

**CITY OF CORVALLIS
BUDGET COMMISSION MEETING
FEBRUARY 3, 2011**

The City of Corvallis Budget Commission meeting was called to order at 7:30 p.m. on February 3, 2011, in Austin Auditorium, LaSells Stewart Center, 875 SW 26th Street, Corvallis, Oregon, with Chair Jacque Schreck presiding.

ROLL CALL

- Present:** Commissioners Mark O'Brien, Richard Hervey, Dan Brown, Mike Beilstein, Joel Hirsch, Biff Traber, Hal Brauner, Karyle Butcher, Curtis Wright, Rich Carone, John Davis, Elizabeth French, Laurie Mason, Jeanne Raymond, Jacque Schreck.
- Absent:** Commissioners Roen Hogg excused; Barbara Bull, Barbara Ross.
- Visitors:** Andrea Thornberry (Heartland Humane Society Director), Sara Swanberg (Arts Center Director), Michael Mann (President, Corvallis Police Officers Association) and Roy Emery (Fire Chief).

SUMMARY OF DISCUSSION

Agenda Item	Information only	Held for Further Review	Action/Recommendations
Visitors' Propositions / Public Comments	X		
Commission Deliberations	X		
Adjournment			The meeting was adjourned at 8:44 p.m.

CONTENT OF DISCUSSION

I. VISITORS' PROPOSITIONS / PUBLIC COMMENTS

Andrea Thornberry, Heartland Humane Society Executive Director, said the organization has a contract with the City to provide services. The City is required to fulfill state and local animal laws and ordinances. The contract allows the city to fulfill its obligations. As part of the contract, it operates an animal shelter in a professional, medically-current manner, which is open to the public 32 hours per week. It provides all staffing and equipment; provides spay and neuter to all animals; vaccinates them; houses strays and provides euthanasia services to the public. It provides information to the public regarding care of animals, leash laws, and educational programs to the community.

This year, the contract amount with the City was \$52,000. Along with a similar contract with the county for \$38,000, they combine to provide a total 12% of budgeted income. Expenses are

budgeted at \$117,000 this year, with the City providing 46% of total expenses. The city is getting a good deal with the contract. She said Heartland Humane has a good deal of community support. For example, the volunteer Cat's Meow Thrift Shop is 100% volunteer managed and operated, with over 100 volunteers donating over 10,000 hours, bringing in over \$200,000. Also, over 10,000 hours are donated to the shelter itself, a Full-time Equivalent of 9.3.

Recent activities include taking in 16 fighting pit bulls; housing them for 86 days cost about \$15,000. This use of dog kennels resulted in revenue losses due to a lower number of adoptions. The shelter took in 416 cats from the city last year; 43% were feral, which pose a bite threat to humans and other cats, and carry disease. The group addresses overpopulation with education and the spay and neuter program. It takes in all stray dogs and cats; last year, about half of all stray dogs were returned to their owners. Anyone who wishes to surrender their pets may do so, using a sliding payment scale (down to zero dollars). She urged the commission to consider the impact that the services have on the community. Ms. Schreck highlighted the group's handout from the previous meeting. Joel Hirsch asked that given the amount that it gets from the City and the County and other sources, whether Heartland Humane can continue to operate; Ms. Thornberry replied that that was so.

Sara Swanberg, Director of the Arts Center, highlighted the group's handout. She said her chief concern as she prepares to retire was preserving a minimum of \$40,000 from the former City funding of over \$80,000 for the coming year. The total budget is just under \$500,000. The Center is in the process of developing exciting revenue streams and it can come close to making up for about half of the former City funding in the next fiscal year. However, it cannot make up for the entire \$80,000 in one year.

The Center receives about eight grants a year, ranging from \$7,000 to \$15,000 each totaling about \$100,000. One of the reasons it gets these grants is because foundations are impressed that the city invests in the Art Center; however, if all of the City funding is lost, then a significant portion of that grant funding could be lost. If that happens, then everything built, especially over the last five years, would be lost. She noted that keeping this historic building occupied and open to the public, which is required of registered historic buildings, has a value. The Center pays for upkeep and significant improvements to the building.

