

NEWBERG BUDGET COMMITTEE MINUTES

April 27, 2022

CALL MEETING TO ORDER

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

ROLL CALL

Members Present: Rick Rogers, Denise Bacon, Mike McBride, Stephanie Findley, Lozelle Mathai, Jefferson Mildenerger, Molly Olson, Ted Ebor, Steph St. Cyr, and Raquel Peregrino de Brito.

Absent: Brad Sitton, Elise Yarnell Hollamon, Greg Meenahan, and student Robert Cross.

Vacant: 1 position vacant due to resignation of Julia Martinez Plancarte.

Staff Present: City Manager Pro Tem Will Worthey, Finance Manager Kady Strode, City Recorder Sue Ryan, Police Chief Jeff Kosmicki, Public Works Director Russ Thomas, Interim Library Director Korie Buerkle, and Community Development Director Doug Rux

Finance Manager Strode gave a presentation on Budget Training (Exhibit A).

The committee discussed the PERS bonding process, ARPA Funds payments to City projects, and how to submit questions during the budget process.

ADJOURNMENT: The meeting was adjourned at 7:04 p.m.

Attest:


Molly Olson, Budget Committee Chair


Sue Ryan, City Recorder

CITY FINANCES

GENERAL UNDERSTANDING OF CITY BUDGETING PROCESS



ARPA UPDATE

PROJECT	PROJECT TITLE	\$ AMOUNT	MOU COMPLETE ?	DISTRIBUTED SO FAR \$
1.3	Essential worker stimulus	\$349,990	NA	\$ 349,990.00
1.4	Finance software	\$400,000	NA	\$ 98,824.00
1.5	YCAP	\$350,000	Yes	\$ 350,000.00
1.9	City computer upgrade plan	\$176,000	NA	\$ 175,275.05
1.10	City IT security	\$40,753	NA	\$ 34,870.40
1.11	Berg Bucks	\$24,343	Yes	\$ 24,343.00
2.1	Small Biz Marketing	\$36,352	Yes	\$ 36,352.00
2.9	City of Newberg: PSB Bullet Resistant Windows	\$60,800	NA	\$ 58,780.00
3.10	Chehalem Valley Chamber	\$5,370	YES	\$ 5,370.00
3.11	Nurture Newberg	\$5,000	YES	\$ 5,000.00
3.16	Ruddick/Wood	\$120,000	YES	\$ 27,161.79
3.21	Coffee Cat	\$20,000	YES	\$ 20,000.00

AGENDA

- What is Local Budget Law?
- What is a budget and who creates the budget?
- Fund types and what can be spent out of them?
- Spending priorities
- Structural deficit?
- Budget committee process and roles





2020 COUNCIL GOALS

1. Change operational culture to one focused on **Customer Service** and act to **Resolve Ongoing Legal Disputes**.
2. Further develop an operational culture that adopts and cherishes **Diversity, Equity, and Inclusion** as core values.
3. Promote development of **housing affordability such as houselessness, transitional housing, workforce housing.**
4. Create and support an **Urban Renewal Plan and Authority**.
5. Collaborate with local partners and with entities like ICLEI in the development of a **Sustainability** program.

LOCAL BUDGET LAW

- Establish Standard Procedures
- Outline programs & fiscal policies
- Require estimates of resources & requirements (revenue & expense).
- Encourage citizen involvement
- Control the spending of public funds



(ORS 294.321)

WHY FOLLOW LOCAL BUDGET LAW?

- **A city that doesn't follow local budget law may not lawfully:**

- Expend money
- Certify property taxes to the county assessor

(ORS 294.338)

- **A property tax made contrary to local budget law is voidable by the Oregon Tax Court if appealed by:**

- County
 - Assessor
 - Court
 - Board of Commissioners
- The Department of Revenue
- Ten or more interested taxpayers



(ORS 294.461)

WHAT IS A BUDGET?

- A Financial **Plan**
- For **one** fiscal year (July 1 – June 30)
- Based on “good faith” **estimates** of revenue & expenditures.



