

**CITY OF CORVALLIS
BUDGET COMMISSION MEETING
JANUARY 4, 2011
DRAFT**

The City of Corvallis Budget Commission meeting was called to order at 7:00 p.m. on January 4, 2011, in the Fire Station Main Meeting Room, 400 NW Harrison, Corvallis, Oregon, with Chair Jacque Schreck presiding.

ROLL CALL

Present: Commissioners Mike Beilstein, Dan Brown, Barbara Bull, Karyle Butcher, Rich Carone, John Davis, Elizabeth French, Richard Hervey, Roen Hogg, Laurie Mason, Mark O'Brien, Jeanne Raymond, Barbara Ross, Biff Traber, Curtis Wright, and Jacque Schreck

Absent: Commissioners Hal Brauner (excused) and Joel Hirsch

SUMMARY OF DISCUSSION

Agenda Item	Information only	Held for Further Review	Action/Recommendations
Election of Officers			Jacque Schreck, Chair; Curtis Wright, Vice Chair; Barbara Bull, Secretary.
Approval of Minutes: May 4, May 11, May 13, and December 13, 2010			Approved as presented.
Presentation of Follow-up Information from December 13, 2010	X		
Deliberations			Recommend that the City Council seek a three-year rate-based levy of \$0.40 per \$1,000 of assessed value in the May 2011 election. Recommend that services to be included in the levy include the Library, Osborn Aquatic Center, the Senior Center, and Social Services, with the understanding that Council has the ability to add other items.
Adjournment			The meeting was adjourned at 10:10 p.m.

CONTENT OF DISCUSSION

I. ELECTION OF OFFICERS

MOTION: Commissioner Davis moved to elect Jacque Schreck as Chair. Commissioner Carone seconded the motion and it **passed** unanimously.

MOTION: Commissioner Ross moved to elect Curtis Wright as Vice Chair. Commissioner Butcher seconded the motion and it **passed** unanimously.

MOTION: Commissioner Brown moved to elect Barbara Bull as Secretary. Commissioner Ross seconded the motion and it **passed** unanimously.

II. APPROVAL OF MINUTES

May 4, May 11, May 13, and December 13, 2010

MOTION: Commissioner Butcher moved to approve the minutes as presented. Commissioner Wright seconded the motion and it **passed** unanimously.

III. PRESENTATION OF FOLLOW-UP INFORMATION FROM DECEMBER 13, 2010

Chair Schreck stated that, following a public hearing on December 13, 2010, the Budget Commission recommended that the City Council consider forwarding an operating levy to the voters. The task tonight is to discuss and recommend specifics of a potential levy – the amount, the length, and programs to be financed. Alternately, the Commission could recommend that the City Council not forward a levy to the voters.

Finance Director Nancy Brewer reviewed information in Commissioners' packets, including letters from Chair Schreck and Commissioner Davis; a Levy Composition Chart; a City Operating Levy Timeline; and staff memorandums regarding 1) Follow-up from the December 13 Meeting, 2) Property Tax Fund Efficiency Indicator Examples, 3) Local Option Property Tax Levies, and 4) Impact of Debt Levies on Future Property Tax Bills.

The following points were raised during the staff presentation and in discussion:

- There are many complex issues and state restrictions that make it difficult for the City to seek significant revenue alternatives at a local level. The City would need to add nearly \$200 million in new development to raise \$1 million in revenue; this is not likely to happen anytime soon. Because there is not a state collection arm, a local sales tax or income tax would be subject to difficulties associated with collections and administration, as well as marketing difficulties (i.e., shoppers would likely go to neighboring cities to shop). The City's efforts in seeking local revenues through a telecommunications tax, a business license fee, and local taxes on meals and entertainment have been met resoundingly with local and state dissatisfaction. In looking at expenditures, the state collective bargaining laws and required comparisons with similar sized governments make it difficult for a single entity to cut personnel costs. If Corvallis pays considerably less than comparable cities, it is likely to result in high turnover and inexperienced staff.
- Commissioner Carone asked what is driving a 6 percent annual increase in personnel costs. Director Brewer said increases are driven by many issues, including the collective bargaining act that governs how local governments bargain with labor unions, what comparable jurisdictions are paying, Council compensation policies, and the need for internal equity - to compensate comparable work with comparable rates. Personnel

increases in total compensation, including pay and benefits, historically run at 5.5 percent to 6 percent annually. City Manager Jon Nelson added that this includes step-increases and insurance impacts; employees are not getting 6 percent annual raises.

