

TUESDAY, 7:00 P.M.

May 20, 2003

BUDGET COMMITTEE MINUTES

PUBLIC SAFETY BUILDING

NEWBERG, OREGON

Members Present:

Darlyn Adams

Bob Andrews

Roger Currier

Sally Dallas

Donna McCain

Douglas Pugsley

Louis Larson

Bob Larson

Bart Rierson

Lon Wall

Absent: Bob Stewart, Mayor
Mike McBride

Others Present:

Jim Bennett, City Manager

Robert Tardiff, Police Chief

Michael Sherman, Fire Chief

Michael Soderquist, Community Development Director

Russ Thomas, Facilities Manager

Janelle Nordyke, Assistant Finance Director

Leah Griffith, Librarian

1. Call to Order

Chair Louis Larson called the meeting to order at 7:00 p.m.

2. Roll Call

Roll call was noted by Janelle Nordyke.

3. Approve Minutes of April 29, 2003 meeting

MOTION: Larson/Soppe to approve the April 29, 2003 minutes. (Unanimous). Motion carried.

4. Budget Adoption Discussion

Councilor Bob Larson provided a newspaper clipping giving an example of increased user fees information from King City.

Darlyn Adams inquired about limiting topic discussions to 4 minutes or so for each item. Chair Larson said he decline the request because there is quite a bit of information to discuss. Mr. Bennett said the City staff is in attendance to describe each item. Discussion was held concerning the city staff providing a presentation to hopefully reduce the amount of time to discuss. Mr. Larson said the list contains 40+ items which could cause extensive discussion. Discussion was held concerning quorums to pass a resolution.

Mr. Bennett reviewed the 2003-2004 General Fund Budget Balancing:

1. Target Number - \$339,500 leaving \$275,000 (\$64,500 error in Planning Department Budget.
2. Health Care Cap - there would be a savings of \$43,800 as opposed to the savings as projected - could be \$8,250 going with \$200 deductible. It has a varying impact of approximately 1-5%.
3. COLA - 2% is included in budget - \$44,540 savings
4. Hiring freeze - no new employees; 1 current vacancy as a fire fighter/paramedic with a cost savings of \$67,000
5. Housing and Population Study - \$25,000
6. Eliminate Mayor and Council pay \$5,000 - \$192 per year per Council member and \$3200 per year for Mayor. Council can elect NOT to receive it.
7. Police Car vehicle replacement - \$61,000 - it can be done, but the next coming year will need to be increased to keep current and in accordance with schedule.
8. Insurance deductibles - property, casualty, special property and auto insurance. We could see \$24,720 savings by increasing deductibles.
9. CPRD Grant Administration - possible cost savings \$5,100
10. Dues - League of Oregon Cities and Mid-Willamette Council of Governments - \$8,832 and \$6,300. The COG works with the City for transportation and EDRLF programs.
11. Reduce Library hours = \$24,000
12. Landscaping areas around public buildings, hanging baskets, over-all maintenance - \$15,000. They found out that the County charges \$125 per day with the City providing supplies.
13. EDRLF Coordinator position (½ time position) - \$39,855
14. Reducing professional services in permit center - \$10,550 which would include extra help for permit center; Human Resources department and web page maintenance costs.

Total possible savings \$367,387

Revenues:

- A. Privilege tax -\$78,400
- B. 5% on sewer bills - \$139,700
- C. 5% on water bills - \$121,340
- D. Business license (over 600 businesses, excluding home business) - factor in 3% increase for coming year - 620 business licenses charged \$50 base fee business license - \$31,000
- E. Dog licenses and if the City took over the licensing program from the County. Initial costs to set up the program, the City could realize increase \$6,500.
- F. Doubling impound fees \$1,450
- G. Increase base fine schedule by 20%. Terry Mahr said he spoke with Judge Mercer to increase to 25% and he felt that also instituting a new traffic diversion program would provide new revenue to the City as well: \$47,200 at 20% savings increased it to \$59,000 at 25% increase.

