

Tuesday, 7:00 p.m.

May 12, 1992

CITY OF NEWBERG
BUDGET COMMITTEE
MINUTES

Wastewater Treatment Plant

Newberg, Oregon

Chair Gary Hay called the meeting to order at 7:07 p.m.

ROLL CALL:

MEMBERS PRESENT:

Loreen Edin	Ellen Bailey
Melinda Newland	Rick Rementeria (7:13 p.m.)
Gary Hay, Chair	Jack Nulsen
Brian Love	Marty McIntosh
Roger Gano	Eldon McIntosh
Scott Reinhardt (7:09)	Donna McCain (7:30 p.m.)
Donna Proctor	

OTHERS PRESENT:

Elvern Hall, Mayor
Duane R. Cole, City Manager
Katherine Tri, Finance Director
Bert Teitzel, Public Works Director
John Thomas, Utility Manager
Diane Padilla, Asst. Finance Director

Chuck Krugel, Director of Senior Transportation

MINUTES: Gary Hay asked how detailed the minutes needed to be. Elvern Hall indicated that the minutes do not have to be verbatim. Gary Hay asked that the discussion regarding the growth in the police department's budget be included in the April 27 minutes. He felt the discussion concerning the growth of the future dollars and how to control costs was very important to the discussion on the departmental budget and should be included.

MOTION: Hay/Reinhardt moved to amend the minutes of the April 27, 1992, Budget Committee to include discussion about the future increased costs in the Police Department over the next couple years and what the City should do about it. Vote on the Motion: Carried unanimously by those present.

MOTION: Reinhardt/Newland moved to approve the minutes as amended. Vote on the Motion: Carried by those present.

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OLD BUSINESS:

SENIOR TRANSPORTATION: Duane Cole handed out the Chehalem Valley Senior Citizens Council grant packet regarding their request to the City. He indicated that Chuck Krugel was present to provide any additional information to the Budget Committee. He reviewed that at the last Budget Committee meeting, the committee reduced the proposed allocation to \$9,000 and that \$9,304 was to be put into a separate account for later definition by the Council. He indicated that the Budget Committee may want to redirect the decision. Since that meeting, the City has learned that the City of McMinnville is increasing their allocation to YCAP from \$9,000 to \$12,000, however, McMinnville has not finished their budget review process. Scott Reinhardt indicated that he would like additional time to review the packet provided to the Committee. Roger Gano echoed Scott Reinhardt's comments. He indicated that the Budget Committee had already adopted the Social Services budget with the motion that the funds be allocated by the Council. The Budget Committee should not have to re-review this decision at this time.

Eldon McIntosh added that the motion was to specify the dollars be allocated by the Council by a certain date. Gary Hay felt that the Budget Committee could re-discuss the issue, if they so choose. Scott Reinhardt indicated that this issue goes back at least a year. He questioned what kind of extras do Newberg citizens get and is there enough information in the proposal to tell the committee members that. Chuck Krugel responded that those specific answers are not in the proposal. Scott Reinhardt asked him if he could get that information to the City Council before September. Chuck Krugel indicated that it is difficult to come up with a comparison of how Newberg and McMinnville money is spent. McMinnville gives their funds to YCAP as part of the large county-wide transportation program. The Newberg funds are spent strictly in the Newberg/Dundee area. He indicated that when YCAP was set up it was indicated that County and State and Federal be divided on a 57% - 43% split. This was set up ten years ago based on population. He questioned trying to compare this program versus the other social service programs the City gives money to, for example, McMinnville does not give any funds to Henderson House and there is no comparable organization to NHRC other than YCAP in McMinnville. He said typically in McMinnville social services are county-wide programs and not part of the City.

Ellen Bailey indicated that she was disturbed that Newberg citizens were paying both the City and the County portion and that in the rest of the county, citizens are only paying one portion. She indicated it was a question of balanced equity and are Newberg citizens getting better service for their money. Chuck Krugel responded that he felt the service was better. Ellen Bailey indicated a qualitative summary would be helpful. Chuck Krugel indicated that they had lost their United Way funds and losing the City contribution would be very difficult for them to handle. These funds are used to help match federal and state money. It also would not be a good time to lose these funds because the senior and disabled population are growing and the demand is increasing.

