

NEWBERG BUDGET COMMITTEE MINUTES
May 9, 2017, 6:00 PM
PUBLIC SAFETY BUILDING (401 E. THIRD STREET)

WELCOME

Chair Beth Koschmann called the meeting to order at 6:00 p.m.

ROLL CALL

Members Present:	Brad Sitton	Miles Baker	Beth Koschmann
	Megan Morris	Stephen McKinney	Mike Corey
	Lon Wall	Bob Andrews	Helen Brown
	Scott Essin	Denise Bacon	John Reardon

Staff Present:	Joe Hannan, City Manager	Matt Zook, Finance Director
	Caleb Lippard, Assistant Finance Director	Dan Keuler, Senior Accountant
	Doug Rux, Community Development Director	Truman Stone, City Attorney
	Jay Harris, Public Works Director	Leah Griffith, Library Director
	Dave Brooks, Information Technology Director	Anna Lee, Human Resources Director
	Rosa Olivares, Community Engagement Specialist	Kaaren Hofmann, City Engineer

PUBLIC COMMENT

None

CONTINUED BUSINESS

Review of 2017-18 Proposed Budget: Finance Director Matt Zook started with the Building Inspection fund. There were moderate increases in the building and plumbing mechanical permits. There was enough in contingency if the economy turned to continue operations. Personnel services had increased 9% and in materials and services the internal service charges had doubled partly due to all of the departments taking on the portion that used to be paid by the Fire Department.

FD Zook then discussed the Economic Development fund. He anticipated receiving a \$10,000 CDBG grant and rolling the other \$390,000 into the next year due to timing of the grant award and activity. There were some loan fees for the affordable housing program and economic development loans which were handled by an outside source.

Community Development Director Doug Rux explained CDBG grants came from the federal government and the state awarded CDBG funds to all communities under 50,000 in population. The grant would be used for manufactured home repair grants which the Housing Corporation would administer.

FD Zook said the main increase in this fund was in professional services for an Urban Renewal feasibility study. CDD Rux said one of the possible funding mechanisms for the Downtown Improvement Plan was an Urban Renewal District. The first step was to do a feasibility study. If it looked positive, preparation of the plan and report would be in the 2018-19 budget.

BCM Andrews asked about the reduction in the Economic Development Revolving Loan Fund. FD Zook pointed out it was moved out of the capital outlay category to the special payments category to better follow budget law.

FD Zook continued with the Affordable Housing Program fund. The only significant change was the Housing Authority loans, trust fund grants, housing grants, and Yamhill County housing grants were formerly in capital outlay but had been moved to special payments. The Affordable Housing Commission had a formula that determined the amount of the housing grants, trust fund grants, and County grants. FD Zook then reviewed the Transient Lodging Tax fund. There was a moderate increase in the amount of revenue. The Tourism Promotion category was the dedicated portion of the tax that was used towards tourism promotion, roughly 35%. The remaining 65% was being transferred to the General Fund to support police and fire services.

FD Zook said there was one recommended change in the Development and Marketing Grants. They anticipated spending \$250,000 in the current budget and that portion was not going to be spent this year. It would be rolled forward to the next fiscal year. The \$180,000 needed to be increased by \$250,000 so the appropriation level was high enough to issue the grants.

BCM Essin asked about the use of the TLT. CDD Rux responded a portion went to the Chamber for the Visitors Center and the remaining was for the large and small grant programs. The large grant program was retooled and originally staff thought the grants would be awarded in June. Because they were still working through the large grant criteria, the money would not be expended until next fiscal year.

BCM Essin asked about funding for the Camelia Festival. CDD Rux said the TLT ad hoc committee recommended small grants of \$6,550 for the Camelia Run and Walk and \$2,000 for the Oregon Camelia Society for the convention this year. They could receive more grant funds next fiscal year, however the money they received covered the current festival in April and next year's festival in April.