Total possible revenues \$425,590.

Mr. Bennett said he prepared an analysis in starting to rebalance the 2003-2004 budget. It is staff's recommendation to balance the budget. (See attached form). One recommendation is to move the EDRLF coordinator to the EDRLF fund, increase the amount to the Visitor's Center to \$9,000 and adopt a business license to support these activities.

Chair Larson asked the committee how they wished to proceed; review the staff's proposal or go through items placed on the list.

Discussion was held concerning going through each item for general discussion and comment.

1. **Target Number.** \$275,000.
2. **Healthcare Cap.** The amount the City pays for employee healthcare for current budget year. Any increase in healthcare costs would be passed on to the employees, except those covered by protective bargaining agreements, not just general fund employees.

Mr. Rierson said we have singled out the General Fund employees covered and not covered under bargaining agreement. Discussion was held concerning non-union employees feeling that the increased amounts are not fair. It may cost the city more money in the long run. He thinks it is mean spirited and unfair to take the burden for the whole city. He does not agree with the reduction.

Mr. Wall would be more interested in not allowing COLA rather than not having the current employees have to pay for existing healthcare service. He said it is not unreasonable about not giving raises (except unions). Not giving a 2% increase is not a big enough deal to generate a Taft Hartley Act.

Councilor Larson said that medical premiums are increasing by 10-15% every year. At some time, we have to put a cap on it. The school district has 3 different caps - \$496 - \$602. The last negotiation with the teachers, they put a cap on the teachers. Discussion was held concerning escalating healthcare and in the next union negotiations, there should be a cap.

Chair Larson said the teachers have a cap of \$641 (life, disability, dental, medical); classified employees is \$460 (disability, vision, dental, medical); administrative staff have their own caps. Under the school district, they have a menu of plans available which range costs to employees as low as \$5 a month to \$241 for a rich plan. The employee has the opportunity to choose which medical plan from the menu and they can pay accordingly.

Councilor Currier said that health insurance is getting out of hand. Discussion was held concerning employees that have funds to pay for medical coverage. Discussion was held concerning the COLA expense.

Mr. Wall asked about a co-pay in the plans? When the City says increasing from \$100 to \$200 deductible - per person in a household up to a maximum of \$600 per family before the medical coverage would be paid. The increased out of pocket costs would be about \$135 per month, plus the cost of deductible.

Councilor Soppe said he is concerned about the two figures - increasing the amount of deductible (\$200 from \$100), or cap the current costs and related savings of \$43,800. Discussion was held concerning the fact that the choice of medical coverage - CCIS insurance coverage (Regence Blue Cross/Blue Shield) versus a number of other plans has shrunk (HMO no longer available); PPO and full plans. What is typical of what is paid for employees? Mr. Bennett said there is not a composite rate but a staggered plan.

Chair Larson said with \$100 deductible (one party is \$304); two party is \$631 and a family plan is \$888.00 and the vast majority fall into the family plan.

\$200 deductible - single plan \$296; 2- party \$614; family \$865.

Chair Larson said if a cap was in place - savings would be \$43,800. The differential is that if the City decided to go with a different kind of deductible, the cost would be passed on to the employee not the city. The city out of pocket would be no more than what is being paid right now, any additional cost would be passed on to the employee.

Mr. Rierson said if the costs were passed on to employees, it would cost an average city worker about \$135 for a married couple with dependents plus deductible amounts.

Councilor Larson asked what other municipalities have a cap on their insurance? Mr. Bennett said there are a 95/5 or 90/10 or 85-15 split - some have 50/50 over cap. Discussion was held concerning unions going along with caps with arrangements.

Councilor Andrews said he was confused about the projected savings.

The \$35,650 is not in the proposed re-balancing.

Chair Larson said he worked at General Motors for about 12 years and shared the insurance benefits with the Committee. He said they stopped receiving COLA's. They did not unionize. Personally, he did alright without the COLA.

