

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

May 3, 2011

7:00 P.M.

PUBLIC SAFETY BUILDING

401 E. Third Street, Newberg

Members

Present:

Councilors:

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

Citizens:

Lon Wall, Chair
Thomas Barnes, Vice Chair
Jack Reardon
Janet Irish
Deanna Moore

Members

Absent:

Ernie Amundson (excused)

Helen Brown (excused)

Staff

Present:

Dan Danicic, City Manager
Terry Mahr, City Attorney
Janelle Nordyke, Finance Director
Caleb Lippard, Assistant Finance Director
DawnKaren Bevill, Recording Secretary

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- 1. Call to Order:** Chair Lon Wall called the meeting to order at 7:00 p.m.

Dan Danicic, City Manager stated the City Council approved the new Budget Committee Member, Helen Brown. Ms. Brown is unable to attend this meeting due to suffering a broken leg yesterday.

- 2. Approve September 21, 2010 and February 15, 2011 Budget Committee Minutes:**

MOTION #1: Andrews/Barnes to approve the September 21, 2010 and February 15, 2011 Budget Committee Meeting Minutes. (12 Yes/ 0 No/ 2 Absent [Admundson, Brown]) Motion carried.

- 3. City Manager Response to questions posed on April 26, 2011:**

Janelle Nordyke, Finance Director began the meeting by reviewing the questions regarding the 2011-2012 proposed budget handout:

1. Why has Worker's Compensation increased significantly over the past couple of years?

The City of Newberg is covered for Worker's Compensation with City County Insurance. Our premium is based on a formula that comes from the claims for the year. The type of insurance the City has chosen is minimum premium up front and then the balance paid throughout the year as claims arise. Therefore, we must estimate what our claims will be throughout the year. This formula is based on an n experienced rating. For the past several years this has been the least expensive way to figure our net premium. There is a small reserve that is held for unexpected additional premiums.

The 2008-09 WC actual increased over what had been budgeted. Therefore, we need to take money from the reserves that we had on hand. The next year 2009-10 we increased the budget amount to compensate for the increase in premiums and claims we were seeing. Claims continued to rise significantly so we have had to increase the charge to the departments to cover the premiums expected.

2. What is Longevity Pay and how and why is it awarded?

Longevity Pay is pay given to employees who have worked full time for the City for 10 years (\$40/mo), 15 years (\$60/mo) and 20 years (\$100/mo). Once they reach 10 years of steady, full time employment, the City gives them the corresponding dollar amount each month in a deferred compensation account.

3. What is Beeper Pay and how and why is it awarded?

Beeper Pay is pay we give to employees who are on call outside of working hours. The departments involved in receiving Beeper Pay are: Public Works Operations, Public Works Maintenance, Police Detectives, and IT personnel.

4. The City is paying into a Retirement Pension Bond, Retirement Principal, and PERS. I understand PERS, but what and why do we have the two other retirement accounts?

PERS: Public Employee Retirement System is for public safety and most of the management personnel.

Principal Retirement: The City's employee retirement system is for non public safety personnel and those management personnel who are not in PERS.

Retirement Pension Bond: In 2003, PERS gave employers the opportunity to take out debt to cover the unfunded liability or to increase their employer rate significantly. The City, along with many other cities in the pool, felt it was cheaper to take out debt then to have the employer rate increase significantly. Therefore, there is a charge to the employees who participate in PERS to cover the debt that was taken out in 2004. We did receive credit on our PERS employer rate to compensate for the debt that was taken out in 2004.

5. In the Planning Department we are increasing the FTE for administrative Salary from .70 to .90 and decreasing Clerical Salary from 1.00 FTE to .80 FTE. Both of these scenarios are a total of 1.7 FTE. But after the change, the pay for the two goes from \$114,889 to \$120,016, a difference of \$5,127? Why the change?

Barton Brierley is the department head of the Building and Planning Department. Last year the portion of his salary attributed to the Planning Department was .70 FTE, with .20

FTE of his salary in the Building Fund, This year, because of the lack of building in the City, we took that portion from the Building Fund and put it in the Planning Department. As a department head, Barton is paid more than the Clerical Salary person. Although there was a decrease in the Clerical Salary, there is an increase in the Administrative Salary.

6. Why were there discrepancies regarding the 2010 Census?

The 2010 Census was completed last year. However, not all of the data from the Census is available. Therefore, where it says, "2010 Census unavailable," these are data sets that have not been released.

