

TUESDAY, 7:00 P.M.

May 6, 2003

BUDGET COMMITTEE MINUTES

PUBLIC SAFETY BUILDING

NEWBERG, OREGON

Members Present:

Darlyn Adams

Bob Andrews

Sally Dallas

Mike McBride

Donna McCain

Louis Larson

Bob Larson

Doug Pugsley

Bart Rierson

Robert Soppe

Lon Wall

Members Absent:

Roger Currier

Staff Members Present:

City Manager James Bennett

Finance Director Katherine Tri

Police Chief Robert Tardiff

Fire Chief Michael Sherman

Community Development Director Michael Soderquist

Planning Manager Barton Brierley

Utilities Supervisor Howard Hamilton

Library Director Leah Griffith

City Attorney Terrence D. Mahr

Assistant Finance Director Janelle Nordyke

Assistant Fire Chief Al Blodgett

City Engineer Dan Danicic

O & M Supervisor Russ Thomas

1. Call to Order

Chair Larson called the meeting to order.

1. Overview of Capital Projects - Chapter 6

Ms. Katherine Tri, Finance Director, reviewed the capital projects, funding sources and projects to be funded. The budget contains about \$7.9 million in capital projects.

A. City Facilities

Ms. Tri said the budget includes \$134,000 for the animal shelter. The other project is to construct enclosed, insulated and freeze protected and steel frame storage building 30x36' at an estimated cost of \$125,000. It will house vector, street sweeper and other large equipment and is funded by sewer/water replacement funds

B. Local Improvements

Ms. Tri indicated that the City has funds available for small un-bonded local improvement

projects. North Street was constructed this current year with these funds. No projects are anticipated next fiscal year.

C. Street Projects

Projects equal \$670,000. There are no gas tax funded projects - only system development funded projects. These projects include Street widening (participation with developers), Transportation Plan update, Intersection improvements - Haworth and Mountainview Road Improvements.

D. Wastewater Projects

Wastewater projects equal \$4,797,500. Three of the major projects include composter processing improvement, Headworks upgrade, College Street interceptor which will be financed by a bond. Other projects include Downtown rehabilitation - \$335,000, Crater Lane LID, Fernwood Road repair - \$110,000, Conveyance System Master Plan update, Pump stations --\$85,000, and line, manhole and lateral repairs/replacements

Councilor Soppe asked about the two Haworth projects. Mr. Bennett said there is only about \$30,000 to begin traffic studies. No significant funds are available - \$500,000 is earmarked for right of way for the northern arterial (eastern end between Hwy. 99W and Springbrook). Discussion was held concerning College Street. There is about \$75,000 for street widening and minor street repairs. The amount of funds otherwise available is pretty small according to Mr. Bennett.

Bart Rierson asked what happened to the road improvement fee (transportation fee). Mayor Stewart said it is in limbo. The focus has been on the storm water fee. Mr. Bennett said SB 585, that if approved, would eliminate this funding option and pre-empt local governments from adopting this type of fee (transportation fee). Discussion was held concerning grandfather rights. If the bill were to pass without a preemption, then the City could reconsider a transportation fee.

E. Water Projects

There are \$2,081,000 anticipated in water projects. Projects include finishing the reservoir - \$1,023,000, treatment plant improvements - \$350,000, spring improvements - \$100,00, increase chlorine content in the springs. Discussion was held concerning customers who are receiving water from the springs directly.

Councilor Pugsley inquired about homeland security. Discussion was held concerning preparation of a letter to request financial assistance with fire and police. Chief Sherman said the new money would give money to various departments, and there is money going towards public safety and water quality. Discussion was held concerning the grant potential.

Mike Soderquist said the Council approved \$100,000 to enhance the security of the springs,

reservoirs, water treatment plant and well field - fencing, lighting, motion detectors. The new reservoir is being design with security provisions.

Other water projects include Water Master Plan update – \$150,000, Water line replacements, security system improvements, and the parallel river crossing study continued.

F. Storm Water

Only \$50,000 is budgeted for undefined projects. Funds will be used for unanticipated emergency repairs.

2. Budget Adoption Discussion

Motion #1:	Larson/Rierson to approve 2003-2004 budget and to approve the operating tax rate of \$4.3827 per \$1,000 and debt service levy of \$467,070.
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Councilor Soppe inquired about Capital Outlay (page 73). He referenced computer replacement funds. Ms. Tri said some will be spent and some will be banked. Most funds are being banked. Discussion was held concerning life span and depreciation schedule - \$500 per year per computer or printer. Engineering just bought a \$30,000 blotter on a lease. The dispatch software contracts are similar. Councilor Soppe asked for a division of hardware and software.

Mr. Rierson asked to separate the charges. Ms. Tri said the departments have flexibility, but the line items could be separated and not lumped together.

