

Tuesday, 7:30 p.m.

April 14, 1987

MINUTES OF A MEETING
OF THE BUDGET COMMITTEE

Council Chambers

Newberg, Oregon

The meeting was called to order by Mayor Elvern Hall.

ROLL CALL:

Council Members

Citizens

Present -

Roger Gano
Harold Grobey
Quentin Probst
Donna Proctor
Marily Rementería
Tommy Tucker
Joe Young

Joe Brugato
Aaron Corum
Lee Hall
Fred LaBonte
Martin McIntosh
Richard Rementería
Wingert Walker
Lyle Wilson

Absent - Alan Halstead

Staff Present: Elvern Hall, Manager Pro Tem and Budget Officer
Brenda Stroud, Finance Director
Doug Richmond, Asst. Finance Director
Terrence Mahr, City Attorney
Arvilla Page, City Recorder
Elmer Christensen, Fire Chief
Clay Moorhead, Planning Director
Doreen Turpen, Library Director

Others Present: Five (5) citizens and one (1) member of the Press.

Mayor Hall stated the first order of business for the Committee was to elect a Chair and Secretary. He then called for nominations for the position of Chair.

Motion: Gano-LaBonte to nominate Harold Grobey as Chair.

Motion: Gano-LaBonte that the nominations be closed and Harold Grobey be elected by acclamation. Carried unanimously.

Mr. Grobey then assumed the Chair and called for nominations for Secretary.

Motion: Gano-Young to nominate Donna Proctor as Secretary.

Motion: R. Rementería-Tucker that the nominations be closed and Donna Proctor be elected by acclamation. Carried unanimously.

Manager Pro Tem and Budget Officer Elvern Hall then gave the Budget Message. A copy of the Budget Message is made a part of these minutes as Exhibit I.

Motion: Gano-Probst to consider adjournment at 9:30 p.m. Carried unanimously.

The Committee then began review of the proposed budget for Fiscal Year 1987-1988.

GENERAL FUND:

Revenue:

The Budget Officer pointed out items of revenue that have increased and decreased from the previous year.

The Finance Director called attention to increased transfers. She noted the transfers from Federal and State revenue sharing will not be available next year. These transfers represent accumulations from prior receipts. Federal Revenue Sharing no longer exists and the State Revenue Sharing receipt will be less than this transfer.

Councilor Young questioned the reduced revenue projection for building permits. The Finance Director responded that the current revenues are not coming in as projected for 1986-87.

Mr. LaBonte asked what status date was used for projecting the 1986-87 estimated total revenues. The Finance Director responded this projection was made of the status of revenues a few weeks ago.

Councilor Young noted there was an error in the figure for Projected FYE 6-30-87, Franchises, N.W. Natural Gas. The Finance Director stated the correct figure should be \$36,029.

Motion: Tucker-Corum to approve the Revenue projections. Carried unanimously.

Expenditures

Non Departmental:

The Committee discussed the cost of insurance included in this portion of the budget. The Budget Officer said the cost was estimated at a conservative high as the market is still unsettled.

Motion: Young-LaBonte to approve the Non Departmental budget. Carried unanimously.

General Government:

Brad Berry, representing Newberg Downtown Association explained their request for funding in the amount of \$10,000. He stated the request is only if NDA retains its current status. They are looking at forming a taxing district (EID) in the downtown area to partially fund NDA.

Mr. Corum noted the Budget Committee had agreed to funding NDA for two years. Now NDA is back requesting funding for a third year. Mr. Berry gave a history of NDA, its funding, and the need for the original commitment for two year funding. He said that if the EID is not formed, the City would not be asked for the allocation.

Councilor Gano asked why NDA should not be a division of the Chamber of Commerce. Mr. Berry responded that, although there are similar functions, business, NDA focuses on the core business area. NDA does not solicit industry, but promotes business in the downtown area.

Mr. LaBonte stated he was concerned that if the City approves the funding it will take away the incentive of others to contribute to NDA. Mr. Berry responded that there will have to be support from the members of NDA or they will not ask for the \$10,000.

