

NEWBERG BUDGET COMMITTEE MINUTES
May 2, 2019, 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	Timothy Carpenter	Beth Koschmann
	Patrick Johnson	Jack Reardon	Molly Olson
	Solomon Allen	Rick Rogers	Brad Sitton
	David Bonn	Denise Bacon	Elise Yarnell Hollamon
	Elizabeth Curtis Gemeroy	Stephanie Findley (arrived at 6:35 p.m.)	
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	
	Mary Newell, 9-1-1 Support Services	Dave Brooks, IT Director	
	Anna Lee, Human Resources Director		

COMMITTEE BUSINESS

Chair Koshmann invited any comments or questions on the budget that staff needed to research.

Committee Member Olson asked if some scenarios of the General Fund could be run, one if they did nothing and kept the budget the same with no growth and one that implemented the new recommended fees.

Councilor Curtis Gemeroy said another scenario she would like was taking the budget as it was recommended and taking away all of the fees including the Public Safety Fee, 3% increase in property taxes, and franchise fee to see what that would do to the budget and where would they be as far as the deficit.

Mayor Rogers asked if they could show what each fee individually would do as well as an accumulated total.

CONTINUED BUSINESS

IT Director Dave Brooks presented the changes in the IT budget. The first was an increase in materials and services due to Microsoft licensing. They had budgeted in the current fiscal year \$127,000 for maintenance agreements and had ended the year \$20,000 above that. He explained the reasons for the overage which was due to unexpected expenditures and costs going up from when the budget was prepared and the time the items were purchased. The other change in the budget was that capital outlay had \$220,000 for replacement of a server and network equipment. Regarding the unfunded priorities, he would like to make the half time Administrative Assistant a full time employee which would cost an additional \$63,000. He explained what the Admin did, including managing security awareness training for employees. He presented a statistical comparison of Newberg's IT department's budget compared with other cities noting that none of the other cities had a 911 dispatch center. He also discussed the future technology upgrades and the growth of the IT Department and their workload. The second unfunded priority was an intranet upgrade to Sharepoint which was estimated to be \$49,000.

Committee Member Olson pointed out that Sharepoint was a productivity tool and suggested looking at who benefited from that productivity. IT Director Brooks said they had scripted out what Sharepoint would do for each department and it would benefit every department in the City.

Committee Member Allen asked if prices for Sharepoint would go up or down. IT Director Brooks responded that price was for consulting to help them build the program out.

Committee Member Bonn asked what would happen to the City if the current intranet were to fail. IT Director Brooks responded it was the internal document management system and held all of the software licensing information.

Councilor Johnson mentioned that they discussed Splunk 18 months ago and wondered if it had been implemented. IT Director Brooks responded that had been implemented. It was mainly used for security and troubleshooting as well as business intelligence processes.

IT Director Brooks continued his presentation stating the third unfunded priority was funding the hardware replacement schedule which would cost around \$160,000.

Committee Member Olson mentioned that \$160,000 was a lot and she asked where the number came from. IT Director Brooks said it included network equipment, servers, security appliances, desktops, etc. The first couple of years would be tight due to the age of the current equipment. The fund would help them plan out the major purchases and even it out.

Committee Member Olson asked what the next couple of years would look like. IT Director Brooks responded in the next two to three years the server hardware resources would need to be replaced, which was about \$320,000. Right after that they would need to replace the storage appliance for \$150,000.

Committee Member Olson asked if he looked at outsourcing to a service supplier instead of purchasing their own. IT Director Brooks responded that cloud services were not cost effective over time and were not as resilient. He thought those services needed to remain on premise.

IT Director Brooks discussed the budget reduction option, which was to cut one of the three System Administrator positions. The results would be the existing workload would be increased and it would become a burden to the other employees.

Committee Member Reardon asked if there were any reductions related to the capital outlay for the coming year or was it all absolutely necessary. IT Director Brooks replied it was critical to replace the network equipment for the function of the City.

Councilor Johnson asked for a comparison of the number of FTEs in Newberg's IT Department with other cities. IT Director Brooks responded some had the same amount of staff and some had less. It was important to look at what the departments took care of because some did not have a Police Department, Water/Wastewater Department, or dispatch center.

Public Works Director Jay Harris presented the Fleet and Facilities budgets. The City's facilities were maintained by the Public Works Department. He explained what was included in the City-owned grounds and the vehicles in the fleet. They also did contract maintenance for the School District and CPRD vehicles. The budget was mostly status quo. The changes included shop supplies which had gone up and maintenance agreement costs which had gone up for asset maintenance software. The community art displays fund had been added to the budget to put pictures on the walls in City buildings.

Councilor Johnson asked if they subsidized the fleet services provided to the School District or if they charged one hundred percent cost recovery. PWD said it was one hundred percent cost recovery. They could not charge for profit.

Committee Member Olson asked if the amount was enough for all of the CPRD and School District vehicles. PWD Harris said they mostly did small repairs and oil changes.

Councilor Yarnell Hollamon asked why there was an increase in contractual services for Facilities. PWD Harris responded that was for HVAC repair and replacement, elevator services, and pest control for all the City buildings. He would have to look into why the amount had jumped.

PWD Harris discussed the proposed budget reduction options noting they could not cut anything in the Fleet budget as it would affect the intergovernmental agreements. They could make cuts in the Facilities budget to make up for it. They could go back to reactive maintenance for the City's facilities and only repairing and replacing small items.

Councilor Yarnell Hollamon asked how they were able to be more proactive in facilities, but not in other areas such as IT. PWD Harris responded being reactive cost more money. He had come up with five year plans for the maintenance of the facilities which were implemented every year. City Manager Joe Hannan responded there were equipment replacements right now in most of the departments which were budgeted for each year. The IT projects were much higher in cost and they did not have the extra to do them. Even in this year's budget they were upgrading the records management system and CAD. The need was so great they had to get it into a replacement schedule and begin to put money aside. PWS Harris added they were still in reactive mode for the maintenance of the water, wastewater, stormwater, and street systems.

Councilor Johnson said pending retirements in Public Works was a huge issue and increased the need for software that could capture that institutional knowledge. PWD Harris agreed the software would pay big dividends and it would help them work more efficiently.

Finance Director Matt Zook presented the Public Safety and Civil Forfeiture funds. The Civil Forfeiture fund rarely had any activity. When the City received forfeiture funds, they went into this line. The funds were used to purchase forensics equipment and other hardware.

Committee Member Bonn asked how the amount was increased. AFD Lippard responded when the Police Department seized money or assets.

FD Zook continued to discuss the 911 Fund noting there were no changes. The revenue from the 911 Fund was from the state and it was used to fund 1.45 FTE in the dispatch center. When this fund got compressed or there was a variance in the overtime, the General Fund picked it up. They had not included the potential increase in the 911 tax in the budget.

Committee Member Allen clarified there was no change in the FTE. FD Zook responded that was correct.

Committee Member Reardon asked if the contingency in this fund would be growing. FD Zook responded the contingency could not be used for anything but 911 expenditures which was mainly to add more FTE hours. It was growing about \$8,000 to \$9,000 per year due to revenues coming in higher than projected.

Committee Member Allen asked if it was problematic to adjust the FTE hours every year. FD Zook responded no, it would not be a problem. He thought 0.1 FTE could be added this year.

Mayor Rogers said the contingency varied per fund. Was there an overall strategy or was it by department? FD Zook responded there was no overall strategy. They tried to have 16% contingency in the General Fund and 5% for Admin Services. Right now the 911 fund was at 16%. It was on a fund by fund basis.

FD Zook continued onto the Public Safety Fee fund. There were two different Public Safety Fees, one for patrol and one for communications officers. The biggest change was the increase of the fee by \$3 per month. This budget anticipated half a year of that increase which would be \$170,000. This would move an officer from the General Fund into the Public Safety Fee fund. The reason for this fund was to fund three officers, but that cost had increased since the fee was established and it needed to be increased. It cost about \$125,000 for an entry-level officer and they kept moving the most inexpensive officers to this fund to try to stay within budget. The fee for patrol officers did not have a CPI index attached to it and it had not gone up since 2009. The fee for communications officers did have a CPI index, and had gone up incrementally since 2014. Growth had occurred in this fund as water meters were added to the system.