The budget is the basis for appropriations which **creates the authority** to spend public money.

WHO CREATES THE PROPOSED BUDGET?



The Budget Officer is responsible for compiling information from stakeholders and other sources and developing the proposed budget.

However, the proposed budget should align with:

- Council Goals, Core Values & Strategies
- Objectives established by Leadership
- Known Obligations
- Oregon Budget Law

First drafts
don't have to be
perfect.
They just have to
be written.

WHAT GOES INTO CREATING PROPOSED BUDGET?



- Fund Balance – Estimate what it will be at the end of the current fiscal year (this becomes part of revenue). This is based on known history and trend analysis.
- Determine **revenue projections** based on known estimates provided by State, and Local sources along with future and existing grants (State Shared Revenue, property taxes, revenue contracts, new state appropriations, and other misc. sources).



BEGINNING FUND BALANCE

SAMPLE DATA ONLY

Calculating Beginning Fund Balance

	Actuals	Current Year	
	2020-2021	2021-2022	2022-2023
Resources			
Cash on Hand	345,000	35,600	154,500
Tax	1,800,000	18,500,000	
Fees	3,600	1,900	
Grant	10,000	17,000	
Total Resources	2,158,600	18,554,500	
Requirements			
Personnel	1,738,000	18,000,000	
Materials & Service	365,000	395,000	
Capital Outlay	20,000	5,000	
Total Requirements	2,123,000	18,400,000	
Ending Fund Balance	35,600	154,500	

REVENUE SOURCES



- **Beginning Fund Balance**
- **State Shared Revenue (liquor, cigarette, marijuana taxes)**
- **Property Taxes**
- **Revenue Contracts (franchise fees)**
- **Grants**
- **Fines and Fees (traffic fines, library fines, planning fees)**
- **Utility Rates (water, sewer, stormwater, TUF, PSF, COF)**
- **SDCs**
- **Interest on Investment**
- **Misc Revenue (forensic services, CCRLS, sale of asset)**

WHAT ELSE GOES INTO CREATING PROPOSED BUDGET?

- Add in **known** expenditure increases due to contract negotiations already agreed upon such as (salary, step and insurance).
- Other required obligations must be added such as known debt requirements, transfers, and contracts that continue into next year.



EXPENDITURES

Known expenditure adjustments:

- Salary / Steps / COLAs
- Pension
- Insurance
- Materials and Professional Services
- Capital Outlay
- Debt Requirements
- Transfers
- Contractual obligations extending beyond current fiscal year.

(Some examples of these are fringe rate adjustments, repairs and maintenance, dues and fees, technology, and post retirement needs.)



NEW KNOWN EXPENDITURES FOR NEWBERG



- Class and Compensation Study – in progress
- Labor negotiations
 - Police Association contract has been approved by both parties and Miller Nash and will be advancing to Council
 - AFSME Contract states what COLA will be given in FY22-23
- Urban Renewal – approved by Council
- NERPS rate increased; PERS rates increase next FY
- Health insurance rates increased
- Rate Review Committee commenced and recommended the biannual rate increase

FUND BALANCE

The Five Categories/Classifications which make up the total --ENDING FUND BALANCE:

- Non-spendable – Funds which are not in a spendable form (prepaid, inventory)
- Restricted – Amounts subject to externally enforceable legal restrictions by outside parties -- imposed by grantors, contributors, governmental regulations, etc. (bonded debt, federally funded programs)
- Committed – Amounts whose use is constrained by limitations that a government imposes upon itself through resolutions or budget
- Assigned – Intended use of resources established by the governing body itself, or by an official or officers to which authority is delegated by the governing body – such as the City Manager or City Council.
- Unassigned – Available for any purpose. (Reported only in the General Fund.)

