

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

MAY 7, 2009

7:00 P.M.

PUBLIC SAFETY BUILDING

401 E. Third Street, Newberg

CALL MEETING TO ORDER/ROLL CALL

Members

Present:

Councilors:

Bob Andrews, Mayor
Bart Rierson
Bob Larson
Denise Bacon
Marc Shelton
Wade Witherspoon
Stephen McKinney

Citizens:

Lon Wall, Chair
Joel Perez, Vice Chair
Ernie Amundson
Darlyn Adams
Thomas Barnes
Jack Reardon

Members

Absent:

Andrew Smith

Staff

Present:

Dan Danicic, City Manager
Elizabeth Comfort, Finance Director
Janelle Nordyke, Finance Assistant
Howard Hamilton, Public Works Director
Les Hallman, Fire Chief
Brian Casey, Police Chief
Leah Griffith, Library Director
Mary Newell, Police Support Services
Dave Brooks, Information Technology Director
Barton Brierley, Planning & Building Director
Dawn Karen Bevill, Recording Secretary

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1. **Chair Lon Wall** called the meeting to order at 7:00 p.m. and asked for a Roll Call.
 2. **APPROVAL OF JANUARY 13, 2009 BUDGET COMMITTEE MINUTES:**

MOTION: Larson/Barnes moved to approve the January 13, 2009 Budget Committee Minutes. Motion carried unanimously by voice vote.

Chair Wall asked the audience if anyone in attendance would be commenting on Agenda Item 7 – State Revenue Sharing Possible Uses. Chair Wall asked as a courtesy to those who would rather not stay for the entire meeting. No response was heard.

3. **PUBLIC COMMENT:** None.

4. **BUDGET MESSAGE: Dan Danicic, City Manager –**

As discussed in Mr. Danicic's Budget Message, the proposed FY09/10 budget must not only address anticipated budget shortfalls next fiscal year, but must also position Newberg to weather another one to two years of budget challenges. The staff has worked diligently to prepare a budget that is reduced over last year's budget and seeks to maintain the current level of services to the maximum extent possible. The unemployment rates were running at approximately 10% but have increased to 13% in Yamhill County. The State of Oregon Office of Economic Analysis and the Oregon Index of Leading Indicators are pessimistic and the overall Index continues to worsen with each passing month, indicating the current recession will not improve quickly. The major financial markets have steadily risen but the trend line is flat. The proposed Newberg budget positions the City to deal with another difficult budget year FY10/11. With that in mind, the budget was prepared with two major elements: the General Fund and Public Works (P-14). Public Works is separate because its fee supported and is treated differently in the budget process. Looking at the General Fund, revenues are expected to increase by 3% overall as permitted by statutes. The City did experience some growth during the 2008 calendar year with an expected increase of 2% in revenues. To be on the safe side, a collection rate of 90% is assumed compared to 92% in previous years in hopes of providing a cushion. The City hasn't seen massive foreclosures but delinquencies may be a factor in the coming revenues. Franchise fees will remain stable with a slight reduction in telephone franchise fees, as has been the trend. The Utility franchise fee of 5% will remain in affect from wastewater, water, and storm water which pay to the General Fund.

To mitigate the expense side of the ledger, a number of steps have been taken. There will be no transfer to reserves for computer or vehicle replacement in the General or Administration funds. Over the past few years, the City has done a good job of putting reserves aside and there is currently enough available in reserves if needed. The Proposed Materials and Services Expenditure line items are held to estimated year-end 08/09 expenditures as much as possible. Mr. Danicic's philosophy is not to do across the board staff cuts because it fails to recognize the relative merits of each position. His preferred approach is to evaluate and reduce programs if needed. Therefore, the Emergency Management position is being eliminated, not because Mr. Danicic believes it to be an unimportant task or activity, but believes it can be dispersed back into the other departments by having a small team of Police, Fire, and Public Works take over the responsibilities of the half-time Emergency Management Personnel. Otherwise, there is no new FTE or reclassification of existing FTE being proposed. Vacant positions will be filled on a case-by-case basis, determining the relevance and need at the time. Merit increases are included and can be counted on by staff as long as they have a satisfactory performance review.

In the area of cost of living allowances, the Police Union Contract has 3½% built into it, which is included in this budget. The Fire Union negotiations were underway at the time Mr. Danicic prepared the budget message and a tentative agreement has since been reached. Mr. Danicic is optimistic regarding the approval of the contract. If the proposed contract is approved, the overall impact to the budget is \$63,000 and will be taken out of the \$207,529 contingency amount in the General Fund. For the non-represented, non-union staff a 2% cost of living has

been included in this budget. Health Insurance increase is estimated at 13%. Funds will be allocated via supplemental budget once this program is defined and adopted by Council.

