

**NEWBERG BUDGET COMMITTEE MINUTES**  
**APRIL 17, 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:	Mike Corey	Miles Baker	Beth Koschmann
	Stephen McKinney	Jack Reardon	Helen Brown
	Lon Wall	Bob Andrews	Brad Sitton
	Scott Essin	Denise Bacon	Elise Yarnell
	Patrick Johnson		

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

The meeting began with introductions where everyone shared how long they had served on the Budget Committee and/or City Council.

Councilor McKinney arrived after the introductions.

**ELECTION OF CHAIR AND VICE-CHAIR**

**MOTION: Andrews/Bacon** moved to retain Beth Koschmann as Chair and Miles Baker as Vice Chair of the Budget Committee for 2018. Motion passed (12 Yes/ 0 No).

Committee Member Wall arrived at 6:35 p.m.

**NEW BUSINESS**

Budget Message: City Manager Joe Hannan delivered the budget message (Exhibit A). CM Hannan expressed how in the last twelve months there had been positive growth and outlook going forward. Newberg was named Camelia City of Oregon and had a flower named after them. George Fox, who was a positive contributor to jobs, had seen its highest enrollment yet, with a lot of new projects and expansions. Inside of the community, five miles of sidewalks had been built and the Bypass was opened. Also the city was named one of the six safest cities in Oregon. The budget this year would see similar activities and accomplishments. As many as 1,000 new homes would be built over the next 6 years. The City was working on a Riverfront Master Plan and this year the CPRD pool was opening. CM Hannan discussed other projects as well as the transfer to TVF&R and street improvements upcoming thanks to the Transportation Utility Fee. Besides this, the College Street project and Crestview project would also occur this year. The budget presented to the Committee included the change in the fire service, reduction of property tax, and continued funding of public safety. It also including funding for the communications upgrade project and seismic safety upgrades. Also there was a privilege tax increase of 2% which was noted on the utilities. There were no new positions proposed, but the budget continued to invest in the 143 current employees. They would be using reserves to balance the budget and fill the gap between revenues and expenditures. He recommended going to the voters for sufficient funding for important programs. This would be a community discussion where the City would ask people about their preferences in what programs to fund. It would go out to voters in May of 2019. The budget was balanced according to Oregon state law. He thanked staff and the committee for their work.

Presentation of Funds: Finance Director Zook invited the Committee to review the attached budget orientation document. He reminded them that actions taken by the Committee needed a majority vote from the total number of

members rather than only those who were present at the time. That meant a minimum of 8 votes to pass motions. The second handout was a glossary to be used as a resource for key terms. He would be going through the highlights of the budget, and the Department Heads would provide insight on specific questions. FD Zook discussed the new order of the budget document this year where the funds were grouped by program rather than numerical order. They had also added overview pages and an all funds summary which gave them a one page view of all the funds.

Mayor Andrews asked what last year's total budget was.

FD Zook referred to Page 9 that showed the total budget for this year and last year. Last year's budget was \$99 million, and this year's was \$93 million. He pointed out the City's total legal authority to spend versus a fund by fund consideration. He then discussed Page 8, property tax revenue summary. He reviewed the assessed value history and how they were estimating a 4.3% growth in the assessed value. Regarding the tax rate, there was a reduction from 4.38 to 2.50 due to a recent vote. He discussed historical property taxes which included bonded debt that had since been repaid. Next FD Zook gave a summary of the employee count. No new positions were being proposed, but there was a .03 increase for a Sargent at Arms at Council meetings and a .15 shift of FTE to communications from the 911 fund. Wastewater operations went down and maintenance went up, which showed a shift of duties among current staff. Also CM Hannan moved two employees into their own fund for transparency.

Councilor Johnson asked about a new employee last year in maintenance. FD said those funds were used for crack sealing summer help.

FD Zook said also included in the employee FTE summary was a description of the positions and pay ranges.

Committee Member Reardon asked for more explanation regarding the changes on Page 9, such as the licenses and fees as an example. FD Zook would break down the revenues for the General Fund and discuss the changes as it was easier to show it at the fund level.

Committee Member Reardon asked about the \$2.2 million loan. FD Zook explained how the financing proceeds for the communications upgrade had already been done. They would only spend about \$1.1 million for the project this year. He pointed out that that money would be presented in a new fund to avoid commingling of moneys.