FD Zook explained a portion of the TLT went to the Chehalem Valley Cultural Center for promotions. It was identified in the budget as Visitor Center Contract. This was escalated annually by a CPI inflator, CPI-W, and the City used the rates of CPI-U. He recommended matching the contract with the City standard. This change made a reduction of \$550.

FD Zook moved on to the Street Fund. In the current budget year, \$825,000 was in the Federal Exchange Grant to be used for the Villa Road project. They used \$673,000. A portion of this fund was to help pay for the Bypass loan as well. In 2017-18 the proposed budget was \$250,000. They had used up previously accumulated funds and were now back to the annual allocation. Most of the revenue for the Street Fund was the state gas tax which was a 1% increase every year. The Developer Projects line item was \$340,000. It represented payments from the developer for their portion of the Villa Road project.

BCM Andrews asked if the Developer Projects was SDC money. FD Zook said it was not.

FD Zook said the Street Administration Program was rolled into the Engineering Program. Personnel services had increased by 21% due to FTE increases. These were a department support manager who was formerly in the Fire Department and reassigned to the Public Works Department and two half time paid interns for Engineering and GIS projects. The materials and services included the Traffic Safety Committee whose responsibility had shifted from the Police Department to Engineering Department, Contractual Services had been reduced due to the Street Master Plan being completed, and Administrative Support Services had increased.

BCM Reardon asked Public Works Director Jay Harris if contractual services would go down since they would have two interns. PWD Harris responded the interns would work on the street maintenance program now the Transportation Utility Fee (TUF) was passed. Engineering had a backlog of projects for the interns to do as well. Potentially it could affect contractual services, but they would still need to hire some projects out.

FD Zook commented about the TUF decision which was made a few weeks ago and its impact on the budget. Staff would be doing a supplemental budget to recognize that revenue. There would be a new division in the budget to show how the fee was being used.

FD Zook then moved on to the Maintenance Fund. The summer help had increased 445% or \$25,000 due to having summer help with crack sealing to the roads instead of contracting out that work. The street crack sealing budget went down from \$50,000 to \$25,000 and a corresponding increase to summer help went up by \$25,000. The overall budget went up 8%.

BCM Reardon asked if the City had crack sealing equipment. PWD Harris explained the crack sealing program and how they rented a machine, bought materials, and used summer helpers to do the work. The goal was that now they had TUF funding there would be less crack sealing needed as the pavement condition improved.

City Engineer Kaaren Hofmann described the TUF funding and thought they would still need the crack sealing line item.

FD Zook continued on to the Street System Development Fund saying these funds were used for development projects. Staff was anticipating \$1.6 million in Street SDCs. There was also a new grant in this fund.

CE Hofmann clarified it was a Business Oregon grant for \$740,000 for the Crestview Crossing project. FD Zook said these funds were restricted for street development projects. Of the \$5 million, about \$3 million was being transferred to the street capital project fund.

BCM Andrews asked about the difference between Interest Receivables and Interest Earned. FD Zook responded the Interest Earned was the amount the City earned by investing its funds in the local government investment pool and the Interest Receivables was interest on the assessment installments.

BCM Morris asked about SDC estimates and their effects on contingencies. FD Zook replied that they would monitor the capital improvement projects and if the revenues did not come in they would have to reduce projects or fund the projects through contingency.

FD Zook moved on to the Street Capital Project fund. The revenues came from transfers from the Street Fund and Street SDC Fund. There were specific projects that would be done next fiscal year and he described how they would be funded.

BCM Andrews asked about the College Street bike and sidewalk project funding. FD Zook responded the funding came from the Gas Tax fund. BCM Andrews thought the City received a grant for the project. CE Hofmann answered it was not a grant from the state, but the City won a state transportation improvement program project and the City had to provide 10.27% of the total project cost. What was in the budget was the City's portion of the project.

BCM Reardon asked how many Street Fund transfers there were to the capital projects. CE Hofmann responded it was \$964,000 coming out of the Street Fund for the capital projects.