Donna McCain referenced page 80 regarding the cable settlement funds. Ms. Tri said it is reserved and earning interest. Ms. McCain addressed page 71 (council expenses). Ms. Tri said the Council's budget fluctuates because of the Community Development Block Grants. The Council's budget is down. The basic expenses of the Council are flat. Ms. Tri said the City Manager's budget also fluctuates depending on the amount of money available for EDRLF loans.

Ms. McCain asked about the cultural expenses for art and culture and how they relate to what the park district is doing at Central School. Mr. Bennett said a group working with CPRD have formed a loose collaboration to do community arts projects. The City agreed to administer the grant funds. The City will be working with that group and they are working out of the CPRD building off of Elliott. Ms. McCain was concerned about CPRD and the City spending or duplicating funds.

Mike McBride asked about the computer tech who is on a contract starting last September. He suggested not bringing him on as a full time employee but leaving him on the contract until next September, review the budget and re-look at the situation. We need to work out and re-adjust the personnel accounts. He would also like to look at the franchise fee . If we took that out, what items, without reducing employees, could the City go without.

Mr. Bennett said they reviewed that issue and staff is prepared to provide a list of cuts. The General Fund is the main fund the committee is trying to balance. The storm water fee is not a part of the problem. The General Fund is around \$340,000 short and the franchise fee is estimated to cover about \$260,000 with the additional amount being made up by continuing the privilege tax collected on the debt for City Hall. There would be no way to cut the budget without cutting positions. Mr. Bennett said that the only fair way is to cut the staff from police, fire, Library, etc.. Discussion was held concerning the franchise fee.

Ms. Tri said the franchise fee would be about \$2 per month on the average water customer (5 % of the water and sewer bill), depending upon usage. (See handouts from 2003-04 Balancing \$340,000). The privilege tax would bring in about \$78,000 in the first year. The other half of the privilege tax would pay the balance of city hall debt.

Councilor Soppe said he was concerned about storm water fees. They have seen a very loud cry from businesses. There have been public hearings and the City has received objections and negative attitude. He is concerned about invoking a fee. He expressed concern over implementing a fee without serious public input. The backlash may be enormous. Mr. Bennett said that it should be placed in a larger context now addressed by other cities and counties - almost an emergency situation which requires certain aggressive measures. In the interim, we need to have a plan which allows us to operate - the choice is cut services or pay for service fees. Councilor Soppe said he was concerned about backlash. People are not saying that it is not justified - but it comes down to paying for it. They want the services but they don't want to pay for them. Discussion was held concerning the types of businesses which will be affected most. Ms. Dallas discussed the amounts she pays for her downtown business.

Ms. Tri said that Milwaukie, Beaverton, Hillsboro and Gresham are among the cities with water/sewer franchise fees and these cities also have storm water fees. Ms. Tri reviewed the General Fund COLA which would equal \$44,540. It would affect all General Fund employees except the police and fire union employees.

Mr. Lon Wall agreed with Robert Soppe that what we have are difficult economic times and if you look at how you handle your own personal or business budget, when you have a decrease in income, generally, the option not available is to get more money. The City needs to cut expenses. He believed that it puts the City in a difficult position to go to the tax payers to ask them for more money regardless of the amount. He was in favor of reductions. He did not feel anyone can look at something and say here is \$20,000 in computers which does not mean anything to most of us. It is difficult for him to believe that we can't mitigate some of the \$340,00 by cutting things other than personnel - which would not be a good thing to do. He would like to see the Budget Committee cut expenditures and not have the City go back on its word by continuing the privilege tax.

Councilor Soppe said we will not be going back on the sunset without further review and consideration (not going back on our word). The original purpose of the privilege tax would be to

pay for City Hall. All other reserved funds would be paid to the General Fund. The issue is whether or not the citizens of Newberg would be in favor of such fees. When there is a recession and we need to cut expenses, the product we provide will go down. The city services are the same whether the economy is good or poor.

Chair Larson said taxes are increasing and not decreasing. In a business, we are looking at a 3% increase in tax revenue. What we have are expenditures are increasing faster than the revenue.

Mr. Pugsley said that in some instances, most businesses and personal situations have reserves (savings, etc.). He could go along with Mr. Wall's suggestion of reducing expenses.

Mr. Wall said the bottom line is that either we have to reduce wages, cut employees or raise revenue. Is it the group's consensus that nothing could be done? No. There is a lot of stuff not related to employees. If there is a shortage of \$340,000, the feeling is that we have to accept the tax increase, modify the fee or reduce expenses. From his standpoint, it is possible to whittle down some or a good portion. A possible way is to have the departments come up with places to cut.