Mr. LaBonte asked who at the City would review the request before dispersal. Chairman Grobey responded that the request would be reviewed by the Finance Committee.

Mr. Corum noted that the Chamber is budgeted to receive \$6,000 and noted that NDA needs to get its funding secured.

Motion: Young-R. Rementeria to take out Special Assistance - \$2,500 and Miscellaneous - \$1,500. Rename Newberg Downtown Association - \$10,000 to Miscellaneous - \$10,000.

The Finance Director noted that the Finance Committee has recommended funding for the Centennial which would be included in the Special Assistance or Miscellaneous figures.

Councilor Tucker asked where the budgeting is for waterfront development. The Finance Director responded that it would be in the General Projects item.

Vote on the motion: Carried with three (3) Nay - Brugato, Gano, LaBonte.

Motion: LaBonte-Probst to change Motel Tax to Chamber from \$3,000 to \$2,500. Carried unanimously.

Mr. Brugato stated that he could not vote to approve special area funding.

Motion: Gano-McIntosh to approve the General Government Department budget as revised. Carried with one (1) Nay - Brugato.

Recorder:

Motion: Young-Probst to approve Recorder Department. Carried unanimously.

Mr. LaBonte asked for a description of the health insurance the City carries. The Finance Director described the health insurance the City provides through the League of Oregon Cities. She noted that efforts are being made by the League to provide alternate and less expensive insurance.

Municipal Court:

The cost for Court Appointed Attorneys was discussed. The City Attorney noted that the City is getting a bargain now with its limits of \$75 and \$150. However, some attorneys are refusing to take cases. We have to pay appointed attorneys or stop operating the Court. He noted we could send these to District Court, however, we would then be liable for the expense of officers traveling to McMinnville and their overtime pay.

Motion: Gano-Corum to approve the Municipal Court budget. Carried with two (2) Nay - Brugato, Young.

Administration:

Motion: McIntosh-M. Rementeria to approve Administration. Carried unanimously.

Finance:

Motion: Gano-Proctor to approve Finance. Carried with one (1) Nay - Brugato.

Legal:

Motion: M. Rementeria-R. Rementeria to approve Legal. Carried unanimously.

Planning:

Motion: McIntosh-Corum to approve Planning.

Councilor Proctor questioned the increase in materials and supplies. The Finance Director explained purchase procedures and cost allocation amongst the departments. Councilor Young questioned the postage increase. The Planning Director explained that these increases are directly attributable to the Comprehensive Plan Revision. Postage will

increase because of the decision to notify property owners directly rather than by publication when their property will be affected by the review process.

Several members of the Committee made favorable comments on the work being done by the Planning Department under Mr. Moorheads direction.

Vote on motion: Carried unanimously.

Police:

Motion: Gano-McIntosh to approve Police. Carried unanimously.

Several members of the Committee made favorable comments about the Police Department.

Fire:

Motion: R. Rementeria-McIntosh to approve Fire. Carried unanimously.

Several members of the Committee made comments about the monetary value of the volunteer firemen to the City and the good management by Chief Christensen.

Building:

Motion: Gano-Corum to approve Building Inspection. Carried unanimously.

Councilor Young stated he was concerned about the increase in expense in the Building Department with a decrease in revenue projected. The Budget Officer responded that if building activity changes a supplemental budget would be done.

Engineering:

Motion: Young-Gano to approve Engineering. Carried unanimously.

Building Maintenance:

Motion: Gano-McIntosh to approve Building Maintenance.

The Budget Officer explained changes in the budget from the current year and listed the larger planned expenditures.

Vote on the motion: Carried unanimously.

Street Lighting:

Motion: M. Rementeria-Corum to approve Street Lighting. Carried unanimously.

Municipal Garage:

Motion: Young-Gano to approve Municipal Garage.

Councilor Young suggested there might be a benefit to contracting out garage services. The Committee discussed several alternatives to maintaining the Municipal Garage and the advantages and disadvantages of each alternative.

Motion Amendment: Young-Gano that the Finance Director investigate contracting garage services. Carried unanimously.