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Melinda Newland asked if the County provided money for our transportation program and why wasn't the levy set up to pay for county-wide services. Chuck Krugel responded that the truth is that the County is growing and in fact, the County needs a transportation district to deal with the general public as well as the special services. He indicated that of their local service, 91.3% of the services are provided to those that live inside the City of Newberg, and 8.7% are provided those who live outside the City, but who do business in the City. After some further discussion about community funding, Eldon McIntosh moved to re-open the Social Services budget motion. There was no second.

Duane Cole handed out information from the Mid-Willamette Valley Council of Government. He indicated that the City's dues are \$4,300 per year. In addition, the Economic Development Revolving Loan Fund pays for professional services with regard to that program in managing that program. He added that McMinnville, at its recent Budget Committee meeting, deleted the COG dues from the budget. However, they did provide notice within the required time period of six months. Loreen Edin questioned the value of the services we get from the COG. Roger Gano responded that these funds do help pay for services to other cities in the County who do not have enough funds to pay for such services as planning. Elvern Hall indicated that it was part of the COG Charter and Contract Agreement that the City provide six months required notice. Eldon McIntosh asked what happened to the development fund matching funds that we provided them for loans. Duane Cole indicated that we are being tossed around by the Metro counties and that we have no real kinship with Salem and Marion County. He added that Marion County and Salem, have asked to have their dues reduced which would put more pressure on the other member cities. Roger Gano stated that the Mid-Willamette Valley COG is better than Metro.

MOTION: Nulsen/Rementeria moved to recommend to the City Council to opt out now or at least give one year's notice to the Mid-Willamette Valley COG. Vote on the Motion: 9 to 4.

MOTION: Gano/Proctor moved to adjourn at 8:30 p.m. Vote on the Motion: Carried unanimously by those present.

FINANCE:

MOTION: Gano/Nulsen moved to approve the Finance Department's budget minus the accounting clerk. Kathy Tri began to review her departmental budget. She handed out a graph that showed the budget for the Finance Department totalled \$383,515. She indicated that the department is in four funds: General Fund, Sewer Fund, Water Fund and Central Service Fund, divided just about equally. She also explained the reasons for the accounting clerk. Duane Cole added that the department is one to one and half FTE short of where it needs to be. He indicated that there is more than enough work to justify the additional accounting clerk. Scott Reinhardt questioned the salary level of the accounting clerk. Kathy Tri responded that the salary was set at

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the accounting clerk beginning level, the salary and position responsibilities could be reviewed later. Brian Love was concerned with the pleas from other departments for additional staff. Duane Cole indicated that the process he set up required that Department Heads, as a team, to prioritize departmental needs city-wide. The accounting clerk scored well with the Department Heads especially with the City Manager's office and Public Works. Loreen Edin questioned whether the need for the accounting clerk was due by mandates or growth. Kathy Tri responded that both mandates and growth in the City and demands were the reason for the new position.

MOTION: Gano/McCain moved to amend the proposed Finance Department budget to be approved as submitted. Jack Nulsen did not agree with the amendment. Rick Rementeria indicated that he would abstain due to his relationship with the Finance Department in providing its accounting software. Vote on the Motion: 8 to 4, one abstention (Rementeria).

Vote on the Main Motion: 9 to 3, one abstention (Rementeria). Gary Hay added that he didn't feel the position warranted that level of salary.

PUBLIC WORKS:

Bert Teitzel handed out his overheads regarding the Public Works budget.

MOTION: Reinhardt/Gano moved to approve the Public Works budget as submitted. Bert Teitzel indicated that his department is divided between administration, maintenance, operation, fleet, engineering, and facility maintenance and all the sub-programs fall within one of those categories. He indicated that the department is budgeted in five funds. The Public Works Department includes 31 full time employees and the budget includes two new positions - Engineering Inspector and Bio-Solids Manager. Its total operating budget is \$2,737,292 which is an increase of \$200,000 over the current fiscal year. The increase is found in the addition of the composter and in facilities management. The Capital Projects budget equals \$4,219,900. Major changes in the budget include reduced construction of water lines with City crews and that new lines will be contracted out; an increase in sewer maintenance effort especially to control inflow and infiltration. The budget shows a shift of FTE to the Sewer Fund to support this maintenance effort. An increase in contract bidding for engineering services; a combining of the operation of the Water Treatment Plant and Sewer Treatment Plant into one division and the creation of the Facilities Maintenance division. The budget shows a shift from construction to maintenance with City staff. This maintenance will include replacing lines and involves general increase in upsizing lines one to two block sections. This replacement next year will be done through contracts.