Mr. Wall said the other auto makers closed plants and destroyed the auto workers jobs. Discussion was held concerning flexibility.

Councilor Pugsley said \$1,500 per month decrease in take home pay for a family is serious. The lowest paid workers are impacted more strongly than the higher paid employees.

Councilor Soppe addressed the 28.9 General Fund employees - of about \$1,270 per year. He has concerns that we are working with non-union employees and if the staff could negotiate with the non-union employees to avoid unionization.

Mr. Bennett said he agreed with Mr. Larson about controlling health care costs. What is the best way to go about getting it done? Discussion was held concerning controlling the amount paid by the employees.

4. Hiring Freeze. Discussion was held concerning the fire department being strapped. Mr. Rierson did not support the hiring freeze. Discussion was held concerning the building department position.

Chair Larson discussed converting the contract computer person to an employee status - \$25,000.

Councilor Currier said it was an increase of \$20,000 with converting from a contract employee to a full time employee with benefits. Discussion was held concerning additional savings. Mr. Bennett said the IT department is an increasing position of the City operation,. Without the technical assistance, the city will be at a standstill. Mr. Brooks came to the City under a contract. It was the City's intention to retain Mr. Brooks expertise and he has more than justified himself. He would say that if Mr. Brooks were replaced under a contract situation, it could be more than the requested salary. Outside consultants can be more expensive.

Councilor Andrews asked if it was a 10-month contract compared to a 12-month contract. Mr. Bennett said it was a 10-month contract.

Chair Larson said to remove the hiring freeze from the reduction.

5. Housing and Population Study. The state grants are competitive. Under the current budget,

the City will receive grants for planning and traffic management. Mr. Bennett said the City got a grant for transportation system update, but did not receive a grant for improving the downtown area. The City has to compete for the funds. Discussion was held concerning the City being behind in their periodic review. It is an unfunded mandate to do, but is required. The City is due for its next cycle (possibly a couple of years over-due). Mr. Wall said it is appropriate to remove it.

Discussion was held concerning Councilor Currier's suggested to accept the proposal. The Committee decided to continue with the discussion of the topic items.

Councilor Soppe said periodic review is important but is willing to push housing study off to next year.

Councilor Rierson asked if the EDRLF person writes the grants? Mr. Bennett said yes, he does.

The Committee said that it is a consensus that periodic review be postponed pending a future grant rather than eliminating it.

Councilor Andrews addressed the cost of delaying applications for boundary changes and costs for staff to do the extra work. Mr. Bennett said periodic review involved changes in future growth and would review which lands should and should not be included in the city. Mr. Bennett said there should be no fiscal impact.

Mr. Wall said the UGB will be expanded - we are probably going to have people who do not like where the boundary is going to be placed. The expense is not that big of a deal.

Chair Larson said that the population study remains as a possible reduction.

6. Mayor and Council Pay. **Mr. Wall** said it should be up to the conscience of each of the persons rather than the Committee.

Ms. McCain said the Mayor does more representation and the Mayor does have expenses. She agreed with Mr. Wall's statement concerning not making a decision for the Mayor and Council.

Councilor Currier said there is a difference of \$300 per month versus \$16 per month. Discussion was held concerning Councilors also representing the City during the evenings, talking with constituents. Discussion was held concerning changing the rules before the next election. He said it should be up to the individual council members. The Mayor does have an expense account in addition to the amount he receives each month. Councilor Currier said after 11 years, they have not received a COLA.

Committee agreed to take it off the list.

7. Police car replacement. Defer putting money into the fund.

Ms. Donna McCain left the meeting at 8:25 p.m.

Mr. Wall said he would like to see the item stay where it is. Councilor Larson said it is the Committee that gave direction to the City Manager. The City Manager does not want the matter on the list. Chair Larson said it is a recommendation for removal. Police Chief said it is for a one year period. How many miles are put on a unit. Chief Tardiff said about 85,000 miles.