She said she is accepting a loss of 50% of City funding, since every program is going to have to give something; but losing the additional \$40,000 could be the sounding of a death knell for the Arts Center, the oldest regional arts council registered in the state. It serves over 6,000 children annually, both in schools and in the GlobeTrotters programs; it developed an arts program for the at-risk youth of the alternative high school; it contracts over 500 individual times annually with local artists to teach workshops and selling their artwork; and artists work in schools in two counties and hospitals in three. It needs a minimum of \$40,000 to keep these programs going next year; she hoped the City could keep that commitment. She said that the Center is known at the Oregon Arts Commission as The Little Engine That Could. She said she believed that eventually the Center can operated as a self-sustaining organization, but it cannot do so by the coming fiscal year.

Mr. Hirsch said he felt the Art Center was as important as the Senior Center and Osborn Aquatic Center. He asked Ms. Swanberg to confirm that if the Center gets \$40,000, its health would be good for the coming year; she replied that was true. She added that supporters have stepped up with donations to help it stay open.

Karyle Butcher asked Ms. Swanberg whether there would be any salary savings from the time she left to the time her replacement took over her position; Ms. Swanberg replied that she doubted that there would be any salary savings, since her replacement will come in just as she leaves, and she was gifting her time and training during May, so it will not cost the Center any additional funds. She said the staff and board were at First Thursday tonight. Ms. Schreck said the community recognized her service.

Michael Mann, President of the Corvallis Police Officer Association (CPOA) acknowledged the difficulty of the Commission's task. He related that members were pleased to work for the City and would do so as well as they could regardless of the outcome of the budget process. Ms. Schreck thanked him. Mike Beilstein said he appreciated the work of the officers and their union. He said that the City has asked four bargaining units if they would make concessions to helping meet the budget next year, such as no COLA and a freeze on health benefits. Exempt employees are not represented but have agreed to freezes on both COLA and benefits and the fire union has agreed to a COLA freeze. He asked if the CPOA had discussed this yet; he noted the CPOA have already sacrificed by agreeing to twelve-hour shifts, which has already created some savings. Mr. Mann replied there have been some discussions; negotiations with the City were underway. The union was aware of the City's position and wanted to be reasonable.

Laurie Mason highlighted a letter from a citizen that made comparisons between Corvallis and Albany and Salem, where police officers make about \$1,000 a month less than Corvallis, and asked why the City paid so much more than surrounding communities. Mr. Mann replied that he didn't know where the figures came from; Albany was one of the comparator cities and during the last negotiations, Corvallis was in line with Albany. He guessed that the quoted figures may include incentives that the figures for comparators don't include. Ms. Mason said a number of letters highlighted that in addition to foregoing COLAs and freezing health benefits, that unions consider the possibility of rollbacks, as unions have done in surrounding community colleges and OSU. Mr. Mann replied members felt strongly that they were appropriately compensated and were considering the COLA freeze; however, they were not considering rollbacks.

Jeanne Raymond highlighted her letter, saying it was painful to see the diminishment of valuable City services with the contemplated cuts; if the Budget Commission and the City got behind a levy to pay for these services, then citizens would vote for them. She said if we all believe in the livability of Corvallis, then we need to step up and pay for them. Ms. Schreck said the Budget Commission and the City Council have already taken a position of the levy; issues regarding the levy are now under the purview of the Council.

There being no other Citizen comments, the Budget Commission moved to Discussion.

II. DISCUSSION.

Ms. Scheck highlighted correspondences from citizens and a memo from Finance Director Nancy Brewer. Ms. Schreck said she felt the commission was not yet at a point to deliberate; it needs to consider information submitted from the public and it will get information this evening, including information on fire services. She asked staff to discuss the commission giving direction versus deliberation.