Rick Rementeria questioned the need for so many staff members. Bert Teitzel indicated that there was a need to shift to sewer maintenance in order to inspect and identify where needed replacement should be. Ellen Bailey questioned if this problem was preventive maintenance in

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order to maintain the existing system so that it works better. Bert Teitzel responded that yes, before we can reduce the inflow to the plant, we need to identify leaks and repair where pipes are breaking down. He indicated that smoke testing was done a number of years ago, the emphasis next year will be on T.V. inspection. Jack Nulsen indicated that the department has been asked to do this work for years and wondered why it had not been completed. Bert Teitzel said due to a number of reasons, not all the work had been done with other commitments the DEQ permit now requires reporting on I and I.

Bert Teitzel continued reviewing major budget impacts. The first one reviewed was the new contract inspector who will be paid for from fees and projects. This is a quality assurance type person and increases the Street budget by \$65,000. However, service to developers will be greatly improved and speeded up. Rick Rementeria questioned why this position could not be a contract position. Bert Teitzel indicated that staff really needed someone on board and responsible to the City in order to provide the level of service that is being demanded. Another major budget impact is maintenance. The total budget is the same as last year, however there is actually a decrease in the water fund of \$90,000 (1.25 FTE) and an increase in the sewer fund of \$70,000 (1.25 FTE).

A third major budget impact is the new Bio-Solids Manager. The 1992-93 is actually formalizing a temporary position that is being filled at this time, it allows replacement of a sewer plant operator. The position will allow for the increased testing required by the DEQ discharge permit. The total cost increases the budget \$44,000. Bert Teitzel then reviewed the sludge management program. He indicated that between 12 to 20 loads per day were being field applied. The staff finds the fields and negotiates with the farmers and works with DEQ for all the proper paperwork to be completed. Once the composter is in line, the Manager will continue with the process and will work to sell the compost.

Mr. Teitzel reviewed the State Tax Street Fund expenditures by category. The next fund he reviewed was the Water Fund. He indicated that the budget anticipates no water rate increase in the next fiscal year. He indicated that the maintenance has decreased \$90,000; debt service has increased \$50,000; replacement in reserve has increased \$100,000. The Committee then discussed the status of the wells and water study that is being conducted at this time. Loreen Edin asked about using the Willamette River as a water source. John Thomas indicated that this was being evaluated between buying the land versus pumping from the Willamette. Bert Teitzel indicated that the City is being included in the Tualatin Valley water study. Duane Cole added that the City will not drill any new wells, if the City can get cheaper water. Jack Nulsen stressed to the staff that they come back and look at all the choices.

The next fund reviewed was the Sewer Fund. Bert Teitzel indicated that there was an increase in the operating budget of \$208,000, an increase in replacement reserves of \$40,000, a decrease in

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debt service of \$132,000 and a decrease in cash carryover of \$94,000. Bert Teitzel indicated that there would need to be a rate increase to support this fund. He also added that part of the debt service will be financed by systems development charges in order to ease the burden on the operating fund.

Jack Nulsen still questioned the need for replacement reserves and the amount that was being set aside. He indicated that he has asked the staff several times for documentation regarding this reserve amount. Bert Teitzel reviewed the rate setting process that the Council adopted earlier this year. He indicated that the staff hopes to be able to have a hearing held by the City Manager this summer with adoption of new rates by the Council either by the second meeting in August or the first meeting in September, with the effective date on the November billing. Ellen Bailey questioned the process of do we set the budget and then the rates, or set the rates then the budget. Duane Cole indicated that we set the budget and then compute the rates. The budget drives the rates. Bert Teitzel reviewed the proposed rates. He reviewed what was anticipated last year to be the rates for next fiscal year versus what is recommended. He showed that the current volume charge is \$2.20 and last year we anticipated the 92-93 volume charge to be \$2.53. The staff is actually recommending \$2.57. He also reviewed the changes in the extra strength surcharge rates.

Finally, he reviewed a chart that compared Newberg's rates with the Tualatin Valley area, Gresham, McMinnville and Woodburn.

