



## CITY OF ALBANY BUDGET COMMITTEE WORK SESSION

### MINUTES

Thursday, January 24, 2019

6:30 p.m.

Council Chambers, City Hall

Approved: May 7, 2019

#### CALL TO ORDER

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

#### ROLL CALL

Members present: City of Albany Budget Committee Members Sue Folden, Terry Virnig, Colleen Keller, Jessi Brenneman, Will Summers and Michael Thomson; Mayor Sharon Konopa; and Councilors Rich Kellum, Bill Coburn, Bessie Johnson, Alex Johnson II, and Dick Olsen.

Members absent: Councilor Mike Sykes.

Committee Member Terry Virnig arrived at 6:54 p.m.

One Budget Committee position is vacant

#### PUBLIC COMMENT

There was none.

#### BUDGET CALENDAR

The joint meeting with the Planning Commission to discuss the Capital Improvement Program will take place April 4, 2019. Budget Committee meetings are scheduled for May 7, May 9, and May 14, 2019, with an additional meeting on May 24, 2019, if needed. All meetings start at 6:30 p.m.

#### CITY MANAGER REPORT

City Manager Peter Troedsson welcomed the Budget Committee to the work session and read a statement (see agenda file). He said the Budget is the primary tool to accomplish the City's goals, and the budget process is one of the most important the City undertakes. Staff has been working hard and he hopes the Budget Committee feels prepared to consider staff's presentation and ready to ask questions.

##### a. Strategic Plan Update

Troedsson said the Strategic Plan was adopted at last night's Council meeting. The Council's intent, along with input from the Budget Committee, guides staff in preparing a draft budget. Competing needs and priorities always determine a budget, and the need to weigh competing needs and live within our budget never stops.

##### b. Budget Outlook

The economy has been strong, but economists are predicting the next recession as soon as the second half of 2020. Also, although revenues are increasing, costs are increasing faster. We're constantly looking for ways to save money. The City isn't able to borrow funds for money-saving projects, so we

are looking at other ways to save and to reduce costs. But there are limits to being able to do more with less. We can't do everything with nothing. We need to be realistic in our expectations.

The City isn't positioned as well to weather another recession as we were for the last one. We'll use some revenues this biennium to begin to build reserves. Our goal is to build at a rate of 1% per year. The City's policies mandate reserves between 5% and 15%, and we're currently at 5%.

The increase in Public Employees Retirement System (PERS) rates is not solvable at the city level. The solution has to happen at the state level. Oregon Public Broadcasting did an in-depth PERS story on January 10 that presented a lot of good information on all sides of the debate. It's available on line.

The City's health insurance premiums are expected to increase by 15% to 18% in the next (year?)

The classification and compensation study shows that some staff positions are being compensated under market and a few are above. The Council will have to decide how to address this.

Central services costs are increasing substantially. The new part-time security guard at City Hall has reduced disruptive behavior, but also means an increase in the cost of our security contract. The City Hall HVAC system needs refurbishing or replacement. And software and hardware support costs are expected to go up by 28% next year.

The City needs an Americans with Disabilities Act transition plan to provide reasonable access to our facilities and programs.

The required National Pollution Discharge Elimination System permit staff has been working on requires a separate storm water system, and may add a large burden to our stormwater utility.

It will be a struggle just to maintain current service levels. Two service enhancement needs stand out: the park ranger discussed in previous budget sessions, and a long-range planner. Both positions would contribute to three of Albany's four Strategic Plan themes, but might require full-time employee (FTE) reductions in other areas.

This is our first biennial budget. We have to look a little farther into the future than before. We need to start preparing this year for the public safety levy in 2020, and staff is continuing to grapple with street maintenance funding. We will not be able to budget enough to meet our stated goal of a Pavement Condition Index of 60 for our arterial and collector streets. City staff are hard-working and creative, and they have good ideas about where to invest the next dollar. We may have to ask for ideas about where to cut the next dollar.

