

NEWBERG BUDGET COMMITTEE MINUTES
May 1, 2018, 6:30 PM
PUBLIC SAFETY BUILDING (401 E. THIRD STREET)

WELCOME

Chair Beth Koschmann called the meeting to order at 6:30 p.m.

ROLL CALL

Members Present:	Miles Baker	Patrick Johnson	Beth Koschmann
	Lon Wall	Bob Andrews	Brad Sitton
	Mike Corey	Denise Bacon (phone)	Jack Reardon
	Helen Brown	Elise Yarnell	

Staff Present:	Joe Hannan, City Manager	Matt Zook, Finance Director
	Caleb Lippard, Assistant Finance Director	Dan Keuler, Senior Accountant
	Doug Rux, Community Development Director	Anna Lee, Human Resources Director
	Jay Harris, Public Works Director	Leah Griffith, Library Director
	Truman Stone, City Attorney	

PUBLIC COMMENTS

Your Community Mediators: Marlena Bertram, YCM Executive Director, appreciated the time the Committee took at their last meeting to consider their funding request. She recognized the challenges they were facing in the budget. She passed out a case statistical summary. They had not been serving citizens of Newberg as much as in the past because residents from cities that did not provide financial support for their program had to pay a service fee based on their income. She explained the income sources for the Mediators and how those funds were used. All of the mediators were volunteers and she coordinated them. They had served 41 cases and 26 mediations for 118 Newberg residents, which equated to 93 volunteer service hours and \$20,000. They had requested \$15,000 from the City based on those services. She thought the Council priorities included safety and livability for residents and bringing people together, and that was the mission of the Mediators. She thought their dispute resolution services could be added to the City's website. They also provided facilitation regarding the homeless.

Robert Soppe: Mr. Soppe expressed concern about the \$1.3 million shortfall in the General Fund. He suggested that the Committee find out what caused the shortfall to be responsible. He had heard comments about the Charter amendment from last year as the cause of the budget issues. He reminded the Committee that many citizens stated they would not support the TVF&R annexation without such a Charter amendment. He thought they had dodged a financial bullet with this decision. He had been working with the Finance Director to identify the net impact to the General Fund of the annexation and Charter amendment. The Finance Director's numbers indicated a loss of \$100,000, which was \$.05 per \$1,000. The 3% increase for property taxes proposed by the City Manager for next year would be \$.075 per \$1,000 and the following year would be \$.15 per \$1,000. The Charter amendment was not the reason for the General Fund problem.

Councilor Johnson asked for a breakdown of where the \$1.3 million came from. City Manager Hannan would look the information up.

CONTINUED BUSINESS

Staff Presentation: Summary of Changes from Proposed Budget to Approved Budget

FD Zook reviewed Fund 21, the Governmental Capital Projects fund, which was a new fund used for the public safety communications upgrade project. Initially they thought they would borrow a portion of the cost for in the 2017-18 budget and borrow the rest in the 2018-19 budget, however the City ended up just borrowing \$3.15 million once and as the project developed they were making payments on the project. The balance of the fund from 2017-18 would roll into the 2018-19 budget and he anticipated there would be some funds rolled into the 2019-20 budget. This expense was separated out from the General Fund which kept the General Fund solely for operations.

Committee Member Reardon referred to the General Fund summary on page 19 and the transfer out of \$424,000 and asked whether or not that represented payments to this project. FD Zook confirmed that yes, it was principal and interest

payments related to this project. It was part of the \$1.3 million that was comprised of both the communications upgrade project payment and the other operational shortfalls.

FD Zook continued onto Fund 22, the Library Gift fund. This fund had been around for many years. They were not operational funds, but were gifts and donations earmarked specifically by those giving the funds. Chair Koschmann added commentary about her love of the library and announced the Library Director recently won a distinguished award.

FD Zook discussed the Cable TV fund. This fund had also been around for many years. Some of these funds had been spent in this fiscal year for disaster recovery computer equipment and the remaining funds would be appropriated for use in the 2018-19 budget.

FD Zook continued to the Vehicle and Equipment Replacement fund, introducing its purpose and strategy. The funds were set aside for future capital needs. He reviewed the nature of the funds and how some had capital replacement plans and how some were not earmarked.

Councilor Johnson asked about the philosophy of this fund. FD Zook responded not every need was able to be fully funded, but the concept was to set aside funds for future purchases.

Councilor Johnson asked if there was a list of the unfunded liabilities. FD Zook said some items they had listed, and others they did not.

Councilor Johnson asked if this was also being included in the 5 year financial plan. FD Zook responded yes, the plan was currently status quo for expenses. As they moved forward, those things would be considered and put into different scenarios.

Councilor Johnson asked how many of these funds came out of the General Fund. FD Zook responded very little. He explained where to find the details within the funds.

Councilor Johnson asked if the savings the departments were storing up for the equipment were separate from the Contingency funds that they were using to balance the budget. FD Zook said that was correct. He clarified there was not enough in these funds to balance the budget and he did not see a benefit to shaving them down.

FD Zook commented on the discontinued funds. These funds had no budget, but the City had to report the past funds for a couple of years. These funds included the EMS Fund which was no longer needed due to the TVF&R annexation, PERS Rate Stabilization Fund which had been a one year transfer that was done in July 2017, Wastewater/Water/Stormwater CIP reserve funds which had been consolidated into the operating funds, Fire and EMS Equipment Fee Fund which was used to replace fire equipment, and Wastewater Financed Capital Improvement Projects Fund which was used to upgrade the Wastewater Treatment Plant.

CM Hannan spoke about some of the causes of the budget shortfall. These included employee salaries and benefits including PERS increases which amounted to about \$250,000, the first payment for the communications project which was approximately \$372,000, loss of General Fund contributions from the Fire/EMS funds which was \$380,000, and a larger contingency from the current year to the next year which was \$600,000.