Mayor Rogers asked why the increase was budgeted for only 6 months. FD Zook responded the steps in the ordinance to increase the fee would not be done by July 1 when the new fiscal year started.

Mayor Rogers asked if the Fee went to a vote in 2009. He thought it was challenged in 2009 and had to go to a vote. Police Chief Brian Casey responded initially Council approved the Fee, however citizens took initiative and got it on the ballot. It was approved by vote by a wide margin.

Mayor Rogers clarified they were not planning to take the \$3 increase to a vote. CM Hannan responded last year the Budget Committee had looked at the budget gap and discussed possible new revenue sources including a property tax or Public Safety Fee increase. A property tax had to go to the voters, and he had recommended a Public Safety Fee increase with the possibility of going to the voters. It would not close the entire budget gap.

Councilor Bacon was not in favor of increasing the Public Safety Fee as they would not be giving the public more. If they were getting more officers, she could support it. She did not like using the Fee to backfill the fund, and the public perception was that it was a bait and switch. CM Hannan said they did not have many options, but a property tax was something they could do instead. The proposed Fee increase was different from the first time the Fee was presented to the voters and they could decide not to increase it or take it to the voters or do a property tax. He had also proposed an increase in franchise fees to help with the budget gap. Some of the larger entities such as George Fox, churches, care centers, and the hospital would not pay a property tax increase, but they would pay the Fee.

Committee Member Bonn clarified one FTE officer would be taken out of the General Fund and put in this fund, so it would be funding four officers instead of three. CM Hannan responded that was true, but it looked like the Fee was increasing a person when it was just moving one over. If they increased the Fee, it was restricted to be spent on public safety whereas a property tax could be used for more things.

Committee Member Bonn agreed with Councilor Bacon that it could be perceived as a bait and switch.

Councilor Johnson requested staff look into the option of not increasing the Fee, but making cuts in the Administrative Support Services fund for services that were not being provided to the Police Department or services that could be made more efficient.

Committee Member Olson saw the Fee as a mechanism for picking up more of the Police Department's costs out of the General Fund. She thought if it was messaged properly, people would not see it as a bait and switch. The payments for the communications upgrade came from the General Fund and they were trying to find a way to pay for it. She agreed they should look at what cuts could be made and all of the scenarios with and without the Fee so they could explain to the public that all the options had been looked at and this was what was recommended.

Councilor Bacon did not think this option was transparent.

Councilor Yarnell Hollamon thought they needed to ask the public before the Fee was increased and also look at all the options.

Councilor Johnson appreciated Committee Member Olson's perspective. He thought instead of cutting services in the Library or Planning that they look at cutting \$170,000 in Administrative Support.

Committee Member Olson said they had spent more on public safety that was coming out of the General Fund without a way to pay for it. She did not want to say there was a bait and switch going on, but to be realistic about what was driving the costs up. It was important to look at all of the options. She did not see a lot of extra in the budget.

Committee Member Reardon suggested staff break down the Administrative Support fund for more clarity.

Councilor Yarnell Hollamon agreed there was a deficit that had to be fixed, but she thought it should go to the voters. She was frustrated that the proposed budget reductions were things the Council was passionate about and were community oriented. They needed to send a transparent message and shifting a police officer in the funds was not the way to do it.

Councilor Johnson would not vote in favor of the budget as proposed. He did not think that all of the Administrative Support fund being charged to the Police Department was valid at those levels.

Mayor Rogers agreed they needed to be as transparent as possible.

CM Hannan said staff would bring back scenarios without the franchise fee and Public Safety Fee increase as well as the long range financial plan showing the payments for the communications upgrade.

FD Zook asked for clarification on the Administrative Support fund. If they reduced it for one department, the other departments would be paying more. CM Hannan added the direction for the 5% cuts in the department budgets was to not cut anything that was state mandated. Other than that, the different department directors proposed certain items to cut, but the Committee could recommend other cuts. If there was a dollar amount recommended to be cut, he thought the department directors should come back with a proposal.

FD Zook asked for the direction from the Committee to be restated as a simple request.

Committee Member Allen wanted to know what the increase in property tax would need to be to cover the \$170,000.

Committee Member Reardon thought the Administrative Support items needed to be separated out for more clarity.

Councilor Johnson said that there could be an allocation formula and it was fair across all funds, but if they knew that some departments were not being provided those services and there was a budget shortfall, why would they continue to charge those departments under that formula. He thought there were departments that were not providing the services to the Police Department and they should not be charged. He would like to see those cut, if possible by the \$170,000.

CM Hannan would bring back an explanation of these allocations.

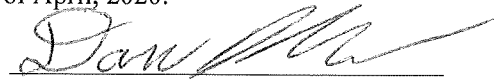
PUBLIC COMMENTS

Robert Soppe, Newberg resident, spoke about the need for transparency and the explanations in the budget needed to be thorough, accurate, and clear. The structural deficit was the most important issue the Committee faced and was a good example of lack of transparency. He had never heard a specific explanation for the deficit. The current budget showed a year ago that the deficit was projected to be \$1.38 million, but now it was expected to be \$230,000. The budget document listed reasons the deficit was so much less, but there were no amounts included. The budget message stated that Police Department expenditures exceeded the total property taxes, but he did not think that was relevant. The message also stated that to close the deficit, the City could use an increase of property tax rates. The proposed budget already included an increase of the property tax rates. He thought for transparency it should be stated that they would like a further increase of property tax rates. Regarding the communications upgrade, the budget message claimed it was being funded through the sale of assets and using existing revenues that otherwise would be dedicated to operations. Using funds for dedicated operations was difficult to swallow when there was already a structural deficit. The communications upgrade was a direct contributor to the deficit, or it could be argued that it was the reason for the deficit. This expense would end in nine years, but the revenue sources implemented to fund it would not. He thought it would be more appropriate to fund the one-time expense of the upgrade through a bond so when the expense went away so would the revenue. He thought the public would be more open to that option than others. Regarding the Public Safety Fee, it implied that the increase would be used for public safety. Moving an employee from the General Fund to Public Safety was not public safety as it would include a substantial contribution to the General Fund independent of the Police Department. He thought the increase in the Fee should be put to the voters, but he questioned if it would pass. Earlier tonight the City Manager stated the Council chose not to collect the \$1.88 per 1,000 of assessed value when TVF&R took over the Fire Department. He thought that collecting it would have been a violation of the City Charter. He encouraged the Committee to be thorough in their understanding and evaluation of the budget and to ask questions if something was not clear.

NEXT STEPS: The next meeting would be held on May 7, 2019.

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

ADOPTED by the Newberg Budget Committee this 18th day of April, 2020.


Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 18th day of April, 2020.



Beth Koschmann, Budget Committee Chair

NEWBERG BUDGET COMMITTEE MINUTES
May 7, 2019, 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	Timothy Carpenter	Beth Koschmann
	Patrick Johnson	Jack Reardon	Molly Olson
	Solomon Allen	Rick Rogers	Elise Yarnell Hollamon
	David Bonn	Denise Bacon	
	Elizabeth Curtis Gerneroy	Stephanie Findley	

Absent: Brad Sitton (excused)

Staff Present:	Joe Hannan, City Manager	Matt Zook, Finance Director
	Caleb Lippard, Assistant Finance Director	Dawn Karen Bevill, Admin Asst.
	Doug Rux, Community Development Director	Brian Casey, Police Chief
	Jay Harris, Public Works Director	Jeff Kosmicki, Police Captain
	Kaaren Hofmann, City Engineer	Mary Newell, Police 911/Dispatch
	Lindsey Klemmer, Project Specialist	Truman Stone, City Attorney
	Leah Griffith, Library Director	Dave Brooks, IT Director
	Korie Buerkle Jones, Assistant Library Director	Anna Lee, Human Resources Director
	Russ Thomas, Public Works Maint. Superintendent	

COMMITTEE BUSINESS:

Presentation of Funds

Community Development:

Community Development Director Doug Rux said in the Planning fund he would like to modify materials and services by adding \$700 for the Community Visioning program.

