MINTUES OF AN ADJOURNED MEETING
OF THE NEWBERG BUDGET COMMITTEE
FISCAL YEAR 1986-1987

Wednesday, 7:30 p.m. Council Chambers April 30, 1986

The meeting was called to order by Chairman Hal Grobey at 7:30 p.m.

Present:	Roger Gano, Council	Joe Brugato, Citizen
	Hal Grobey, Council	Aaron Corum, Citizen (at 8:10 p.m.)
	Alan Halstead, Council	Lee Hall, Citizen
	Donna Proctor, Council	Marty McIntosh, Citizen
	Quentin Probst,Council	Rick Rementeria, Citizen
	Joe Young, Council	Lyle Wilson, Citizen

Others Present:
Mike Warren, Budget Officer
Brenda Stroud, Finance Director
Doug Richmond, Asst. Finance Director
Rick Faus, City Attorney
Arvilla Page, City Recorder
Elvern Hall, Mayor

Also present were 7 others comprised of members of the City Staff and interested citizens.

Minutes of the meetings of April 22 and April 23 were reviewed. Several areas were questioned. The City Recorder was asked to review the taped recording and bring any corrections to the meeting of the Committee on May 1.

Ms. Stroud distributed corrected pages for the proposed budget.

Motion: Halstead-Rementeria to remove the City Building section of the General Fund from the table. Carried unanimously.

Motion: Gano-McIntosh to approve the City Building Section of the General Fund. Carried unanimously.

Motion: Gano-Proctor to approve the Transfer Section of the General Fund.

Mr. Brugato stated he was concerned about all contingencies as shown in this section.

Mr. Warren explained contingencies or carry over balances with an example projecting a negative balance of $145,000 by 1988. He stated that we cannot cut the carry over without cutting services. The police and fire would be the only places that could be cut.

Jim Burke, consultant from Pacific Economica, stated he has done no work on the City's General Fund, but is very familiar with it while checking the fiscal health of the City. He has used the same type of projection as Mr. Warren has just done. The Committee should only focus on the Contingency in the respect as to how much it has gone up or has gone down.

Mr. McIntosh asked Mr. Warren when we would have to go for a tax levy if money is given back. Mr. Warren responded that a levy would be required in 1987-88 or we would have to lessen service by $257,000.

Mr. Brugato asked for addtional explanation of the figures used in Mr. Warren's example. Mr. Warren and Ms. Stroud provided further explanation.

Mr. Brugato asked to table the motion to approve this section of the General Fund until another meeting as cost-of-living increases are not included in the figures.

Mr. Warren explained the management strategy used relating to pay increases. Discussion is handled in Executive Sessions of the Council.

Mr. McIntosh stated he believed a matter such as pay increases should be handled by management as before.

Mr. Brugato stated there are too many changes in the General Fund. We need to have all the "ifs" before us. The City needs to reduce taxes.

Mr. Rementeria asked Mr. Brugato what he had in mind. Mr. Brugato responded that he was more concerned about the carry over for 1987 and stated we must return some of the money to the people.

Mr. Rementeria said that if we give back these monies now, we will force a tax election or a service cut. Mr. Brugato responed that we have carry over funds all over the place.

Mr. Warren noted that the City taxes are dropping $.40 per thousand and questioned whether the City should try to correct the whole high property tax situation. With the action proposed by Mr. Brugato, there would either be a tax levy election or a service cut.

Mr. Young stated it would be presumptious in include some amount for cost of living increases. It might or might not be needed.

Mr. Grobey noted that a number included in the budget for pay increases removes options for negotiation from management.

Mr. Gano asked whether the City should reduce the tax rate because the voters have approved tax increases for other services. The City's tax rate is going down.

<u>Vote on montion</u> to approve the Transfer Section of the General Fund. Carried with one nay, Brugato.

Motion: Gano-McIntosh to approve the Revenue Projections for the General Fund.

Ms. Stroud explained any changes from those previously presented to the Committee.

Mr. Gano asked whether there has been any discussion of fees for ambulance dispatch. This would be a revenue under Transfer Fees. He stated he believes the Finance Committee should review this as a potential source of revenue. The ambulance is dispatched about 600 times per year.