Vote on amended motion: Carried with one (1) Nay - Brugato.

Library:

Motion: Gano-McIntosh to approve Library.

The Library Director explained the increase in the Library budget. Committee members asked a number of questions about circulation, inventory of books, services offered and residency of patrons. Councilor Tucker questioned the postage cost increase and the Library Director indicated this was for increased effort on delinquencies.

Mr. Brugato stated the library has to go to a regional area for support. The City is bearing all the cost now and the administration should not approve larger increases in the library budget.

Vote on motion: Carried with one (1) Nay - Brugato.

Motion: Gano-Proctor to adjourn after consideration of the Social Services section. Carried unanimously.

Social Services:

Motion: Young-McIntosh to approve Social Services. Carried unanimously.

Motion: Gano-Probst to adjourn to Tuesday, April 21, 1987 at 7:30 p.m. in the Council Chambers. Carried unanimously.



Donna Proctor - Secretary

MEMO

TO: Budget Committee DATE: April 10, 1987
FROM: City of Newberg Budget Officer
SUBJECT: Budget Message

Presented herewith is the City of Newberg budget for fiscal year 1987-88. This budget maintains essentially the same level of public service for the community as in prior years, while at the same time providing and planning for the community's high level of livability both now and in the future.

The budget was prepared using the above goals as a guideline. As a result, the City of Newberg 1987-88 budget contains the following highlights:

TAX LEVIES AND RATES

The tax rate for fiscal year 1987-88 is projected at \$7.39, an increase of only \$.01 over the prior fiscal year. While the constitutional increase of six percent is included in the general operating levy for an increase of \$.32, it is offset by a decrease of \$.31 in the debt service levy, brought about by the advance refunding of the sewer bonds in December, 1986. The respective tax rates are detailed in the table below:

	1987-88	PROJECTED 1987-88	1986-87
	<u>TAX DOLLARS</u>	<u>TAX RATE</u>	<u>TAX RATE</u>
General Levy	\$1,422,595	\$5.58	\$5.26
Debt Service Levy	<u>461,492</u>	<u>1.81</u>	<u>2.12</u>
TOTAL	\$1,884,087	\$7.39	\$7.38

These projected tax rates are based on the prior year's actual assessed valuation, and any increase in the assessed valuation would result in a decrease in the projected tax rates for fiscal year 1987-88.

Use Of The \$499,281 - The budget committee stated last year that it wished to use these monies to keep the tax rate as low as possible. One hundred thousand dollars was used last year for this purpose. Continuing with this policy, \$160,000 is proposed to be utilized this year. Additionally, \$147,134 is proposed to be used to keep the sewer fund's debt service transfer low so that the sewer rate increase required in May, 1987 will be as low as possible.

Memo to Budget Committee
RE: Budget Message

FUND INDEPENDENCE

As in prior years, each fund is self balancing. This means that the operating funds such as general, state tax street, sewer and water funds are paying for their operational costs through their own revenue sources.

DEPRECIATION/REPLACEMENT COSTS

Funding of depreciation/replacement costs for both the sewer and water plants for the past three years have been based on the cost to serve study prepared in fiscal year 1983-84. Funding for these costs are to be phased in over a ten-year period whereby the amount funded increases each year for ten years and then levels off for the remaining estimated life of the sewer and water plants.

Sewer Fund - The City continues to fund replacement costs for the sewer plant in accordance with the cost to serve study and with the conditions set forth in the 75% EPA grant award.

Water Fund - Funding for the replacement costs for the water plant have been suspended for one year. The level of funding set forth in the cost to serve study for fiscal year 1987-88 would require an additional \$2.00 increase in bi-monthly water rates over the increase discussed under the sewer and water funds.

FEDERAL AND STATE ASSISTANCE

Federal Revenue Sharing - This source of revenue, which has contributed over \$300,000 per year in prior fiscal years, is now a thing of the past. The City has saved approximately \$150,000 of federal revenue sharing funds received in prior fiscal years, all of which will be expended in fiscal year 1987-88. In future years, programs which are funded by these monies will have to be funded from other sources or eliminated.

