

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

June 5, 2007

7:00 P.M.

PUBLIC SAFETY BUILDING - TRAINING ROOM

1. CALL MEETING TO ORDER/ ROLL CALL

Members

Present: Mayor Bob Andrews Jack Reardon (Chair)
Mike Boyes Darlyn Adams
Roger Currier Thomas Barnes
Bob Larson Andrew Smith
Robert Soppe Ernie Amundson
Lon Wall

Staff

Absent: Jeff Palmer, Joel Perez, Bart Rierson

Staff

Present: Jim Bennett, City Manager
Terrence Mahr, City Attorney
Elizabeth Comfort, Finance Director
Janelle Nordyke, Assistant Finance Director
Libby McCann, Accounting Clerk 1
Dan Danicic, Public Works Director
Barton Brierley, Planning and Building Director
Leah Griffith, Library Director
Becky Green, Human Resources Director
Al Blodgett, Fire Chief
Brian Casey, Police Chief
Mary Newell, Support Services Manager
Dave Brooks, Information Technology Director
Norma Alley, Deputy City Recorder
Jennifer Nelson, Recording Secretary

Jack Reardon, Chairperson and Public Member, called the meeting to order.

2. APPROVAL OF MAY 29, 2007 MINUTES

Lon Wall, Public Member, asked if we are also approving the audio recordings when we approve the minutes.

Terrence Mahr, City Attorney, stated only the written minutes needed approval and after a year or so the recoding is destroyed. If there is something different on the recording than is on the written minutes, you can chose request to approve what is on the recording instead.

Councilor Robert Soppe stated he was not comfortable with the recordings being a part of the record and stated if it is not in the written record we should clarify that before approval. He also

pointed out that he believed there was a response omitted from **Mr. Bennett** in regards to his question on page four of the minutes from May 29th concerning the change in impact changing from \$250,000 to a \$90,000 impact when actually it was a \$160,000 impact.

James Bennett, City Manager, stated he was not sure what portion of staff response he was referring to, but he believed his statement may have been an explanation of an error in the budget message that implied the difference, when actually the totality was \$250,000.

Councilor Soppe thought the correction should change the implication to an actual statement.

MOTION: Larson/Wall to approve the Budget Committee Minutes from May 29, 2007 as amended. (11 Yes/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

3. BUDGET PROPOSAL DELIBERATION

A. Options for Budget Reductions: \$50,000 to \$250,000 (Presented by Staff)

Mr. Bennett passed around a handout containing some possible budget cuts totaling \$345,000 dollars (see official record for full report). He stated the previous actions of the budget committee left the budget at an approximate debt of \$200,000. The additional \$145,000 included that was not discussed is equal to the amount equal of the 2% increase of water and sewer payments to the general fund. He asked the committee to look over the chart and see if they had any questions. He said he would not be able to tell you what one rationale over another is, but that each department decided what may work for them and the committee can decide what to consider or not. He indicated the items at the end are at a lower priority and we would not like to see those cuts made; although they do not want to see any of them made, those at the top of the list are at the highest priority level to be cut first.

Chair Reardon asked for clarification on page 183.

Mr. Bennett stated these are the total amounts and portions, the total in budget is \$500,000 and this would reduce.

Councilor Soppe asked how we got to \$300,000 from the original difference between expenditures and revenues.

Mr. Bennett stated we had a balanced budget and then the committee voted to change the central services allocation back to the way it was which involved the \$90,000, then they restored the cable TV fund which is another \$90,000 which cancels that out, then there is the additional money for bus services at \$12,000 and then the \$50,000 increase from planning revenue.

Councilor Soppe asked if that was not going to capital revenue.

Mr. Bennett replied yes, but it is going into the bottom line and that is our concern.

Councilor Soppe argued it was not his concern, stating we can spend down the working capital, but revenues vs. expenditures have been his issue all along. He said if we are not taking in enough money during the year, then we need to look at not spending it. He said we are really

\$250,000 behind unless math is incorrect because the \$50,000 is not really revenue, it is working capital. So we are really down \$250,000, not \$300,000.

Mr. Bennett stated the budget has never been put together that way before.

Councilor Soppe asked where the \$300,000 is coming from and stated he has a problem with numbers that are inaccurate.

Mr. Bennett stated staff was working based on the actions of budget committee as of this point, we have responded with the potential cuts requested, that is where the number came from, and here are our options.

Chair Reardon suggested the committee peruse the proposed budget cut options.

Councilor Roger Currier asked about the Deputy Recorder position being changed to full Recorder and why that was not included as a cut. He felt that \$10,000 difference could be used elsewhere.