FD Zook reviewed the Wastewater budget which had a Rate Payer Fund and SDC Fund that were used for capital projects. The User Fees revenue line would be increased due to a fee increase recommended by the Citizens Rate Review Committee and due to consumption. A portion would go towards operations and a portion would go to capital projects. The beginning fund balance was down because they were spending money on projects and operations.

BCM Essin asked about the equal pay billing efforts. FD Zook said it shouldn't have an effect on revenues if it happened.

FD Zook discussed the Wastewater Engineering fund which had 20% FTE increases for the administrative support manager and interns as well as wage increases. There was a modest increase in materials and services. Regarding the Operations fund, personnel services increased 9% and there were minor increases in materials and services. One was the analytical lab testing which had more than doubled.

PWD Harris clarified the increase to the testing came from a new state regulation for testing for copper.

FD Zook moved on to the Wastewater Maintenance fund saying that the increase was due to deferred maintenance on the facilities. The increase in internal service charge for vehicles/equipment went into the reserve for future purchases. Personnel services increased 15% due to the new Public Works Supervisor position. This would provide better oversight and efficiencies. The materials and services went down 5%. Money in the private lateral rehab loan program was in the special payments category. It was a new program to address Inflow and Infiltration issues and he would report back about the successes next year.

BCM Andrews asked about the PERS and pension line items. FD Zook responded the Public Works collective bargaining union was on the City's retirement plan, but the new Public Works Supervisor would be outside of the union and would be on PERS.

FD Zook explained the transfers going into the Wastewater Capital Project fund. There was also funding in reserves to pay debt service. A portion of the Wastewater SDC fund went towards debt and a portion went to capital projects. In the 2017-18 budget about \$1.2 million was being transferred to projects. The rest remained in the contingency balance. He then described the Capital Project fund. The beginning working capital was zero, as they only transferred in what would be spent. There were no reserves in this fund. There was a list of projects that would be done in the next fiscal year.

BCM Morris asked about the Dayton Avenue pump station overflows into Chehalem Creek. CE Hofmann confirmed it was wastewater being dumped into the creek. It had been over two years since that had happened. BCM Morris asked if the City tested to make sure wells were not being contaminated. CE Hofmann responded if there was an overflow, testing had to be done. City Manager Joe Hannan asked staff to provide more information about testing creeks. CE Hofmann explained the testing the City was required to do was based on the effluent that was dumped into the Willamette River. They had to be below the testing limits to maintain their permit and if they went over the limits there were mitigation measures that had to be taken. Staff also documented current conditions of streams and monitored them regularly. BCM Morris followed up by asking if there were rules for individual citizens regarding contaminations. CE Hofmann responded people were not allowed to discharge contaminants into the storm drainage system as they went directly to the creeks, such as washing your car in your driveway. There were rules that could be enforced if they were not being followed.

FD Zook continued on to the Capital Project funds for water and stormwater and explained the funding sources for these funds. He then discussed the Water fund. The majority of the fund revenues came from user fees charged on the municipal services statement. Staff anticipated revenue of \$5.6 million for next fiscal year. There was a rate increase that would go into effect on January 1 as well. The Water Engineering Services fund also showed the FTE increase of the department support service manager and two interns. Materials and services were status quo overall. Capital outlay went down due to the implementation of a large software upgrade which was purchased in 2016-17 and did not need to be duplicated again.

BCM Reardon asked why the working capital amount went up and why it was so high. FD Zook replied it was a transfer from Water Reserve for projects.

FD Zook continued onto Water Fund Operations. There was a decrease in the personnel services due to .4 of an FTE being spent more on wastewater projects than water projects. Contractual Services increased for some additional studies including the Otis Springs study and safety studies. The internal charge for vehicles/equipment increased for a new vehicle replacing an aging pickup.