Ms. Brewer said the last few Commission sessions have yielded questions that need to be followed up. There was a good deal of discussion about potential COLA savings and what is, and is not, in the financial plan that comes up \$3.1 million short. The first Q&A in the handout shows \$482,000 in frozen COLA/Benefit savings in the Property Tax Funds; some of that is already in the financial plan, since exempt employees had already given up COLA and benefit increases prior to the plan being printed. Ms. Schreck noted that amount was listed as \$94,680. Ms. Brewer said the remaining amount was \$387,270 on the matrix of the amount that could be saved if all bargaining units took the COLA freeze. Since that time, the IAFF announced it would take the COLA freeze but not a benefit freeze, so another \$46,590 is already committed that would be included in the bottom line offsetting the \$3.1 million reduction. Ms. Schreck clarified that the \$46,000 was not in the financial plan. Ms. Brewer said that as we talk about the COLA savings on the City Manager's Order of magnitude list, questions have focused on how real the number is; we're trying to be clear that the \$387,270 included the IAFF COLA and benefit freeze. That leaves \$341,000 of COLA freeze or benefits freezes still subject to negotiations that are still pending. There has been a request to the firefighters union for a freeze on benefits, as well as a request to the 911 union for both a benefits and COLA freeze; neither of those entities have responded to the City Manager yet.

Ms. Butcher asked about the time frame for the responses; Mr. Nelson replied that by the March update there should be firmer numbers and intentions. He related that one of the union presidents said he was expecting to send a letter to the City this week.

Mr. Beilstein said that in the regular budget process, contracts determine what expenditures are; we're not in a much different situation here. If we end up negotiating a contract that is more expensive than expected, then we must reduce staff. If we accept that we will seek these freezes, we should incorporate them into the budget; if they don't occur, then we make up for it in reductions in personnel or some other savings. Mr. Nelson said staff were simply responding to commission questions on numbers. He concurred that if the budget doesn't get to a zero number the City would just have to make additional reductions to make up the difference. We have to let negotiations and discussions play out more.

Ms. Mason said she thought there'd been discussion about both benefits and COLA freezes, but this appears to be mostly just COLA freezes. Ms. Brewer replied that COLA and benefit freezes make up the \$482,000 figure; firefighters have agreed to a COLA but not a benefit freeze. Exempt staff have already agreed to both. Ms. Mason clarified that to reach the \$481,950 savings level, all city employees have to agree to both COLA pay and benefit freezes; Ms. Brewer concurred.

Ms. Brewer said that staff wanted to give the commission a sense of what may happen in terms of changes with the direction to prepare a budget with \$3.1 million in cuts and then adding back in the levy services, should the levy pass. She noted that this was uncharted territory for Corvallis and the budget may change between now and the end of March. We know there are at least 23 bills introduced that would affect the PERS system, though the impact may not be seen by March 29. The legislature may contemplate something radical with PERS, possibly with more employee pickup or stopping the 6% employee contribution altogether, along with other things that would significantly affect the financial impact. The City still has appeals on tax value pending; staff will report back at the March 29 meeting.

Ms. Brewer said there was a request for information on fire responses to OSU and the hospital; she highlighted a table summarizing the average of three years of calls to Greek houses (which are not on OSU property, and *do* pay property taxes to the City), the OSU campus, adjoining OSU areas, and Good Samaritan Regional Medical Center (the hospital). The table lists the average number of alarms per year and the average number of apparatus responses to those locations. She clarified that if a fire truck and an ambulance appear, for example, that is considered two apparatus responses.

She said there was a request for the lowest salary at Parks and Recreation, so a page of salary ranges is attached. There was a request for information on the kinds of cases that code enforcement has handled; she highlighted a presentation on this that has been given to the Council over the last couple years with a summary of cases by type.

Mark O'Brien asked for the dollar amount associated to providing fire responses to OSU; Ms. Brewer replied that staff had not calculated it. She said it would require going back to each of those calls to see how long responders were there, since there is a big difference in cost between a trash can fire and a major fire or transport to the hospital; she wasn't sure if that could be provided. Mr. O'Brien said the figures lack some context; Ms. Brewer agreed, but said the City don't cost individual calls. Mr. Emery said if we responded to a non-property tax entity out of the district, the City would bill for the response; the minimum fee is \$250 for an engine; that covers staffing of the engine.