Mr. Bennett replied it was not included because it was not from the General Fund, and we were asked to make cuts from the General Fund.

Councilor Soppe asked if that change was made though how would it impact the General Fund.

Mr. Bennett replied it would affect it some but not a lot, maybe between four and five thousand dollars.

Councilor Soppe felt it would be valuable to have an explanation for that.

Mr. Wall added it would be helpful to get a rundown as to why these numbers were picked.

Mr. Bennett explained the committee asked for their input and we went through this and came back with a list, he trusts the department heads know best and it was not necessary to go through each reason why.

Mr. Wall asked what percentage of the optional cuts came from department heads.

Mr. Bennett replied that most of them did.

Councilor Larson wondered if we really needed \$345,000 to balance the budget.

Mr. Bennett replied that potentially we could if the budget committee did not find all revenue sources as acceptable and if they wanted to put them back where they came from.

Chair Reardon asked what the bottom line would be if the committee decides to take \$200,000 for one time revenue transfer from the \$225,000 from in the Economic development fund.

Mr. Bennett replied the transfer of the \$200,000 and \$145,000 from the increase of waste water together adds up to \$345,000. We came up with that amount of cuts if committee decides to put it back and keep the water and sewer rate at 5%, or some portion of that.

Councilor Currier expressed concern for why we are at this point this year and that next year we will be in more trouble. He believed by balancing the budget by drawing from contingencies and placing our savings down to zero will place us in real trouble next year and we will have to rectify that.

Chair Reardon stated that we are down this fiscal year and starting in the hole since the projections set up in last year's did not happen and the idea is to balance what happened last year.

Mr. Wall agreed the budget was balanced, but the method just was not acceptable. One component being a tax or fee as a contribution is still an increase on the citizens and the second a one time transfers of funds; we realized it will not provide stable funding in long run or short run even if just balance out this year. What we are interested in is stable long term financing, not just a quick fix right now.

Chair Reardon added that next year there would have to be big cut backs, like cutting employees, and hopefully it will not to that by being frugal now.

Ernie Amundson, Public Member, declared that as a member of citizen rate review committee, he has been fighting having to raise rates every year, but now he is being told we need to raise water rates in order to get water into our homes and now we are taking \$145,000 to the General Fund.

Mr. Bennett stated we charge franchise fees and this is a charge on our own utility, it does not increase the bill, only the portion that can be collected for the General Fund.

Councilor Soppe affirmed the 5% increase requested last year can be attributed directly to the increase in the franchise fee and asked to confirm that as of today, the \$225,000 transfer has been taken back out.

Mr. Bennett replied the committee did not do anything with it yet and there has been no definitive action since they wanted to wait to see these cuts before a final decision was made to take any or all of it out.

Councilor Soppe expressed concern that if we do not complete the \$225,000 transfer then the proposed budget, even if balanced, we would still be spending \$300,000 of working capital next year, and that is only if there are no further problems.

Mr. Bennett concluded this discussion by presenting the budget cut options to the committee and the impact each section would have (see official record for full report).

Councilor Currier stated the one that jumps out to him is that the library seemed to jump out there to take the noose for everyone else; he asked what the Library Director, **Ms. Leah Griffith** is attempting to lose.

Mr. Bennett replied there were four levels; for \$22,000 there would be a reduction in the book budget and supplies, \$33,000 would include this entire reduction plus more from book budget, another level would include all of this and closing on Monday, or it can stay open on Monday and reduce the staff. He agreed that Ms. Griffith has always been ready to do what needs to be

done because the goal is to keep the library open. The history of library is to go up and then down again.

Councilor Soppe talked about the change in the credit card limit and asked how much it will affect the General Fund versus other items if we go back to the \$500 limit for charges.

Elizabeth Comfort, Finance Director, informed the committee she discovered we are not legally authorized to set limits to accepting Visa or MasterCard. She mentioned we had done it in the past and the person she was speaking to said he would choose to ignore that. The most we are able to do is allow building and planning to pick and choose different permits that would be allowed to be paid with credit cards, but we cannot cap the whole city.

Councilor Soppe asked if there are big-ticket planning items that can be paid for, according to the new standards, by a credit card.

Barton Brierley, Planning and Building Director, stated currently anything could be, from \$500 to \$50,000.

Councilor Soppe asked if the proposed budget that included what he just described and if that would change if he went through and determined which could be paid by card and which could not.

Mr. Brierley stated prior policy did select high ticket items and if he was requested to go that way, that can be crafted to reduce the \$6,000 for bank charges.