- Commissioner Butcher commented that people live in Corvallis for a variety of reasons, that OSU and others have had salary freezes, and that the benefits package which is pushing the budget up seems a little high to her.
- Director Brewer said that staff has not been able to find legislation that would allow a tiered tax rate levy. It is possible to under-levy the maximum rate in certain years, as the school district has done with its levy.
- The staff report includes a list of enhancements added in the last six years and the current status of each.
- There are many ways that a jurisdiction can implement furloughs, as detailed in the written staff report. If the City were to pursue furloughs, a work plan for how to manage operations and services would be needed.
- An update on the DHM poll could be done for about \$4,000.
- The City has taken dozens of actions over the last two decades to cut costs and become more efficient. Corvallis participates in the International City/County Managers Association Center for Performance Measurement process and is shown to exceed almost all comparator jurisdictions on almost every measure.
- Staff is working to have information regarding Police Management and Detective staffing levels available for the departmental presentation in January.
- The staff report includes a lengthy memorandum with information regarding Local Option Property Tax Levies. A levy would require a process to track what was collected and how it was expended in compliance with what was approved by the voters. The report also addresses compression issues; if local option tax rates exceed about \$1.60 per \$1,000 of assessed value, industrial properties will begin to hit compression thus increasing the burden on residential and commercial properties. The memo also addresses Service Districts and Special Districts.
- In response to inquiries from Commissioner Bull, Director Brewer further reviewed compression, which is shared by all non-school districts. There is an information sharing process that occurs between the taxing jurisdictions. If combined levies in Corvallis and Benton County go beyond compression rates, each jurisdiction would receive a pro rata reduction. In response to an inquiry from Commissioner Beilstein, Director Brewer affirmed that there is \$1.60 per \$1,000 assessed value of new taxing ability available to the taxing districts before compression for industrial properties would occur.
- In response to inquiries from Commissioner Traber, Director Brewer drew attention to the graphics in the memorandum which detail property tax levy projections under different scenarios; one scenario takes into account the rate of increase in program costs compared to the rate of increase in assessed values, and another scenario would require program reductions or new revenue after the first year.

Declarations

Chair Schreck read information provided by the City Attorney related to disclosures of conflicts of interest or potential conflicts of interest.

Commissioner Wright said that he serving as volunteer interim executive director for *Visit Corvallis* until such time that a person is hired to fill that spot.

Commissioner French said that she is chair of *Prosperity that Fits*. Commissioner Wright said that he is Vice Chair of that organization.

Commissioner Ross said that she is on the board for two private nonprofits that have received City money – the Corvallis Daytime Drop-in Center and the Corvallis Homeless Shelter Coalition.

Commissioner Bull said that she is a board member for *da Vinci Days*. Commissioner Wright said that he also serves on that board.

Commissioner Traber said that he is a board member for *United Way*.

Commissioner Mason said that she was, until recently, on the board for the *Majestic Theatre*.

IV. DELIBERATIONS

Chair Schreck asked that each member of the Commission take a few minutes to state his or her preference for a levy amount or levy rate and the services to be funded. Staff will track these preferences on the Levy Composition Chart to allow for a focused discussion and motion or motions. Brief discussion followed regarding process. City Manager Nelson clarified that the question is what services to attach to a levy, knowing that those services will go away if the levy fails, and knowing that the Budget Commission must still recommend a balanced budget through the normal budget process.

