

**NEWBERG BUDGET COMMITTEE MINUTES**  
**May 10, 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          |
|                  | Helen Brown | Stephen McKinney | Patrick Johnson (phone) |
|                  | Lon Wall    | Bob Andrews      | Mike Corey              |
|                  | 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            | Anna Lee, Human Resources Director |
|                | Dave Brooks, Information Technology Director |                                    |

**CONTINUED BUSINESS**

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

FD Zook presented changes staff recommended between the proposed and approved budget. The first change was an update on the Blaine Street project and that they would not be spending as much in the 2016-17 budget as they thought. There would be more in the 2017-18 budget for the project. Staff thought they would spend \$100,000 more for the project. The transfer to the Stormwater Fund would go from \$800,000 to \$895,000 and the transfer to the Stormwater SDC Fund would go from \$50,000 to \$55,000.

BCM Andrews asked for clarification on whether it was the case that they would not be spending the money in this fiscal period, and were simply carrying it over to the next. FD Zook confirmed that was correct.

FD Zook said there would also be a change in Fund 17 showing the transfer out was \$895,000 and in Fund 43 showing the transfer out was \$55,000 for the Blaine Street project. The next change was to Fund 19, Transient Lodging Tax, to reflect the \$250,000 that was not spent in 2016-17 for the Development Marketing Grants. There was also a slight correction to the tourism contract with the Chehalem Valley Chamber of Commerce of \$550. Another change was to Fund 18, Street Capital Projects Fund, to reallocate a developer contribution of \$340,000 to the Villa Road project. There was \$150,000 towards the College Street bike lane and sidewalk project that would be reduced to \$120,000. The City could still fulfill their obligation to ODOT for the project. The Villa Road project was going up from \$125,000 to \$340,000 and the total project would cost \$2,715,000. In order to keep the fund balanced, they reduced the pavement rehab project from \$330,000 to \$225,000. The Transportation Utility Fee would soon be implemented and staff would come back with a supplemental budget to recognize those fees. While this was a reduction in the project, they knew the TUF revenues would be coming online soon. The LED light conversion project for \$80,000 was being postponed. It did not change the number of projects in the street capital project fund, as it was still overall \$4.9 million. The number the Committee would be approving for the total budget was \$97,403,431.00.

Chair Koschmann asked for confirmation that these changes resulted in \$450,000 more to the budget. FD Zook confirmed that the increase was primarily within Transfers.

BCM Andrews asked about the source of the \$450,000. FD Zook replied it was mainly the shifting of funds from the 2016-17 budget to the 2017-18 budget.

Council Compensation

BCM Essin presented the item and discussed the issues raised by Councilor Johnson. Due to the budget gaps, he thought Council compensation should be reevaluated. He read what was in the Charter regarding this issue. The Charter stated the Council would establish a procedure for compensation, and he did not think adoption of the budget was a procedure. He described procedures that had been adopted by other cities. He thought this could be a Budget Committee decision. He was not in favor of increasing the Council compensation and would not accept it if that happened.

BCM Corey asked if they voted on this, the Councilors could vote if they declared a conflict of interest. BCM Essin stated that was his understanding.

Chair Koschmann clarified BCM Essin wanted to put a procedure in place. BCM Essin responded that was what was in the Charter. He questioned what was included in the compensation package and if the Mayor's stipend was included. He thought it should be included in the package along with workers compensation and Council I-pads. He wanted the public to know everything the Mayor and Council were getting.

BCM Baker stated that CA Stone had reviewed this issue and determined that the City was meeting all of the requirements. BCM Essin responded that they had a perfectly good setup as is, though CA Stone admitted that there were some areas that could use improvement or be added in. He pointed out that the decision, in his opinion, must be made by a citizen committee rather than by Council or staff.

BCM Wall asked if BCM Essin was asking the Committee to take an action to codify something the City had already been doing, or if he was proposing that the Mayor should receive more money. BCM Essin responded that he was in favor of the Mayor having an increased stipend because of all he did for the City, though he recognized that the Mayor and Council did not request any more money. BCM Wall asked if this issue could be solved through a motion.

BCM Andrews pointed out that the approval of the budget effectively approved the stipend as it was already included within the budget. BCM Essin agreed that the stipend was passed by way of the budget, but reiterated that the Mayor's compensation was not part of the Council compensation package. BCM Wall thought the current practice was accepted by the State. He asked if there was more time to discuss this issue. FD Zook responded one more meeting was available. BCM Essin suggested they put the question to CA Stone. There needed to be clarification for both the Mayor and Councilors as well as for the public as to what the package was as well as what the duties of the Mayor and Councilors were.