Councilor Soppe stated that is not really a huge amount.

Mr. Bennett replied people are not really using the service because they are still writing checks.

Councilor Soppe thought if it were really only \$3,000 or so than it was not relevant, but he believed it was a time-bomb if we allow a card for a \$50,000 permit. He also asked if there was only \$8,000 to be lost for the ½ FTE Finance position.

Ms. Comfort replied the \$8,000 was only the part of the position funded by the General Fund and it was part of the efficiency positions that have not been filled since she got here.

Councilor Soppe thought that cutting the position and not filling it now made a huge difference as well as deferring the division fire chief position and he asked if there were any other open positions funded in part or in total by the General Fund.

Mr. Bennett responded there was a clerical position in Planning they want to have filled as well as an Assistance Library Director who recently resigned. There are also a couple of dispatch positions that were recruited for but not filled.

Councilor Soppe asked why **Ms. Griffith** chose not to defer that position with the cuts suggested.

Leah Griffith, Library Director, stated the position worked along of her running day to day operations, and additionally to the management of daily activities this position also has desk time

responsibilities, managing online resources, and supervising 12-13 employees. If this was not filed, it would be not good.

Councilor Soppe asked if we had to cut would she much prefer to see that \$50,000 in cuts.

Ms. Griffith replied she would and it does include clerical time and cutting a ½ time position as well as closing on Mondays.

Chair Reardon asked about the salary increases.

Ms. Griffith stated it included the COLA increase and step increases as well as other things that occur like bringing in substitutes when someone is out. She said they did not used to count those are FTE, but now they are.

Chair Reardon asked if those changes were already made.

Ms. Griffith stated they already existed in last year's and this year's budget. She said they have a fair number of employees that get annual increases because they have been here 3-4 years. She added she needed the Assistant Director so she could continue working with the committee to raise \$700,000.

Andrew Smith, Public Member, asked about the \$18,000 for the code enforcement position and if that was the entire salary.

Mr. Bennett replied it was the General Funds portion.

Mr. Amundson asked if the General Fund would mostly the benefit from that position.

Mr. Bennett explained why certain positions have portions of their salaries coming from the general funds.

Councilor Currier stated the code enforcement position is not really new and this just is putting it back in because we had one before.

Mr. Bennett affirmed this but stated the position had not been active in the last 5 years.

Councilor Mike Boyes asked if the COLA 2.5 % was for all city staff or just those not in a union.

Ms. Comfort replied it was just for nonunion General Fund employees only.

Brief discussion followed concerning removing the COLA and the impact of this on the general fund and the non-union salaries.

Councilor Boyes asked what, out of the first ten items, is going to affect the community more. He said the fire works affects a lot of people and other things like the LOC deduction, and asked if we are showing the community and our neighbors that we are going broke.

Mr. Bennett stated we are more concerned in maintaining what are essential services, these are not essential. He sees his point that the community and some of these things may represent

things that are popular, but not essential to the operation of the city. He reminded all that nobody escaped and everyone got hit.

Councilor Boyes stated he thought the code enforcement officer position was going to make some money to offset some of those wages and suggested getting rid of the position that runs CodeRED emergency system, since in his opinion it is not necessary and has not been used yet.

Councilor Soppe countered it is important to note some of the things he said were the burden of decisions made by city council. He said council has had the authority on impact those things like CodeRED and the position to run it. He also asked how he can figure out what percentage of the General Fund goes towards the ½ FTE in finance.

Mr. Bennett directed him to page 126.

Councilor Currier responded to **Councilor Soppe's** previous comments on the responsibility of the council passing off decisions and argued that some of those things were passed by council earlier in the year when they were under the impression money was available, it was only in April that the letter from the City Manager was received discussing the state of the general fund.

Councilor Boyes agreed with **Councilor Currier** that there was no problem seen with the budget available because so much revenue was to come in and it was a shocker

Mr. Wall agreed we had a rosy financial picture all the way up until April and with **Councilor Boyes** concerns about not having fireworks and that the public will not care for that; however, he states we are all in this together and he does not believe there is any benefit in insulating the citizens from the situation we are in. He stated this list staff offered was exactly what they were looking for with the decisions being made as to what is least painful. He thought we should stop at the column that would provide \$200,000 in cuts and not take the other three columns.

Chair Reardon added any adjustments throughout the year could be made, but he suggested going to \$225,000 by taking only half of the library reduction.

Councilor Soppe asked about the finance problem in training considering the request was for \$6,000 over what was historically asked and why only \$1,500 was cut and not more.

