked, are there any comments to that?

Kopczynski noted that Pierson's comments included disappointment that none of the public had showed up at the 2013 Budget Committee meetings. Kopczynski said that even at tonight's meeting, there is just one person from the public.

Pierson said he had a useful meeting with Taylor to prepare for this Work Session. His general recommendation is to use commando management: come highly informed, get all the information, make a decision, get in and get out. He said, if the Directors could answer the questions before they are even asked, it would be great. He suggested having a summary for each department and gave examples, so the members would have time to ponder the budget before the meeting. Then when they came to the meetings there would not be as many questions.

Johnson thinks the meetings should be televised. Hare said that there is a cost to doing that although they can do so if the Committee so desires.

Folden said some things that were suggested are already done, such as Directors pointing out notable changes. They are not given a script, though and some departments don't have as much going on. Hare said they did talk about using a standard format. Directors will try to anticipate questions, though it can be difficult to anticipate what questions the Committee might ask. For example, a \$200 item could show 100% change in the line item, and that may garner questions; whereas a larger expenditure could have a small change to the percentage and it gets glossed over. Hare said the law actually requires staff to explain salient changes within the budget. He said staff will try to anticipate their questions.

Kellum said he would like to see the more complicated items discussed in the first meetings. Hare said the biggest budget is Public Works. Hare explained the budget process that departments go through in advance of the Budget Committee meetings.

Johnson wants all the information on outside agencies that receive City funding, such as their applications and annual reports. She said they used to present at the Budget Committee meetings but now the process is handled by staff. She wants to see the records. Konopa explained that the Council made a change to the process to have staff make the decisions, and the Council still gets regular reports.

Collins said he wants to see a brief summary of what the nonprofits did last year, what they do this year, and the changes. Discussion followed about the different reporting formats used by non-profits.

Collins thanked staff for the Popular Annual Financial Report.

There was discussion about why the Budget Committee Board cannot be elected in January. Folden said the first formal meeting is in May, and that is when they do elections; by law it cannot be done at the January Work Session.

Folden said the Budget Committee meetings in May will begin at 6:30 p.m.

OTHER BUSINESS

There was no other business.

NEXT MEETING DATES

A Capital Improvement Program (CIP) meeting will be held on April 3, 2014.

ADJOURNMENT

Hearing no further business, Folden adjourned the meeting at 9:16 p.m.

Submitted by,

Reviewed by,

Mary Dibble, MMC
City Clerk

Stewart Taylor
Finance Director