FD Zook discussed the General Fund on Page 19. He showed how the beginning fund balance continued to be higher. They had more than anticipated revenues and less expenses. They would start the year with \$3.6 million and end the year with \$2.3 million because they would be using reserves. There was a drop in property tax due to the rate reduction. He went over each revenue line in summary. The franchise fees had an increase and he explained how those fees fluctuated. That fee also included the revenue from increasing the privilege tax from 5% to 7%.

There was discussion about the proposed property tax revenue.

FD Zook explained the modest increases in state shared revenues and what types there were. There was a portion of the Transient Lodging Tax that transferred into the General Fund that was not required to be spent on tourism. The "other" revenue dropped due to loan proceeds shifts. He highlighted the changes in the General fund expenditures and gave an overview of some of the causes for these changes. The General Government Department had slightly higher expenses due to staff hours. There were no changes to the Municipal Court and Police Department budgets. The Fire Department dropped because of the TVF&R annexation. The Communications Department had turn overs and vacancies last year, but this year they were restored to a fully operating budget. Materials and Services for Communications went up due to an increase in the internal service charges related to allocation shifts. Capital outlay had gone down because the communications upgrade project had been moved to a different front. The Library budget was status quo, except for capital outlay that had gone down due to a remodel project. The Planning Department budget had gone down due to some grants they had received and timing of projects. Under Non-Departmental, the transfers out referred to debt service payments. For Contingency, the amount doubled from last year.

Councilor Johnson asked about the Miscellaneous fund revenues. Next he asked about the unemployment transit tax across the funds. FD Zook explained the state legislature passed a bill for transportation funding and part of that package

was implementation of a transit tax on payroll. This tax was added to the same line item as the unemployment charges. Assistant Finance Director Lippard said the Miscellaneous revenues were developer funds from projects.

Councilor Johnson asked about the longevity pay being down in the Police Fund. FD Zook said one long standing employee had retired. Councilor Johnson asked why administrative support services were up within the Library budget. FD Zook said it was a reasonable proportionate share of the overall dollars. Councilor Johnson asked about why they were getting revenue from the photo red light when it was no longer being used. FD Zook said there were tickets that had yet to be paid and when they were paid the revenue went into this fund.

Councilor Johnson asked if the Dundee police revenues were keeping up with the expenditures. FD Zook responded the 2% increase was part of the IGA. Chief Casey said the overall compensation in the contract more than covered the services they were providing to Dundee. CM Hannan asked Chief Casey to discuss patrol officers and why this IGA was mutually beneficial. Chief Casey said it was good for Dundee because they got a full service police department and it was good for Newberg because it helped supplement their programs. Councilor Johnson asked about the School Resource Officer. Chief Casey responded it was a full time position and the School District provided \$35,000 for the officer. He had talked to the School District about increasing their contribution, but the District also had financial issues.

Councilor Johnson asked why there was not a reduction in support services since they had cut the Fire Department. CM Hannan responded there was a shift of these costs to other departments as there was an increase in demand for services even though they had not increased employees.

Committee Member Reardon asked about the reduction in licenses and fees. FD Zook responded this category included System Development Charges. As commercial development and SDC fees went down, the licenses and fees also went down. Residential development was still going strong but there had been a reduction in commercial and industrial.

FD Zook directed the Committee to Page 21 and discussed the General Fund revenues.

Committee Member Reardon asked about the reimbursed costs. FD Zook explained this was when the City received reimbursement from external entities for actual costs that the City incurred.

FD Zook then discussed the Administrative Support Services Fund and how the entire source of revenue was through charging other funds. This fund typically stayed status quo. Not much had changed in the Finance Department budget. General Office Materials and Services represented telephones and internet. This budget was reduced due to a project, but it would be going up due to connectivity charges for mobile devices. For the Finance Billing Department, there was an increase in Materials and Services due to bank fees. The IT budget and City Attorney Budget mostly stayed status quo. The Public Works Fleet and Facilities Department went up due to personnel services. For Non-Departmental, the insurance costs had gone up. The Contingency was targeted to be about 5%.

Committee Member Reardon asked about the Technology Capital Outlay. Dave Brooks, IT Director, said that there was a storage appliance upgrade planned that would be financed over several years.