Councilor Soppe said it is not a one year savings. It is a one year deferral. Discussion was held concerning deferring a portion of it.

Mr. Rierson said he disagreed with taking it off. He hates to defer something to next year.

Chair Larson called for a break at 8:30 p.m. The meeting reconvened at 8:35 p.m.

8. Insurance Deductibles. Increase in deductible for auto, property, casualty and certain special machinery. Chair Larson said that increasing the deductible is standard risk management procedures. Discussion was held concerning a sound risk management practice. Mr. Mahr said that he agreed with the higher deductibles especially with the City's relatively new buildings and the low accident ratio. Mr. Lon Wall said that maybe the City should have considered this some time ago.

Councilor Soppe discussed APD (auto property damage) on older vehicles. Funds need to be set aside in a reserve fund to handle unexpected claims and with the increased amount of deductible, it would help pay for expenses. The other half of the savings would be used. The liability coverage is under funded and equates to half the insurance costs. Staff is pursuing with CCIS for more information and premium amounts. Discussion was held concerning worker's compensation. Chair Larson said that general liability is paid up front - worker's compensation is paid at a later time. Mr. Mahr said that if the deductible is raised, we would have to self-insure the liability and handle in-house. Councilor Currier said it does not say what the deductible is being raised to.

Ms. McCain returned to the meeting at 8:45 p.m.

Discussion was held concerning keeping the deductibles higher. Consensus was to raise deductible and save money.

10. General Dues. Councilor Currier asked about the National League of Cities' expense. The City is not a member of the National League as noted by Mr. Bennett. Mr. Wall said what is the percentage of the cities that do not belong to the COG and League of Oregon Cities. Mr. Bennett said that the vast majority of the cities belong. The city members are not as high with the COG. Councilor Andrews said the COG also picks up the special districts and smaller cities (rural fire

boards). Mr. Wall asked Mr. Bennett how important it is to remain with the COG.

Mr. Bennett said the COG provides city services: EDRLF and housing rehabilitation programs, the COG works on the transportation planning and Metropolitan Planning Organization with the Mid Willamette Council of Governments, including other programs which are funded through state agencies such as the bypass, legislative and in-house training. The League of Oregon Cities is the lead lobbying organization for city issues. They are active in the legislature in Salem to prevent bills being approved which limit the rights of the City. They represented the City in the PERS lawsuit and other class actions challenges which affect the city. The City Center, the League's research arm, can be accessed through the internet.

Councilor Andrews said if the City is not a member of the League, can it still participate in CCIS? Mr. Bennett said he thought yes, but he would check.

Councilor Soppe said that the COG administers programs and they receive compensation for this. Discussion was held concerning privatizing the program. Mr. Mahr said the money paid to the COG is paid through loan fees. Mr. Mahr said the COG coordinates the matching fund program. The COG administration/loan fees makes it a self-sustaining program. Councilor Currier said the services the COG provides is questionable to what would otherwise be paid in light of the present market.

Councilor Wall said that it is an important networking tool and should be removed from the list. There are some additional savings to be realized. There is some money set aside for hosting events for the chamber or city/county dinner and other events. Travel in-state and out-of-state is separate. Discussion was held concerning a training seminar and materials.

Mr. Wall said that the miscellaneous dues is acceptable to be in the left column. He recommends eliminating it from consideration, and keeping the COG and League of Oregon Cities dues.

11. Reducing Library Hours. Councilor Larson said he is opposed. Councilor Pugsley said he agreed and that the money needs to be left in the budget. Councilor Currier said he is not against the library. There is no reason why people cannot do with the services as indicated. Mr. Wall said that we hold on to the belief that the Library should be a free place and books and internet should be free. He agrees that he does not want to cut the library hours. That is a significant amount of money. Councilor Soppe asked Leah Griffith about the effort for a library district.