7. What would be the dollar affect if Business Licenses were revamped?

During the Council Work Session on January 24th, Dan mentioned that there would be a \$20,000 increase in revenues compared to the current \$40,000 received for Business Licenses. Therefore, the City could expect a total of \$60,000 in Business Licenses revenues.

Dan Danicic addressed the following questions:

8. Why, after saying that you foresaw a combination of cuts and revenue increases as the best way to balance the budget did you conclude that cuts alone were the best way to proceed?

Mr. Danicic: I do not feel that the general public would look favorably on rate/fee increases until they observed an effort to reduce costs first.

9. What are the options for increasing employee contributions to their health care and retirement benefit packages and what are the challenges to these options?

Mr. Danicic: The current cost share for health care is 90/10 with all employees. Any change to this split for union represented staff is a subject of mandatory bargaining. Asking for wage and benefit concessions could prove difficult.

10. Could an inverted block rate system for water rates be used to relieve the cost for households and individuals while simultaneously encouraging conservation and maintaining or increasing revenues?

Mr. Danicic: The Citizen's Rate Review Committee considered this concept at the request of the Council in 2009. Their conclusion was that this methodology is primarily focused on conservation rather than revenue generation. Given that Newberg does not have a supply issue, they recommended to Council that no further action be taken on this concept at the time.

11. If we want to begin building our contingency sooner rather than later, would you then recommend looking to revenue increases or a local option; or are there more cuts or layoffs that could achieve this? Regardless of the better option, why wait until next year if we anticipate the shortfalls to continue?

Mr. Danicic: I believe there can be additional program cuts and changes in services that may address budget shortfalls in the near term providing that the economy recovers soon. Changes in revenue increases should be considered in a thoughtful and public manner. I would expect that it will take a year at least to discuss and implement changes that would be acceptable to the public.

Questions & Comments:

Jack Reardon asked why the franchise fees are coming down. Dan Danicic replied because people are moving away from land lines and going wireless and the customer base is dropping; the electric and gas reduction is due to the number of homes that are now vacant and PGE had a smaller than anticipated rate increase over the course of the year. Cable is up a little and the lodging tax is up quite a bit due to the Allison opening. Mr. Reardon stated cable is down 5.5% as shown in the comparisons on page 121 of the proposed budget. Janelle Nordyke explained Frontier Cable is moving out of town and less is being estimated. Mr. Reardon stated the proposed is below the estimates and it seems the estimates are very conservative. Mr. Danicic stated he would rather be conservative due to only \$25,000 contingency in the General Fund. Mr. Reardon stated \$180,000 less in just franchise fees which is quite a bit. He sees an estimate that is not based on what is actually happening. Mr. Danicic replied it is \$180,000 out of \$1.2 million all together. Mr. Reardon would like the franchise fee estimates reviewed again.

Mr. Reardon stated if it were not for two items which is the franchise fees and the beginning networking capital, you would be \$1.2 million over last year in terms of revenues. Ms. Nordyke explained the fund balance is what has been carried over from the previous year. Mr. Reardon wants to know what happened to the difference of \$1 million between the two years versus what they intend to have estimated for this year. Ms. Nordyke replied the expenditures are more than the revenues that are coming in which is the difference. Mr. Reardon stated he was told you cannot overspend the budget. Mr. Danicic stated it does not disappear. In looking at the revenues versus expenses on the graph, it shows the expenses are greater than the revenues. In previous years, the beginning fund balance has been higher and acts as a reserve that has been helping to fund the gap between the revenues and the actual expenses. Mr. Reardon said that tells him that the City has been overspending for the past three years.

Thomas Barnes stated in addition to the difference in the beginning fund balance, the contingency last year was \$591,000 and this year is only \$25,000 so there is another half-a-million dollars that disappeared.

Janet Irish asked if the estimated actual \$2.78 million on page 121 should be lowered since the City is expecting to end the year with a carry-over. Janelle Nordyke replied that is the estimated actual from the beginning of this year.