Commissioner Davis drew attention to his written comments. Based on the 400-person survey, he feels that a levy of \$0.40 per \$1,000 of assessed value would be reasonable. He recognizes that a levy of this size would be a “band-aid” but he does not think a higher levy would pass. He recommends that the City Council be clear and open about what the levy would do and what would happen if it fails. He would like to see the Fire Department brownout, the patrol officer, and the 911 dispatcher restored, as well as Library services, the Senior Center, Osborn Aquatic Center (OAC), and social services.

Chair Schreck read written comments submitted by Commissioner Brauner who is absent this evening. He supports a levy of \$0.80 dedicated to the Library and to Parks and Recreation programs, including the Senior Center and OAC.

Commissioner Hervey referred to his written comments. He expressed concern that this process does not allow for returning items to the budget or capturing additional reductions. He would like to propose maintaining \$375,000 of OAC’s budget by adding a furlough day each quarter, looking to OAC fees to replace \$37,000, and returning OAC to a core service. He would then propose a levy of \$0.39 for Library, sustainability, economic development, social services, and Finance. The OAC represents substantial previous investments, brings revenue into the City, and provides value to senior citizens and those needing rehabilitation; a down economy is not the

time to cut social services and economic development; and organizations such as the Library and OAC would help spread the message of why a levy is important. Because this process does not allow for additional reductions, he would propose a levy of about \$.447 to restore the above services and OAC. Finance Director Brewer clarified that savings from each furlough day would be \$45,000 in property tax funds; not the \$93,000 listed in Commissioner Hervey's written testimony.

Commissioner Brown referred to his written comments. It is his opinion that a levy is not a full solution; the majority of the shortfall will have to be covered in other ways that the Budget Commission will discuss later in the process. He feels that the ballot language must set the term for the levy, perhaps three years. He suggested a levy of about \$0.41 for the Library, OAC, the Senior Center, social services, sustainability, code enforcement, the Arts Center, and Heartland.

Commissioner Raymond suggested a levy of \$0.80 to raise about \$3,000,000 to fund City services including public safety, social services, OAC, the Arts Center, economic development, and sustainability. She said we need to support those who are willing to advocate and raise awareness for a levy, and that it is important that these services come into one operating levy rather than separate levies.

Commissioner Beilstein said it is incumbent on the City Council to work on developing new revenue sources; the goal should be to look for stable funding. He proposed a levy of \$0.80 for five years to restore all City services. He said that people are paying \$500 per household in federal taxes to pay for wars; if people want to focus on cutting taxes they should focus on that waste. He does not want to reduce the value and the quality of life in this community.

Commissioner Ross said she would use Commissioner Hervey's analysis as a model, but would suggest a furlough of one day per month with a savings of \$45,000 per day. She would restore services as listed by Commissioner Hervey, but removing Finance and adding the Senior Center. She said the City is efficient but could do little things better; i.e., the city of Newport includes information on its utility bills instead of in a separate newsletter.

Commissioner Mason said she would vote to have no levy election in May. She feels that more cuts can be made before resorting to a tax increase. She suggested that the Budget Commission might divide into groups and tackle the budget line by line. She said all City employees should follow the lead of exempt staff in taking cuts. She does not believe that citizens will vote for more taxes; she cannot propose a levy that she is in no position to defend.

Commissioner Traber said the budget gap is substantial enough that it will not be solved by furlough days and employee cuts. A significant portion of the community believes services need to be preserved and he feels we need to present them with a choice. He proposed a \$0.64 levy to continue services including the Library, OAC, the Senior Center, public safety, the Fire Department brownout, 911 staff, social services, and business development.

Commissioner Butcher expressed support for a levy of \$0.40 to restore services at the Library, OAC, the Senior Center, Fire Department brownouts, and economic development. She would like to go higher, but thinks it is necessary to step back and find more cuts.

Commissioner O'Brien reviewed information from the citizen survey, noting that those who strongly oppose taxes and fees outnumber those who strongly support them by 2 to 1. He thinks that a levy of more than \$0.30 is unlikely to pass; he is concerned that any levy may be unlikely to pass. He proposed a levy of \$0.30 (about \$1.1 million) for services based on the survey priorities – the Fire Department brownouts, the patrol officer, the 911 dispatcher, social service allocations, economic development, the Senior Center, and partial replacement of Library materials.

