

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

May 29, 2007

7:00 P.M.

PUBLIC SAFETY BUILDING - TRAINING ROOM

1. CALL MEETING TO ORDER/ ROLL CALL

Members

Present:

Mayor Bob Andrews
Mike Boyes
Roger Currier
Bob Larson
Bart Rierson
Robert Soppe
Jeff Palmer

Jack Reardon (Chair)
Darlyn Adams
Thomas Barnes
Andrew Smith
Ernie Amundson
Joel Perez
Lon Wall

Staff

Present:

Jim Bennett, City Manager
Terrence Mahr, City Attorney
Elizabeth Comfort, Finance Director
Elaina Canutt, Financial Analyst
Libby McCann, Accounting Clerk 1
Janelle Nordyke, Assistant Finance Director
Dan Danicic, Public Works Director
Barton Brierley, Planning and Building Director
Leah Griffith, Library Director
Jennifer Nelson, Recording Secretary

Jack Reardon, Chairperson and Public Member, called the meeting to order.

2. APPROVAL OF MAY 24, 2007 MINUTES

The minutes from the May 24, 2007 meeting will not be available for final approval until Thursday, May 31st.

3. BUDGET PROPOSAL DELIBERATION

Chair Reardon announced there was an email from **Councilor Robert Soppe** with his concerns to be addressed as well as the "hot topics" list. He assured **Councilor Soppe** we will address all of his concerns as long as it took.

Lon Wall, Public Member, shared that the fire department visited his home last Thursday during the budget meeting. He noted that everything was fine and offered credit to the members of the fire department for their quick response and respectfulness towards his property.

A. Ambulance Purchase (Add \$1.00 to Fire/Equipment Fee)

James Bennett, City Manager, reviewed the background for this first hot topic item. There was a need by the Fire/Emergency Medical Services (EMS) Department for a new ambulance this year, funds have been set aside in the fire truck fee, which is also used on EMS equipment and charged on utility bills. The money had been being saved in hopes of purchasing another fire truck this year; however, the fire truck purchase has been delayed in order to purchase an ambulance. There is currently not enough money in the fund for both the ambulance and the fire truck over next two years. As a way to increase revenue to fund ambulance this year and fire truck for next year, there was an initial proposal to increase the fire truck fee to a \$1.50 a month until the \$190,000 needed is raised.

Discussion followed concerning the origin of the fire truck fee and the name being misleading because it is used for more than just a new fire truck, but a new ambulance as well. There were concerns that attaching this fee to all meters not being calculated in the most equitable way. There were ideas suggested about determining the fee based on square footage of the building and the meters use combined and using a floor to area ratio. Staff believed it would take some devoted time and effort to work on it

Mayor Bob Andrews expressed concern for why this fee was originally adopted for fire trucks and now it has grown to include an ambulance as well. He believed, like himself, the public remembers it this way too.

Mr. Bennett reminded the committee there was a resolution adopted that does include EMS equipment.

Mayor Andrews agreed but he did believe the public was unaware of that and he thought the city needed to provide the education on that and be very cautious. He stated he did support the concept of revising the method of calculation and he would like information before approving.

Discussions followed concerning the reasons and historical setup of the budget where practice was to earmark the budget as a potential revenue source. Some thought that having these potential revenue sources or expenses within the budget made it confusing.

Councilor Robert Soppe stated he was unsure of why this item could not be added in later as a supplemental budget which has been done before, since council approval is still needed.

Mr. Bennett agreed that a supplemental budget was one way to address this.

Councilor Soppe added that he would not push to change the budget in this cycle, but for next year, if there is no clear funding source then it should not be added until there is a supplemental budget completed for that specific item.

Discussion began concerning not enough money being spent on maintaining streets, monies allocated for street revenue being offset in a contingency, and a previous fee that was let to "sunset" for six months that had support of the public and it was put back in. It was determined that was for city hall.

Mr. Wall clarified the fire truck fee did come to sunset, but was extended a couple years ago, it had substantial political support, but until we have a baseline to work with he cannot agree on this current fee.

Mr. Bennett stated there are issues that affect the general fund and this was not one of them.

Mr. Wall replied that it does have an effect on the voters though and that impact was his concern. The voters say they pay too much in taxes, but there is not enough left for the general fund. The taxpayers as our bosses do not see it that way.

Chair Reardon asked the committee if they wanted to first address the issues contained in Councilor Soppe's email first or if they could move on in agenda. All seemed in favor of addressing the email concerns first.