Committee Member Reardon asked about the effect of the communications upgrade. CM Hannan responded it would cost the City \$372,000 for ten years. This year they had a healthy reserve and next year they would have a proposal for additional revenues and/or cuts. Revenue increases would be proposed first. These would be a possible increase in the Public Safety Fee or a potential local option levy for police. The current police budget was about \$3 million short if they were to fund the police only with property taxes, which was the justification for the levy. That would need to be taken to the voters. They would also look at reductions, such as the option to go with WCCCA for Dispatch, cutting some of the 5.5 FTE positions that were added two years ago, or contracting out or cutting services. There were a few large asset sales not included in this budget that would go towards the shortfall. He was also continuing negotiations with TVF&R on the potential sale of certain surplus fire equipment.

Committee Member Reardon clarified they were drawing down \$1.3 million this year and hoped that they could find a

way to fund the gap for next year. CM Hannan said even with drawing that amount down they would still have an ending fund balance that was safe, at 16%. Next year if they had to draw down the same amount next year, the ending fund balance would be much lower, at 5.6%. That was not a desirable place to be. However, the proposed revenues and reductions would change the situation.

Committee Member Reardon wanted to make sure they would not continue to draw down on Contingency. CM Hannan said there was a new revenue source in the 2018-19 budget, an increase in privilege tax. He discussed the logic behind the options on where to generate revenues and who to collect from.

Committee Member Baker asked if there was COLA in the past few years. FD Zook responded there had been a COLA in the last few years and in the proposed budget there was a 2% COLA. Committee Member Baker also asked if the 5 year financial plan would come out in July or was it available today. CM Hannan said it was available and pulled up the document to show the Committee. FD Zook discussed the 2018-19 numbers and future year numbers as presented in the plan and the assumptions and estimates involved.

Councilor Johnson asked for clarification on the \$600,000 in Contingency. FD Zook responded Contingency represented money that could not be spent unless they received approval from the Council or went through a budget process to access it.

There was discussion regarding the asset sales and one time revenues and how they would be committed to the communications project. They were not meant to deal with the ongoing operations deficit.

Committee Member Yarnell clarified they could not keep up with operation expenses without passing a levy. CM Hannan stated that cutting expenses could be done as well. They could not build themselves out of the deficit. The new growth would bring in property tax, but the value of the homes was not so great that it would bring in enough extra revenue.

Committee Member Reardon said the reality was if they could not get more taxes, then they would not be able to continue paying for the current level of services.

Councilor Johnson discussed the intent of this budget.

Chair Koschmann thought they had a good understanding of the budget as presented and its strategy and intent and that she would like to deliberate on the budget.

Committee Member Reardon clarified the operations deficit was not going to be resolved by the one-time sales.

Councilor Corey had a problem with draining the funds. He would like to discuss the contracting for Dispatch with WCCCA, which would solve a lot of the shortfall.

MOTION: Corey moved to continue with the communications upgrade, but defer spending money within this project related to the Dispatch Center upgrades until staff was able to present a comparison of the present costs and what the upgrades would cost as well as the expense if there was a contract with WCCCA.

Councilor Corey was concerned with the costs associated with the Dispatch Center and did not want the funds spent in case they decided they did not need these services.

CM Hannan said staff intended to bring the information on a possible WCCCA contract back to Council. The majority of the communications upgrade project was not related to Dispatch but it did involve some upgrades to computer aided dispatch and records management system. He said that the motion could be to direct staff to get a quote from WCCCA and bring it back to Council for a decision. Another motion could be to minimize the expenses related to Dispatch until Council could make a final decision about Dispatch.

Councilor Corey withdrew his motion.

MOTION: Corey/Wall moved to direct staff to bring back comparative numbers on a contract with WCCCA for Dispatch versus the present system and to bring back numbers on what the upgrades would cost for this coming year.

Committee Member Reardon asked if this would affect the budget. Councilor Corey thought if it was implemented it would.

Committee Member Wall clarified that this was not a motion for action, but a recommendation of the Budget Committee.

Vote: The motion carried (11 Yes/0 No).

Councilor Corey was concerned about the future numbers for the General Fund. The ideas of a local option levy or an increase to the Public Safety Fee was something that would need to be discussed. He appreciated that the budget had been decreased by 6.6% and they should continue to hold the line on not hiring new positions.

Committee Member Wall said he had voted yes on budgets in the past he was not sure about. This budget had too many key issues with If's attached that they did not have answers for. He was not optimistic about this budget as proposed.

Committee Member Reardon recommended considering these numbers in a business type mindset. He thought they should try to cut where they could throughout the year and save as much as they could. CM Hannan said that was what happened in the current budget and staff had worked beyond normal expectations. Staff did not spend the money unless it was needed.

Approval of the 2018-19 Budget and Approval of Taxes Provided for in the 2018-19 Budget:

MOTION: Reardon/Corey moved to approve the 2018-19 budget in the amount of \$93,039,631 and impose the tax as provided for in the 2018-19 proposed budget at the rate of \$2.5000 per \$1,000 of assessed value for a permanent rate tax. Motion passed (10 Yes/1 No [Wall]).

Mayor Andrews thanked the citizen committee members for taking the time to review the budget. Chair Koschmann thanked the Council and staff for their work.

FD Zook appreciated the Committee and their input.

NEXT STEPS: There were no next steps.

ADJOURNMENT: The meeting was adjourned at 8:35 p.m.

ADOPTED by the Newberg Budget Committee this 30th day of April, 2019.



Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 30th day of April, 2019.



Beth Koschmann, Budget Committee Chair