Mr. Bennett said that Mr. Wall's assumption is that the City's staff has not already done so. This budget is already \$5 million less than last year's budget. Discussion was held concerning balancing the budget without raising revenue or laying off staff. Mr. Wall said that he is not suggesting that it has not been done already. He would like to review the non-personnel items and have staff explain to the Committee what happens "if" a certain item is reduced.

Chair Larson said that he believed that Mr. Wall is trying to go back to the drawing board and with magic see what the departments can do to take care of the shortfall. We all want to do what is best for the City, its employees and the citizens. However the department heads or management should come up with a solution the Committee can consider.

Mrs. McCain said in the budget process, the department heads have already done this. They know what they have done in the past. The Committee needs to decide to approve what is recommended by the staff and allow the people to decide whether or not they would want to pay for it. If it means that some things may be cut, the citizens should be aware and let them discuss and decide. We need to approach the public for input.

Councilor Soppe said how he approaches the budget:

- He goes through the line items of each budget. In general, he has been impressed how the department managers run their departments. He does not personally need to go through all of it. He encourages everyone to go through it and ask questions until they are satisfied that the numbers are reasonable.
- To request this of the department manager is a huge task for them. He would suggest that the committee come up with targets from each department to cut expenditures. Ask the

department head to cut a certain amount of dollars, what would be the impact? Every cut is going to impact service. If we want fewer dollars, we have to see what services would be cut appropriately.

Sally Dallas said that we need to have the public more involved. Are they willing to pay for the services? We need to explain why these services are there and how we are paying for them. There needs to be more education and justification for it. She would like to have the services and pay the fee rather than cut services.

Mr. Bart Rierson said he supported Mr. Soppe's suggestion about trying not go through the budget line items individually.

Mr. Soppe said it is the committee's job to keep the department heads honest and to be convinced of their integrity. He is generally comfortable with the results he receives.

Chair Larson said he would rather not have someone nit-pick all the line items.

Police Chief Robert Tardiff said each Friday the department summarizes what has transpired for the week. Patrol is not an area that he would recommend cutting. Chief Tardiff addressed the officer "free time" for reports which is about 1.37 hours per shift. The department has the same detectives as 10 years ago. There is one YCINT detective (drug team - Newberg, McMinnville and Sheriff's Office each have 1 person). The drug team seized 1,559 grams of Meth in Newberg which is about 880 individual doses. There are two traffic officers and they account for approximately 50% of traffic citations. The School Resource Officer is paid half by the school district (\$30,000). This person keeps the kids off the streets and in school. If there were no school resource officer, there would be an increase in officers responding to day time calls. The Animal Control Officer is an optional service. Newberg is currently the only City in Yamhill County with a City Animal Control Officer. Elimination of this position would result in many animal complaints going unanswered. Elimination also would add additional workload to patrol. Chief Tardiff added that the situation is not a one year problem.

Councilor Pugsley asked about training that is not occurring because of the budget cuts. Chief Tardiff said that in 30 years he has had only one complaint concerning adequate training. The case was later dismissed against him and the City prevailed.

Ms. Darlyn Adams said she feels the police department cannot survive with any cuts. She would be willing to pay for the service rather than services be cut. Chief Tardiff said that we have to provide the necessary materials and services to the officers for training and equipment.

Fire Chief Michael Sherman said the department has been running on bailing wire and duct tape for a number of years. The budget has been flat lined for a number of years, except for wages. The department relies on volunteers and the 24-hour duty officer program which does not cost anything to survive. He then reviewed call history.

1994, responded to 1892 calls
2001, responded to 2667 calls
2002, responded to 2796 calls
2003, project 3000 calls

The fire department does not have any fluff in their budget. This year the department asked for \$10,000 for overtime in the General Fund because they could not make the calls without the additional funds. They are trying to do everything they can to get someone to the calls. Reductions could affect people's lives. Staffing is short by about 9-10 employees. If the City tried to match national and state averages, there would be more firefighters. He agreed with Mr. Soppe, the Committee is here to serve the public.

Mr. Wall said that Newberg is below the national average of having police and fire personnel for its population. Discussion was held concerning Newberg's growth and the fact that we are so far behind in police and fire per capita. Chief Sherman said it is due to Measure 50's reduction of revenue. He said that if there is a 2% or 4% reduction across the board, there is no place in his budget to reduce expenditures.

Mr. Wall said he does not support cutting personnel. It was suggested that maybe none of the Committee had the background to question the expenditures. He asked if anyone had that background.

Chief Tardiff said they put aside money each year to allow for safe vehicles, computer replacements as they wear out. Discussion was held noting that it would be different if the expenses and shortages were for more than one year.