Councilor Soppe referred to his email and shared his concerns, like last year, that the city is spending significantly more in the general fund than they are taking in. He discussed last year projecting to be \$476,000 over and actually coming out about \$165,000 worse than the projected, creating a total of \$641,000 out of the general fund more than was taken in. This year the projection from May 11th revealed \$300,000 more out coming out of the general fund than being taking in, this is better. Even with the city trying to balance the budget by transferring of \$90,000 out of cable TV fund and the money from the Economic development fund one time transfer, he is concerned about the city's tendency towards what he calls deficit spending. He understands there is a proposal for the franchise fee to be raised to receive some funds from water and sewer, which is not a one time transfer; but those new dollars are all new fees on the people and they will not understand that. He could understand if it was a one time issue and in a bad year the city had to dip into savings, but if something happens where expenses are coming up every year and long range projections that were not in the budget, and then the situation gets significantly worse every year. The fact is that the general funds is a mess and the solution is to either raise revenues or you cut expenses and he wanted to know how the city is going to do that.

Mr. Bennett agreed fully and while they recognized that exact issue while putting together this year, finding a long term revenue source would take longer than they had to put the budget together. This solution of one time transfers to balance this budget gives the city a one year breathing period to figure this out while a budget is already in place. He states that looking at significant cuts in programs also has huge political impact as well, it is a major issue to consider and will take time. When you talk of cutting expenditures in the general fund, you are talking about cutting positions, which affects public safety services the hardest as it is the largest portion of the general fund. He states this budget gives us the time we need; the concern is not so much this year, but next year.

Councilor Roger Currier stated he did not believe we are going to get a buy in from the community in a year's time. He also talked about lay offs not being exactly what we want but we have never laid off anyway or see a goal for cuts.

Mr. Bennett replied that they will see significant reduction in service then. He reminded them that 80% of general fund goes towards public safety and if there will be cuts then it will be there. He also reminded everyone they are limited as to what we can do with the employee unions; it is the non-union employees that usually take the poor end of that issue.

B. Allocation of Administrative Services (Change in 2007/08 proposed budget – increased impact to the General Fund)

Mr. Wall asked for a precise explanation of why we should re-allocate administrative services with impact on general fund, why now and why at all. He felt that under the circumstances,

unless there was a process server from the state saying we have to do this, or that we have been doing it wrong and city will be in trouble, he is not convinced it is justified.

Mr. Bennett stated they have revised the budget to look at the impact and it would generate an additional \$90,000 dollars back into the general fund.

Elizabeth Comfort, Finance Director, said that she started her position last July and was not familiar with the previous process. At that point when she started putting it together a fresh look was desired. They looked at every graph and the explanations were all rewritten, at the time the allocation was readdressed. It was not intended as a deliberate hit to the General Fund and although it has added more weight to the General Fund, this is not the real problem. She did not feel she could stand behind the process from previous years and wanted to ensure there was a clean and accountable system in place. The General Fund has many more problems then the allocation of the Administrative Services.

Mr. Wall did not think her professional discomfort was a good enough reason to make a situation worse. He was not convinced there was an actual threat since it was how it had been done for several years.

There was discussion on the \$90,000 impact not being the problem itself, but it was what brought attention to the allocation in the first place.

Elaina Canutt, Financial Analyst, added it does impact the other funds as well and once we have increase the revenue from water and waste water, you will see adjustments in all areas.

Councilor Soppe wondered if staff was suggesting that the \$250,000 impact somehow became a \$90,000, because actually it is a \$160,000 impact. He said that there are no logical details as to why this system is better, and he does think \$90,000 is significant. He disagreed that we were setting a good stage this year and warned everyone not to ignore the little problems. He also thought it made the city more credible to looks at travel and training and other smaller items in order to eliminate unnecessary extra expenses.

Councilor Currier added the extra \$10,000 salary increase to change the recorder position was an example of this.

Joel Perez, Public Member, asked what the future impact is if we re-adjust it down the road and if it will be every year that we take a hit like this.

Ms. Comfort replied that in this allocation it is a cleaner a more supportable system and the more public safety keeps growing, that increases the impact. The way we have done it here is to start the clean up, but as long as public safety continues with union contracts and such; it directly affects the cost to support this. The fire department has not stopped responding to fires, so expenses are continuing to provide that service.

Ernie Amundson, Public Member, asked if that should go to the voters as a property tax increase, since he did not think it was ethical to say we are raising the water bill and the money goes somewhere else.

Ms. Comfort said it did go to the voters that is why property taxes were capped.

Mr. Amundson stated we are not cutting anywhere; we just keep wanting to add things.