Public Works Revenues include a utility rate increase scheduled for July 2009 – Wastewater 20%, Water 6.5%, and Stormwater 7.5%. Also the guarantee of \$480,000 in Stimulus funding which is allocated directly for transportation for the use of pavement overlays will be done over the course of the next year.

Public Work Expenses include the proposed Materials and Services Expenditure line items which are held to estimated year-end 08/09 expenditures and increased only if absolutely necessary. A significant reduction has been made in planned capital improvement projects. The Engineering Division will lay off a 0.5 FTE position and there will be no new FTE or reclassification of existing FTE. Vacant positions will be approved on a case-by-case basis. Merit increases are included and in the case of Public Works, all the staff is non-represented and have a 2% cost of living included. Health Insurance increase is estimated at 13%.

A meeting was held with the Newberg City Council and in the spirit of reduction that City Staff has been participating in, the Council elected to no longer provide meals at Council; a \$2,800 savings for the year. This has already been initiated and will save money in the current fiscal year. In the beginning of the budget planning, two Sister City trips were planned and have been reduced to one trip in the next fiscal year. \$30,000 has been budgeted for the Visitors Center; \$12,000 to the Chehalem Valley Transit Authority; \$6,000 for the Old Fashioned Festival fireworks; \$5,500 is allocated for the Community Mediators; and \$27,000 is allocated to the Animal Shelter for the principal and interest re-payment for a property purchase. One item that came out of the Council goal setting was a very strong support and desire to see the Animal Shelter move forward. In looking at that project, Mr. Danicic found the key sticking point is finding a piece of land. The fund has \$445,000 which will go towards the foundation and putting up a building. The Public Safety Fee will come before the Council for fee adoption consideration in June, 2009. The Council will make the decision regarding the fee amount of \$1 - \$3; depending upon how many Police Officers will be added. A supplemental budget will be needed to recognize those funds if passed by the Council. There is still an interest in the Road Maintenance Levy but has been postponed until the economic climate improves. Finally, communications with the public has been another City Council goal they'd like to see pushed forward. A token \$10,000 has been budgeted to aid in that process; the first step is revising the website.

The bottom line for the 09/10 Fiscal Year Budget as presented is 10% lower than this current F/Y budget with a 4% reduction overall in FTE due to vacancies that have occurred this fiscal year that will not be filled in the next fiscal year.

Chair Wall asked the committee if they had any questions and/or clarification regarding the Budget Message.

Jack Reardon asked how the \$480,000 Transportation Funds anticipated for the use of pavement overlays tie into the Road Maintenance Levy that was proposed at an earlier date and will the \$480,000 be spent in house or contracted out? As Mr. Danicic was searching his

information for the correct answer, **Councilor Bart Rierson** stated that Dan Danicic had stated two years ago there was a \$7M shortfall to bring City streets up to current standards. **Mr. Danicic** replied it was a significant amount but a smaller amount will be used for the levy. **Elizabeth Comfort, Finance Director** recalls it was a 3-year levy at \$.5M each year. **Mr. Danicic** added it will be contracted for the physical construction of the levy.

Darlyn Adams asked the percentage of merit increases. **Elizabeth Comfort** replied there isn't a specific amount, but an employee can receive up to 5% between each step and there are 6 steps in a scale of a position.

5. PROPOSED BUDGET OVERVIEW: Elizabeth Comfort, Finance Director -

First of all, Ms. Comfort asked if there were any questions regarding responses prepared by Staff based on the questions received by the Budget Committee at the January 13, 2009 meeting.

Councilor Rierson asked Ms. Comfort if she will be with the committee through the budget process. Elizabeth Comfort replied she has accepted the position as CFO with Friendsview Retirement Community starting May 15, 2009. Her last day with the City of Newberg as Finance Director will be May 8, 2009. Her hope is the Budget Committee will have a transparent and understandable proposed budget in the hopes of a quick approval, but she will come back for the May 21st Budget Committee meeting if needed. Ms. Comfort will be present during the City Council adoption process. The interim Finance Director will be Janelle Nordyke who has been Elizabeth Comfort's assistant for the past 2 ½ years.