Mr. Nelson added that how we provide some General Fund services aren't broken out in the cost manner that was being requested. He said that if he was asking the question, he would be asking that of the 710 responses, what they represent of the total number of calls; and if they are ten percent of the total, he would apply that percentage number to the fire department budget to come up with a number that is associated with non-property tax-paying entities. Mr. O'Brien said that wasn't his intent; he said knowing the number of calls citywide would be helpful. Ms. Brewer highlighted the 22% of the non-ambulance calls during that time period; so with a roughly \$10 million budget, there would be about a \$2.2 million cost. Curtis Wright noted Greek Houses pay property taxes, so when they are taken out of the equation, OSU Campus and OSU Other is 13% and Good Samaritan is 2%, so they alone represent 15%. Ms. Mason said you're comparing against the average total in-city non-ambulance calls; Ms. Brewer explained that ambulance calls are generally billed. An ambulance response where there is no transport is not billed. When a person is transported, there is a bill and revenue generation; the numbers in the table are in essence fire calls.

Dan Brown asked what percentage of billed trips are actually collected; Ms. Brewer replied she'd have to run statistics on it. About 55% of the bill is written off for federal government Medicare and insurance write-offs; that is a fairly standard ratio and is going up. Ms. French asked whether the bill was reflective of fixed costs associated with the service; whether it was market value or a fully loaded bill that includes some charge for the fixed costs of having to have a facility there. Ms. Brewer replied that the bill is market based; we don't calculate the fixed cost of having it there. She related that after the OSU Print Shop fire that lasted four days, OSU politely declined to pay the bill of around \$1 million.

Mr. Beilstein asked if the City's subsidy to OSU for uncompensated fire service is about \$1.5 million per year; Ms. Brewer responded that from a market based standpoint, that is true, but if you roll in fixed costs, it would be higher.

Ms. Brewer highlighted the handout on code enforcement; there were no questions.

Responding to previous questions regarding the number of cell phone costs by staff; she said three different carriers are used, depending on needs and services provided. She said the handout listed a total of under \$50,000 in costs; the majority of cell phones are for police, fire, and other emergency responders; and for field personnel, such as Development Services building inspectors, meter readers, and MIS help desk, where staff are primarily not working from a desk. The bills are carefully monitored by supervisors and the City has a strict policy of work use only.

Mr. Hirsch noted roughly 50% of residents don't have a land line, they only have cell phones. He acknowledged that the fee had previously been defeated by voters, but asked if there *was* a franchise fee paid by cell phone companies, what kind of fee would be collected; Mr. Nelson estimated that it may have been about \$800,000 four years ago, so it could be more like \$1 million now.

Ms. Brewer noted that at the last meeting Mr. Hervey had asked about cafeteria benefits to exempt staff; she highlighted a history of providing exempt benefits. She related Mr. Hervey had asked what would happen if the cafeteria amount was decreased. She highlighted information on the likelihood of people choosing different health plans and equity issues if the benefit was cut in half, with exempt employees having to cover premiums out of pocket. Mr. Nelson added that the Council has said one of its draft goals is to look at compensation policy, which includes benefits. That review will happen this fall, and could be accelerated. Looking at benefits will be an intensive, complicated task. He suggested commissioners share their thoughts with the Council, which will have to set a policy and a new direction for benefits. Benefits are on a calendar year basis now.

Ms. French asked if benefits were also covered under the contract and wage agreements that the City offers as part of a total compensation package; Mr. Nelson replied that that was correct. Biff Traber asked about the timing of contracts; Mr. Nelson replied that once the Council sets a compensation policy that includes the benefits, then the Council can request to reopen the contracts if it chooses.

Mr. Hervey related he had spoken to some union members who felt some unfairness; he said fairness must be applied to both union and exempt staff and suggested the Council should take a longer view and not do so under time pressure. Mr. Nelson said fairness regarding benefits was in the eye of the beholder and the City is negotiating those benefits. He related that one Council discussion regarding fairness was to provide a flat amount of benefit dollars per employee, not based on whether or not they have a partner or a family. Some union members have argued single and two member families are subsidizing larger families. The Council has determined that it was fair and equitable to have each employee valued for the same amount, versus valuing an employee who chooses to have a partner and family more than an individual; however, it gets complex with different insurance choices, together with five different employee groups with different philosophical perspectives.

Rich Carone said he had never before heard this fairness issue that married people get more benefits than single people.