Leah Griffith, Library Director, noted where the Newberg Library is in connection with the State libraries. Newberg has the lowest hours open for the entire state for a library serving this number of people. The hours limit times to utilize the library for critical information, improving reading skills, language skills and the other services the library provides. She said that the Library impacts all ages. The Library Board is looking at forming a library district. It would remove the library from the City's General Fund. The committee is looking at all impacts. She reviewed the impacts of Library Cuts:

- Reduce library hours from 39 to 36 hours
- Open one hour later
- Reduce Saturday hours
- No staff on Mondays
- Eliminate 4 part time positions

Discussion was held concerning the formation of a library district and how property taxes would be affected. If the district were formed, the City could reduce its tax rate by the amount the library district would need. The library district could include an area similar to the CPRD and

the School District. It would stabilize the library's funding. To form a library district, the matter would have to be referred to the voters either on the ballot for May or November 2004. Discussion was held concerning dollar amounts of the cuts. The reduction of hours would save about \$24,000 per year.

Mr. Wall said that Newberg's tax rate is about average for most communities. In the list, the library is on the bottom due to the number of hours open. Ms. Griffith said they are low on the number of hours open and limited staff. With the two floors, they have to have people in circulation, reference and children's area to provide proper coverage. They only have 5 people. They are about a third down in comparison with other libraries in the state. Newberg also has to pay CCRLS \$66,000 next year. Many other libraries have separate tax levies supporting them.

Ms. McCain said there are concerns with proper supervision for those using the Internet and computer services. Discussion was held concerning the 90-100 volunteers. Automation takes more training and a longer commitment and is hard for volunteers to supervise.

Ms. Tri said there is a \$40,000 contribution for facilities to maintain city hall, public safety and library. Staff has been trying to get the Library heat pumps fixed for a number of years. Ms. Tri reviewed the other impacts.

- Eliminate facilities maintenance \$20,000
- Drop web page support \$4,800
- Reduce professional services (\$10,000)
 - General office support in permit center
 - Reduced professional services in Human resources
- Reduce contingency to balance - currently at \$120,102
- No outside prosecutor

Councilor Pugsley asked about the lack of funds for reserves and future availability.

City Attorney Terrence D. Mahr reviewed the status of the municipal prosecutor who went to work for the Yamhill County district attorney. Activity in the municipal court has increased. He said he would be willing to prosecute some DUII cases, which takes time. Victims sometimes fall short of what they expect. They have considered turning cases over to the District Attorney. We may have to re-think about this. Newberg and McMinnville are the only cities in the County with full-service courts. Mr. Mahr said that other cities have a city prosecutor.

Chair Larson said he is not in favor of reducing the departments. He would be in favor of increasing the funding. He is particularly concerned about the library. With the current school funding, the library can supplement lost time and it is a place for families to share in the reading experience. He would like to expand the library services. The staff is asking for a 5% sur-charge on the utility fees for one year. Expenses are exceeding revenues. As long as the cost of doing business increases and revenues do not increase, the city will continue to have a less than

favorable situation. We are trying to make do and not necessarily improve the quality of life. He would like to achieve something more than a one-year fix. It is difficult to know where to go. Unfortunately, the probability is that the voters may say the problem is here and what we are asking them to do is not a solution and why should we help? During his campaign he received feedback concerning distrust. We can sit here and justify the need for more revenue. The committee is faced with a decision of the dynamics of the whole process and a consensus is difficult to obtain.

Councilor Pugsley called for the question on the motion.

Vote on Motion #1:	6 Yes/ 5 No. Motion failed. Ms. Tri said she needed 7 affirmative votes to pass the motion.
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Councilor Andrews asked about the process. Ms. Tri said that the committee must meet again until it approves the budget. The Council is scheduled to adopted the budget June 16th. The budget must be adopted by June 30th or things shut down. The Council can adjust the budget after it is approved by the budget committee. The franchise fee requires a vote of the Council to determine. The Library district would be up before the citizens for approval.

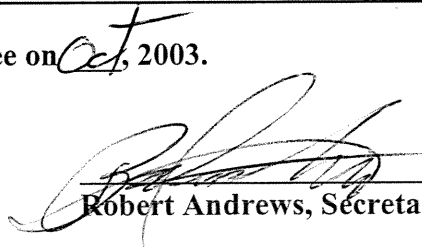
Lon Wall said he assumed that if the budget is approved, it basically assures that they have to come up with a revenue source for the shortfall. He does not think that they are any where close to passing the budget before the deadline. We need to spend the effort to do it. He suggested that if we do pass the budget, we are also going to pass the fees. Mr. Bennett said it will be up to the Council to take action to approve the increase in lieu of the franchise fees.

Chair Larson said the next meeting is set for May 13th to revisit the budget and recommended that members ask more questions of staff in the meantime.

3. Adjourn

Motion #2:	Dallas/Rierson to adjourn at 9:30 p.m. Motion carried.
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ADOPTED by the Budget Committee on Oct, 2003.



Robert Andrews, Secretary