Rick Rementeria expressed concern of adding new people in Public Works every year and the effect that this had on the budgets. He didn't feel that the Budget Committee adequately discusses the effect of all these additions. Scott Reinhardt said that is part of the reason for the rate setting process. Roger Gano added that if the Council deems that it is necessary to review all of these positions, the City Council can reduce the budget at a later date. Rick Rementeria expressed that he felt it was important to do this review now before we take on any additional costs in July. He added that he didn't feel that there was a proper cost justification as was done in the Finance Department. Duane Cole explained that the single budget item that effects the rates the most is the debt service. The debt service equals \$740,000 next year and it requires five months of sewer rates to meet that debt service. Essentially, the operating budget is about the same. Duane Cole added that McMinnville is looking at a rate of \$20 to \$30 per month to pay for their new sewer treatment plant debt service only.

Vote on the Motion: (To accept Public Works Budget). Carried unanimously by those present.

Gary Hay discussed the Budget Committee process. He indicated that he has called several other jurisdictions to review their Budget Committee process and found that cities do it differently. He also added that he had concern about the Personal Services budget. He said that there had been a

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number of contract settlements in the paper recently that showed an 8% increase over a three year period. He recommended that the staff receive a 2.667% increase instead of the 4% in the personal services budget. He said it is now the time for the Budget Committee to make a statement to the City Council. He wants to be able to tell his neighbor that the Budget Committee did do something and showed some fiscal responsibility.

MOTION: Hay/Reinhardt moved to direct the City Manager and Finance Director to go back through the Personal Service Budget and rework the numbers to use a 2.667% increase and use the additional money to offset the rate issue or retire debt. Scott concurred that the City needs to take some fiscal responsibility and needs to be compared with the private industry. Roger Gano indicated that it is not always fair to compare the City with private industry and that the City is living within its 6% limitation and has been for a number of years.

Donna McCain stated that the citizens use to subsidize families with their rates. Now the rate structure is equitable and she is not paying for others. The rate structure is equitable for older citizens and commercial businesses are benefiting from the current rate structure and that a user fee is the only equitable way to spread the costs. Gary Hay expressed concern that if the dollars don't go to reduce the sewer debt, he sees an explosion in the budget in the next few years. If we don't move to control costs of government now, when will we do it. He questioned how many staff had left because of poor wages. Rick Rementeria expressed that you need to cut salaries or control the growth of staff. He said it was better to have a few better paid staff.

Duane Cole discussed his responsibility to meet and confer with employees. By having the Budget Committee set the wages it takes him out of the negotiating process with employees. He said it is crucial to maintain the process of communication. From his review of public entity settlements, they are between four and six percent. If we don't honor this relationship between the Council, himself and the employees, we will have additional union activity in the City.

Marty McIntosh indicated that perhaps we better direct a total reduction of budget between two and three percent that would be up to the City Manager to recommend how that would be done. This wouldn't isolate either user fees or taxes, but it would force creative enhancements. Eldon McIntosh added that we don't want to lose input with the employees and indicated that the City came close to having unions before and it would be more expensive in the end. Duane Cole indicated that he has done surveys with comparable cities and indicates that our salaries are competitive with them. Loreen Edin added that the City of Tigard is currently in negotiation with its unions and they are discussing a four to five percent increase in concurrence with the Portland CPI. Brian Love added that other employees in the City are watching closely on the Fire Department process. Duane Cole added that this is the hardest part of his job and requires a very high communication level with employees. If unions came into the City, he would lose that ability to communicate with employees. Gary Hay withdrew his motion, but added his concern

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about the cost to the average citizen going up. Loreen Edin added that it is up to the Budget Committee to have the City Manager effectively show that productivity is increasing.

DEBT SERVICE:

Kathy Tri requested one last addition to the budget. She directed the Budget Committee to pages 186 and 187. She reviewed that in March, the City refinanced its 1980 water bonds and actually called those bonds. However, the bonds have not been received in order to protect payment of that principal, the Budget Committee needs to rebudget the payment of that debt service in the next fiscal year. She indicated that the beginning fund balance on page 186 needed to be changed to \$2,201,857 for a total revenue of \$11,915,476 and on page 187 the 1980 water bonds needs to be budgeted at \$1,535,000 for a total principal payment of \$10,120,000.

MOTION: Gano/Reinhardt moved to adopt the Debt Service Budget. Vote on the Motion:
Carried unanimously by those present.

ADJOURNMENT: The Committee moved to adjourn at 10:00 p.m.

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A handwritten signature in cursive script, appearing to read "Dan Reinhardt", is located at the bottom right of the page.