Ms. Brewer said that there was a request to clarify and make the library reduction package #3 a non-iterative package. She explained the library had three packages. Package #1 contained a certain number of cuts; Package #2 contained all of Package #1 plus others; and Package #3 contained all of Packages #1 and #2, plus what is in #3. She said the Library Director was trying to outline what would happen if the levy passes, and if the levy fails, in terms of impacts to services in Package #3. While the first paragraph in the follow-up memo is iterative (what happens if the levy fails), the second paragraph is *not* iterative. She highlighted a summary table of FTE that would be impacted in Package #3. Mr. Traber said the handout addressed his questions well.

Regarding question #9, Ms. Brewer said there was a request for information after the last meeting on the potential impact of retiree costs, brownouts and vehicle reserves. She highlighted the Fire Department package in the order of magnitude list. She highlighted a memo from Fire Chief Roy Emery; along with maps of response areas from each of the different fire stations. Mr. Emery explained the memo sought to clarify information regarding how to get to the “brown out” process for fire stations. The proposal is for a \$200,000 reduction to the fire department. The proposed budget also includes a \$453,000 contribution to the reserve equipment fund. So, if there is a \$200,000 reduction, that would come out of the vehicle reserves contribution, leaving \$253,000 still going to reserves. Mr. O’Brien asked if the vehicle reserves fund would be used to mitigate the retirements; Mr. Emery replied that if there are retirements, then he must take funds from operating savings or contingencies. Mr. O’Brien asked how sustainable it was to take funds from the reserves; Mr. Emery replied that he could not purchase a \$500,000-plus fire truck a year after that. Mr. O’Brien said it sounded as if eventually brownouts were likely; Mr. Emery replied that he could not, in good conscience, close a station when there was money sitting somewhere else; it doesn’t make sense. Ms. French asked if there was regional backup for very large fires; if there was provision for catastrophic failure of equipment to call surrounding areas; Mr. Emery replied that if something was available from a surrounding agency, an agreement could be worked out.

Ms. Mason asked why OSU doesn’t pay the City for fire services; Mr. Nelson related that in the 1980s and 1990s there were repeated attempts over several legislative sessions to get additional

funds for fire services. Eventually, the legislature asked the City to go away, essentially saying that any community would love to have the benefits of having a university and there were too many other pressing needs. He said that the City has negotiated payment in lieu of taxes in support from OSU in the form of Transit contracts; through fee and other contractual arrangements, these total about \$400,000.

Mr. O'Brien said the City provides prime coverage of OSU with Fire Station #2; given the potential for a brown-out, he suggested re-approaching OSU. Mr. Nelson replied the City went after that for about twelve years; that would be a hard sell in this economic climate. He noted that the package of \$200,000 in cuts by Chief Emery was not Emery's choice; it was part of the order of magnitude cuts to services that the City Manager had requested; all department heads were equally distraught about the impacts. Mr. Nelson said it is not Mr. Emery's professional recommendation to brown out the station. The vehicle reserves are always carried on the matrix as an option, along with retiree costs and brownouts. He related that Mr. Emery was asked at the last meeting about the mechanics of how a brown-out would occur; we're a ways from a brownout and hopefully from a station closure. We'd work through equipment reserves first before we would come back to suggest a brownout; we could also consider the City's general fund contingencies, as well, or look at other revenue sources.

Mr. O'Brien said there was a significant jeopardy to the Fire Department's ability to provide for its vehicle replacement and the Council and the Budget Commission would be wise to find additional funds to backfill the \$200,000 for the Fire Department. Mr. Nelson replied that when the commission gives staff direction, it could state what it would like to put on the table in place of it.

Ms. Mason said providing fire coverage for OSU's historic district may change the City's leverage with OSU. Ms. Butcher stated that OSU contributes a lot to the community; you have to look at the larger picture; this doesn't seem like a productive tangent. Mr. Traber said going back into detailed negotiations with OSU now didn't seem productive. He highlighted the City Council goal to look at alternative revenue sources; one of the purposes of that is to look at how to fairly compensate the City for services it provides.

Mr. Hervey asked about changes in PERS; he noted that last time such changes were proposed, many 509J teachers retired. Ms. Brewer said she expected a mass exodus in March due to concerns about coming changes; many people who can retire will do so. People close to retiring are having serious discussions about whether they should go.