Ms. Comfort explained on Monday the City Council was presented with and adopted the supplemental budget, the second one for the F/Y 08/09 which adjusted appropriations in four different funds due to overspending that was unplanned throughout this year. This supplemental budget is reflected in the proposed document. Also, the proposed budget is \$69M; reduced from the \$77M budget last year. It was reduced by eliminating double transfers, shifting money from reserves to Capital Projects, and cutting expenses. As Dan Danicic said, a 2% assessed growth value is included with 3% assessed growth from property taxes based on Measure 50. Franchise fees are holding strong with a 6% increase in PGE, making up for the decrease in franchise fees for land-line phones.

Mayor Bob Andrews asked for clarification concerning the percentage the budget assumes based on issued development permits (P-19). Ms. Comfort explained its 3% and 2%.

Ms. Comfort continued on to explain the Allison Inn hopes to be in operation in September, 2009 and \$125,000 is the anticipated Hotel/Motel Tax revenue from them increasing the total amount to \$250,000. A new law is now in effect which states tourism comes from Hotel/Motel Tax and 17.3% of that revenue needs to go toward tourism; creating a new line in the budget of \$44,000 and in that line, \$18,000 is included for the Chamber of Commerce. Newberg has three Bed & Breakfasts in town which all seem to be doing very well. The public hearing regarding the State Revenue sharing to be heard during this meeting, is \$150,000 and is based on population, which has increased this past year to 22, 675.

A School Resource Officer is listed under Police with revenue of approximately \$35,000 that is shared with the School District. A Forensic Officer will also be included in the budget for a full year. There are also reserves for future radio replacement which will occur within the next 7 years; those reserves are found in both Fire and Police Departments. Traffic fines are close to \$500,000 and Photo Red Lights approximately \$45,000 this coming year, which is not a revenue source but a deterrent; keeping the Springbrook/99W intersection safe. The Police Dept. has also applied for the COPS Hiring Recovery Program Grant which will provide 100% funding for entry-level salaries and benefits for 3 year. If approved, they'll come back to the Council to recognize those funds. After 3 years, the City would need to look at revenues to continue support. (Those funds are not included in this budget, but identified in the Police Department's message.) A Public Safety Fee is included in the budget but won't be filled until it goes to City Council for adoption. Also, the Police Dept. will be retiring their German shepherd and are looking into a new canine puppy.

The City of Newberg Fire Dept. has a contract with the Rural Fire Board of Fire Protection, receiving \$278,000 annually for those services provided outside the City limits. Ms. Comfort stated that Les Hallman, the newly appointed Fire Chief is doing a wonderful job and is already starting to make some changes in that department. This past Monday, the City Council appointed the ordering of a new ambulance for the EMS Dept. and has also planned a new vehicle for the EMS Division Chief. The Fire Dept. has also applied for a FEMA Grant that is not in the budget, but if they do receive that, they'll be coming to the Council for them to recognize those dollars and any anticipated equipment purchases.

The Newberg Library has ordered their chairs and shelving that they were approved to order last year, and this year their focus is on the **Room to Read** fundraising effort. **Leah Griffith, Library Director** announced the fundraising walk will take place on May 30, 2009. Their Assistant Librarian is leaving May 15, 2009 and will be looking for a new assistant.

New to the Planning and Building Departments is a contract with Dayton, Lafayette, and Dundee for planning and building services. Those revenues have been projected at \$36,000; a conservative amount due to the economy. There is a contingency in the General Fund of \$207,529.

There is a 2 year rate agreement concerning utilities that Council adopts and this is the second year the CRRC will be looking at water, waste water, and storm water rates. Because of debt recovery requirements and future construction needs, it is anticipated there will be a request for a rate increase in the coming years.

Elizabeth Comfort referred to the Rate Reserve Funds 26 & 27 handout explaining these funds have been taken from operations that are not being used and identify those for future Capital Projects, putting them into reserve funds. Over the course of the year, these two funds have also collected reserves for vehicles and computers. Ms. Comfort wants to be sure that when the City Manager, Budget Committee and/or the City Council look at reserve funds that they are looking only at the reserves for future Capital Projects. This is a housekeeping issue that needs to come before this committee during the budget process, allowing in their approval the moving of \$39,269 for operation vehicles to the Operation Fund for waste water and \$48,000 to the Vehicle

Equipment Replacement Reserve Fund. These two changes that Ms. Comfort is asking for are very consistent with the City's reserve practices.