Commissioner Carone expressed agreement with the plan presented by Commissioner Davis. He said he thinks that City staff has done an outstanding job, but he emphasized that expenses are increasing at 6 percent while revenues are increasing at 3 percent. He said the focus will need to be on living within the 3 percent increase or we will have this problem every year.

Commissioner French agreed with Commissioner Traber that it is important to provide the citizens with a choice. She said there has not been adequate acknowledgement that the City just initiated a sustainability fee that is to be used for enhancements. She does not have a problem with sustainability, but this is not the time for enhancements. She urged the City Council to look at a repeal of the sustainability fees with the aim of helping to offset some of the potential impact of a levy. She noted that \$0.29 in levies are coming off this year; she thinks we could replace that amount and perhaps an additional \$0.10 for a total levy of about \$0.40. Her preferred services are police and fire services, the Senior Center, OAC, economic development, and the Library.

Commissioner Hogg thanked City staff for the budget reports which, he said, are reflective of the high quality staff we have. A levy would not solve the fundamental problem that expenses are growing faster than revenue. He doesn't think that people will think it is fair that they be asked to pay more taxes so staff can get a pay raise. Many in the community have not received a raise, have been laid off, or are working for little pay and no benefits. The City Council has sponsored levies in the past that have been rejected by the voters and many in his ward have said they do not want a levy. He does not support recommending a levy.

Commissioner Wright said he supports the proposal by Commissioner Brown. He commented that it is important to restore some of these services because they are the things that keep Corvallis great.

Commissioner Bull said it is misleading to suggest that a levy of \$0.30 would solve the problem; those who would work to support the levy would be disappointed to find themselves back here next year. She thinks this is both a cost problem and a revenue problem. Measure 5 was supported by *Willamette Week* in order to force a tax solution in Oregon, but there has been no solution. It is important to have a solution that lasts at least three years. While recognizing that a larger levy might not pass, she would propose a levy of between \$0.80 and \$1.36 as needed to sustain current services for three years while the City comes up with a more permanent solution. She would want that to include no COLAs.

Using the overhead projector, staff tracked the Commissioners' preferences as follows:

BEILSTEIN	\$0.82 (3,100,000)	Library, OAC, SC, Social Services, Sustainability, Code Enforcement, Arts Center, all other proposed cuts
BRAUNER	\$0.80 (3,000,000)	SC, OAC, Library
BROWN	\$0.41 (1,560,000)	Library, OAC, SC, Social Services, Sustainability, Code Enforcement, Arts Center, Heartland (3-yr equiv rate)
BULL	\$0.80+	Library, OAC, Social Services (3-yr levy equiv of \$1.36)
BUTCHER	\$0.40 (1,500,000)	Library, OAC, SC, Fire Brownout, Economic Development
CARONE	\$0.406 (1,527,000)	Fire brownout, Library, SC, OAC, Patrol Officer, 911, Social Services
DAVIS	\$0.406 (1,527,000)	Fire brownout, Library, SC, OAC, Patrol Officer, 911, Social Services
FRENCH	\$0.40 (1,500,000)	Police & Fire, SC, OAC, Economic Development, Library
HERVEY	\$0.447 (1,680,000)	OAC, Social Services, Economic Development, Sustainability, Library, Finance-Accounting Specialist
HIRSCH	N/A (Absent)	
HOGG	\$0.00	
MASON	\$0.00	
O'BRIEN	\$0.30 (1,100,000.00)	Fire brownout, Police Officer, 911, Library materials, Social Services, Economic Development, SC
RAYMOND	\$0.80 (3,000,000.00)	Public Safety, Social Services, OAC, Arts Center, SC, Economic Development, Sustainability, Parks & Recreation, Library
ROSS	\$0.45 (1,680,000.00)	OAC, Social Services, Economic Development, Sustainability, Library, SC
SCHRECK	N/A (Chair)	
TRABER	\$0.64 (2,400,000.00)	Library, OAC, SC, Fire brownout, 911, Social Services, Economic Development
WRIGHT	\$0.41 (1,560,000.00)	Library, OAC, SC, Social Services, Sustainability, Code Enforcement, Arts Center, Heartland (3-yr equiv rate)

OAC-Osborn Aquatic Center
SC-Senior Center

Following a 10-minute break, Chair Schreck reconvened the meeting at 9:10 p.m.

