Tuesday, 7:00 p.m. May 7, 1991

CITY OF NEWBERG
BUDGET COMMITTEE MINUTES

Newberg Fire Station Newberg, Oregon

The meeting was called to order by Acting Chair Donna McCain.

ROLL CALL:

Members Present:	Ellen Bailey	Melinda Newland
	Fred LaBonte	David P. James
	Jack Nulsen	Rick Rementeria (7:25)
	Roger Gano	Scott Reinhardt
	Donna McCain	Donna Proctor
	Martin McIntosh (8:20)	

Others Present:
- Elvern Hall, Mayor
- Duane R. Cole, City Manager
- Katherine Tri, Finance Director
- Bert Teitzel, Public Works Director
- John Thomas, Utility Manager

MINUTES:

MOTION: Gano/Proctor moved to approve minutes from the April 23 and April 25, 1991 meetings of the Budget Committee. Vote on the Motion: Ayes - 9; Nays - 1 (Nulsen).

NEW BUSINESS:

Departmental Reviews:

Public Works:

Bert Teitzel introduced John Thomas who is the Utility Manager in charge of the water and sewer systems. Mr. Teitzel began by explaining that the public works department has four major areas of responsibilities: Street system, water system, sewer system and central services which include fleet and facility maintenance. There are eleven different program areas and twenty-nine FTEs. The department is budgeted in four funds: Street, sewer, water and central services. His review will be by fund.

Bert Teitzel explained that the street fund is totally funded by the State Gas Tax. It covers the operation and maintenance of the street system and street rehabilitation. The City has 39.5 miles of paved street; two miles of gravel streets; and 8 miles of state and county roads. In next year's budget, all engineering services for the City are budgeted in the street fund. Engineering services are split between utility information and design. These programs are being set up as service programs to the rest of public works and their services will be billed out to the appropriate projects and funds.

In the street maintenance program there is an increase of one FTE. When the department budget's its staff, it reviews where the staff has been spending its time, looks at the needs for the next year and shifts its FTE among the different funds and their needs. In next year's budget there is a redistribution of staff in the street and water funds. He pointed out that the budget reduces the contingency in the street fund to $79,000. The City is primarily reducing its cash position in order to fund overlay projects. Jack Nulsen asked how we determined which streets are overlaid. Bert Teitzel responded that first the staff looks at what needs to get done and it was concluded that more needs to be put into streets for patching, cleaning, catch basins, painting and signs. Roger Gano questioned the amount budgeted for buildings and grounds. Mr. Teitzel responded that this was additional painting at the Third Street maintenance facility and electrical work that has been delayed. He further explained that the capital equipment purchases are for heaters in the garage to avoid problems in the freezing weather particularly with the sanding equipment and sewer equipment.

Ellen Bailey questioned why the money for bike paths has decreased from the projected $20,000 in 1990-91 to nothing in 1991-92. Bert Teitzel responded that if we do not use the designated bike path money it stays in the budget in the carryover. No specific projects were identified for next year for bike paths. State law does require that the City use 1% of its gas tax for bike paths each year. He further explained that if a street widening project arose, they would use some bike path money to add bike paths to that street. This money is actually captured in the capital projects fund under street improvements. Jack Nulsen questioned if there was a bike path plan; Bert Teitzel said that yes there was. The major project last year for which bike path money was used was the signing project. He indicated that there were several projects that the City needs to work on; however, none have been specifically identified. When the City has the opportunity, the staff will combine bike paths with other projects, such as the Hess Creek Canyon sewer line project.

MOTION: Gano/Reinhardt moved to approve the Street Fund. <u>Vote on the Motion:</u> Carried unanimously by those present.

<u>Sewer Fund:</u>

Bert Teitzel explained that this fund is solely supported through user fees. It includes the operation and maintenance of the plant, debt service, collection system, capital replacement and equipment reserves. The fund includes 10 FTEs and has four program areas. There is an increase of one-half FTE in the collection program and the plant program includes the same personnel level.

John Thomas gave a presentation on how the sewer rates are determined. First there is a minimum charge which is based on the cost of collection is allocated to all customers equally. Second, there is a volume charge which is based on the cost of providing service, is allocated to customer groups by flow and strength and is based on wet weather water consumed. The cost of providing service includes operation and maintenance costs, capital improvements, debt service costs, and reserves for replacement of equipment. In reviewing the rate study that was prepared by CH2M Hill, a number of changes were recommended. Changes are recommended in the contribution toward the equipment reserve, the average amount of wet weather water used and non-rate revenues. Non-rate revenues include connection charges, reimbursement costs and interest on the sewer fund. In the CH2M Hill study system development charges, interest on the development fund and interest on the replacement fund were also included. These three items equal approximately $130,000 and have been excluded from the current rate analysis since this money does not go into the operating fund, but stays in the replacement and development funds. The composter costs have been excluded from the calculation and will not be included until the plant is operational.

