

NEWBERG CITY COUNCIL MINUTES
STUDY SESSION
January 9, 2018, 6:00 PM
PUBLIC SAFETY BUILDING (401 E. THIRD STREET)

CALL MEETING TO ORDER

Mayor Andrews called the study session to order at 6:00 p.m.

ROLL CALL

Members Present:	Mayor Bob Andrews	Mike Corey	Denise Bacon
	Scott Essin	Patrick Johnson	Matt Murray
Members Absent:	Stephen McKinney		
Staff Present:	Joe Hannan, City Manager	Truman Stone, City Attorney	
	Sue Ryan, City Recorder	Doug Rux, Community Development Director	
	Matt Zook, Finance Director	Caleb Lippard, Assistant Finance Director	
	Dan Keuler, Senior Accountant	Mary Newell, Police Support Services Manager	

Long Range Financial Plan Presentation:

Finance Director Zook discussed the challenges, which were how to pay for the \$3.15 million communications upgrade and how to address the \$1.3 million operating budget shortfall. He the communications upgrade and using one time revenues to address these challenges through: Butler and Animal Shelter properties sales, Selling equipment to TVF&R, and Dundee Fire contribution. New scenarios included a 2% Cost of Living Adjustment (COLA). A chart showed its impact. He discussed the new base projection if they did nothing as well as debt service payments for the communications project and PERS rate increases. He summarized the annual surplus/shortfall in each fiscal year with the intent that the City would not use reserves.

In Fiscal Year 2017-18 expenses would be higher than revenues. Over time that gap would widen. Reserves would decline as the City used revenues to fill the gap. He explained the debt service for the communications upgrade anticipated starting in 2018-19. There would also be a budget shortfall. Under Scenario 1 the base projection with a Local Option Levy with 0% compression of \$1 per \$1,000 of assessed value beginning in 2019-20 for five years. The annual shortfall would decrease to \$330,000.

The shortfall in Scenario 1 would be the City's debt service payments. There was discussion on how far out the City should forecast and how accurate it would be, the five-year Local Option Levy.

FD Zook said Scenario 2 was the base projection with increasing internal franchise fees for water, wastewater, and storm water from 5% to 7% starting in Fiscal Year 2018-19. If franchise fees were increased, the impact on rates would be \$2.50 to \$3 more per month. The revenues from this option were not enough to cover the annual shortfall. The shortfall was lessened, but there would still be a shortfall.

In Scenario 3, there was proposed a Local Option Levy of \$1 per \$1,000 in 2019-20 and an increase in internal franchise fees in 2018-19. This would close the gap on the shortfall and move the City into a positive position. This did not include the sale of City properties.

FD Zook said Scenario 4 was to increase the Public Safety Fee from \$5 to \$15 in 2018-19 and \$20 in 2019-20 and an internal franchise fee increase. For every dollar of the Public Safety Fee, it would generate \$100,000 worth of revenue. This would not quite close the shortfall gap. CM Hannan said this scenario included everyone that used a utility, not just property owners. However, there were legal questions about using the Public Safety Fee in this way as it might seem like a property tax.

FD Zook said there would be a 5-year debt service payment for the communications project, which went two years past what was shown in the PowerPoint.

FD Zook said the Scenario 5 was a combination of a \$1.14 per \$1,000 Local Option Levy and internal franchise fee increase, and no Public Safety Fee. He pointed out the breakdown between debt service payment and the annual shortfall. He explained the impacts if WCCCA provided dispatch services. He reviewed police and communications revenues and expenditures.

CM Hannan said if the City took every single dollar collected in property taxes and gave it to Police, it still would not be sufficient. That was one thing that they should discuss with the public if they decided to go with a Local Option Levy.

Councilor Corey wanted to make sure they looked at expenses as well as revenues.

Councilor Murray was concerned about taking away the Public Safety Fee in Scenario 5 as police costs weren't going to go down. Would they be in the red again a few years later? CM Hannan said there was value in overall planning, but going beyond three years was not that useful and could be dangerous.

Councilor Essin asked if the Police budget was a short term problem. CM Hannan said there was a short term issue with the communications project but also a systemic problem for the long term to maintain the current level of service. Property taxes were not keeping up with costs. Councilor Essin thought there were some good options. It made sense to do a Local Option Levy that had a sunset. Fees were needed because of the longer term issue of lower taxes.

Councilor Corey thought the Local Option Levy would have to be more than \$1. CM Hannan said staff thought the \$1 should take care of the issue. He thought the community needed to be educated that every single dollar of property taxes was going to the Police Department.

Councilor Corey asked transferring Springbrook Fire Station property. CM Hannan explained how that proposal would be brought to Council as part of the annexation. This was done by other jurisdictions when they annexed into TVF&R. The City would retain the Downtown Fire Station.

CM Hannan said after Council gave guidance, staff would begin drafting a Fiscal Year 2018-19 budget. Staff recommended a Local Option Levy and increase in franchise fees. He would also like to know if the Council wanted to reduce employees in dispatch or get rid of the new positions that had recently been added. Some of the positions did generate money. FD Zook described the new positions and their effect on the budget.

Councilor Johnson thought the first thing they need to do was look at the sale of equipment and assets and how to talk to people about the Animal Shelter. He would like to see a robust plan to cut expenditures across the City. An honest assessment needed to be done of what departments could cut and still make the budget numbers work for a long term solution. He also asked that in the next 12 months that staff didn't buy anything new and have a hiring freeze in order to help sell the Local Option Levy idea to the public.

Councilor Essin wanted to see the benefits of the new positions. Councilor Corey agreed with not buying anything if possible, to freeze hiring, and to see if positions could be combined to eliminate others. In addition he thought the proposal to close dispatch and have WCCCA perform that task should be kept on the table.

Councilor Murray agreed that staff should look at expenditures. He said the \$1.88 coming out of the budget was what the voters wanted. He did not think there was a problem with going back to the voters and asking for more. He was in favor of Scenarios 1 and 3. He would rather pass a 5-year Local Option Levy than change fees.

Councilor Essin said citizens should make the decision by voting on a Local Option Levy. He favored selling the Animal Shelter as long as they allowed the Friends group to have the chance to purchase it.

Councilor Bacon said Scenario 3 was her first choice, and Scenario 1 was her second choice. She thought they should make the cuts where possible and think strategically about purchases. She thought they made the right decision to take the \$1.88 to voters. They had smart voters who would spend the money if Police services were important to them. They owed voters the opportunity to voice their opinion.

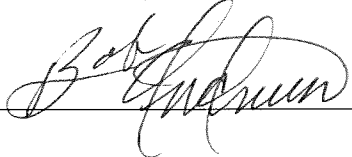
CM Hannan said staff would start putting the budget together with Scenarios 1 and 3 in mind and would look at the whole organization to see what other cuts could be made. He would also look at the new positions to see if they were money generators or if they fit in Council's priorities.

ADJOURNMENT: The meeting was adjourned at 7:55 p.m.

ADOPTED by the Newberg City Council this 5th of February, 2018.


Sue Ryan, City Recorder

ATTESTED by the Mayor this 6th day of February, 2018.


Bob Andrews, Mayor