Troedsson thanked the Budget Committee members for their service, and said he will be happy to meet with each of them individually.

## FINANCIAL TRENDS AND FORECAST

6:51 p.m.

Finance Director Jeanna Yeager presented PowerPoint slides (see agenda file). She said she will be happy to send the Budget Committee more information if tonight's slides don't cover what they'd like to see.

Yeager said in the General Fund, total revenue per capita is increasing, but expenditures are increasing faster. Property tax receipts are up over the last year, but they are growing more slowly. The Budget team is being very conservative in their revenue estimates. For next fiscal year (FY) they are assuming a 3.7% increase in property taxes. Property tax as a percent of total revenue is going down. The General Fund is now receiving distributions

of marijuana taxes, and intergovernmental revenue is up. The Budget team is projecting property tax collection at 94%. Historically, our projections have been very close to actual collection.

Councilor Alex Johnson II asked why the state shared revenue from cigarette taxes is so low. Troedsson said cigarette taxes are only on cigarettes, not on any other form of tobacco. Mayor Sharon Konopa said a bill proposed in the Oregon legislature today would tax other forms of tobacco, including vaping products. Troedsson said Oregon's cigarette taxes rank 46th in the country.

Councilor Bessie Johnson asked Yeager to elaborate on the marijuana tax. Yeager said the City had to sign a secrecy agreement, so she can't say much. The City received about \$500,000 in FY 2018-19. Marijuana tax distributions go into the General Fund. Alex Johnson asked if the marijuana tax distribution includes the City's 3% tax. Yeager said yes. It includes the City's tax and a portion of the state taxes.

There was discussion about cigarette taxes and other forms of tobacco. Troedsson said staff will try to find answers to some of the Budget Committee's questions.

Yeager said FTEs in the General Fund have increased a little, mostly in the police and fire departments. Personnel services costs will increase in FY 2019-2020. PERS rates and health insurance premiums are going up. Labor negotiations and the classification and compensation study will result in an increase in personnel costs.

Budget Committee Chair Sue Folden asked if the City is in a self-insured pool for health insurance. Yeager said Fire personnel are in Blue Cross and the rest of the City is in Pacific Source. Our experience has been high in the last year, which helps to drive the increase. Folden asked if there is an option to be self-insured. Yeager said she will ask Human Resources (HR). Alex Johnson asked if the contract with Pacific Source is for a specific amount of time. Yeager said she will also ask HR that question.

Yeager said our PERS rate this fiscal year is 27%. It will be 33% in 2019/2020, and will probably keep increasing for several years. Starting this year, city staff hopes to put excess funds into a PERS reserve to minimize the future impact.

Yeager said compression in the public safety levy is much lower than it was. The Budget team is projecting 15% compression, a conservative estimate. The public safety levy is up for renewal in 2021. The City will put it on the ballot in May of 2020.

Bessie Johnson asked how the classification and compensation study will affect the budget. Yeager said it appears some adjustments will be needed. If so, we will know in time to budget for them. It will be up to the City Council to decide what to do with the study results. Folden asked staff to notify the Budget Committee when the results will come before the Council, so they can attend the meeting.

The Budget Committee asked about staff longevity and projected retirements. Troedsson said the Budget team will ask HR to summarize that information for the Committee.

Alex Johnson asked if it was fiscally responsible to pay 95% of employees' health insurance and also give employees a \$2,000 Voluntary Employee Beneficiary Association (VEBA) account. Yeager said HR has the exact numbers, but when the City went to the VEBA accounts, we saved a lot of money.

#### BUDGET COMMITTEE COMMENTS

7:27 p.m.

There were none.

#### OTHER BUSINESS

There was none.

ADJOURNMENT

There being no other business, the meeting was adjourned at 7:28 p.m.

Respectfully submitted,

Reviewed by,

Allison Liesse  
Deputy City Clerk

Peter Troedsson  
City Manager