Councilor Shelton stated the City Council has had discussions in the past regarding revenue collection of property taxes and assumed a 90% collection rate. Does the City anticipate in November the percentage to be less due to foreclosures or unpaid property taxes? Ms. Nordyke replied it is too early to receive anything from the County. Commissioner Shelton stated the

ending fund balance then is a safety net in case the property taxes come in under the rate anticipated. Ms. Nordyke added the City is expecting to receive what has been estimated. Commissioner Shelton asked if Mr. Danicic sees the Transient Lodging Tax as a topic to be discussed more at the City Council level; should the City increase the amount received in the revenues from that tax. Mr. Danicic replied it does warrant more discussion, although it is a much smaller stakeholder group. He suggested pulling in the owners of the local hotels and talk with them and the Chamber of Commerce and have a public hearing for the community to participate. He does believe it is one of the revenue enhancements with the quickest implementation time.

Councilor Witherspoon asked if the City were to increase the Transient Lodging Tax would that dramatically increase the percentage that has to go towards tourism. Mr. Danicic replied any increase as of today, 70% has to be allocated toward tourism; 17% of that is toward tourism activities.

Councilor Howard asked how is the 25% that has been committed to the Chamber of Commerce affected by that or can it be included in the 70%. Mr. Danicic replied 25% is for the Visitors Center; 80% above the 17% is collected by a new increase; 5% goes back into the General Fund.

Councilor McKinney stated ever since his involvement in the City significant reductions have been made yearly. Mr. Danicic has told the Commissioners on more than one occasion if the present trends continue, and that present trend has been significant cuts every year, the City is still looking at significant shortfalls to present a balanced budget. Commissioner McKinney's concern is the City is not collecting in water, sewer, and stormwater what is needed to keep up with the actual expenses. Some of the areas where the City has been reluctant to make increases may need to be changed in order to raise the revenues that are needed for the mandated programs.

Thomas Barnes added up the expenses in each department; salaries, FICA, worker's compensation, retirement, etc. over the past 5 years. The salary base in 2008-09 with all but Public Works was \$5.6 million. The next year it was \$5.69 million, and the year after that was \$6.238 million. In the proposed budget now, \$6.249 million; \$165,000 more than yesterdays actual from this year, but on page "B" it states there were no cost of living increases, but salaries went up. Medicare and FICA went down; workers compensation went up, unemployment went down significantly, retirement has gone down, and health, life, and disability have gone down. The Fire Department did a good job at getting overtime down for awhile, but that is now back up. Overall, there has been an increase in benefits and salaries across the board. The banking fees in this budget are unconscionable. Money can be saved in salaries and benefits.

Deanna Moore asked why worker's compensation claims have increased in the last 2 years. Janelle Nordyke replied due to individuals being injured more during safety training. Mr. Reardon asked why the estimate was more than the estimated actual for this year. Ms. Nordyke responded the increase was recommended by CIS, the worker's Compensation insurance carrier.

Janet Irish asked for clarification regarding question 5; the Planning Department change and whether the job scope would remain the same. Ms. Nordyke explained there is not as much oversight and fewer personnel in the Building Department. Mr. Danicic stated the work load is not decreasing due to fewer Planners.

4. Shared Revenue hearing:

Janelle Nordyke explained the shared revenue is given to the City by the State of Oregon. It is collection of Cigarette Tax, Liquor Tax, and an additional Liquor Tax that goes directly to the state and they are sharing a portion of that to the cities based on population. The state requires a public hearing to decide on how to use this money. The staff usually splits the total amount of revenues received equally between Police and Fire.

5. Public Comment:

Chair Wall reminded the public there is a 5-minute time limit for comments.

Hank Grum stated he sees no purpose in paying \$14,000 to the League of Oregon Cities, \$50,000 to the Chamber of Commerce which he sees as a business organization, overspending economic development regarding loan fund money to buy First Street store fronts; spending funds to help the Affordable Housing Tax Fund; affordable meaning tax payer subsidized money to pay for the system development charges that a developer would otherwise pay, or going into debt for an \$11.4 million to expand the affluent reuse water system which the City Manager did not mention at the last meeting. None of these pay down debt, pay the Police or Fireman's salaries, does not pave the streets, keep the Library open, and does not maintain city spaces. There is no virtue in being forced to give money to charity such as affordable housing.

Mr. Danicic corrected Mr. Grum regarding the Waste Water Treatment Plant loan monies. He was correct in stating the City has an \$11 million loan; projected to be \$50 million at completion but none of that is for affluent reuse, but is all toward the capacity of the WWTP for current citizens. Mr. Grum stated that information came from the DEQ loan documentation and there was a difference in the debt amount, one being \$29 million and one being \$50 million.