Finance Director Matt Zook explained how he was tracking requests for changes to the proposed budget that would be included in the approved budget.

CDD Rux presented the Building Inspection fund. Some of the revenues would be going down which was due to a reduction in commercial and industrial development. There was a 0.12 FTE increase for records management. The big change in materials and services was attributed to supplies and equipment. Also, in the recent years they had not been sending Building employees to the available certificates and trainings, and that had been added into the budget.

FD Zook asked about his target for the ending fund balance.

CDD Rux said his target was to have two years' worth of revenue in contingency in case there was a downturn and they had to ride that wave out. There was also a state required cap that they could not go over in contingency.

Councilor Johnson stated in 2008 when the recession hit, how many years were they on a downward slide? How many years did they need in the bank to get through that time?

CDD Rux replied it was five years, almost six. At that time there 14–15 people in the Building Division and positions were let go. The contingency balance was \$25,000. Now they were making sure they were not over-hiring but addressing the workload and building the contingency back up.

CDD Rux presented the Economic Development fund. He discussed the Community Development Block Grant program the City received to help repair manufactured homes which had been completed and it would be a couple more years before the City could apply again. He had budgeted this fiscal year to do an Urban Renewal Feasibility Study, but it had been delayed due to the Riverfront Master Plan and continued conversations with Westrock. There was a \$30,000 request for professional services for a Hotel Feasibility Study for the downtown area.

CDD Rux then presented the Transient Lodging Tax fund. They had made a transfer of appropriations in April that moved money out of the large grant program to a new entity that was created, Visit Newberg. This was a formal organization for tourism promotion. The Chamber contract had been originally proposed at \$90,000, but it needed to be changed to \$95,577. For the Visit Newberg contract they had originally proposed \$324,000, but now it was increased to \$557,654. That reduced the contingency down to \$2,000. These were new contracts that had recently been negotiated.

FD Zook explained there was a reprint of page 89 due to a budget amendment that went to Council in April that did not get reflected appropriately in the 18-19 budget, the \$150,000 that was moved from the large grant program to Visit Newberg. This reprint corrected the proposed budget, but the changes CDD Rux described were not included on that page. The changes would be put in the approved column once the Committee approved the budget. CDD Rux was requesting a change based on the new information.

FD Zook said as a result of that change the Committee had also received new pages 3 and 4. There was no overall change to the budget, but a shift between categories.

Mayor Rogers asked if a Construction Excise Tax for affordable housing was approved, would it appear in this budget. CDD Rux said yes it would, and it would require a supplemental budget.

FD Zook said on page 3 there was a new HR narrative to correct the number of FTE employees on page 51.

Public Works Funds:

Public Works Director Jay Harris presented the Street fund. The two main things that happened in the Street fund were engineering and maintenance. The changes in this year's budget included an increase in dues and meetings and travel and trainings. There was also an increase in contractual services for the installation of Cartegraph, consultant to do the financial analysis for the Citizens Rate Review Committee, and nighttime sweeping that had been contracted out to a vendor. They were requesting that the Administrative Assistant in Engineering go from half-time to full-time. Currently that person was working half time in IT and half time in Engineering. There was a Maintenance Tech 2 who was solely working on the installation of Cartegraph and instead of paying for him only out of the Water Maintenance fund, it would be split among the Street, Water, Stormwater, and Wastewater funds.

Mayor Rogers asked about the beginning fund balance which had grown significantly.

PWD Harris explained beginning fund balances went up and down as projects were completed. There was a 5 year capital project plan and some heavy hitting expenditures were coming up. This last year they did not spend as much in anticipation of future projects.

Councilor Johnson asked if they would move another half time position to IT.

PWD Harris said the City Manager and IT Director were discussing that.

Councilor Johnson asked about the funding sources for street maintenance. How much more did they need to get the pavement condition index up to standard level?

PWD Harris stated the Transportation Utility Fee did not fully fund the program. Staff would be doing a check-in in two years to evaluate that. The Council had asked them to hold the current pavement condition index. The new Cartegraph system would be able to track street conditions as well.

FD Zook discussed how there was a revenue line item just for TUF and Fund 18 were the expenditures of the TUF. He had calculated three years of the TUF which was \$3.3 million and \$2.9 million had been spent. The funds were only being used for the capital projects.

Committee Member Allen asked about the increase for street light and pole maintenance.

PWD Harris explained it was due to aging poles that needed to be replaced and they were slowly increasing that line item for that project. There was also going to be a large project down the road for LED conversion.

Councilor Curtis Gerneroy asked about working with PGE on the street lights.

PWD Harris said PGE had Option A where PGE owned and maintained the lights, Option B where the City owned the lights but PGE maintained them, and Option C where the City owned and maintained the lights. He thought they would go with Option B.

PWD Harris next discussed the System Development Charge fund. The revenue had increased in this fund due to the recent construction that had been going on. He explained how the SDC funds were collected.

PWD Harris then explained the Street Capital Projects fund. This was where transfers came out for various projects. The projects included a Transportation System Plan update, College Street bike lanes, North Elliot Road improvements, Crestview Drive connection, TUF street paving projects, and maintenance yard improvements.

PWD Harris presented the Wastewater fund. All of the wastewater assets would be going into Cartegraph which would help with asset management and maintenance. The goal was to videotape every sewer in the City every five years to prevent clogging and I&I. He also explained pre-treatment programs for fats, oils, and grease. The changes in the budget included an increase in contractual services for the Cartegraph system, increase in travel and training for employees, work for the Citizens Rate Review Committee, changing the half-time Engineering Admin to full-time, increase in capital outlay for replacing pumps in lift stations, and increase in Operations Vehicle Maintenance by \$9,000 to replace the tires for the loader.

PWD Harris presented the Wastewater System Development Charge fund and explained the revenues were from developers who were pulling permits for construction. This fund had also gone up. He discussed the Wastewater Projects fund which included I&I projects, oxidation ditch repairs, roofing and painting at the Wastewater Treatment Plant, coating Fernwood and Creekside lift stations, sewer line replacement on 6th and Blaine, Wastewater Master Plan update, adding sawdust bays, installing Hess Creek pipe lining, clarifier study to re-rate them, Crestview Drive wastewater extension, Wastewater Treatment Plant lab and locker room remodel, and maintenance yard improvements.

The Committee took a short break from 7:21 to 7:26 p.m.

PWD Harris discussed the Water fund. He explained the facilities that were included in the water and non-potable water systems. There were significant changes in the Water budget. They wanted to increase the maintenance at Otis Springs to increase reliability. There would also be maintenance agreements for Cartegraph and also increasing the travel and trainings for employees. They would be increasing the number of water meter and MXU replacements. A portion of the Citizens Rate Review Work came from this fund as well as changing the part time to full time Engineering Admin position. In operations they had increased postage as well as marketing and education in order to send out marketing materials for the backflow prevention program.

Councilor Curtis Gerneroy asked what contractual services covered.

PWD Harris explained it was for the consultant for the Citizens Rate Review Committee as well as looking at the Westrock water rates and a legal matter the City Attorney was working on for the North Valley Reservoir access appeal.

Councilor Johnson asked if the 15,000 feet of non-potable mainline piping included the Crestview project.

PWD Harris said the 15,000 feet was what existed today. The number would go up once the piping was put in.

Councilor Curtis Gemeroy asked if they only had one customer for non-potable water, what was the logic of putting money into expanding it?

PWD Harris stated for the non-potable system, on the south side of town they had the recycled water facility at the Wastewater Treatment Plant and on the north side of town was Otis Springs. In the Water Master Plan there was enough water at Otis to serve the entire north side of the City. They would have another customer when Crestview Crossing went in.

Mayor Rogers asked if the Springbrook development would be using Otis Springs for irrigation. PWD Harris said that was correct as they had some large park and trail areas in the master plan and perhaps some water features.

