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

Tuesday, 7:30 p.m. Council Chambers April 22, 1986

The meeting was called to order by Chairman Hal Grobey at 7:50 p.m.

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| 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 | |

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

Also present were 13 others comprised of members of the City Staff, interested citizens and one member of the press.

Chairman Grobey stated the order of business is to move ahead on the water and sewer funds as the consultant, Jim Burke, will not be able to attend the next meeting on April 23.

The minutes of the meeting on April 16, 1986 were reviewed. Questions were voiced by Mr. Brugato in three places and Mr. Rementeria in one place. The Recorder was instructed to check the taped recordings and bring back corrections to the meeting on April 23.

Mr. Brugato noted that an additional correction was needed on the second page of "Statement of Fund Changes". The number of restricted funds is three instead of two.

The Committee then proceeded with the review of the sewer funds; Sanitary Sewer Fund, Sewer Replacement Reserve Fund, and Sewer Systems Development Fund.

Ms. Stroud distributed corrected Page #1, for the Sewer Fund and provided corrected totals for page 4, 5, 29 and 30.

Motion: Gano-McIntosh to adopt the Sanitary Sewer Fund.

Mr. Warren described the reasons and functions for the three funds. Sanitary Sewer, Sewer Replacement Reserve and Sewer Systems Development. He identified the sources of revenue for each of the funds and explained the transfers between the funds.

Mr. McIntosh asked the Finance Director what the interest rate is on the sewer bonds. She responded that the rate is around 9.4% and they have a 1992 call date. She explained the option to call some of the bonds and noted that it would be expensive to buy the bonds on the open market. We can't call the bonds before 1992.

Mr. Rementeria recommended that the Committee consider all three sewer funds before acting on any one. After discussion of this recommendation by the Committee, Mr. Gano moved that the motion on the floor be amended to adopt all three funds in one motion. There was no second to the motion.

Chairman Grobey stated the Committee could discuss the three related funds at this time and then deal with the funds separately in the mode of the motion on the floor. The Committee then began discussion of the three related sewer funds.

Mr. Brugato asked for clarification of the location of the $999,000 used as start up money for the sewage treatment plant.

Mr. Warren stated the STP Building Fund shows an estimated $19,000,000. 12 million of that is the EPA grant, 9 million in bond revenues with 2 million in reserve, and it also shows 1.8 million. In that 1.8 is the $999,000. Interest has accrued on the $999,000. There are several options on what to do with this money. We could turn back to the people this money along with the 2 million we do not expect to need from the bond revenues.

Ms. Stroud explained that the $999,000 was collected over a number of years in Sewer Development Charges. This was used for the preliminary costs for the STP such as land acquisition, consultants and preliminary engineering. These are costs that are not reimbursable by EPA. The use of these funds is restricted to improvement and expansion of the plant or to upsizing the collector system. The bond moneys can only be used to pay debt or for capital improvements directly related to the STP project.

Mr. Rementeria asked whether the bond revenues or the $999,000 could be used to lower rates. Ms. Stroud responded that it could not be done directly. It would not be prudent to use excess bond monies to service one year's debt payments.

Jim Burke, Pacific Economica, stated the $999,000 is really an illusion. It is just money that has not been designated to a specific project yet. It should be used for the purpose for which it was originally designated, improvements of the system.

Greg DiLoreto, Public Works Director, pointed out that the DEQ has given us until October, 1988 to eliminate our infiltration and inflow problems. He described the needed projects and their costs.

Mr. Rementeria asked whether part of it could be used in the Sewer Systems Development and part in Debt Service. Ms. Stroud stated it could be used to increase the amount available for advance refunding and reduce the debt for several years instead of just one. She stated her recommendation would be to not funnel it to the Debt Service Fund but to use it for advance refunding, if that is desired by the Committee.

Mr. DiLoreto described the problems with marketing the Werth property at the corner of Springbrook and 99W. The property is designated for industrial development, but it can not be developed as industrial property without providing much better water and sewer to the parcel.

Mr. Young asked Mr. Rementeria what the split should be if the $999,000 is used in several ways. Mr. Rementeria responded that he did not have a preference.

Mr. Brugato asked that the source of the $999,000 be explained again. Ms. Stroud stated that it was the accumulation of Systems Development Charges charged for new sewer services over a number of years.

Mr. Brugato stated that we have a four tier taxation system. We are talking about sewer and also the water. We have much more money than we can literally return to the people. He stated he did not understand people saying it was there, but no it is not. It is there. Once government gets the money, they do not want to return it to the people. We are being taxed on real property for sewer and water. We are being taxed for user fees. We are being taxed for hook up fees. The fourth one, basically it is a little strong in saying that it is extortion, but it is what city staff has been doing in getting additional contingency cost out of the developer fee. He gave an example of a four-plex where, when they tried to bring it on line recently, they were extorted well over $10,000. Extortion may be a little bit strong, but it is pressures that are demanded of the developer to increase a water line. With the taxation we have been doing, the people are bleeding out there. We have to give every relief that we can. He stated he was in favor of getting rid of most of our contingencies and giving them some relief now. Because, if we are talking about 16 years down the road the patient may not be alive then; if we continue to have one of the highest tax assessments in the state; if we continue to have the highest user fees in the state; if we continue to have the highest hook up fees in the state. There is no end to it.

Mr. Rementeria stated that Mr. Brugato had made some very strong accusations and the City Staff should have an opportunity to address them. Mayor Hall agreed that the statements were very strong and very much out of order.