Regarding utilities, the City is looking to purchase a piece of property on SP Newsprint land for approximately \$1M and at this point, the City is looking to pay cash for that property which will be coming up within the next year for the Water Treatment Plant remodel.

Ms. Comfort highlighted the following Capital Projects: the W. Sheridan/N. Harrison Streets are being improved; a dehydration unit is being installed at the Wastewater Treatment Plant; the construction of the new Hwy 240 Wastewater Pump Station; Spring Improvements; Water Reservoir upgrades; Columbia Drive improvements; Sheridan Street work with Chehelam Parks & Rec. District in front of Central School; and City-wide overlays. The debt for the City is \$29M. The City is also looking to purchase property at Baker Rock for the Wastewater Treatment Plant expansion; and is awaiting that appraisal any day.

Regarding the Administrative Support Services, the City Manager used to house the Code Enforcement Officer that service has since been transferred to the Legal Dept. Also, the City Recorder is redoing the City's code which costs approximately \$14,000 and is on the City website.

Finance has now contracted with Bend Mailing to send out the utility billing statements which will save the City .08 per bill starting in May, 2009. This will also save staff time and funds.

The IT Dept. is doing a website upgrade which is coming from the Cable TV Fund at \$45,000.

There is a new Court Prosecutor who is freeing up time for Terrence Mahr.

Questions:

Darlyn Adams asked how much the billing is costing with the .08 savings. Elizabeth Comfort replied a .51½ per invoice, envelope, and stamp. The City was previously paying .60 cents.

Chair Wall entertained a motion to approve the budget.

MOTION #2: Rierson/Adams to approve the budget as submitted.

6. DISCUSSION:

Jack Reardon asked to review the Capital Projects which have been reduced and/or taken out. **Elizabeth Comfort** explained many of the projects have been pushed forward. Looking at the Capital Projects 5-Year Plan there are many projects that were initially planned earlier on, such as the remodel of the Wastewater Treatment Plant which has now been pushed out due to funding and the slowing of growth in Newberg. **Dan Danicic** listed the following as projects that have been pushed forward: upsize of part of the wastewater trunk line system in Hess Creek which is related to future development; work on Public Maintenance Yard expansion on the Baker Rock property; the Main Street Project is on hold; improvements on Villa Rd. from 99W

to Crestview are on hold; the Crestview Drive improvements through Oxberg Lake Estates has also been postponed at this time. **Jack Reardon** asked if the funds were not put aside in last year's budget or were the reserves not there. **Dan Danicic** replied the water related rate revenues are lower than anticipated and the SDCs because of the drop off of construction are down 12%. The next fiscal year will not be a big construction year so cutbacks were needed. **Jack Reardon** asked about Federal money that was collected after the completion of Street Capital Projects and if that was a budgeted item. **Dan Danicic** replied the Federal Exchange Program money is budgeted but doesn't get spent every year.

Mayor Bob Andrews referred to the budget message from the City Manager (P-15) which talks about \$30,000 budgeted for the Visitor Center as compared to a line item of \$44,000. **Elizabeth Comfort** explained that within the Tourism Fund of \$44,000 is \$18,000 identified for the Chamber out of the General Fund and \$12,000 to the Visitor Center which comes from the Economic Development Fund totaling \$30,000. Business License Fees are collected in that fund, as well.

Councilor Rierson stated the budget process has been a painful process in past years; sometimes with 10 – 12 meetings in a budget year. He appreciates the work that's been done by Elizabeth Comfort and Dan Danicic in making this process much easier for the Budget Committee.

Thomas Barnes referred to the Mediation Fee (P-135) which has been \$5,500 in the past but now shows as a zero amount in the proposed budget column. Mr. Barnes referred to the intersection of Springbrook & 99W and asked about the Photo Red Light in the supplemental budget and why the revenue has decreased from \$48,000 to \$45,000 when traffic has increased. **Elizabeth Comfort** explained the City is being conservative with the Photo Red Light. \$45,000 isn't being used as a revenue source but a safety measure. **Thomas Barnes** also commented on the traffic fines being down \$3,000 from last year while traffic has increased. **Ms. Comfort** stated traffic fines are another issue and banking on those revenues is very difficult. Also, over the last few years, clean-up activity has taken place concerning the Court, every file is being looked at, follow-up on every delinquent account, etc. Revenues have increased over the last few years due to that clean-up effort but will taper off in the future. Regarding the Mediation Fee, a fee isn't collected on each fine for Mediation, which was misleading in the past. Dollars are allocated from the traffic fines to support Yamhill County Mediators.