PWD Harris discussed the Water SDC fund. They had projected \$600,000 for this year in water SDCs. He then presented the Water Projects fund which included the maintenance facility improvements, seismic resiliency, Chehalem Drive water extension project, fire flow upgrades, decommissioning wells 1 and 2, redundant supply, Bell West pump station, Vittoria Square firefoam improvements, fixed base radio reads, Crestview Drive potable and non-potable extensions, routine water line replacements, water rights review, College Street valves, Water Conservation Master Plan update, Water Master Plan update, purchasing Westrock property for water production, card lock access at the well field, and lowering the College Street water line.

Councilor Yarnell Hollamon asked how staff determined the capital projects and costs for each year.

PWD Harris replied staff estimated the revenue per year which included the rates. They did rate reviews with a financial analyst to come up with a water model. The capital projects came from the master plan, maintenance division, and water plant. The top rated projects involved safety or reduced costs. There were consultants who helped design the projects, but there was a lot of work and staff was at capacity. They tried not to take debt on for any of the projects, but to cash fund and get as much mileage as they could.

Committee Member Olson asked what the water use was in Newberg and how long it would last in an emergency. PWD Harris said they used about 10 million gallons per day in the winter. In an emergency they had 17 hurricane water systems that produced 4 gallons per minute that would be deployed throughout the City. There was also a water emergency response plan. If they had to, they could put well water into the system and people would have to boil the water before drinking it.

Councilor Johnson asked about the fixed base radio reads and if there were continued costs with that system. PWD Harris said over the next couple of years the costs would be about the same as they were putting in new meters as well as new sending units. They would utilize the 911 tower for the antenna site. The total project was \$1.2 million. They would know when meters failed to work right away and they could be fixed quicker.

Councilor Johnson thought the fact that the system would detect leaks sooner would help with customer service.

PWD Harris reviewed the Stormwater fund. The changes in this budget included the maintenance agreement for Cartegraph, increased training, Total Maximum Daily Load Plan update, contractual services for the Citizens Rate Review Committee, night time street sweeping contractual services, and part time to full time Admin position. He then discussed the Stormwater SDC fund which had gone up a little bit but not as much as the transportation, water, or wastewater SDC funds. The projects included storm drainage on Wynooski Road, Stormwater Master Plan update, and maintenance yard projects. He pointed out the matrix that had been created that showed how the various projects were funded.

Councilor Johnson asked why the TUF was not included in the matrix. Assistant Finance Director Caleb Lippard explained the last line of the page were all of the TUF dollars.

Committee Member Reardon asked about the contingency in the Street fund and where it could be spent. PWD Harris said if they were to spend half of it, \$400,000, on a project, it would be a street project separate from the TUF or an ADA ramp replacement project. On the older streets, \$400,000 would only pave one block.

FD Zook said the number in contingency was comprised of different revenue sources including TUF revenue for future years and from the gas tax for street operations.

Committee Member Reardon thought when there was almost a million dollars sitting in a fund for a year, the cost for projects increased every year and it should be used. PWD Harris said part of it was for risk management and for any emergency situations as well as smoothing out the costs of year to year projects. He did not think they should spend it all the way down.

Councilor Johnson asked if the contingency was tracked so they knew what was TUF and what was gas tax. FD Zook said they could create a TUF tracker for next year's budget. He explained how he calculated the revenues and expenditures for TUF.

Councilor Johnson wanted to make sure the process was documented and would like to see the contingencies spelled out.

FD Zook presented the Miscellaneous funds. The Debt Service fund was where they made the payments on existing debt. Some of the outstanding debt was 2004 pension bonds for pension liability due to PERS and would be paid off in 2028, 2015 refunding bond which rolled 6-7 loans into one to get lower interest rates and would be paid off in 2028, Oregon Transportation Infrastructure Bank which was the City's loan for the Bypass and was being paid back through federal dollars the City received, City Hall remodel loan, and public safety communications upgrade.

FD Zook explained the City Hall Fee fund. In 1999 City Hall was remodeled due to a fire and the debt was funded primarily by a privilege tax that was part of the PGE bills and a City Hall Fee that was attached to fees through the permits center and other funds contributed to that based on their usage of City Hall. They were getting to the end of the 20 year loan and the fee had accumulated enough money to pay off the debt. The City Hall Fee had been turned off and the over-collected money was going back to the different departments with interest. The remaining funds for the 2019-20 budget would pay off the debt and finish the refunds. After 19-20, this fund would be dissolved.

FD Zook discussed the Governmental Capital Projects fund. This fund tracked all the expenditures for two key projects, the loan proceeds for the communications upgrade project which was a multi-year project and a new capital project, seismic retrofitting of the Public Safety Building that was being funded through a grant. No City funds would be needed for the seismic retrofit.

FD Zook discussed the Cable TV Trust fund. This fund had been around since 2000-01 when the local cable television station closed down and the funds were absorbed by the City. He aimed to use up the funds in 2019-20 to purchase HAM radio components. After the money was spent, the fund would dissolve. He then reviewed Fund 32 where different departments were putting money aside for future items. Five years ago this fund was not appropriated out as it was now. The fund helped them pre-plan out the needs and put a funding strategy in place for future needs. They were planning for CAD replacement, Public Works equipment, and other smaller items.

Discontinued Funds:

FD Zook explained the discontinued funds were funds that did not have a budget for the next fiscal year. They were required to report them if in the last two years they were used. The discontinued funds included the EMS Fire fund, Rate Stabilization fund, and Fire and EMS Equipment Fee fund.

FD Zook said he would be bringing back a summary to the next meeting of the five year projections and looking at the budget without the new proposed revenues as well as what each revenue source would do individually and combined. He would also discuss the long range plan and answer any questions. He could bring back any information that the Committee would like as well.

Committee Member Olson asked if staff could bring back the Council priorities and help them understand what that package of investments would look like for the Urban Growth Boundary expansion, economic development, and affordable housing.

Mayor Rogers asked about the interest income the City was paying. FD Zook stated it was in three locations, Fund 9 and each of the water and wastewater funds. All of the debt service was broken down in principle and interest.

Councilor Yarnell Hollamon asked if they did a 5% reduction where it would come from based on Council's priorities, not just a 5% from every department.

Committee Member Olson was looking at the unfunded requests and how they would fulfill Council priorities. The other side to that question was if they took that 5% reduction, which Council priorities would be cut.

Councilor Yarnell Hollamon had an issue with cutting 5% across the board from every department. The 5% should come in alignment with the Council priorities.

CONTINUED BUSINESS: None

PUBLIC COMMENTS: None

NEXT STEPS: The next meeting would be held on May 14, 2019.

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

ADOPTED by the Newberg Budget Committee this 28th day of April, 2020.



Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 28th day of April, 2020.



Beth Koschmann, Budget Committee Chair

NEWBERG BUDGET COMMITTEE MINUTES
May 14, 2019, 6:30 PM
PUBLIC SAFETY BUILDING (401 E. THIRD STREET)

WELCOME

Chair Beth Koschmann called the meeting to order at 6:33 p.m.

ROLL CALL

Members Present:	Mike Corey	Timothy Carpenter	Beth Koschmann
	Patrick Johnson	Jack Reardon	Molly Olson
	Rick Rogers	Denise Bacon	Stephanie Findley
	Elizabeth Curtis Gemeroy	Elise Yarnell Hollamon (via conference call)	
Members Absent:	Solomon Allen	David Bonn	Brad Sitton
Staff Present:	Joe Hannan, City Manager	Matt Zook, Finance Director	
	Caleb Lippard, Assistant Finance Director	DawnKaren Bevill, Admin Asst.	
	Doug Rux, Community Development Director	Brian Casey, Police Chief	
	Jay Harris, Public Works Director	Jeff Kosmicki, Police Captain	
	Lindsey Klemmer, Project Specialist	Mary Newell, Police 911/Dispatch	
	Leah Griffith, Library Director	Truman Stone, City Attorney	
	Korie Buerkle Jones, Assistant Library Director	Dave Brooks, IT Director	
	Rosa Olivares, Community Engagement Specialist	Anna Lee, Human Resources Director	

COMMITTEE BUSINESS

1. Presentation of Committee Requested Information:

Committee Member Olson would like a calculation on the impact of the proposed fees to the average household. Finance Director Matt Zook said if they used a \$300,000 average home assessed value with a \$7.50 per \$1,000 property tax, the impact would be \$22.50 per year. For a home with the assessed value of \$360,000, it would be \$27 per year. That would be the impact of the property tax increase. The Waste Management Fee would be increased by \$0.43 per month and the Public Safety Fee would be increased by \$3 per month.