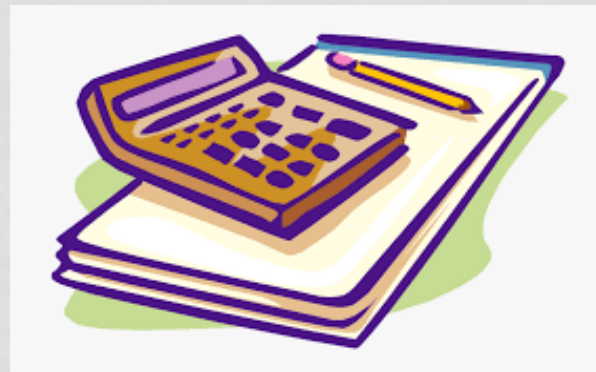
***These categories follow GASB-54 guidelines.**

CITY OF NEWBERG FUNDS

Fund #	Description	Fund Balance Classification
01	GENERAL FUND	UNASSIGNED
02	STREET FUND	NONSPENDABLE / RESTRICTED
03	CIVIL FOREFEITURES	RESTRICTED
04	PROP CAPITAL PROJECTS FUND	RESTRICTED
06	WASTEWATER FUND	RESTRICTED
07	WATER FUND	RESTRICTED
08	BUILDING INSPECTION FUND	RESTRICTED
09	DEBT SERVICE FUND	RESTRICTED
13	911 FUND	RESTRICTED
14	ECONOMIC DEVELOPMENT FUND	COMMITTED/ RESTRICTED
16	PUBLIC SAFETY FEE FUND	RESTRICTED
17	STORMWATER FUND	RESTRICTED
18	STREET CAPITAL PROJECTS	RESTRICTED
19	TRANSIENT LODGING TAX	RESTRICTED
21	GOV'T CAPITAL PROJECTS FUND	RESTRICTED
22	LIBRARY GIFT, MEMORIAL & GRANT FUND	RESTRICTED
31	ADMINISTRATIVE SERVICES FUND	RESTRICTED
42, 43, 46, 47	SYSTEM DEVELOPMENT CHARGES	RESTRICTED
99	ARPA FUND	RESTRICTED

TYPES OF FUNDS

- **General Fund** – general/unrestricted use
- **Special Revenue Funds** – restricted use
- **Capital Projects Fund** – for capital projects only
- **Debt Service Funds** – for debt payments only
- **Proprietary Funds:**
 - *Internal Service Fund* – cost reimbursement to other funds
 - *Enterprise Fund* – business type funds
- **Non-Operating Funds** – only transfers out funds



CITY OF NEWBERG FUNDS

Fund #	Description	Fund Classification
01	GENERAL FUND	GENERAL
02	STREET FUND	SPECIAL REVENUE
03	CIVIL FOREFEITURES	SPECIAL REVENUE
04	PROP CAPITAL PROJECTS FUND	ENTERPRISE CAPITAL PROJECT
06	WASTEWATER FUND	ENTERPRISE
07	WATER FUND	ENTERPRISE
08	BUILDING INSPECTION FUND	SPECIAL REVENUE
09	DEBT SERVICE FUND	DEBT SERVICE
13	911 FUND	SPECIAL REVENUE
14	ECONOMIC DEVELOPMENT FUND	SPECIAL REVENUE
16	PUBLIC SAFETY FEE FUND	SPECIAL REVENUE
17	STORMWATER FUND	ENTERPRISE
18	STREET CAPITAL PROJECTS	CAPITAL PROJECT
19	TRANSIENT LODGING TAX	SPECIAL REVENUE
21	GOV'T CAPITAL PROJECTS FUND	CAPITAL PROJECT
22	LIBRARY GIFT, MEMORIAL & GRANT FUND	SPECIAL REVENUE
31	ADMINISTRATIVE SERVICES FUND	INTERNAL SERVICE
42, 43, 46, 47	SYSTEM DEVELOPMENT CHARGES	NON-OPERATING
99	ARPA FUND	SPECIAL REVENUE

SPENDING PRIORITIES OF NEWBERG

- Preserving existing resources
- Capital improvements and planning for future purchases/improvements
- Investing in employees
- Tourism promotion
- Status quo budgeting