Ms. Comfort replied training is very important because this department has not received appropriate training since money has always gone elsewhere. She stated she would prefer to give up the \$3,000 she requested for leadership training before giving up the staff training.

Councilor Soppe asked to confirm that the police department vehicle replacement fund is not expenditure, but just a transfer.

Mr. Bennett replied this was true.

Councilor Soppe complained these are not savings they are deferring and transferring money from one place to another does not solve the problem because we still need capital to replace the equipment at another point. By not putting money in there, it does not help to achieve long term financial stability; it just pushes off until next year. He also asked where the \$6,800 from the Janitorial Fire Station Services comes from.

Al Blodgett, Fire Chief, replied the department felt they will be better off having the staff doing work than the contracted cleaning service has been since they would take more pride in the job.

Chair Reardon felt the committee should just listen to staff rather than trying to tweak the numbers and recommended moving on to decide how much to cut.

Councilor Soppe argued it was his obligation is to pick up on things he understands and he wants to have confidence the right decisions are made and he believed extra scrutiny was appropriate.

Darlyn Adams, Public Member, agreed with **Mr. Wall** about going to \$200,000 stating staff has done the homework and the committee should just vote on it and not question their choices.

Councilor Currier mentioned we could afford the \$1,000 for fireworks if we put the increase for the Deputy Recorder position change back into the budget.

Chair Reardon replied he would have to get staff and committee to agree with him.

Councilor Currier stated they would not agree with him but he is just pointing out to the budget committee and asking for an exchange.

Mr. Bennett stated he could also not transfer as much out of the revenue.

Councilor Currier stated he was not trying to pick on city employees, but was making a statement about government as whole.

Mayor Bob Andrews brought up the point that a group of carpenters are on strike and want increases in salaries and benefits when they already make \$29 dollars an hour. He stated this is not just a public matter, but private sector issue as well. The desire is out there to be compensated.

Mr. Wall pointed out that everyone in business needs to figure out how to accomplish cut backs when needed and he stated his discomfort with putting all of this discussion off until the last minute. He felt the committee should not be bickering political issues and supported the suggestion from Ms. Adams to go column by column and vote on what should be cut.

Mr. Amundson reminded the committee that we never discussed the 2% from water and sewer.

Mr. Wall returned that is partially why we are here at this stage deciding whether we are going to support this as an increase or not.

Discussion commenced concerning the best way to vote on the columns, whether one at a time from the beginning or from the end, or just by a suggested dollar amount.

MOTION: Adams/Wall to approve the budget cuts on column at a time based on the chart prepared.

VOTE: To approve the budget cuts by voting on one column at a time. (6 Yes/ 5 No [Soppe, Currier, Andrews, Boyes, Larson]/ 3 Absent [Palmer, Perez, Rierson]) Motion failed.

MOTION: Reardon/Wall to accept all cuts in the first four columns totaling \$200,607 plus only \$25,000 in library services from the fifth column for a total of \$225,607.

Discussion followed concerning the details of the health insurance split and the impact on the union negotiations. It was discussed that the goal has been to bring employees to equality and including this cut would change that. But it was noted that this discussion did not pertain to the motion for an amendment at hand.

MOTION: Wall/Adams to amend the motion to reduce the total from \$225,607 to \$205,607, impacting the library services by only \$5,000.

Mr. Amundson asked if this was more importation than the police vehicle cuts.

Mr. Wall replied everyone is taking cuts, but the \$50,000 on the library or even \$25,000 was too much of a burden and in reference to other departments the library would still be taking the largest portion. He said we can draw the line anywhere, but then we will still have to come up with the rest from another revenue source.

Discussion followed and Ms. Griffith was asked to clarify what was included in the \$50,000 cuts again. Page 190 was also referred to for a better idea of what was funded by the General Fund. Reasons for increases asked for were also discussed.

Chair Reardon stated that all departments had increases, except the legal department, and all departments were also asked to come up with cut options.

Councilor Soppe asked to clarify the amendment, confirming we would be throwing out the police department replacement fund.

Mr. Wall affirmed that was true.

VOTE: To amend the original motion to include only \$5,000 in cuts from library services for a total of \$205,607. (6 Yes/ 5 No [Larson, Soppe, Currier, Amundson]/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

Chair Reardon called for a five minute break at 8:50 pm and reconvened at 8:55 pm.

Councilor Boyes asked if the committee needed to find another \$100,000 or so now.

Chair Reardon stated if we pass the motion as amended then we will go to the revenues and decide whether to use all the \$225,000 of the one time transfer and additional water increase.