Councilor Curtis Gemeroy asked for clarification on the assessed value in Oregon and if it was based on 1985 values. FD Zook explained the assessed value was the lower of the real market value or the maximum assessed value.

Councilor Curtis Gemeroy said in Oregon they had a different assessed value than other states and they were bringing in less property taxes because of that.

FD Zook said the purpose of the email that had been forwarded to the Committee was to share the questions and deliberation in a public setting.

Chair Koschmann clarified the email was not reflected in the packet.

Committee Member Olson said even if they instituted all of the increased revenues, what that appeared to do was shove the deficit out a few years but did not make them whole for spending versus revenue.

Chair Koschmann asked if there were any questions that still needed answering.

Councilor Corey asked where the Riverfront Infrastructure line item was located.

Community Development Director Doug Rux explained it was in the Public Works funds. There was money allocated for updating the Transportation System Plan, Water Master Plan, Wastewater Master Plan, and Stormwater Master Plan which was an outcome of the Riverfront Master Plan. It was not a General Fund expense.

Councilor Corey asked if the Vehicle Replacement fund was part of the General Fund. FD Zook said it depended on where the vehicle was going to be used. Most of the vehicles were run by Public Works. If the vehicle was going to be used by a department in the General Fund, it would be purchased out of there. There were two pool cars where staff could use them for a day and they would pay the allocated cost for mileage, but not just one fund bought those vehicles.

Councilor Corey asked if there was any way of knowing if they delayed purchasing new vehicles for a year, how much that would save the General Fund. FD Zook said very little as there were no new purchases planned.

Councilor Johnson asked if the proposed increase to the Public Safety Fee could be used to cover the new communications tower instead of a police officer. What was the cost to take that to the voters? FD Zook said there was language that described how the fee could be changed and he would have to review that. If they changed the purpose of the fee, they might have to go through the process of setting up a new fee. There were election costs if they took it to a vote. There were other options for raising funds for the tower, potentially going out for a vote on a geo bond or adjusting the property tax with a vote of the people.

Councilor Corey asked if it was true that \$3.33 per 1,000 on a bond would cover the cost of the communications upgrade. FD Zook stated that number was not reviewed. If they were looking to raise the amount to pay off the upgrade on an annual basis, he would have to do that analysis. The Public Safety Fee was currently at \$3 and was raising \$340,000 to \$350,000. The communications upgrade cost was \$372,000.

Councilor Curtis Gemeroy asked if a bond affected non-profit organizations like a Public Safety Fee or if they would be exempt. FD Zook said a bond would affect current tax payers who were paying property tax.

Committee Member Olson asked if they could do a Public Safety Fee with a sunset clause. FD Zook replied it was at the City's discretion for how the Fee would be set up.

Chair Koschmann thought it would not be easy to switch the Public Safety Fee. She asked if the Committee was comfortable voting on the proposed \$3 increase to the Public Safety Fee.

Councilor Curtis Gemeroy was not comfortable. She thought it should go to the voters and to change the description to cover the tower and that there be a sunset on it to end when the payments were done.

Councilor Corey clarified it would be a separate line item on the utility bill that said it was for the communications upgrade.

Councilor Curtis Gemeroy wanted to go to the voters to raise the Public Safety Fee for a certain amount of years for the communications upgrade.

Chair Koschmann asked if that would prolong the \$3 showing up in the revenues. FD Zook explained the timing for implementing the fee. If they wanted it to go to the voters in November, the deadline was August 17th for a ballot title. If they wanted to put it on the ballot in May of 2020 and that would affect the revenue stream in the budget.

Councilor Johnson asked if the current Public Safety Fee could be directed to the tower and a sunset clause added. Which process would be faster, establishing a new fee for the tower that would sunset or changing the current fee? Could they in a referendum to the voters change the Public Safety Fee to include the tower?

City Attorney Truman Stone provided a context regarding the difference between taxes and fees in the State of Oregon. In 2009, the City enacted an ordinance to establish the Public Safety Fee and a process and criteria establishing any future Public Safety Fees. The initial public safety fee was collected to fund three officers and a second fee was collected to fund dispatchers. They could not change the purpose of the fees and going to the voters to change them would be improper. The City could ask for an advisory vote to ask if a new fee should be created, but citizens could not put a fee into place as only the Council could do that. The fastest way was for the Council to go through the public safety fee process for a new fee. The Council could adopt a fee specifically directed at the communications project and it could end once the project was paid off. To put a measure on the November ballot, they had to file the measure by August 17. This November was a special election, not a general election, and the City would have to pay to put a measure on the ballot. The next free

election was in May for a primary election and in November for a general election. These elections the City did not have to pay for.

Committee Member Reardon asked if it was the same process if they wanted to raise the property tax rate. CA Stone said yes, it would go through the same election process.

Committee Member Reardon asked how the city of Portland levied taxes such as the art tax and could they levy such a tax for police. CA Stone said the art tax was challenged as it was a tax per person, but the court upheld the tax. He did not think they could pass a tax for police officers. They would have to pass something like an operating levy. The Council could commit that if the tax was passed it would go to something specific, but it wouldn't be written in the measure.

Mayor Rogers asked if it was still within their purview to increase the fee by \$3 without going to the taxpayers. CA Stone said yes, they could increase the existing fee, but not change the purpose of its use. They could also adopt a new Public Safety Fee that would go to a distinct purpose.

City Manager Joe Hannan said the existing Public Safety Fee was for public safety officers. They could still use the umbrella of the words Public Safety Fee, but in the description it would be for the communications tower. Whether or not it went to a vote of the people was a policy question. For an increase in property taxes, they had to go to the voters.

MOTION: Rogers/Curtis Gemeroy moved to remove the proposed \$3.00 increase in the Public Safety Fee which was projected to raise \$168,000 in the next budget year with the intention to look at other funding for the communications tower. Motion passed unanimously (11 Yes/0 No/3 Absent).

FD Zook clarified that action would move back the officer that was in the Public Safety Fee fund back into the General Fund.

Committee Member Olson asked how they planned to replace that revenue, such as a new Public Safety Fee focused on the communications tower or making budget cuts.

Councilor Curtis Gemeroy said if they were going to cut the budget, it would need to be by \$168,000, but if they were going to fund the communications tower it needed to be enough to cover the project at \$372,000.

Councilor Johnson said the motion took the \$3 fee out. The officer cost \$168,000 and the communications tower was still in the General Fund. For this year's budget all they needed to do was cut \$168,000.

FD Zook explained they did not have to cut services in the General Fund to absorb the change. By moving that expense from the Public Safety Fee to the General Fund, it would reduce the ending fund balance. The cost of the officer to go back to the General Fund was \$145,000.

Committee Member Olson asked what the responsibility was of the Budget Committee or Council to request the Public Safety Fee for the communications tower be explored or proposed.

FD Zook said the Budget Committee could adjust the budget as they saw fit. The fee would be approved by the Council. It was a two-step process, the Budget Committee could adjust the budget to include the revenue stream that they wanted to see happen and a separate action by the Council would be to adopt that revenue stream.

CA Stone clarified the Budget Committee could recommend the Council take that step in the future.

CM Hannan explained the Public Safety Fee would not happen unless the Council did it or made a property tax recommendation. They could make a recommendation to the Council, but the Council would have to take the action.

MOTION: Olson/Reardon moved that the Budget Committee recommend to the City Council to investigate a new revenue stream to offset the communications upgrade. Motion passed (10 Yes/1 No [Johnson]/3 Absent).

Committee Member Reardon noted they still had a deficit problem in the budget and the question was how they would solve the deficit.

Mayor Rogers did not think the deficit would be resolved this year. He thought they would need time to make a public presentation and anything that went to the voters should be taken to the May or November 2020 ballot.