POSITION VACANCIES



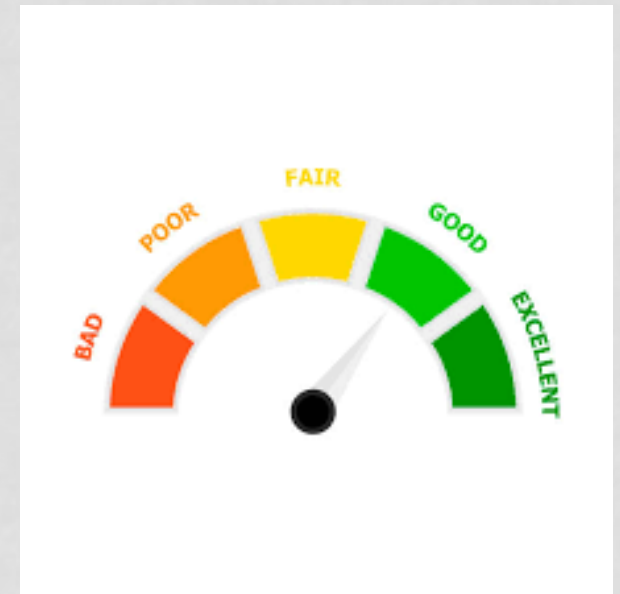
- City Manager
- Human Resources Manager
- Plans Examiner II
- Senior Planner
- Finance Analyst
- IT System Administrator
- Police Officer (3)
- Communications Officer (4)
- Engineering Associate
- Utility Tech II
- Operator I



DETERMINING SOLVENCY OF THE GENERAL FUND

THREE DIFFERENT METRICS CAN BE USED TO DETERMINE WHETHER THE CITY HAS SUFFICIENT RESERVES IN THE GENERAL FUND

1. PERCENTAGE OF REVENUES
2. PERCENTAGE OF REQUIREMENTS
3. 3 MONTHS OF PAYROLL



METRIC #1 – PERCENTAGE OF REVENUES

Goal to have a minimum of 20% of operating revenues in ending fund balance in the General Fund

Estimated Ending Fund Balance
at 06/30/2022:

\$4,340,319

Total General Fund Revenue:

\$12,316,449

35%

METRIC #2 – PERCENTAGE OF REQUIREMENTS

Goal to have minimum of 10% of requirements in contingency and reserves in the General Fund

Contingencies + Reserves
Expenditures + Transfers Out

\$2,527,123
\$14,190,858 + \$496,296

17%

METRIC #3 – THREE MONTHS OF PAYROLL

Goal to have a minimum of three months of payroll in reserves (ending fund balance) in the General Fund