CA Stone said there had been some recent decisions by the State Ethics Commission that called into question the way municipalities were handling these matters and identifying conflicts of interest. The Charter said the Council must authorize compensation of City employees and officers including the Council as part of the adoption of the annual City budget. The Charter also said the Council established the procedure to implement the money that was appropriated. That procedure was in the Municipal Code that set a rate of \$10 per meeting for Council. They did not get paid for Budget Committee meetings and the Councilors were members of the Budget Committee. He confirmed with the State Ethics Commission that the formal policy in the Municipal Code was a procedure for Council compensation. There were some deficiencies, such as a procedure to change that amount that could happen in a timely fashion. If the amount was to be raised, the Council could adopt an ordinance to increase the compensation but it could not go into effect until the last term of anyone who was currently serving on the Council expired. The Council could delegate that authority to another entity, such as the Budget Committee. Another deficiency was that staff could not locate records regarding the Mayor's stipend which could be addressed at the Council level. The Budget Committee did not need to make a decision on this right now. They could pass as part of the budget an increase in the compensation and stipend line items.

BCM McKinney asked if there was any exposure at the Ethics Commission level. CA Stone said that individual public officials were responsible for complying with ethics law, and that the City itself did not have exposure. There was a possible risk that someone could file an ethics complaint about the Mayor's stipend, though it would be unlikely to cause interest within the Ethics Commission.

BCM McKinney asked what issues needed to be addressed to fix these deficiencies by producing the document mentioned. CA Stone was working on a resolution to be presented to the Council to correct the noted deficiency. He hoped to have it presented in June to the Council, which the Mayor would not be involved in due to a conflict of interest.

BCM McKinney clarified this document would address the deficiencies and include the other items BCM Essin mentioned as Council compensation. CA Stone responded they would need to decide what would be included in the compensation package. The Ethics Commission said so long as the City had adopted policies, they were sufficient. BCM Essin would like them all summarized in one document, but it was not required by the ethics rules to do so. He continued saying that if the Council decided to create such policies, they should direct him to work on that, but otherwise only the mayoral compensation deficiency needed addressing.

BCM McKinney asked if the deficiency needed addressing to pass the budget. CA Stone did not believe so.

BCM Andrews commented that the Charter included the Mayor as a voting member of the Council, but that he was not technically a Councilor. CA Stone noted that the City Code laid out that the Mayor shall receive compensation which may be changed from time to time.

Chair Koschmann thought that it sounded like this discussion was not appropriate here and moved on to deliberations.

BCM Essin believed the Committee was authorized to make a motion to increase the budget, but would need Council members' votes who were not accepting the compensation, as had been done in some other cities. He added that it may be done by a separate committee, one that was not appointed by the Mayor.

BCM Andrews reiterated that he was not a Councilor. BCM Baker made a point that this was not the right committee for this discussion. CA Stone invited any recommendations Budget Committee members were interested in making.

BCM Wall recommended the Council address this on their own time.

BCM Reardon recommended the Budget Committee approve an increase in an amount available within the budget, but leave the authorization of actually increasing the stipends to be determined later by a separate committee. BCM Baker recommended making no such changes. Chair Koschmann agreed. No motion was officially made.

BCM Essin concluded his discussion by reiterating that as he read the Charter and Code, he saw the Mayor as a Councilor. BCM Andrews thanked BCM Essin for his work, and said again that he was not a Councilor, but a Mayor.

The Committee took a short break. BCM Johnson, attending via phone, left the meeting during the recess.

#### Public Testimony

Chair Koschmann invited any members of the public who wished to make public comment to speak up. No public comments were made.

BCM Reardon asked whether or not Yamhill Transit came to the Council and if a decision was already made with regard to those funds. BCM Andrews said that as far as he knew it was already in the budget. CM Hannan confirmed that the same amount was in the budget for Yamhill Transit Authority as was in the budget last year, even though they had requested more money.

BCM McKinney asked how much was proposed to give them. FD Zook confirmed that \$18,000 was currently proposed in the budget.

Chair Koschmann asked for any questions or comments on outside agency funding. BCM Bacon clarified that the Transit Authority funding was previously moved to a separate account.

BCM Brown asked about the Easter Egg Hunt funding. BCM Bacon clarified that a non-profit paid for the Easter Egg Hunt, not the City.

BCM Wall was inclined not to vote in favor of the budget due to the process. The Budget Committee did not have any real authority. There was value to being on the Committee, but if he disagreed or had concerns with something in the budget there was not much he could do about it. He reiterated his concerns about funding of various projects including the radio upgrade. It was a concern that there was no identified funding and it involved a lot of money and they were beginning a process to accept it as a financial liability. Although this budget was balanced, there were future commitment

concerns regarding the funding options. He pointed out that the money to pay for the upgrades would be a multiyear cost. He commented about a time constraint affecting the prior year's process as well as this year, and in the future he recommended that more time be given to the Committee for more opportunities to deliberate. If they did not have 8 yes votes, he was uncertain of how the Committee would proceed with the time they had left.