Committee Member Reardon agreed. The tax they were able to increase should be looked at closely as to how it would be spent and how they determined what the increased rate should be. A lot of work needed to be done before they went out to the public.

FD Zook thought scenario #3 in the packet addressed part of the concern about the long range picture. He ran through the numbers in the scenario which had the proposed increases except for the Public Safety Fee increase. There would still be a structural deficit and they would continue to draw down on the ending fund balance and by Fiscal Year 2021-22 they would be in the red.

Councilor Johnson had voted no because he did not want to do this piecemeal. Did they want to attack this as a one year problem or as a systemic problem? He thought with a combination of fees, taxes, and cuts they could address the needs of the City by 2020-21. He thought they should make deep cuts and then go to the voters with the message of how they had trimmed the budget and what the needs still were. He thought they should look at how much they could bear to cut out of the budget right now and then have the Council figure out how they would solve those cuts.

Councilor Bacon had voted yes on the motion because they needed a revenue stream and she agreed that they needed to make cuts as well.

Mayor Rogers said regarding cuts, he did not feel comfortable trying to choose particular things to cut. He thought they should decide how much they wanted reduced from the General Fund and ask staff for a recommendation on the cuts.

CM Hannan said at a previous meeting staff had been asked about what the Community Engagement position did. He requested that staff make a presentation tonight on that position. The position was created as a direct result of the City Council's goals. The Council would have a goal setting meeting in July, and if the goals had changed they could come back with a supplemental budget.

Mayor Rogers was very uncomfortable that a department of one had to prove itself.

Chair Koschmann said the Committee did not think it was necessary to hear from Rosa to make a decision on the budget.

Committee Member Olson said given the discussion, what goals should they be aiming at to shove the deficit further in the future in order to look at new revenue streams and allow for the public process.

FD Zook said a 5% cut would raise \$600,000 to \$700,000. That would cut the structural deficit in half. That would mean they would not be in the red in 2021-22. CM Hannan said it was important to look at the authorized expenditures and how every year they did not go over that. They did not spend all of what they were authorized to spend. He did not think they needed to panic and close the gap this year. They had time to work through this and find ways to reduce the deficit.

Committee Member Reardon did not see a lot of fat in the budget and he suggested holding off a year or two on larger expenditures. He asked IT Director Brooks about holding off on some projects.

IT Director Dave Brooks said they would be taking a risk if they put the projects off. The current network equipment was 12 years old. They did not get any help from the manufacturer as far as warranty or service. If they had an outage they would have to go to Ebay to find parts. It was an option, but it would be a risk.

Committee Member Olson asked what the City's security risk was. She thought 12 year old equipment put them at risk from substantial damage to both service and data. IT Director Brooks said this was not the appropriate place to discuss safety risks.

Committee Member Olson said it was discussed that they couldn't go to the voters with a well thought out plan until next May. CM Hannan said in the current fiscal year they had \$500,000 in additional revenues come in, which gave them an additional year to work out the other sources of revenues. The idea was to spread the revenue sources across a wide range. If they established a fee to pay for the communications upgrade, that would get them a lot further and if the City focused on bringing in hotels which were revenue producers, that also changed the numbers. They had time to do that.

Mayor Rogers said if the Construction Excise Tax was approved it would contribute to the General Fund as well.

Councilor Findley agreed there was not a lot of fat to be trimmed which meant that they would need to nickel and dime things. She asked what it would mean to kick the Westrock lobbyist line item down the road as well as looking at kicking 50% of professional services down the road. If they were going to ask the public for money, they needed to show them that they were paying attention to each line item and cutting where they could.

CM Hannan said the professional services was a one-time item and \$35,000 was for a community survey to educate the public on the new revenue sources. They could choose not to do the survey or not to go out to an election. Regarding the lobbyist, downtown redevelopment was based on Westrock selling their property and that site would be developed. Right now Westrock did not want to sell and the City was trying to convince them to sell. The line item was a way to try to convince them.

Mayor Rogers met with a lobbyist last week, and he did not think there was a whole lot the lobbyist could do. He asked if there was money for the new City Manager search.

CM Hannan replied no, but in the City Manager line item there was \$24,000. He thought they could spend that for recruitment and also take money out of the ending fund balance through a supplemental budget.

Mayor Rogers suggested moving the \$20,000 for the Westrock lobbyist to the City Manager recruitment if the \$24,000 was not enough. CM Hannan thought they could leave the \$20,000 in the City Council budget.

Councilor Curtis Gerneroy said they could cut the \$20,000 from the budget completely and not keep it for recruitment.

MOTION: Findley/Johnson moved to make the contractual services line item go from \$20,000 to zero. Motion passed (10 Yes/1 No [Koschmann]/3 Absent).

Committee Member Reardon asked about the PERS rates. FD Zook said the PERS rates were two year rates, and were already set for the next budget year. The long range plan assumed PERS rate increases by 1% to 3%, but they were currently unknown.

MOTION: Mayor Rogers moved to approve the budget with the changes that had been discussed.

FD Zook clarified the motion needed to specific with an actual number and an actual tax rate in order for the Committee to fulfill their responsibilities.

Councilor Yarnell Hollamon asked for a summary of the cuts and additions to the budget.

Mayor Rogers stated the Committee had decided that the propped increase of \$3 in the Public Safety Fee would not be included in this budget which was predicted to add revenue of \$168,000. They also recommended \$20,000 be removed from contractual services in the General Fund.

Mayor Rogers withdrew his motion.

Committee Member Reardon said when he looked at the 5% reductions that had been given by staff, there were too many cuts to personnel. He suggested taking all of the cuts that were not employees and add those up to see how much it would be.

MOTION: Johnson/Reardon moved to reduce the library materials purchases by \$50,000 and capital outlay by \$10,000.

Councilor Curtis Gemeroy was not confident that the 5% reductions were done in a way that were understood and that every department gave the Committee the same as others. Some were very specific, and some were more generic. She was uncomfortable about going through the list and deciding what to cut. She suggested giving staff a percentage and the department heads choose, giving a percentage to the General Fund and the department heads choose together, or cutting all departments equally.

Mayor Rogers could not support the library cuts especially with a new Library Director coming onboard.

Councilor Findley would not support the cuts either. She was on the hiring committee for the Library Director and all the candidates had noted that it was a small budget and that the library was doing a phenomenal job with the limited budget.

Councilor Curtis Gemeroy also would not support the cuts as the library was incredibly efficient with what they did and were vital to the safety of all community members.

Motion failed (0 Yes/11 No/3 Absent).

Councilor Yarnell Hollamon thought they needed more time to talk about the cuts.

MOTION: Johnson/Olson moved to direct staff to bring back a proposal that would cut \$148,000 out of the General Fund to the next Budget Committee meeting on May 21, 2019.

There was discussion regarding the amount to cut.

Councilor Johnson said he had chosen \$148,000 because it showed the public that they were looking at everything and trying to make as many cuts as possible. It would off-set the amount of revenue they had cut from the budget.

Committee Member Reardon agreed with Councilor Johnson's comments. He noted that they were in the same position as last year in not solving the deficit. He was in support of cutting the \$148,000, but they needed to solve the problem.

Chair Koschmann would not support the motion because she thought the Committee wanted to cut more.

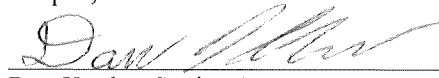
Motion passed (10 Yes/1 No [Koschmann]/3 Absent).

PUBLIC COMMENTS: None

NEXT STEPS: The next meeting would be held on May 21, 2019.

ADJOURNMENT: The meeting was adjourned at 8:40 p.m.

ADOPTED by the Newberg Budget Committee this 28th day of April, 2020.


Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 28th day of April, 2020.