Estimated Ending Fund Balance

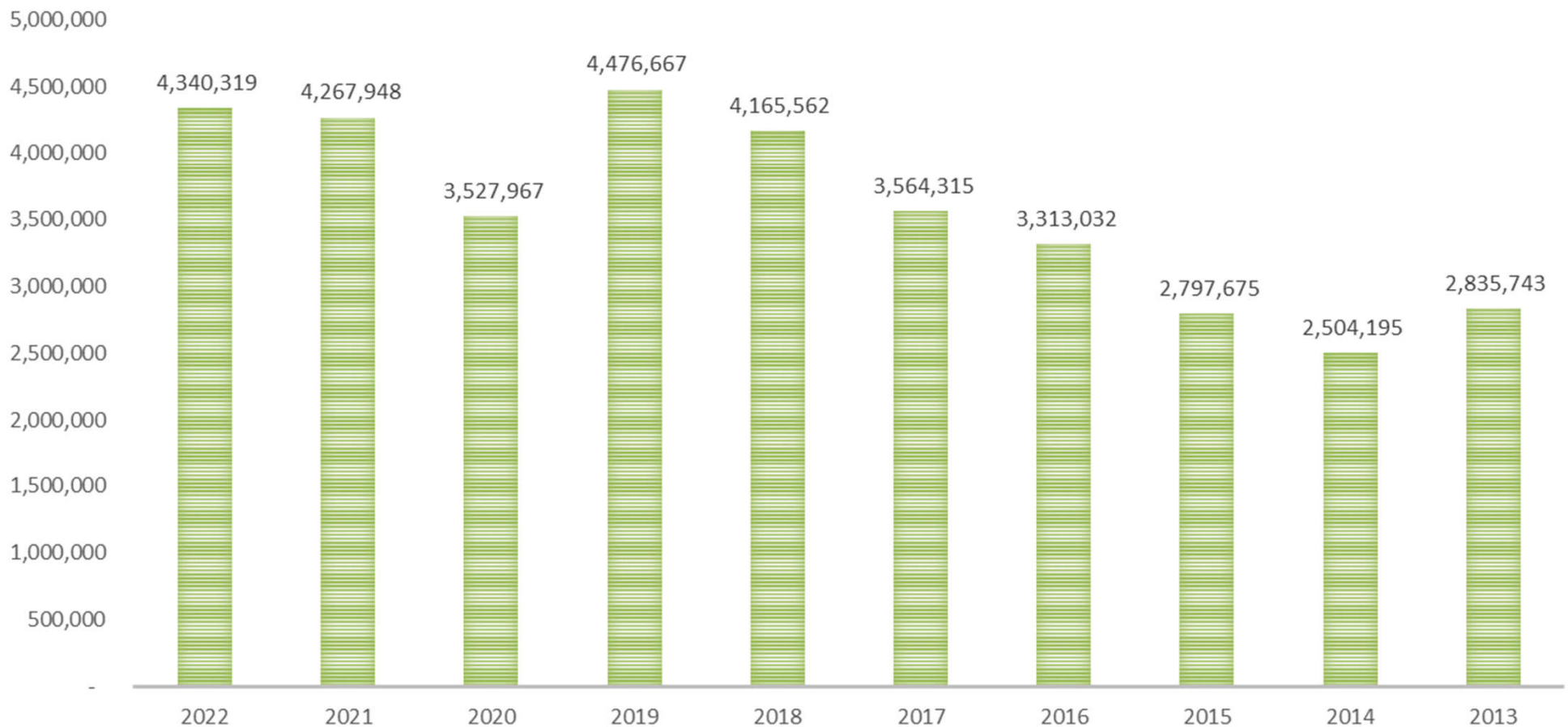
at 06/30/2022: \$4,340,319

One Month of Payroll $\approx$ \$1,400,000

$\$1,400,000 \times 3 \text{ months} = \mathbf{\$4,200,000}$

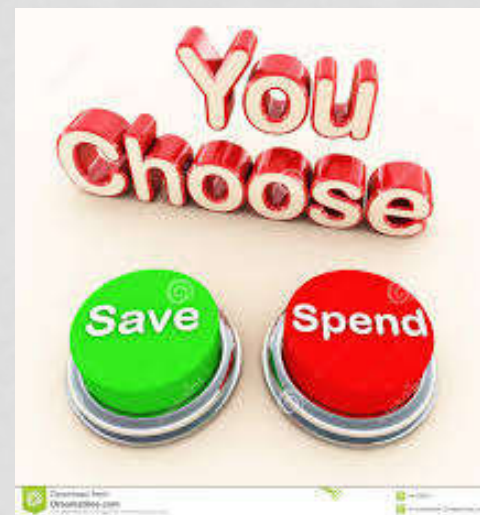
10 Years of General Fund Ending Fund Balance

GENERAL FUND ENDING FUND BALANCE



FUTURE EXPENSES TO CONTINUE TO SAVE RESERVES FOR

- Water Treatment Plant financing - 2025
- PERS bond expiring 2027 – rates will increase 5%
- NERPS Plan – continuing solvency of existing plan
- Bypass Loan to cover through phase 3
- Declining gas tax revenue – future effects of the Street Fund



WHO IS ON THE BUDGET COMMITTEE?

The Governing Body (City Council)
+
Equal Number of Appointed Electors

Appointed Members:

- “Electors” are registered voters in the district.
- Cannot be officers, agents or employees.
- Appointed for staggered 3-year terms.
- All budget committee members have the same authority.