Commissioner McKinney stressed the importance of dealing with correct information and numbers. In regards to the affluent reuse water system, which is already in place and delivers a million gallons at present, with a small increase can produce another million gallons without spending another dollar.

Dr. Rod Kilcup, is the Chairman of the Board of Your Community Mediators in McMinnville. He does understand the different positions and restraints upon the Budget Committee, especially regarding non-profits. Nonetheless, the proposed budget contribution to the YCM from the City of Newberg is \$3,500 which is an important amount of money. Newberg gave YCM \$5,500 last year and now there looks to be a substantial cut. Your Community Mediators has a budget of 60,000; 45% comes from the cities and towns of Yamhill County. Last year, McMinnville cut their support by 10%; Small Claims Court have cut their support on the understanding they will fund as soon as possible. YCM depends on the organizations such as this committee for funding. Dr. Kilcup asked for the committee to please consider how much the YCM organization impacts the community. A \$2,000 cut is significant.

Roger Wiltshire stated at the last Budget Committee Meeting he asked for consistency and following along those lines, a number of issues have come up. Part of the issue is a major subject of revenue. Looking at the current proposed budget he is looking for an account that says, "Uncollected Traffic Fine Receivables" and asked where that account is in the budget. In the Finance Department information he printed out today, it says, "*Key department documents*",

and in that document it says, *"Monthly financial reports"* which he has been searching for more than 6 months. He has a letter from the Mayor that says, *"...the City also keeps current on new technology to increase efficiency so that the City can continue to provide quality and comprehensive services most affordably."* Mr. Wiltshire suspects that most affordably includes the IT Supervisor traveling to Best Buy at whatever their hourly salary is plus gasoline reimbursement. This has also happened with the City Recorder, as well. The same item could be ordered over the internet and shipped via UPS instead. The proposed budget document is not accurate. The Mayor sends the citizens a glowing picture of the rising real estate values but in publications they say there is no question the housing prices are diminishing. He finds that extremely incorrect. Mr. Wiltshire also complained about having only 5 minutes to speak.

Pat Haight stated she has read the budget and there are many discrepancies. In reading through the January 6, 2009 minutes in the middle of the economic crash, the City Manager applied for a \$55 million loan from the State of Oregon, which was approved, but the state did not have the \$55 million at that time to loan the City until recently. Ms. Haight agrees with Mr. Reardon and stated spending needs to be cut. The City is paying back so much interest that it is running out of money. Newberg has a high percentage of senior citizens and the public does not have any more money.

6. Budget Committee Deliberation:

Thomas Barnes reiterated that salaries, bank charges, and overtime should be looked at.

Councilor McKinney requested a report regarding unavoidable bank fees, salaries, and overtime. He would also like to know what is permissible and not permissible regarding non- profits; whether the City has decided to increase the business license fees and what impact that would have on the budget; and what the TLT can provide in regards to additional revenues and what portion would go toward the General Fund. Also, a realistic discussion about what portions of the health and insurance fees we pay, employee responsibilities, and the practices for spouses and family members.

Councilor Rierson would like an idea of the percentage other businesses are paying in regard to banking fees and asked staff to look at a more competitive banking rate on the credit card processing fees. He would also like to look at documentation regarding employee trips to Costco, etc. during work hours. Much of the overtime is for the Fire Department and it his understanding that amount was less then hiring another person and having City services down.

Chair Wall state in regard to the Visitor's Center getting a 40% increase in the new budget, requested the Chamber of Commerce decide to take some of the money and reinstate the money to the Friday Art Walk and the Camellia Festival voluntarily.

Councilor Howard requested information regarding any City services that volunteers can do at an increased rate; cleaning or grounds care by volunteers in lieu of increased revenues. Ask the community to give back without asking them for their money.

8. **Next Meeting:** The next Budget Committee Meeting is on May 10, 2011, Public Safety Building, 7:00 p.m. Public Comments will be received.
9. **Adjourn:** The meeting adjourned at 9:03 p.m.

Approved by the Newberg Budget Committee on this 27th day of September, 2011.

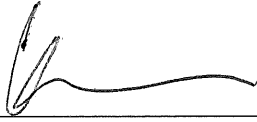
AYES: 11

NO: 0

ABSENT: 3

ABSTAIN: 0

(Howard, Witherspoon, Irish)



Budget Committee Chair



Recording Secretary