Beth Koschmann, Budget Committee Chair

NEWBERG BUDGET COMMITTEE MINUTES
May 21, 2019, 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	Timothy Carpenter	Beth Koschmann
	Patrick Johnson	Jack Reardon	Molly Olson
	Rick Rogers	Brad Sitton	Stephanie Findley
	David Bonn	Solomon Allen (via phone, arrived 7:20)	
	Elise Yarnell Hollamon		

Members Absent: Elizabeth Curtis Gerneroy and Denise Bacon

Staff Present:	Joe Hannan, City Manager	Matt Zook, Finance Director
	Caleb Lippard, Assistant Finance Director	DawnKaren Bevill, Admin Asst.
	Doug Rux, Community Development Director	Brian Casey, Police Chief
	Jay Harris, Public Works Director	Jeff Kosmicki, Police Captain
	Leah Griffith, Library Director	Truman Stone, City Attorney
	Korie Buerkle Jones, Assistant Library Director	Dave Brooks, IT Director
	Rosa Olivares, Community Engagement Specialist	Mary Newell, Police 911/Dispatch

Chair Koschmann asked if staff had received any emails.

Finance Director Zook said they had received an email from Jessica Klus regarding her opposition to the proposed fee increases. He read the email verbatim to the Committee.

PUBLIC COMMENTS

Robert Soppe, Newberg resident, provided a four-page handout to the Budget Committee. He discussed the budget deficits over the last ten years and how the budget projections had not been close to reality. The first handout was a spreadsheet taken from the adopted budgets with some calculations of projected and actual deficits and surpluses. He explained the first chart, annual General Fund surplus. In every one of the budgets except 2015/16 there was a deficit projected, generally in the range of \$500,000 to \$1 million. In three of the nine years there were deficits of \$200,000 to \$300,000 and the other five years all had surpluses of \$200,000 to \$600,000. The last three completed budgets had overestimated deficits by \$1 to \$2 million each year. He was concerned that the Committee and Council would push new taxes and fees on citizens when they might not actually be necessary. He also provided a chart on the differences between projected and actual for all of the budgets. Through the nine fiscal years they had a surplus of \$1.2 million. Another chart showed what they had for beginning balances for the last nine complete budgets and the projected budget. It had bounced up and down until 2014 and since 2014 it had grown considerably. They had been running surpluses for many years and he urged the Committee to think carefully before considering any revenue increases. The proposed budget included an increase in property taxes of 3%, increase in the Public Safety Fee, and the budget built in funding for the communications upgrade however he did not think it would go away once the upgrade was paid for. Two or three years ago they had approved the addition of 5 FTEs and the Committee was assured the City had the money for them. He questioned last year if it was fiscally responsible to be funding the communications upgrade with no clear funding source. He was told it was already in the budget and covered, but it was a \$300,000 per year expense. Transparency was important and he urged the Committee to consider the information carefully.

Committee Member Reardon asked if his main issue was not to approve the tax rate.

Mr. Soppe said his main issue was they should not be increasing any of the fees unless they were certain that it was needed. They especially should not be increased for an expense that would go away in nine years.

Committee Member Reardon clarified the Safety Fee increase was out of the budget.

Mr. Soppe thought it was not out until the vote was over.

Committee Member Reardon thought the Committee understood the issues from the last few years.

COMMITTEE BUSINESS

FD Zook reviewed the handout of the changes to the proposed 2019-20 budget. There was a reduction of \$148,000 to the General Fund by the following actions: remove \$30,000 for a community survey expense in General Government Professional Services line item, remove \$36,585 capital replacement transfer from Facilities in Fund 31, remove \$100,000 capital outlay from Info Tech in Fund 31, savings of \$16,000 due to an insurance adjustment, and savings of \$9,087 due to the reduction of the Newberg-Dundee Police Department insurance rates. Taking into account the changes approved at the last Budget Committee meeting, the General Fund ending fund balance went up by \$24,000.

Deliberation on 2019-20 Proposed Budget

Committee Member Olson met with Dave Brooks regarding the IT network upgrades and impacts. She had asked what would happen if the network went down. IT Director Brooks had told her that all of the automated programs used by the City would stop working which included all of the computers and phones, and people could not pay their water bills, get a permit, or schedule an inspection. She said 12 year old routers were not good at responding to certain kinds of attacks. She had asked what the department needed in order to take care of the risks and stabilize the system. IT Director Brooks had stated \$185,000 would handle all of the routers. She thought this was a big impact and thought they should see if there was \$100,000 in the General Fund that could be put to this use.

Committee Member Sitton asked for an explanation on moving \$239,000 of contingency to the Visitors Center.

Community Development Director Rux replied they had been in negotiations for months with Visit Newberg. The Council had decided to create a separate tourism marketing and promotion organization called Visit Newberg. They were formed at the end of January 2018 and they had estimated there would be about \$499,000 of Transient Lodging Tax funds built up which could only be used for tourism. These funds could not be used for any other purpose. They also had a contract with the Chamber of Commerce for the Visitors Center and some marketing. The marketing functions the Chamber was doing were going away to Visit Newberg and the Chamber would only be operating the Visitors Center. They had renegotiated the contract and decided that the TLT funds would be disbursed in two installments of \$240,000 to Visit Newberg, one in September 2019 and the other in January 2020. This change would realign the funds to make sure they had the dollars to pay the Chamber and Visit Newberg per the contract that was approved.

FD Zook said those changes were reflected in Fund 19.

Motion: Committee Member Olson moved to not remove Item 7, the \$100,000 for capital outlay for IT which net \$66,160 to the General Fund. Motion died for lack of a second.

Councilor Johnson did not think they needed a motion for that.

Mayor Rogers asked what it would cost to do an analysis for a replacement reserve for future IT needs.

IT Director Brooks said they were doing it internally right now and building replacement cycles for all of the equipment. Right now it would be \$160,000 per year. As they kept bringing on more technology, the amount would grow.

Committee Member Olson thought in addition to a replacement schedule, they needed a strategic plan for IT for infrastructure costs.

IT Director Brooks said in 2016 a 5 year plan was completed. While some things had been accomplished according to the plan, some of the things that required capital investment had been deferred with no implementation date.

Committee Member Sitton asked what a CJIS failure would mean regarding sensitive police data.

IT Director Brooks explained they had failed the CEJAS audit because of the age of the network which did not meet security standards. They also had to comply with HIPPA, which did have fines if there was a violation. They also had to comply with the Oregon Identity Theft Protection Act which also had monetary penalties.

Councilor Findley would like to see a long term comprehensive master plan for the technology and equipment needs so they did not find themselves in the same situation a couple of years down the road and putting down large sums of money to get where they needed to be.

IT Director Brooks said they had gone through this exercise a few times. The issue was when the City had trouble funding things, replacements were the first things to go. It was not that the needs were not identified, it was the funding mechanism that was the issue.

Councilor Yarnell Hollamon was supportive of getting to the place where they were budgeting for depreciation and putting a long term plan in the Council Priorities. She asked if there were other IT risks and big money items to discuss in the future. She wanted to know in the next 18 months what was mission critical.

IT Director Brooks said there was nothing critical other than the network equipment in the next 18 months. There were unplanned expenses that happened. The last major purchase for servers was done in 2013 and they would need to be replaced in the future.

Mayor Rogers asked if the \$160,000 was included in the budget.

IT Director Brooks responded no.

Mayor Rogers asked if there was any benefit to contracting out to do an analysis of the system.

IT Director Brooks stated yes, but the analysis would show a need to fund the projects and currently there was no money to fund them.

Mayor Rogers said they had been kicking the can down the road with IT and could not continue doing that. Many things had not gotten funded over the years and they needed to catch up.

Councilor Johnson discussed the unfunded needs and how the charts from Mr. Soppe showed there was a surplus.

FD Zook replied Mr. Soppe's general point was correct. His point was well taken in that the budgets projected a deficit and for various reasons revenue had come in higher. They did budget conservatively. Regarding the unfunded requests, the need was still there and that was what the Budget Committee was meant to deliberate. They had the long-range projections which showed that 2019-2020 looked great with a higher than projected ending fund balance. The value of the projections helped them think long term and to be aware that if they continued on the same way they would end up in the red in a few years.

Mayor Rogers clarified the proposed property tax increase would raise about \$140,000 and the franchise fee increase generated \$80,000.