Commissioner Ross said that when the Budget Commission meets on January 20 to begin discussing budget reductions, she will recommend rolling back the sustainability fees which she feels were ill timed and ill advised.

Commissioner Raymond said that a levy of \$0.80 per \$1,000 of assessed value would result in about \$20 extra per month on a \$300,000 house. She feels that it is important to stand up for livability.

City Manager Nelson advised that the blended average of Commissioners' preferences result in a levy rate of \$0.468 cents per \$1,000 of assessed value for a total of \$1,761,800. The programs that Commissioners have indicated they would most like the levy to support are as follows: Library (14), OAC (13), Senior Center (12), Social Services (12), Economic Development (8), Sustainability (6), Public Safety (6), Arts Center (4), Fire Brownout (4), and Code Enforcement (3).

MOTION: Commissioner Mason moved to recommend that the Council not seek a levy in May 2011. Commissioner Hogg seconded the motion. The motion **failed** by a vote of 2 to 13, with Commissioners Hogg and Mason voting in favor.

MOTION: Commissioner Davis moved to recommend that the Council seek a three-year rate based levy of \$0.40 per \$1,000 of assessed value in the May 2011 election. Commissioner Brown seconded the motion.

Commissioner Davis said he sympathizes with the notion of having a balanced budget, but he does not think that a levy of \$1.36 would pass; he does not want to be in a position of all or nothing. Based on the DHM poll of 400 people, he thinks that a moderate position may be acceptable to the voters.

Commissioner Butcher agreed with Commissioner Davis. Conceptually, she agrees with Commissioner Raymond; however, she feels that the amount in the motion could actually happen.

Commissioner Brown agreed with Commissioner Davis. The issue is whether or not a levy would be affirmed or rejected by voters. He thinks a \$0.40 levy has a chance of approval.

Commissioner Hervey said that reductions, from furlough days for example, may affect the amount needed from a levy. City Manager Nelson said that all employee groups are being asked for concessions on COLAs and benefits and discussions will continue regarding furloughs. Even as efforts are made to fill the \$3.1 million shortfall this year, this is an ongoing problem. The outcome of discussions with the employee groups may minimize further service reductions in coming years, but he does not recommend that should be part of these deliberations.

Commissioner Ross said she would prefer a slightly larger amount. She noted that \$0.468 was the average preference of Commissioners and that the expiring levies total about \$0.30. A rate of \$0.45 would result in only \$0.15 more than voters are currently paying and would provide a little more cushion.

Commissioner Beilstein said he will vote against the motion. He doesn't think that \$0.40 or \$0.45 is adequate. Assuming this motion passes, and depending on Council discussions, he may vote for approval at the Council level.

Commissioner O'Brien said that the voters agreed to support the Library and Open Space levies with the reasonable expectation that they would have relief from those taxes next year. The idea that a new \$0.30 levy replaces the expiring levies is not accurate in his mind.

Commissioner Bull expressed concerns about deciding on an amount before deciding on what the levy would pay for, and about setting an amount that would not guarantee funding for services for the period of the levy. She feels it would be a mistake to have people work hard to pass a levy thinking that it would restore Library and OAC services, for example, and then to not have enough money to fund those services next year.

Commissioner Brown noted that the motion is to recommend a levy rate as opposed to a fixed amount; the assumption is that there would be an increase of about 3 percent each year in total revenue as assessed values go up.

Commissioner Butcher said she feels that employees may be willing to give up something to avoid layoffs. She would like to forward this recommendation to buy time for the City Manager and his staff to come back with potential compromises.