Ms. Brewer highlighted an update in the packet regarding the reduction possibilities matrix that was presented several meetings ago. This was updated based on Council discussion of what's on the levy. She highlighted Section A, which includes the services in the levy; totaling \$1,790,000. They will not be included in the proposed budget and would be added back in should the levy pass. Items in Section B include the balance of the list from the City Manager's Nov. 18 memo that set forth an order of magnitude of cuts, given the projected negative \$3.1 million balance. She clarified that these items had not been cut from the budget yet, but staff sought direction from the commission. Items in section C are packages that are not in the City Manager's order of magnitude cuts. She noted that department heads were directed to make significant packages of

cuts for the FY 11-12 budget, since there are not a lot of nickel and dime cuts left in departments. Ms. Schreck asked about City Managers Office expenses under C; Ms. Brewer replied it includes the City's memberships in League of Governments; she noted the Council had cut Council meals.

Ms. Butcher said the original Nov. 18 memo from the City Manager had an \$180,000 item called Unidentified under Social Services; Ms. Brewer said it was a hole that will still need to be filled; to address that would require pulling something out of C and doing a different package to get to that number. Ms. Brewer suggested giving staff direction.

Mr. Beilstein said his understanding of the Reduction Possibilities Matrix was that Section A list cuts would definitely not be included in the Proposed Budget, but would be put back if the \$1.79 million levy passes. Section B contains other cuts which were identified in the Order of Magnitude package, totaling \$1,117,300. To reach the \$3.1 million point, if we give instructions to staff now to go with the Order of Magnitude cuts, we include everything in Sections A and B and identify an additional \$100,000 in cuts in Section C; he summarized that that was what he saw was the task of the Commission. Ms. Brewer replied the Commission could direct the Manager to come back with a proposed budget that is balanced; he would go through everything on Sections B and C and cut what is necessary to come up with a balanced budget. Alternatively, the Commission can ask him not to include specific items as part of cuts. Mr. Beilstein said he would be happy with that approach; to accept Section A cuts and then leave it to the Manager to produce a balanced budget. Ms. Schreck said the Commission had a lot of things to consider before that.

Mr. Traber asked for information about the City Manager Office cuts; Ms. Brewer noted that \$400,000 in the CM budget would only equate to roughly \$200,000 on the list; as an internal service, those costs are allocated across all funds. While you can cut the League of Oregon Cities membership of \$40,000 a year, that may only translate to \$20,000 paid by property taxes; the remaining \$20,000 is paid by other funds. Mr. Traber stated that if the budget reduction package cuts everything on the list on the September 30 memo, discretionary items on the CM budget is about \$49,000. Ms. Brewer said there were two CMO items on the Section B list: videotaping meetings and the City Newsletter. She said the last item, #33, in Section C, cuts \$104,000 off the Council's list without anything necessarily being targeted. Mr. Nelson said staff could go back and look at notes to try to match up specific items with specific costs to reach the \$104,900; Ms. Schreck said that would be helpful.

Mr. O'Brien asked if the difference between the \$49,300 and the \$104,900 was a net positive for the departments paying those costs; Ms. Brewer replied that it would be a reduction in internal services charges for other funds.

Ms. Mason said that in the police presentation last week, the Police Chief said there was criticism regarding the number of supervisors; one of the reasons for that was due to the accreditation. While he discussed the advantages of accreditation, it seemed like the City didn't derive as many advantages as it might, due to police policy of not using accreditation status to draw officers from other areas who are already trained, which therefore might help retention rates. She said she would like to see what it would save to stop the accreditation program and cut

the supervisor position used to keep track of the records required by national accreditation; Mr. Nelson said that this is what staff asked in terms of the commission giving direction on other packages that weren't on the order of magnitude. He said if commissioners give direction to develop that information, staff can get information to develop a package on this for next week. Ms. Schreck polled members; only six members indicated interest.

Mr. Nelson said he understood from last week's presentation that the hard costs for accreditation are \$10,000 to \$15,000; a lieutenant spends between quarter to half time ensuring accreditation files were appropriately kept; he estimated \$10,000 plus quarter time was probably less than \$40,000. Ms. Schreck summarized that the majority appeared to not be interested in staff generating that information.