Ms. Leah Griffith said the library district committee is meeting this week. Support for the district can be affected by showing the community there is a budget situation and the library is affected by it. Cutting hours affects people - open at 11:00 rather than 10:00 a.m. A lot of people use the internet service that do not have it at home. They need better access at the library. The library district is looking at other concepts and the impacts upon the community. Discussion was held concerning the library district ballot measure passing or not passing. Ms. Griffith said reducing the hours would show that there is really a problem. The library could be faced with

more cuts.

Ms. McCain said she has been involved with the library group. She said there is a lot of people who are not able to afford the internet at home. The City is providing a service to the community. We need to cover the budget. Ms. Griffith said the library district would improve library services. Ms. McCain asked if library hours should be reduced to help the library district goal. Discussion was held concerning the decision to cut the hours. The cut would translate into real dollar savings.

Councilor Pugsley said the amount is real money and salaries. Chair Larson said he does not want to cut library hours. This is hard dollars and at this point in negotiations, we need to take hard dollars off the table. Keep on table for now.

12. Groundskeeping. Potential savings is \$15,000. Actual reduction is \$4,000. It covers maintenance. Mr. Russ Thomas said that it is all materials. No labor is involved. It is \$175 per day for community service workers from the County. He talked with Ron Huber who said they do not have workers available for this summer - apparently a shortage of criminals. The expenses also include the hanging baskets at Francis Square and the City buildings which are about \$1,500. The plants at all the buildings - about 1000 plants - are purchased throughout the year, mostly from the local FFA. This also includes pesticides and herbicides to keep areas clean. Mr. Thomas noted that there is an ant infestation at the City Hall. There is occasional vandalism to the City buildings and sprinkler systems. The fund also furnishes repairs to garbage cans, flags and poles. The flags are replaced 1, 2 or 3 times a year, depending on their condition. Sometimes the flags are taken or vandalized. They spend about \$12,000 a year on basic maintenance materials - no labor.

Councilor Currier asked about mowing at the station number 21 (not a materials issue - it is a minor maintenance issue). Discussion was held concerning \$175 per day and should the City be on the list at some point for menial tasks. Mr. Rierson said he partially agrees and we should be on the list. Labor is not part of the general budget, we are looking at materials. Staff is only recommending a portion of the reduction by approximately \$4,000.

Mr. Wall said that we did ask staff to do this. The City staff did make concessions and honest attempts to work out the program. The City services should focus on the health, safety and welfare of the citizens, but if given places to cut money, any cuts of aesthetics should be weighed more than reduction in other hard costs. It would be easier to present an argument of visible cuts which are not a substantial problem to the City. We should inform the citizens of least important impacts, although visible does not directly hurt anyone. Groundskeeping are things ripe for volunteer activity among citizens and may be we should actively pursue volunteers. Councilor Soppe said he agreed with Mr. Wall's comments. He is pleased that staff took a conservative measure to reduce the amount by \$4,000.

Chair Larson said the community's appearance sends a positive measure to the community that

we care. The City's vision has such a positive impact. Ms. Dallas said that from a marketing standpoint, it would be a gradual upturn and the investment that the City needs to retain. The City cannot look run-down.

Councilor Andrews said he agreed in placing funds back into the program and trying to build private partnerships so that it is not all being done by government. Mr. Wall said that it could be funded by business licenses. Bottom line, there is a private interest aspect. Discussion was held concerning the staff coordinating with private companies.

13. Economic Development Coordinator. Mr. Rierson addressed the grants the City had received: was it from the work done by Mr. David Beam and what would be the impact of not having this position on staff. Mr. Beam does extensive work on marketing the City. Mr. Bennett said he received a letter from the Newberg Downtown Association who supported the EDRLF position held by David Beam. The position has a shortfall of \$17,000. Mr. Wall said the real question is what does the person do that justifies expense on part of the city government. Discussion was held concerning the position being labeled "economic development" which does not have much to do with economic development. Mr. Bennett said to keep this as a full time position, we need to figure out a way to fund the position through business license fees. Councilor Currier addressed the Visitor Center to be funded by business licenses and not paying the chamber for the Visitor Center. Discussion was held concerning whether or not to have a business license, .5 FTE, and add the Visitor Center. Mr. Wall said he agreed with Councilor Currier. He has worked with Mr. Beam and recognized that Mr. Beam does a lot of other things.