BCM Brown asked if the fire trucks used recycled non-potable water. PWD Harris answered 95% of the time they used a fire hydrant. There were circumstances where they would use river water. The recycled water was used during certain times of the day and piped up to the golf course and stored in some of the ponds. Fire trucks could fill up at the golf course with that water.

BCM Morris asked about the reduction in personnel services. PWD Harris responded a senior mechanic had been reassigned from the Water Department to the Wastewater Department and a non-senior mechanic went to the Water Department. That was where there was a decrease in the salary and wages. An office worker was also readjusted to be heavier on the wastewater fund than the water fund because she was using more time to work on wastewater materials and contracts.

BCM Morris asked about contractual services. FD Zook explained the studies that were being proposed. PWD Harris explained the amount changed from year to year as staff identified the projects to be worked on.

FD Zook continued onto Water Fund Maintenance which was status quo. There was a reduction in materials and services for purchase of computers. The Water Fund Loans referred to a line of credit the City extended to the Springs user group as part of their start-up costs. He discussed the transferring of \$1.5 million to Capital Projects. The Water SDC fund was used for water debt and if the water SDCs did not come in to the level that they needed to the City moved over funds from the Water Fund to the Water SDC Fund to cover it. There was a contingency amount and the remaining reserves for water capital projects were going up due to unspent funds. These unspent funds would be discussed by the Citizens Rate Review Committee and they could influence the rates.

FD Zook moved to the Stormwater Fund which was funded through user fees on the municipal services statement. There was an increase in the fee by 3% which brought the fee up to \$1.4 million. The expenditures included an increase in the personnel services for the interns and department support services manager. There were small increases in materials and services, admin support service internal charge, and franchise fee transfer into the General Fund. Regarding the Stormwater Maintenance Fund, personnel services were the same, there was a 17% decrease in materials and services due to the decrease in internal charges for computers. There was a transfer out to Capital Projects of \$800,000 and the ending fund balance was \$212,000. There were three reserve funds that were closed out and transferred to the existing

wastewater, water, and stormwater projects. There were also some historic funds that had no budget, such as the Stormwater CIP and Wastewater Finance CIP.

BCM Essin suggested moving the last agenda item to the next meeting.

BCM Wall thought they should save the remaining deliberations for tomorrow.

FD Zook continued to the EMS Fund which supported the contract payment to TVF&R. Part of the contract with TVF&R was in the first year the City loaned them \$500,000 and in the second year they were paying it back. There would be a transfer to the General Fund to offset the contract payment to TVF&R. Regarding the Debt Service fund, the revenues represented grants and transfers from other departments. Some of the bond debt was beginning to drop off as it was being paid off. The only new debt was for the WCCCA communications upgrade. The City Hall fund represented revenue from building permits and was used to pay debt on the City Hall remodel.

BCM McKinney asked when the debt would be paid off. FD Zook stated in the next two years.

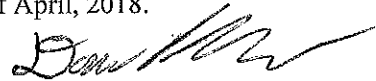
FD Zook moved on to the Cable TV Fund. The City had these funds for a long time and would be using them to purchase some IT equipment to be used in disaster recovery. In 2016-17 the City started putting away funds in the PERS Rate Stabilization Reserve Fund for the PERS rate increase in 2017-18. Those funds were being moved back into the funds that contributed to the reserve fund as the PERS rates were going up in July. The Vehicle/Equipment Replacement Fund helped staff plan for future needs. Revenues came from various department funds and each department had a balance accumulated that they could spend throughout the year.

MOTION: Koschmann/Essin moved to discuss the remaining agenda items at the next Budget Committee meeting which would be tomorrow, May 10, at 6 p.m. The motion carried (12 Yes/0 No).

NEXT STEPS: The next meeting would be held on May 10, 2017.

ADJOURNMENT: The meeting was adjourned at 8:09 p.m.

ADOPTED by the Newberg Budget Committee this 24th day of April, 2018.



Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 24th day of April, 2018.



Beth Koschmann, Budget Committee Chair