FD Zook turned to the Public Safety Funds on Page 67. He discussed the Civil Forfeiture Fund which as forfeitures were made by the Police Department they were brought into this fund and were spent in prescribed ways. The 911 Tax Fund was collected statewide and allocated back to the City for 911 services. He was projecting a minor increase in revenue for this fund and Newberg would receive a portion from the City of Dundee. Some of the employee expenses had been reallocated to the General Fund. The Public Safety Fee Fund was used to fund three Police Officers and two Dispatchers. If this fund was insufficient to cover the expenses for these employees, the costs were reallocated to the General Fund as well. The fund had a slight increase due to the audit finding some meters that were not being charged the fee.

Committee Member Yarnell asked about the total FTE in Communications. FD Zook responded there were ten Dispatchers and a half time Manager.

FD Zook turned to the Community Development Funds on Page 77. He provided an overview of the Building Fund which was a dedicated fund for building services. There were decreases in the budget due to a decrease in commercial and industrial development. There was two year's worth of operations in Reserves. The Economic Development Fund

included a Community Development Block Grant for affordable housing. There were personnel service charges to this fund as well as funding in the professional services to do an Urban Renewal feasibility study.

Community Development Director Rux explained what tax increment from an Urban Renewal District would do for the City. It did not increase property taxes, but was a redistribution of taxes from the overlapping taxing districts. He planned to hire a consultant to evaluate the feasibility of an Urban Renewal District, create models, and identify capital projects. Committee Member Reardon asked if that required a vote. CDD Rux said no, a vote would not be required.

Committee Member Brown asked about Code Enforcement. CDD Rux responded that position was in the Legal Department. He added to the response to Committee Member Reardon's question about revenues. Staff had been looking at how to better project revenues from future development. Over the next 3-5 years there would be 1,000 new homes built in Newberg. This year there had been an uptick in employment land development, but there had not been interest in commercial development for the coming year. There was not a large inventory of industrial land in the City. Not having commercial or industrial development affected their revenue stream for both the Planning and Building budgets.

Committee Member Reardon asked about Urban Renewal Districts and voting requirements. CDD Rux said the City Charter did not require a vote, but state law left opportunity to challenge it. He explained the adjustments that had been made to Urban Renewal law and how they would be looking at downtown and the riverfront area as the two areas to create an Urban Renewal District in the City.

Committee Member Wall asked about the collaboration with the other taxing districts. CDD Rux said as part of the feasibility study, they would have to meet with all of the other taxing districts to discuss the plans for Urban Renewal. It would be the City Council who would determine whether or not to form a District.

FD Zook continued with the review of the Transient Lodging Tax Fund. The City had a 9% lodging tax and he was projecting a 5.5% increase in the fund. He explained how 35% of the tax had to be used for tourism purposes. There was a Transient Lodging Tax Committee to oversee the use of these funds. There was 65% of the tax that was transferred to the General Fund.

Committee Member Sitton asked about the decrease in tourism promotion. CDD Rux responded the Transient Lodging Tax Committee had recommended re-budgeting the funding for marketing into next fiscal year's budget.

FD Zook gave an overview of what was to come in the next meetings. He invited questions over the next week by email.

#### **PUBLIC COMMENTS:**

Rebecca Wallis, Newberg resident, discussed animal control funds. The County had transferred animal control to the Newberg Police Department last year. A non-profit had been assisting the Police Department with dog control by taking calls from Dispatch. There had also been times when a Police Officer called and asked the non-profit for their assistance. From July to December there were about 67 calls that were taken by the non-profit. If the non-profit did not exist, it would rest solely on the Police Department. The County was given an estimated \$16,000 to the City from dog licenses and she would like to see those funds go into the patrol budget and for additional animal control equipment.

Councilor McKinney asked for clarification on the ratios. FD Zook said the City received 75% of the revenues for dog licenses in Newberg. Committee Member Wall added that he would like to see how they financed animal control.

Committee Member Brown asked if they could discuss the animal control budget now. CM Hannan suggested that the Police Chief discuss this issue with Ms. Wallis, and then it would come back to the Committee at the next meeting.

Committee Member Brown would also like to know where the animal shelter funding was in the process.

**NEXT STEPS:** The next meeting would be held on Tuesday, April 24, 2018.

**ADJOURNMENT:** The meeting was adjourned at 8:30 p.m.

**ADOPTED** by the Newberg Budget Committee this 30<sup>th</sup> day of April, 2019.

  
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Dan Keuler, Senior Accountant

**ATTESTED** by the Budget Committee Chair this 30<sup>th</sup> day of April, 2019.

  
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Beth Koschmann, Budget Committee Chair