Councilor Soppe said if we cut expenses in water we are likely to cut increases in water rates and if we do the transfer it is likely to raise it, he said there is an indirect connection but it does not go into the General Fund.

VOTE: To accept all of the cuts within the first four columns totaling \$200,607 plus only \$5,000 from library services in the fifth column as amended. (7 Yes/ 4 No [Andrews, Soppe, Amundson, Currier]/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

Chair Reardon stated the committee needed move to the revenue side and decide where the revenue comes from. He asked if the goal at this point was to balance the budget.

Mr. Bennett replied we have cut \$205,607 from the budget and we need to appropriate a revenue source either of the two available; either transfer \$225,000 from the economic development fund or the \$50,000 increase from planning or adopt both or a combination of the two to get to that level.

Discussions commenced concerning the options for the budget committee at this point. One could be that the transfers were not put back and the water and sewer fee not raised, but the amount of revenue raised by the increase in the water rate is \$145,000 and if that was eliminated, then that amount would have to be made up. The other option is that the rate increase could be eliminated; keeping it at the current 5% and a portion of the economic development fund could be transferred to take care of the rest.

Mr. Wall suggested a compromise, taking half of the increase and transferring the remaining from the economic development fund to balance it out. He also suggested taking the rest of the economic fund left to contribute towards purchasing the fire truck instead of putting it off until next year

MOTION: Amundson/Currier to leave the water and sewer franchise fee at 5%.

Mr. Wall stated he did agree the citizens should not completely escape the burden and they need to be aware of the situation, we could cut police and fire and we would really see the difference. He stated he might not be against a modest increase in fees

Councilor Currier stated staff was asked to put together a program for nonprofit to dedicate to public safety and we need to show what they are getting for their dollar and mentioned there was no placeholder.

Mayor Andrews stated we can do that through supplemental budget.

Mr. Bennett agreed a supplemental budget could be done and added the Mayor met with George Fox University and it will take while to develop a program like that, there were no guarantees. The bigger discussion will be in the coming years about how do we plan for next year to not face these issues. This is not going to be achieved by cutting more and we also have to raise additional revenue as well to get nonprofits to pay for services.

Discussion moved to the water fund as a new revenue source for the General Fund, not just a one time source.

Councilor Larson wanted to be clear that the committee is trying to raise \$205,607; the 2% will raise \$145,000 and rest is coming from the economic development fund. He asked how much was in economic development fund.

Mr. Bennett stated the one time amount of \$225,000 was available.

Mayor Andrews asked if doing this would prevent impugning water by \$145,000 and if it would be reducing the \$205,000 to a net of about \$60,000.

Councilor Soppe confirmed we would have \$60,000 afterwards, and now at pre-vote, we have \$205,000.

VOTE: To leave the water and sewer franchise fee at 5%. (8 Yes/ 3 No [Soppe, Larson, Wall]/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

MOTION: Reardon/Amundson to take \$60,000 out of the Economic Development Fund as a one time transfer.

VOTE: To transfer only \$60,000 of the \$225,000 available out of the Economic Development Fund into the General Fund as a one time transfer. (11 Yes/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

4. BUDGET APPROVAL

MOTION: Larson/Adams to approve the proposed budget as modified by the budget committee, and approve the tax rate imposed of \$4.3827 per \$1,000 assessed valuation, and approve \$470,000 taxes be imposed for debt service.

Thomas Barnes, Public Member, asked what last year's tax was.

Ms. Comfort stated it was the same.

Councilor Soppe stated his opinion of what has gone on concerning the budget last year and this year and although he argued last year the city was overspending, the committee still went ahead and approved last year's budget which helped to get us in the situation we are in now. This year, even with the changes, we are still looking at spending \$300,000 more than we are taking in and he did not feel he could support the budget where the committee has gotten it.

VOTE: To approve the proposed budget as modified by the budget committee. (7 Yes/ 4 No [Soppe, Currier, Wall, Amundson]/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

5. ADJOURNMENT

MOTION: Currier/Adams to adjourn the meeting at 9:31 pm. (11 Yes/ 3 Absent [Palmer, Perez, Rierson]) Motion carried.

Mr. Barnes suggested having the first budget meeting in September of this year instead of waiting until the last minute again.

Councilor Soppe stated he also pushed for early meetings but the staff needs did not have the information until January that there would be problems, but he agreed the budget committee should meet as soon as possible after the information is available.

Mr. Bennett stated we are now in a position to start the budget committee as soon as the new budget is adopted.

Chair Reardon thanked the committee for bearing with him as chairperson and dismissed all.