BUDGET COMMITTEE MEETING PROCESS



- All Meetings are subject to public meetings law.
- Presiding officer must be elected at the first meeting.
- A Quorum is required to conduct business.
- Majority of Committee is required to take action.
- Committee may request and receive additional information from city officials.

WHAT THE BUDGET COMMITTEE DOES



- Receives the Budget Document
- Hears the Budget Message
- Hears & Considers Public Comment
- Discusses the Budget as Presented
- Approves the Budget
- Approves the Property Taxes

THINGS THE BUDGET COMMITTEE DOES *NOT* DO:



- Set staffing levels, salaries, benefits, or contract terms
- Decide whether or not a service or program should be funded
- Make policy

BEFORE THE FIRST BUDGET MEETING

ORS 294.426(6) states, “the budget committee may not deliberate on the budget document as a body before the first meeting”



We recommend that you do not talk about:

- Specific estimates or appropriation amounts associated with any fund or line item
- Discuss whether to fund specific programs or expenditures
- Discuss whether to impose any tax levy, or the amount of any levy

RECEIVES THE BUDGET DOCUMENT

- The Budget is a **public document** when released to the committee.
- Available to the public at the same time as the committee.
- Public has a **right to inspect the proposed budget.**
- The City must provide a means for the public to copy and see the budget.

THE BUDGET MESSAGE

- Prepared by / under direction of executive officer.
- Explains the budget document.
- Describes financial policies.
- Explains any changes since last year.
- Must be in writing.



PUBLIC COMMENT

- On the date and time in the published notice.
- Any person may ask questions about and comment on the budget.
- Can establish time limits and other policies for public comment period.
- Can be heard at additional meetings, if desired.



APPROVE THE BUDGET

Sample Motion to Approve the Budget:

“I move that the budget committee of City of Newberg approve the budget for the 2022-23 fiscal year in the amount of \$xx,xxx,xxx.”



APPROVE EACH TAX LEVY

Sample Motion to Approve Taxes:

“I move that the budget committee of City of Newberg approve property taxes for the 2022-23 fiscal year at the rate of \$x.xxx per \$1,000 of assessed value for the permanent rate tax levy, and in the amount of \$x,xxx,xxx for the general obligation bond levy.”



The Budget Committee work is now finished.

BUDGET HEARINGS TO ADOPT

- The City holds a budget hearing on the date published.
- The hearing is on the budget as approved by the budget committee.
- Any person may comment on the budget.

If the Governing Body decides to change the budget as approved, they can without holding another budget hearing meeting and republishing the notice if:

- **No increase to taxes**
- **No increase to expenditures in any fund by 10% or more (or \$5,000 – whichever is greater)**

GOVERNING BODY ADOPTS THE BUDGET

After the Budget Hearing and on or before June 30, the governing body must enact a resolution to:

- Adopt the Budget
- Make Appropriations
- Impose Each Tax Levy
- Categorize each tax by Measure 5 Category



FUTURE BUDGET MEETINGS

Agenda for May 4th Meeting:

- General Fund (01)
- Admin Services Fund (31)

Agenda for May 11th Meeting:

- Public Safety Fund (03, 13, 16)
- Community Development Funds (08, 14, 19)
- Public Works Funds (02, 06, 07, 17)

Agenda for May 18th Meeting:

- Capital Projects Funds (04, 18)
- SDC Funds (42, 43, 46, 47)
- Misc Funds (09, 21, 22, 99)
- General Discussion of Budget
- Approve Budget



FUTURE BUDGET MEETINGS

3 budget meetings to approve the budget:

- MAY 4 @6pm
- MAY 11 @6pm
- MAY 18 @6pm

Submit questions on topics presented by:

- MAY 3 @ Noon
- MAY 9 @ Noon
- MAY 16 @ Noon

The budget will be released to the committee April 29th



ITEMS TO TAKE INTO CONSIDERATION WHEN REVIEWING THE BUDGET



- Status-quo budget
- Class and comp numbers won't be in in time for the budget adoption – placeholder COLA was added to the budget to account for this increase
 - With the exception of the Police Association
- New capital outlay line items for departments

THANK YOU NEWBERG SUPPORTERS

