Tuesday, 7:00 p.m. December 10, 1991

CITY OF NEWBERG
BUDGET COMMITTEE
MINUTES

Newberg Public Library Newberg, Oregon

Mayor Elvern Hall called the meeting to order at 7:10 p.m.

ROLL CALL:

MEMBERS PRESENT:	Loreen Edin	Ellen Bailey
	Melinda Newland	Fred LaBonte
	Gary Hay	Alan Halstead
	Roger Gano	Eldon McIntosh
	Scott Reinhardt	
OTHERS PRESENT:	Mayor Elvern Hall	
	Duane R. Cole, City Manager	
	Terrence D. Mahr, City Attorney	
	Katherine Tri, Finance Director	
	Doreen Turpen, Library Director	

Mayor Hall introduced Loreen Edin, who is the newest member of the Budget Committee. Loreen is replacing Harold Dodge. Each member then introduced him/herself prior to the meeting beginning.

ELECTION OF OFFICERS:

Mayor Hall then conducted election of officers for the next year.

MOTION: Bailey/Halstead moved to approve Gary Hay as Chairperson of the Budget Committee. Vote on the Motion: Carried unanimously by those present.

Halstead
MOTION: ~~Gano~~/LaBonte moved to approve Roger Gano as Vice-Chair of the Budget Committee. Vote on the Motion: Carried unanimously by those present.

MOTION: Gano/LaBonte moved to approve Alan Halstead as Secretary of the Budget Committee. Vote on the Motion: Ayes - 8; Nays - 1 (Halstead).

The Chair then turned the meeting over to City Manager Duane Cole. Mr. Cole explained that he intends to turn the Budget Committee presentations over to Kathy Tri, Finance Director. As he and she have been with the City for two years now, it is more appropriate for her to carry the basic load for the Budget Committee with his support.

NEW BUSINESS:

A. LONG RANGE FINANCIAL PROJECTIONS:

Ms. Tri explained that the long range projections are for the General Fund. The projections are important for the Budget Committee to review for a number of reasons. Looking at one year at a time may not show concerns about where the City is headed financially. Looking at a five year range presents a different picture for the City and the Budget Committee. The projections also help us realize how the City manages its money this fiscal year and how that will effect future years. She then reviewed some of the general assumptions used to prepare the projections. These included revenue assumptions on the property tax, Ballot Measure 5 $10.00 tax rate limit, franchise fees, building activity, inter-governmental revenues, and interest earnings. The major expenditure assumptions included personal services increase of 4%, materials increase at 4%, and capital expenditures. Some of the economic indicators included the state of the northwest economy, Portland area employment, and interest earnings. She then showed an overhead of the current year expenses. It showed that 75% of General Fund expenses were comprised of personal services. Twenty-four percent is spent on materials and one percent on capital.

She also discussed current revenue distribution for fiscal year 1991-92. The pie chart showed that 57% of current revenues come from property taxes. The second biggest category is other taxes which includes franchise fees and room taxes. The third largest category is inter-governmental revenues which includes the State Revenue Sharing and the Fire District contract.

Next she reviewed the major assumption of cash working capital. She explained that the City must operate on its cash working capital for the months of July through most of November. November is the month that the City begins to receive its property tax money. She showed a table comparing current revenues and expenditures for the months of July through November for fiscal years 1990-91 and 1991-92. In 1990-91, the short fall was $750,860 and in 1991-92 the shortfall was $667,160. The policy for the Budget Committee and Council has been to maintain at least a cash working carryover of $500,000. She used this table to illustrate the importance that there must be a minimum carryover and that the actual City's needs are greater than that.

Next Kathy Tri reviewed the five year projections for fiscal years 1992-93 through 1996-97. Her findings show that if revenues and expenditures continue as projected, the City will not be able to maintain its cash working capital by the fiscal year 1993-94. This means that the City will have to borrow funds in order to maintain its cash flow. She noted that last year we projected that the City would be at this point by the end of fiscal year 1991-92. However, because

1991-92 was good year, the City was able to carryover more funds than originally projected which pushed the shortfall out two years. The Committee discussed the "Catch 22" problem relating to how to control expenditures when 75% of the General Fund expenses are related to salaries and fringe benefit costs which are not within their realm to totally control. Gary Hay expressed that he would like to discuss employee increases at the Budget Committee level even though he knows it is the Council's final decision. He was concerned that the City could not afford a 4% increase in personal services without reducing staff at some point in the future.

B. REVIEW CHEHALEM FUTURE FOCUS RESULTS:

The City Manager, Duane Cole reviewed the process which the community has gone through in developing the Chehalem Future Focus. He explained that it has involved the cites of Newberg and Dundee, Chehalem Park and Recreation District and the School District. He reviewed the basic results of the community survey and the community meeting. He indicated that he will try to steer the budget toward some of the items that were learned through this process. He indicated that we are now at the point of developing action plans and it is his intent to keep the vision in front of the community through the budget process.

C. 1992-93 BUDGET ASSUMPTIONS:

Finance Director Kathy Tri then reviewed the general budget assumptions for the fiscal year 1992-93. She indicated that these assumptions related to the entire budget and not just to the General Fund. The assumptions include:

- The City will levy its existing tax base plus 6% as allowed by the Oregon Constitution;

- Property taxes will pay for the Library Building debt;

- The balance of debt service payments will be paid from user fees, special assessments or the hospital.

- The budget will address the City Council goals and will begin to implement the community vision.

- Cost of living increases and changes in employee benefits will not be included in the proposed budget.

- Each operating fund will maintain sufficient cash working capital to avoid borrowing.

- Water and Sewer funds will continue to be supported by fees and costs in these funds will include contributions to reserves and debt service payments.

- The City will contribute to vehicle equipment replacement using the fixed asset schedule as a guide and the City will attempt to budget sufficient funds to properly maintain all its buildings.

- The Street Fund will continue to include all street related costs including street lights.

- Capital Projects, will be budgeted from capital reserve funds, system development charges, grants or bonds sales.

- New revenue sources may be proposed to finance specific services or capital needs and new programs with associated funding sources will be reviewed and considered separately as budget packages.

D. TAX COORDINATION:

Duane Cole explained that on December 5, 1991, the County and all the taxing jurisdictions met in compliance with Senate Bill 1185. This bill requires that the City meet with the other government entities prior to December 31, 1991 to discuss a tax coordination plan for the 1992-93 fiscal year. This meeting was held in compliance with the state law and will be reported in the Newberg Graphic on December 11, 1991. During the meeting, the jurisdictions in the Chehalem Valley agreed to meet again in either February or March to discuss actual tax levy needs for the next fiscal year. He explained that the State Law requirements do not necessarily allow this planning to be in coordination with Budget Committee reviews. He presented this as information to the Budget Committee so that they would not be surprised to read that such a meeting had taken place without their involvement.

E. BUDGET CALENDAR:

Kathy Tri reviewed the tentative budget calendar which was included in the committee member packets. She highlighted that the Budget Committee will reconvene again in April to begin their actual review of the 1992-93 proposed budget.

ADJOURNMENT:

The Committee moved to adjourn at 8:25 p.m.

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Alan B. Halstead