Vote on motion to approve the Revenue Projections for the General Fund. Carried unanimously.

Mr. Brugato asked Mr. Burke to explain his statement that the $999,000 in the Sewage Treatment Plant Building Fund is an illusion. Mr. Burke gave an example of the working of reserve funds. He stated that it is not money to spend, but is used to maintain a constant level of services. The illusion is that it will lower costs. The reality is pain tomorrow.

Mr. Young pointed out that planning will avoid paying interest costs and the investment of the reserves generates income that is a benefit to the citizens.

Mr. Corum asked Mr. Burke if the City had been on this finance system, would we have had to go for a bond issue? Mr. Burke responded that the bond issue would not have had to be so large and the maintenance on the treatment plant would not have been deferred. Mr. Corum stated he would rather pay as you go.

Mr. Brugato stated the policies are not bad, but the times are bad. He asked whether anybody is concerned about the bankrupt people. If we continue as we are doing, then we have four ways of taking money from the people. Number one is taxation, number two is water and sewer rates, three is user rates and the fourth is we are charging fees for running sewer line, water lines, etc. We have one of the highest tax rates in Oregon, we have one of the highest water and sewer fees in Oregon, we have one of the highest hook up fees in Oregon and that fourth is one of the highest in the state of Oregon.

Mr. Burke responded that the residents are the owners of the water and sewer system. Each of them has an equity. They wouldn't want to share their equity with outsiders.

Ms. Stroud noted that Mr. Burke has prepared a comparison chart of utility rates for 18 cities in Oregon. Our monthly water rate is lower than 17 on water in cities form 9,000 to 15,000 population.

Copies of the report were distributed and the Committee made comparisons between Newberg and other cities.

Mr. Burke stated the real question is whether Newberg is setting aside enough money for future needs. Industry will be looking at the ability of a city to provide continuing service as a primary consideration.

Motion: Gano-Proctor to approve the Water Fund.

Ms. Stroud distributed updated pages and explained the changes.

Mr. Brugato stated he wished to amend the motion and delete the Water Systems Development Fund in its entirety, do not transfer those funds, instruct staff to come up with all possibilities to reduce taxes and reduce debt as much as possible, because the policies have to be changed at this time.

There was no second to Mr. Brugato's motion to amend.

Mr. Halstead stated he would like to take issue to Mr. Brugato's recommendation. The developers paid that money to improve and increase the system. We cannot use it for operation or for rates. The cost to serve studies came up with the projections of how much we would have to raise the rates each year so that we would not have to go back to the people for expansion and replacement. We are lucky the rates are as low as they are. They should be increased so we don't have to go out for bonds again. Newberg's economy is not dead. Industry has not come in the past because we could not provide the sewer service. We are setting aside the system development charges for the use they were designed for.

Mr. Brugato stated that it has been alluded to that we cannot give back the funds because the developers will sue us. He stated he has attorneys looking into this matter.

Mr. Rementeria noted that the economy of Newberg is not as bad as Mr. Brugato implies. Bank deposits have risen 5% in the past year, building permits are rising, and salaries are roughly the same as the four highest counties in the state.

Mr. Warren explained the three parts of the Water Fund as they relate to each other. He asked the City Attorney whether Deveopment Charges can be used elsewhere.

Mr. Faus responded that the charges can be used to construct or enlarge the system they were collected for. He cited Oregon Case Law on the subject. The use is defined as to restore capital capacity taken away by development.

Members of the Committee continued the discussion of the System Development funds, their accounting, purpose and use. The City Planner, Clay Moorhead, distributed copies of a section of the

1985 Water System Master Plan indicating needed improvements and the timing of the improvements. Mike Rader, Water Plant Superintendent described the deficiencies that now exist, especially in the summer. The plant is at capacity in the summer.

Question was called for.

Vote on motion to approve the Water Fund. Carries with one Nay, Brugato.

Meeting adjourned at 10:05 p.m.

Arvilla Page

Arvilla Page, City Recorder

Attest

Roger Gano

Roger Gano, Secretary