BCM Baker thought the Budget Committee could request adjustments. There were options for the WCCCA upgrade, some more favorable than others. It was not that they did not have a way to pay for it, but that there were several options. CM Hannan agreed with BCM Wall that it was a tough decision. He thought there was a role for the Budget Committee throughout the year. He recommended the Budget Committee also be involved in the five year budget planning. He thought they could make more time if the Committee needed it. He planned to bring back a list of options to Council in August for the communications upgrade and he explained some of those options. There would also be a supplemental budget brought to the Council in the fall. He thought the Budget Committee could be included in those discussions to give input.

BCM Bacon added that she agreed, except that this was an immediate need. If they did not do the upgrade, they would have to go with a different communication system which might not be as safe and might have a cost as well. The safety of citizens was at stake. She was willing to go forward because there were many funding options including funding from TVF&R. They just did not know which option would be the best one and they did not know who the players would be yet.

BCM Corey added that he also had a concern about the upgrade funding. His uncertainty would not change his vote to a negative. He recommended staff continue to think about ways to balance future budgets.

BCM Reardon said if the City switched to TVF&R, that would cost him \$630 per year and the Transportation Utility Fee would cost \$60 per year. The difference between the \$1.88 and \$2.10 was another \$120 per year. That was an increase of \$810 per year for citizen taxes. Now they were saying they were going to spend over \$2 million and they did not know where the funding was coming from. Typically fees were raised in this case, and it could be an increase of \$1,000 per year on his tax bill. He was not convinced the upgrade was necessary. He was not sure he would be in favor of the budget because of the uncertainty where the money would come from.

BCM Wall clarified that he had no problem with the upgrade, but was concerned that there was no plan and that it might not be handled properly. CM Hannan gave some scenarios for how much an average home of \$300,000 would pay in new taxes for TVF&R which equated to \$60 more per year. This issue was on a Council agenda to be dealt with in the first quarter of the new Fiscal Year. They had been in conversation with TVF&R to share in the costs, but they were waiting to see if the City would annex in before making that commitment.

BCM Reardon wished there had been more discussion on the decisions to be made. CM Hannan clarified that the upgrade was not tied to the TVF&R decision. If they chose to stay with WCCCA they would need to pay for the upgrade, and if not they would have to find another service.

BCM McKinney commented that the figures in the budget were not a surprise as the discussion began 18-22 months ago. He wanted to make sure the increases were not exaggerated. He asked about opportunities for more meetings. FD Zook responded with the possible dates.

**MOTION: Andrews/Brown** moved to adjourn the meeting and continue deliberations to the next scheduled meeting on May 16, 2017. Motion failed (4 Yes/7 No [Essin, Baker, Bacon, Koschmann, McKinney, Sitton, and Corey]).

FD Zook commented on the Your Community Mediators services, a group requesting outside agency funding. For Newberg the mediation was performed in the City at several locations. They had requested funding from the School District, but they had not received a positive response back.

BCM Baker said there were three agencies that had requested funds, however with all of the questions regarding the budget he recommended not adding funds at this time.

**MOTION: Baker/Corey** moved to not add community support funds to the 2017-18 budget.

**AMENDMENT TO THE MOTION:** Reardon/Wall moved to give Your Community Mediators \$5,000.

**Discussion:**

BCM Andrews said there was only a 10% contingency in the budget. The City was spending more money than it was bringing in. He thought they needed to be careful in their spending because they were not taking in the funds to make the distributions. He would vote no to the amendment.

BCM Bacon did not see how they could provide the funds in a way that was equitable to the things they were responsible for. She also would be voting no.

The amendment to the motion failed (3 Yes/8 No [Baker, Brown, Bacon, Koschmann, McKinney, Sitton, Corey, and Andrews]).

The original motion passed (8 Yes/3 No [Essin, Reardon, and Wall]).

Approval of the 2017-18 Budget and Approval of Taxes Provided for in the 2017-18 Budget:

**MOTION:** Bacon/Corey moved to approve the 2017-18 budget in the amount of \$97,403,431 and impose the tax as provided for in the 2017-18 proposed budget at the rate of \$4.3827 per \$1,000 of assessed value for a permanent rate tax. Motion passed (9 Yes/2 No [Essin and Wall]).

**NEXT STEPS:** There were no next steps.

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

**ADOPTED** by the Newberg Budget Committee this 24<sup>th</sup> day of April, 2018.

  
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Dan Keuler, Senior Accountant

**ATTESTED** by the Budget Committee Chair this 24<sup>th</sup> day of April, 2018.



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Beth Koschmann, Budget Committee Chair