Ms. Butcher asked whether the Section C order of magnitude package would result in cuts or increases to materials; Mr. Nelson clarified that the library packages as brought forward were on top of each other in terms of priority; package #3 was \$1.3 million. The Council and the Commission decided to take the first two packages of about \$960,000 and put them in the levy; so they are either in or out depending on whether the levy passes. Separately, there is another \$300,000 in a third package that he did not include in his Section B reductions; theoretically, they could be discussed as adding them as direct cuts. He noted they were prioritized by the library board and the Library Director by virtue of packages building on each other. Ms. Schreck said the library board had provided testimony saying it understood the City's predicament and could see package A, but not package B and certainly not package C. She said she wasn't sure how the public would react knowing that if they passed the levy, something else would be reduced anyway. Mr. O'Brien said that he was hearing that the Commission should have saved packages three and two, instead of packages one and two; Ms. Schreck disagreed.

Mr. Beilstein said he was concerned about communication cuts in the CMO budget; videotaping meetings and the newsletter. He noted there had been discussion of some savings from a less frequent (bimonthly) newsletter; he asked whether the listed \$18,000 was for eliminating the newsletter or whether it was a partial cut. Mr. Nelson replied that at a previous meeting, staff talked about not necessarily just going to a once every two months newsletter, but instead exploring monthly electronic versions that cost less. Mr. Beilstein asked about videotaping meetings; Ms. Schreck said the packet goes over details. Mr. Beilstein asked whether the Commission needed to give direction on maintaining communications; Ms. Schreck said that is something that the Commission would have to give direction.

Ms. Schreck asked about the difference between Commission deliberations and direction. When the Commission comes back on February 10th it'll have to be ready to coordinate opinions in front of the public and staff. Mr. Nelson replied that in May, after a formal public hearing, the Commission will make a formal recommendation to the Council on the budget. As has been the tradition, staff are asking the Budget Commission for preliminary direction for what to include, or not include, before going to work to develop a budget to consider in May. We have a \$3.1 million reduction projected, with a \$1.7 million levy in that package. The commission can come to that additional reductions discussion and preliminary direction next week, or turn it over to the City Manager to develop a budget. The real hard decisions happen in May.

Ms. Schreck said that the March 29 meeting is an update on a number of things that will happen between February 10 and March 29. Mr. Nelson said it will include financial plans and projections. Mr. Brauner said now we are giving suggestions to the Manager; we're coming up with directions, but the budget does not have to balance to zero. In March, we're getting an update; it's an informational meeting on meeting those suggestions. We don't have to deliberate until May, and it is probably better that we not give specific, hard directions on balancing the budget, since things will change. Mr. Nelson added that the long budget process was designed to allow for public feedback and Budget Commission direction on the product.

Mr. Beilstein said it was his opinion that the matrix's Section A cuts were guaranteed to be in the budget, along with most of Section B, and was satisfied instructing the Manager choose the remaining cuts from Section C to balance the budget and said that if there was a second, the Commission could vote on it. Chair Schreck replied that that was out of order because the Commission had decided not to deliberate tonight; the Commission got testimony from the public tonight that must be considered. She said the Commission would come back on February 10 and do motions then to give direction. Mr. Brown thanked staff for the information they'd brought the Commission. Ms. Schreck encouraged members to ask questions of staff between now and the next meeting.

Jack Davis asked whether the Commission could get an update on February 10 on financial plans regarding whether there is any financial flexibility in the restricted reserves (there's \$2 million there) and FY11-12 fiscal projections. Mr. Nelson replied he's been trying to avoid making a whole series of adjustments; Ms. Schreck said the Commission should do that on March 29.

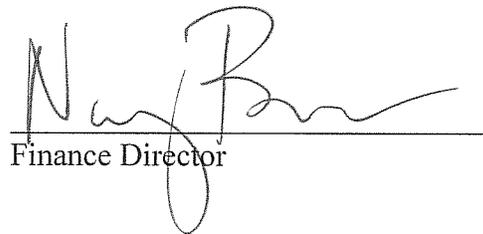
Ms. Schreck noted the next meeting would be held at the Downtown Fire station on Feb. 10.

III. ADJOURNMENT

The meeting was adjourned at 8:44 p.m.

Respectfully Submitted:


Budget Commission Chair


Finance Director