Mayor Andrews referred to the Budget F/Y 09/10 (P-137) the revenue under Community Mediators is zero. **Elizabeth Comfort** explained that it had been listed under the Municipal Court but the County Mediators are not under Newberg's Court System. It's now listed under General Government (P-136).

Jack Reardon asked for clarification regarding the Library Public Service Salaries & Wages (P-142.) **Elizabeth Comfort** replied Administration (P-141) and Public Services (P-142) are just two department expense categories within the Library Division; Administration is Leah Griffith, Library Director and her assistant; Public Services consists of all the people who help at the library. There is a division between Library Staff and Division Overhead.

Chair Wall complimented Staff not only as a private citizen but also as member of the Budget Committee on their work in developing a well thought out budget.

Mayor Andrews asked where he can find the budget for City Manager's office and is that paid out of the General Fund Revenues. **Elizabeth Comfort** replied page 169 and explained its part of the Administrative Support Services Fund and includes the City Managers, Attorney, Finance, IT, HR Services, City Recorder. This fund is supported by the other departments and funds within the City.

Jack Reardon asked where the extra funds have been budgeted in regards to street maintenance. **Ms. Comfort** replied in Fund 42; it comes from the System Development Fund Revenue (P-178).

Councilor Rierson thanked the Department Heads for their cooperation in the budget process and working with a lower dollar amount to bring about a balanced budget.

Mayor Andrews asked if there is a summary of the overall budget breakdown showing the \$69M. **Elizabeth Comfort** replied the second tab of the financial overview breaks down the different funds and activities (P-27).

VOTE ON MOTION #2: (13 Yes/0 No, 1 Absent)

7. PUBLIC HEARING: STATE REVENUE SHARING POSSIBLE USES -

Chair Wall opened the Public Hearing at 8:08 p.m.

Elizabeth Comfort stated the possible uses are typically for Fire and Police at 50% each. The State Revenue Sharing comes into the City's General Fund and can be used for whatever purposes the Budget Committee wishes, but Ms. Comfort is proposing the \$150,000 be used for Fire and Police.

There were no public comments from those in attendance.

Deliberation:

Chair Wall is in agreement with the proposal.

Mayor Andrews stated that's assuming the City receives any revenue sharing; this would be the adoption of the distribution whatever the amount.

Thomas Barnes asked what taxes bring about the \$150,000. **Elizabeth Comfort** replied it is generic collection of revenue by the State who sends to the cities based on population. \$150,000 can be collected in Newberg but she needs to notify the State on what it will be used for. Dan Danicic stated given the State's budget, Newberg probably won't see much of that money this year. Ms. Comfort added that whatever amount is received, she must send down to the State the

information on where the money will be used along with the City Recorder's signature and the Mayor signature.

MOTION #3: Andrews/McKinney to approve the equal distribution of any revenue between Fire and Police Departments.

Further Discussion:

Councilor Witherspoon agrees with the motion but wanted to give it more thought since this has been done year to year. Since the City Council has just gone through a goal setting process, Mr. Witherspoon wants to be sure there aren't other places to allocate these dollars.

Chair Wall stated he is unsure about what goals the Council have discussed, but the General Fund is chronically underfunded and when there is an opportunity like this, regardless of where the money comes from, to put it toward the Police and Fire Departments which are underfunded, he is personally reluctant to use it toward something else.

Darlyn Adams agrees and stated those departments are priority over other needs.

Dan Danicic anticipated there would be alternative uses for this money. Next year when he prepares the budget again, he will bring this up specifically as a topic with the Council.

Councilor Larson reminded the committee of the Town Hall Meeting to discuss the additional 3 Police Officers to take place at the PSB at 7p.m on May 12, 2009.

VOTE ON MOTION #3: (13 Yes/0 No/ 1 Absent)

Chair Wall stated the suggestions from the committee and effort put forth by staff has made this the nicest budget process he's been involved in.

Mayor Andrews acknowledged the City Council who has created an environment for change, the citizens, the Staff that have helped produce a tremendous document, and the commitment of the City Council.

Dan Danicic asked if there was a specific motion in past budgets on the Tax Levy. **Elizabeth Comfort** replied yes, the Council will approve the levy at their meeting.

Chair Wall thanked everyone for their participation; thanked Elizabeth Comfort to whom he stated was wonderful to work with; and special thanks to Dan Danicic.

8. ADJOURN:

MOTION: Adams/Rierson to adjourn the meeting at 8:15 p.m. Motion carried.