Mr. Thomas explained his evaluation of the equipment reserve contribution. Fred LaBonte asked if staff were budgeting the current net value with the interest costs covering inflation or was staff budgeting future value. John Thomas responded that staff was budgeting current net value and that intend the interest earnings to cover any inflationary costs in equipment.

The bottom line is that the sewer fund needs $2 million dollars in user fees in order to balance. This would equate to a rate of $2.86 per 100 cubic feet. Staff is suggesting using $174,000 in cash and reducing the debt service contribution by $100,000. This then equates to needing $1.8 million dollars in user fees or $2.45 per 100 cubic feet. This compares to $1.85 per 100 cubic feet currently.

Duane Cole added that he did a detailed review the sewer funds. He explained that the City is way ahead with its sewer plant and other cities will be catching up. For example, McMinnville is anticipating that once they bring their plant up to current regulations that their bills will be $40 to $50 per month. He anticipates that the rates should stabilize in another year as the rate study stated. Ellen Bailey questioned if the composter will cause rates to increase. Duane Cole said that it was a push. The composter is new technology to avoid building a tertiary facility which would have added another $3 million dollars to the plant construction cost. Bert Teitzel added that the current operating costs should reduce some once the composter is on line. John Thomas also showed a chart comparing Newberg's existing and proposed sewer rates with seven other neighboring communities.

MOTION: Reinhardt/LaBonte moved to accept the Sewer Fund budget. Vote on the Motion: Ayes - 7; Nays - 3 (Nulsen, Proctor, Bailey).

Water Fund:

Bert Teitzel said that basically the same rate computation and process was done for the water fund. This fund is fully funded by the user fees; it includes nine FTE; and five programs. The budget is basically the same in the distribution and maintenance programs except with the reduction of one-half FTE in maintenance and includes an addition of a meter reader. There is a new program for water quality to recognize that the City is meeting new requirements on testing and backflow prevention. The budget is 5% higher than the estimated expenditures for 1990-91. John Thomas then reviewed the rate issues for the water fund. Basically, the issues are the same. Consumption is down from the average that was anticipated in the study, from 1120 to 940 cubic feet. Based on studies done in California, however, consumption increases within three years after the rates have been increased. The proposed rate increase is from $1.35 to $1.62 per 100 cubic feet.

Fred LaBonte asked about the status of the Water Treatment Plant. John Thomas said it is at capacity in July, August and September. Staff will begin working on updating the water master plan for a new water treatment plant, check on how the City may more efficiently run its wells during the three peak summer months and review the status of the reservoirs and springs. He hopes to have an RFP out by July 1st on updating the plant master plan. Jack Nulsen expressed that he recognizes that the staff is doing their job in proposing these rate increases, however, he would like staff to come back without any increases and to show what the consequences are if we do not increase rates.

Fred LaBonte questioned why all the debt was put into rates for the sewer plant and not some in the property tax. Duane Cole explained that state law changes in systems development charge require that all the debt be put into the rates and not in the property tax. Further, it is felt that it is fair for all users to pay for the debt and not just property tax payers. Jack Nulsen added that the original bond issue said the debt would be paid for from rates and not property taxes.

MOTION: LaBonte/Reinhardt moved to approve the Water Fund. Vote on the Motion: Ayes - 6, Nays - 4 (Nulsen, James, Bailey, Proctor.)

Capital Projects Fund:

The staff briefly reviewed the capital projects fund beginning with the Library building. The primary projects for next year are to fix the front doors and to stop the leaks in the window walls. David James asked if River Street was on the project list for next year. Bert Teitzel responded that it is not on the 91-92 project list and that the street will require complete reconstruction for River and Wynooski. However, it is in the capital improvement plan.

MOTION: LaBonte/Reinhardt moved to approve the Capital Projects Fund. Vote on the Motion: Ayes - 10; Nays - 1 (Nulsen).

Debt Service Fund:

Kathy Tri reviewed the debt service funds. She indicated that the property tax levy for 1991-92 will be $110,944 or an estimated $.34 per thousand dollars of assessed value. This will only be for the library building. All other payments for debt service will come from the hospital, water and sewer funds. She indicated that the fund has had a building cash balance. The staff recommends using some of this additional cash balance to help pay for the property tax supported debt service payments of the sewer plant and the library. The budget includes our debt service for the hospital remodel.

Next she reviewed the Bancroft Bond Fund. This fund pays for local improvement bonds that have been sold in 1979, 1980, and 1982. The City does hope to sell a bond in 1992 to pay for local improvements. Finally she reviewed the Capital Improvement Public Land Fund. This fund has been paying for property at the public works yard and the Third Street houses. The public works yard will be completely paid off in May, 1991 and she anticipates completely paying for the Third Street mortgages by July, 1991.

MOTION: Reinhardt/Newland moved to approve the Debt Service Fund. Vote on the Motion: Carried unanimously by those present.

MOTION: Proctor/Newland moved to adjourn at 8:50 p.m.

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