Commissioner Bull said her preference would be to recommend a levy that is not tied to COLAs. She understands that there is limited control, but she thinks it would be meaningful to the voters to have some indication that the levy would not be funding pay raises.

Commissioner Raymond noted that the City has already cut \$2.3 million and has had some layoffs. She believes that there will be more layoffs, even with a \$0.40 or \$0.45 levy.

Commissioner Wright commented that, irrespective of the Council's decision and the ballot results, the Budget Commission must cut \$3.1 million in order to begin next fiscal year with a balanced budget.

City Manager Nelson commented that Oregon requires municipalities to negotiate contracts. The contracts are signed and obligated by the elected officials. The City has to respect those contracts or ask the unions to willingly change, which is being done. With 75 percent of the City's budget in people, he cannot say that all levy dollars will be kept out of personnel.

The motion **passed** by a vote of 8 to 7:

Yes: Commissioners Brown, Butcher, Carone, Davis, French, Hervey, Taber, Wright
No: Commissioners Beilstein, Bull, Hogg, Mason, O'Brien, Raymond, Ross

Commissioner Davis said that, based on the survey results and conversations he has had with a number of people in the community, he strongly favors recommending that a portion of the levy be used to restore areas that deal with public safety, including the Fire Department brownout, the police officer and the 911 dispatcher; these services total about \$300,000. He is impressed with the number of public safety calls made each day and he feels it would be unconscionable to make reductions in those areas.

MOTION: Commissioner Davis moved that the Budget Commission recommend for City Council consideration that approximately \$300,000 of the levy amount go to reinstating public safety. Commissioner O'Brien seconded the motion.

Commissioner Hervey said this motion does not align with preferences indicated by the Budget Commission; he will vote against the motion. Commissioner Ross said she will vote against this and offer a motion based on the services that received the highest support from the Budget Commissioners.

The motion **failed** by a vote of 2 to 13, with Commissioner Brown and Davis voting yes.

MOTION: Commissioner Ross moved that the Budget Commission recommend to the City Council that services to be included in the levy include the Library, OAC, the Senior Center, and social services, with the understanding that the Council has the ability to add other items to the levy. Commissioner Wright seconded the motion.

Commissioner Beilstein said that legal enforcement cannot reside in a levy and there would be no legal requirement to hold these services harmless. He suggested that services not be identified in the levy; they could be identified as Budget Commission preferences and later as Council goals.

Commissioner Ross said that part of the reason the school district levy was successful was that it outlined what would be done with the funds. She thinks it is important to have credibility with the voters; the City should be clear about what it would do with the money and follow through.

Commissioner Wright agreed that the Council should consider its credibility with the voters and make very clear the amount that would be used for each purpose and what that means in terms of services.

Commissioner Brown spoke about the issue of messaging; his goal is to get the levy passed and maintain the integrity of the City. He hopes that the City Council will follow the model of the school district which said what it would do, got a levy passed, and then did what it said it would.

Commissioner Mason said the Budget Commission has not begun to talk about the \$3.1 million shortfall. She asked if this part of the discussion could be delayed until the Commission has had preliminary discussions about what reductions would be made if the levy fails. Chair Schreck reviewed the process which includes departmental presentations, a public hearing, preliminary direction to the City Manager, and then consideration of the City Manager's draft budget in May.

City Manager Nelson noted that staff works with the Budget Commission to identify where it wants to go in the area of reductions, then relies on advisory boards and experts within the departments to advise on where reductions should occur. He does not see any scenario under which the Budget Commission could go line-by-line through the City's \$100 million budget.

Commissioner Bull said she will support the motion assuming that a level of service will be specified so that voters know what they will get with their vote.

Commissioner Davis said he will vote against the motion. He said that weighing the preferences of this Commission against the 400 voters who were polled, he feels that the voters have spoken with regard to their priorities and that they differ from what the motion indicates.

The motion **passed** by a vote of 14 to 1, with Commissioner Davis voting no.

V. **ADJOURNMENT**

The meeting was adjourned at 10:10 p.m.

Respectfully Submitted:

Budget Commission Secretary

Finance Director