State Revenue Sharing - The state revenue sharing program is expected to continue. The City has saved approximately \$165,000 of state revenue sharing funds received in prior fiscal years which will be used to fund general fund operations in 1987-88. However, the City will not be able to accumulate future state revenue sharing distributions so this large resource is a one time event.

Memo to Budget Committee
RE: Budget Message

CAPITAL IMPROVEMENT RESERVE FUNDS

The City continues to set aside reserves to fund future capital outlays for equipment and vehicles for the general fund, police department, fire department, street fund, computer hardware and software, public land and buildings. This allows the City to save for larger capital outlay items rather than impacting the budget significantly in any one fiscal year.

Regional Library Service Automation - The automation of the library service should be completed this year. The monies to accomplish this task were set aside in prior years and is budgeted in the capital improvement - CCRLS fund.

SIGNIFICANT REVENUES/EXPENDITURES

GENERAL FUND

Revenues - The City will begin fiscal year 1987-88 with a carry-over balance of \$304,000; a decrease of \$155,000 from the prior year. The City is expected to end fiscal year 1987-88 with a fund balance of \$275,000. This reflects the steady erosion of the carry-over over the past five years, as the City uses up a portion of its carry-over balance each year to fund operations.

Although total revenues for fiscal year 1987-88 are \$389,000 greater than the prior year, this is misleading. The increase consists primarily of transfers of the \$100,000 federal revenue sharing and \$165,000 of state revenue sharing discussed above and the remainder coming from other revenue sources. As previously stated, there will be no more federal revenue sharing available, and the level of available state revenue sharing funds will be sharply reduced. After this year, the City will need to find other revenue sources to make up for the loss of these revenues.

All other revenues for the general fund are expected to remain essentially the same as in the prior fiscal year.

Expenditures - The \$98,000 increase in budgeted expenditures represents a 3.8% increase over the prior fiscal year. This compares to an estimated inflation rate of approximately 3.5%-4.0% for the same period. The increase is distributed among the various general fund departments, but because of the size, the police and fire departments account for over one-half of the increase. Increases in retirement, workers compensation and health insurance expenditures are key components of the cost increases.

There are no significant changes in the types of expenditures budgeted for the general fund in fiscal year 1987-88.

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Memo to Budget Committee
RE: Budget Message

SEWER AND WATER (UTILITIES) FUNDS

Combined sewer and water rates will increase by \$13.60 to a bi-monthly minimum charge of \$52.00 for fiscal year 1987-88. The increase is a result of several factors:

1. Operating costs for the new sewerage treatment plant, which is scheduled to begin operation in the coming year, are expected to be \$200,000 greater than for the old plant.
2. Depreciation/replacement costs for the new sewerage plant, discussed above, will be \$80,000 greater than the prior year's.
3. Operating costs for the water treatment plant are expected to increase by \$75,000. Similar increases in prior fiscal years were offset to a large extent by using up a portion of carry-over fund balances. However, similar to the general fund, these carry-over balances are nearly depleted, and the cost increases for fiscal year 1987-88 must be made up through user fees. Otherwise, the fund will not be able to maintain a positive cash position.

SUMMARY

The City is faced with the loss of revenue sharing and depleted carry-over balances, while at the same time maintaining the same level of service. In prior years, increased operating costs were funded through carry-over balances and revenue sharing. This is especially evident in the budget for fiscal year 1987-88 where \$265,000 in accumulated revenue sharing monies are being used to ensure operation of the general fund at the same service level as in prior years.

However, these resources will not be available to fund operations for fiscal year 1988-89 and beyond. The City has been operating under the same tax base for the last six years. When the tax base was voted in by the citizens of Newberg, the City hoped to be able to stretch the tax base for two years. While we are proud of the accomplishment in making the original tax base last for six years, if the citizens of Newberg wish to continue receiving the same level of service a new tax base will be required for 1988-89.

The budget for fiscal year 1987-88, as presented, is responsive to the needs of the community, while anticipating the need for a new tax base in fiscal year 1988-89.

Elvern Hall
Budget Officer

EH/bjm

Enc.