Councilor Yarnell Hollmann would like to see a less reactionary approach. There needed to be much more transparency for what was anticipated for every department for the next five years and presented in a way that was clear to the average person. That needed to be included in the budget message.

Chair Koschmann said in looking at Mr. Soppe's numbers and FD Zook said they were accurate, she thought it would help with their decision making about how tight they wanted to be or based on the numbers if there was more wiggle room in adding more to the IT budget.

Councilor Johnson said they had already removed the \$3 Safety Fee increase. Since they were ok year after year, this might not be the year to make drastic changes.

MOTION: Johnson/Rogers moved to accept staff's recommendations as follows: #5 – remove \$30K Community Survey expense from General Government Professional Services; #6 – remove \$36,585 capital replacement transfer from facilities in Fund 31; #8 – reduce CIS Insurance rates to updated actual rates; and #9 – reduce NDPD Insurance rates to updated actual rates for a total of \$81,841 and to put it in the Hardware Replacement fund for the unfunded IT equipment.

Committee Member Olson said there was a request for \$200,000 for the routers and the \$160,000 discussion was about the storage servers being replaced in three years. They did not have to decide on the \$160,000 tonight as there was time, but the routers were a separate topic.

AMENDMENT TO THE MOTION: Johnson/Rogers moved to amend the motion to accept staff's proposal to remove #s 5, 6, 8 & 9 as reductions to the General Fund. Motion passed (11 Yes/1 No [Koschmann]/2 absent [Bacon, Curtis Gemeroy]).

Councilor Yarnell Hollamon asked how these cuts had been determined.

City Manager Hannan said the direction was no cuts to the Police Department, any personnel, and Library, and what was left was what was recommended. The amount for IT was a one-time potential crisis that could happen now or later, and he thought it could come out of the unexpected ending fund balance for the whole \$200,000. Then they could create a long range plan for future expenses like they did master plans for other infrastructure.

Councilor Yarnell Hollamon was in favor of funding the \$200,000 IT expense, however the discussion last time was that they wanted to cut \$148,000 from the budget.

Mayor Rogers said the \$148,000 was less than 1% of the General Fund. He was concerned about raising fees and property taxes. They needed to take the long term structural problem to the public, and not increase the revenue before taking it to the public.

Councilor Johnson had wanted to not raise the property taxes without a vote of the people. He thought they could fund the tower with a Public Safety Fee and put a sunset on it. He thought the \$148,000 was being cut so they would not have to ask for the raise in property taxes. They had been able to cut \$81,000 of it.

Councilor Yarnell Hollamon asked if there were additional ideas to get them to the \$148,000.

CM Hannan said if they accepted Mr. Soppe's comments that they received more revenue than projected, they could take a portion of the unexpected revenues and go to a one time funding of the IT project. They could still decide not to do a property tax increase.

MOTION: Councilor Corey moved to add \$160,000 to the IT unfunded priorities in the budget. The motion died for lack of a second.

Committee Member Reardon said they already had \$220,000 in the budget for capital outlay. This would be an additional \$160,000.

IT Director Brooks clarified the \$160,000 was for putting money aside for future replacements. He suggested the Committee give staff more time to do an analysis and not fund it right now.

CM Hannan said the current budget was built on the priorities of the past Council. The new Council would be doing goal setting soon and if there were different priorities, they could do a supplemental budget.

MOTION: Rogers/Johnson moved that both the proposed property tax increase and franchise fee increase be removed from the budget.

FD Zook asked for time to run all of the changes that had been made and this revenue taken out.

Chair Koschmann called for a five-minute recess for staff to run the numbers.

Chair Koschmann reconvened the meeting at 8:01 p.m.

Committee Member Reardon said they never expended all of the Contingency fund and he asked how taking \$400,000 out of Contingency would affect the overall budget. He thought there was enough in there to cover what they had been talking about.

FD Zook summarized what the proposed changes would do to the ending fund balance. In the proposed budget it would be \$2.7 million and with the changes it was \$2.4 million. That was a 19.33% ending fund balance.

Mayor Rogers clarified the target was 16%.

FD Zook stated before the cuts it was 21%. Some of the ending fund balance was unanticipated, one-time revenue from the 2018-19 fiscal year. They would draw down the balance by \$1.5 million and the ending fund balance would be \$2,482,477. That would be fine for this year. If they continued to perpetuate this budget year over year, they would continue to run a deficit. Next year with a status quo budget they would still be in the black with a \$1 million ending fund balance. That also assumed that the debt service payments for the communications upgrade would continue being funded out of the General Fund using existing revenues.

Chair Koschmann thought even though they were not in the budget, the property tax and franchise fee increases could be added later by vote.

FD Zook replied yes, the role of the Committee was to establish the budget and the role of the Council was to refer the items to a vote.

Committee Member Allen asked if they had the same projections with the property tax rate increase.

FD Zook said no, but that added \$141,000 to the \$2,482,477.

Committee Member Olson said it would appear they could approve the budget with the cuts and extra to IT and still be at a 19% ending fund balance and Council would have the ability to enact a supplemental budget with more revenue or more cuts.

Mayor Rogers said that did not include taking anything out of Contingency or was Contingency being impacted in the model?

FD Zook said Contingency was a subset in the General Fund and the ending fund balance was made up of Contingency and unappropriated ending fund balance.

Chair Koschmann asked for Council's thoughts regarding the property tax increase.

Councilor Corey said with the vote of the people on the Charter amendment, there was a built in CPI for the property tax rate. He did not think they needed to change that.

Councilor Findley was comfortable not going out for the property tax at this time. This year there was a balanced budget without it and she was comfortable going forward with that.

Committee Member Allen said the assessed value of homes was less than the real market value of homes and was itself creating part of the budget problem. He thought it should be a major source of revenue, especially in looking forward at the projections.

Committee Member Reardon thought at some point down the road they would be looking at increasing the tax rate as it would be needed in the future, but it should be an incremental increase.

Motion failed (7 Yes/5 No [Koschmann, Allen, Reardon, Sitton, Corey] /2 absent [Bacon, Curtis Gemeroy]).

City Attorney Stone clarified in the Oregon Department of Revenue Local Budgeting Manual for the total Budget Committee membership and how it would take 8 members to pass any motion.

MOTION: Rogers/Olson moved to not increase the waste management franchise fee from 5% to 7%. Motion Failed (7 Yes/5 No [Koschmann, Allen, Reardon, Sitton, Corey] /2 absent [Bacon, Curtis Gemeroy]).

Councilor Johnson clarified the franchise fee would be a \$0.43 increase. FD Zook said it would add \$60,000 to this budget, and \$80,000 annually.

Committee Member Olson stated they were saying they wanted to do the incremental property tax that had already been approved by the vote and they wanted to do the franchise fee. With those, the projections would be more positive. With the revenue streams that had been clarified and the spending streams that had been clarified, could they go ahead and vote on the budget?

FD Zook said staff would need to add the revenue streams back in and then present a summary of the changes needed to approve the budget.

Chair Koschmann called for a five-minute recess.

Chair Koschmann reconvened the meeting at 8:33 p.m.

FD Zook reviewed the summary of the changes that had been made to the proposed budget. The General Fund ending fund balance was \$2.683 million which was a 20.9% ending fund balance.

APPROVAL OF BUDGET AND TAXES

Approval of the 2019-20 Budget and Approval of Taxes Provided for in the 2019-20 Budget:

MOTION: Rogers/Olson moved that the Budget Committee of the City of Newberg approve the 2019-2020 fiscal year budget in the amount of \$113,595,769 and impose property taxes for the 2019-20 fiscal year at the rate of \$2.5750 per 1,000 of assessed value for the permanent rate tax levy. Motion passed (11 Yes/1 No [Johnson]/2 absent [Bacon, Curtis Gemeroy]).

ADJOURNMENT: The meeting was adjourned at 8:37 p.m.

ADOPTED by the Newberg Budget Committee this 28th day of April, 2020.


Dan Keuler, Senior Accountant

ATTESTED by the Budget Committee Chair this 28th day of April, 2020.



Beth Koschmann, Budget Committee Chair