Councilor Andrews asked about the hotel/motel tax. What would it take to increase it be 1-2%? Mr. Bennett responded that it is controlled by the legislature. The Council could increase it by whatever happens in the legislature with House Bill 2267; it would have to be by Council action. Chair Larson said that economic development is where the City would get a return in investment (increased tax revenue that would be generated by new businesses and industrial properties improvements). He would like to have a basis to justify the decision. He said that it may not be working. We are spending \$50,000 and we cannot prove we are getting any return on the investment. He questioned the purpose of the function. Councilor Soppe said it is difficult to put a hard number on it. The businesses will come to Newberg anyway. Discussion was held concerning an optimistic measure. There is a lot of unknowns to eliminate. Councilor Andrews said there are a whole lot of factors of what the economic developer has to market. We cannot put a list on this. At this point, the individual does not have all the products to be judged by. If we do not know the difference, why have a salesman? Discussion was held concerning vacant businesses. Mr. Wall said that the way it is presented by staff, it is fine the way it is. If more time was spent in writing the grants and marketing the City, it would seem justified. Discussion was held concerning businesses that have left the area, have we gained?

14. Reduce Professional Services. Councilor Soppe asked for priorities. \$4,800 will take care of this year's temporary help during busy season in the permit center. It is not one individual, it is part-time help. The professional services in Human Resources is used for personnel issues.

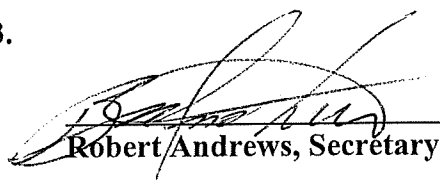
The money is not just planning. The planning department and permit center proposed to add additional staff but was not allowed. Discussion was held concerning the plumbing/building inspection expenses which are paid from a different budget. Discussion was held concerning the increased building expenses that are projected and projects that have already been approved (such as the new hospital) .

9. CPRD Grant Administration. Councilor Soppe said the City incurred expenses and this is reasonable to charge for this service. Is there anything that the CPRD does for the City that could be later charged - reciprocal work? Mr. Thomas said the City helps out in maintenance projects with CPRD and CPRD and the City have worked well together. These administrative costs were not passed on to CPRD. Is CPRD aware of this change? Mr. Bennett said previously they talked with CPRD accepting the responsibility for paying for lobbying costs for Central School project. Mr. Wall agreed with Councilor Soppe's statements. CPRD does not suffer from the same financial problems the City of Newberg does. Discussion was held concerning not moving dedicated funds. CPRD has their own resources and funds and a constituency. There is nothing wrong in having them pay. It is a policy issue. Councilor Currier said he agreed with Councilor Soppe and Mr. Wall. What do they get for the money? They have a budget they have to live with. This amount is minuscule of what they get out of it. Consensus is that we charge them for the costs.

Discussion was held concerning about holding the meeting past 10:00 p.m. There are constraints of not meeting soon enough. Come in next Tuesday at 7:00 p.m. and pass the budget next meeting. Mr. Rierson asked that staff come up with new figures as previously generated. Mr. Bennett said he would modify the areas of agreement and those that have not been decided and focus on those issues. Or members could give options to Mr. Bennett in order to make copies in time for the meeting.

MOTION: Wall/Adams to adjourn the meeting to Tuesday, May 27th at 7:00 p.m. The meeting adjourned at 10:00 p.m. Chair Larson said he appreciated the staff coming up with the proposals as presented.

ADOPTED this 29 day of Oct, 2003.


Robert Andrews, Secretary