Mr. Corum stated that part of the problem in the past, and the reason we had to go out for the bonds, was because we did not have enough oversizing in the past. It is about time that the staff is planning for down the road. Mr. Brugato's recommendation would help us out for a year or two, but then we would be back in the same boat. We are responsible for this year, but we are also responsible for future years. We could have saved tax money with better planning in the past.

Mr. Grobey stated he has been involved in City government for a number of years. Taxes and rates were kept artificially low. He asked Mr. Burke if he had any comments on the four-plex referenced by Mr. Bugato.

Mr. Burke stated that Newberg's rates are very comparable with other cities of similar size. The sewage treatment plant is costing more because we are having to pay interest on borrowed money to build it. Good financial planning will save money in the future. The City has made an agreement with state and federal that they will comply with the improvements they require. He stated he has conducted many surveys of other cities' rates and connection charges. Newberg is not the highest.

Mr. DiLoreto stated he had also done a comparison survey with the same findings.

Mr. Brugato responded that builders have told him it costs $3,000 for water and sewer connection. What is bad is the economy in Newberg. He asked Mr. DiLoreto if that is accurate. Mr. DiLoreto responded that it is about that amount. Part of the cost is based on actual expense. If the connection were across a street, the cost would be more. It could cost less than $3,000.

Mr. Brugato stated that what the Council has done in the past is not bad. What is really bad is the economy in Newberg. The county tax base, if it passes will increase our taxes $1.21. The county communication will increase the tax about $.22. The Newberg school district tax base could increase taxes $1.66 for a total of $3.91 tax increases. That is not all the bad news. Our assessed value in this county will go down 5%. That is going to be $1.16. The last thing is Publishers. Publishers is looking at a group of attorneys coming in to challenge their assessed valuation, which could cost us another $2.00.

Mr. Rementeria stated that Mr. Brugato is saying the development charges are so high that the developer cannot pay it, but if the developer does not pay it, which is partly actual cost, who is to

pay it? The taxpayer? Should the carry-over funds subsidize developers?

Mr. Gano stated he believed Mr. Brugato has made some brash, libelous, political statements this evening regarding our City Staff and then he has calmly gotten away from that topic and acted as if he didn't say them. It was heard by everyone in this audience. Mr. Gano asked for an immediate public apology to the City Staff and he also called for the question on the floor.

Mr. Brugato asked that Mr. Gano repeat the libelous statements. Chairman Grobey asked why Mr. Gano should repeat the statements when all had heard them.

There was discussion between Mr. Gano and Mr. Brugato regarding what Mr. Gano was referring to. Mr. Gano pointed out that Mr. Brugato had listed a fourth level of taxation - extortion by City Staff.

Mr. Brugato stated that he had not been able to think of a better word and he would apologize for that. The City Staff is causing the developer not to develop as he would like.

Chairman Grobey interrupted stating that is not correct because the City Staff is not causing these things. The City Staff carries out the policies of the Council. Any blame must be placed on the Council.

Mr. Burke interjected that a good many of the policies that the Council has made were on his recommendation. He said he would take objection to Mr. Brugato's innuendo that modest reserve funds is misuse of the tax payers money. The reasons those reserves are there is because we have to maintain a critical margin to manage the reality of fluctuations in the economy. There are no fund margins in the proposed water and sewer budgets that are large enough to give any comfort. We have to start somewhere. The funds earn interest and the only additional charge to the customers is the amount added each year.

Mr. Young asked Mr. Brugato whether this builder that is complaining has to pay other cities for the extra cost of digging the sewer across the street in addition to his hook up fees. Mr. Brugato responded that his understanding would be that he does not.

Mr. Burke described the policies of other cities that he has surveyed. Other cities do charge for extra cost of connections.

Mr. Young stated he would like to <u>amend the motion on the floor</u> to approve all three of the sewer funds (Sanitary Sewer, Sewer Replacement Reserve and Sewer Systems Development). The motion was seconded by Mr. Probst.

Mr. Young stated he would also like to recommend repayment of the Systems Development Charges of $999,000 that was used for preliminary costs on the new treatment plant.

Ms. Stroud stated the question on the $999,000 does not have to be acted upon by the Budget Committee. It can be transferred by the Council.

Mr. Warren commented that he believes Mr. Brugato's intent is to address the economy. However, there is only one level of taxation. You can lower one, but increase another. There was a lot of discussion at the staff level on the $999,000 when we prepared the budget. Different options were discussed. We decided to let the political body determine what should be done with it.

Mr. Brugato stated he had no beef with the City Staff, they are outstanding. It is the policy he is upset with. He is just quoting the builders. He stated the figures he has used are actual figures. The things done in the past were good in them selves, but who would have thought when these were done in 1981 that the economy would stay so bad so long. He stated he did not want to hurt peoples feelings, but people are talking to him daily. We have complaints, we are concerned and we want relief. He stated he is really more concerned with the water fund where we have reserves and do not have the legal restraints.

Mr. Halstead stated he has been making these tough decisions for 8 years. The process of these reserves actually started 7 years ago. At that time there was a water rate increase. The justification for it was, "Mac raised theirs, we can raise ours". We said, "That doesn't make sense. We want to know why our fees are what they are." We implemented the study to find the answers. The carry over funds here are not a result of what staff has done as much as the tough decisions the Council had to make.

Mr. Gano called for the question on the motion on the floor. Amendment on the main motion carried with 3 nays. Rementeria, Brugato, Gano.

Main motion as amended carried with 1 nay. Brugato.

Motion: Young-Probst to adjourn to Wednesday, April 23, 1986 at 7:30 p.m. carried unanimously.

Arvilla Page

Arvilla Page, City Recorder

Attest:

Roger Gano

Roger Gano, Secretary