Discussion continued concerning the alteration of percentages not in favor of the General Fund and that it will continue to get exponentially worse every year and how it changes every year because staff is looking at who is using the services. There were discussions as to whether or not the city would be in serious trouble if this change is not made and staff did express concern for an audit finding we have been doing the allocation incorrectly, but it was also established that the city has not ever been cited by an audit for this yet as long as they have been doing it the old way. It was discussed that although the two funds pulled out of the allocation process weighted very heavily toward water and sewer, the old methodology could be continued if the committee desired it.

MOTION: Currier/Wall to maintain the allocation of the Administrative Services the same as it was before.

More discussion continued about the need for an explanation and it was mentioned that more was charged to public works than should be based on usage of equipment and time. There was also talk of transfers and reserves and SDCs not being included because hitting water and sewer heavily when some departments, like Information Technology do not have any part in the SDCs.

MOTION: Reardon/ to amend the motion to allow for some kind of adjustment over the next 3-5 years to get to the proper allocation system. (No one moved to second the motion)
Motion failed for lack of a second.

VOTE: To maintain the allocation of the Administrative Services the same as it was before.
(11 Yes/ 3 No [Smith, Palmer, Perez]) Motion carried.

C. Street Fund Contingencies (More road repair?)

Mr. Bennett stated that council directed staff to begin a public outreach program to see if there was possible support for an increase in revenue, which was earmarked in the budget, showing in the contingency. If the funds are realized, then the contingency will be \$650,000; if not, then it will be \$450,000. The question was whether or not we could take more money out this year and use it for street funds.

Dan Danicic, Public Works Director, asked the committee to contemplate what we are building a contingency to accomplish. The cost to operate is at a million to do some work on the ground but we are falling short on maintenance and doing this leaves little time to build a pot up to do the needed work. Every road improvement is not an SDC funded project. Some of the Main Street Project will be capacity improvements by some people fronting that road, the gas tax money for another portion. It will be a \$3 million project and will eat up the entire \$450,000 contingency. The trade off is that will push off other road projects. It has taken years to get the contingency to this point and if it is taken for street repairs now, then just realize the impact that will have in future.

Chair Reardon asked if he has a plan of maintenance priorities and if he had the dollars would he know how he would spend it.

Mr. Danicic replied he did complete a condition assessment of roads and identified those that need reconstruction, those that need an overlay, and those that can wait for an overlay. The short side is \$400-500,000 per year for fixing the problems and maintaining them.

Chair Reardon asked how we got to the point we are at now and if having this money would get us to where we need to be.

Mr. Danicic stated we have not had the revenue to support an adequate maintenance program. The money being discussed only buys us one year worth of repair, but puts behind for years after that. He said it is a policy decision of whether we focus on maintenance or road improvements.

Discussion followed about the Main Street Project coming from a combination of Local Improvement District (LID) fees and taking money out of the contingency would mean no road projects since that \$400,000 would be gone and will not be built back up quickly.

Councilor Soppe asked how much of the \$3 million overall estimate for the Main Street Project would have to be contributed by the city, not out of SDCs.

Mr. Danicic replied about 30% or \$900,000.

Councilor Soppe asked what he believed the impact of deferring Main Street project would be if he was directed to use that money towards improving roads. He wondered what the impact to the city would be for having certain roads improved versus completing the Main Street Project.

Mr. Danicic replied he would attempt to get the best value for the maintenance money and would avoid putting it into roads that need to be reconstructed, like Villa Road. Of course he expects to be questioned by other asking him why we are paving three blocks at a time when Villa so bad. The driving force for the Main Street Project is also not just for vehicles, but for pedestrian and bicycle safe routes as well, which is a high priority for adherence with the American Disability Acts (ADA) requirements.

Discussion began concerning whether or not the property owners on Main Street could be responsible for the improvements needed on their sections. Staff argued they are only responsible for frontage improvements, not for tearing up a road and rebuilding it. Concerns were mentioned about the road degradation caused by truck traffic to new developments and questions about whether some of the SDC monies could be used for that. Staff stated that only for partial repair like widening and if there is a substandard depth of asphalt, but repair to the existing layer comes from revenue collected through gas taxes.

Mr. Wall stated he thought the committee was at a point for a motion and the \$400,000 is there now and we would be better off spending a good portion of it

Councilor Rierson added the other side of the issue is that it could be considered a good investment; if we spend a dollar now on road repairs then we save more later. Also the project for Main Street is of equal value as it is a substandard street. He believed that both uses for the money are very important.

Mr. Wall suggested the solution could be to only take half then.

Darlyn Adams, Public Member, asked how long it took the city to get built up to \$400,000 and how long it would take to just get \$100,000 built back up.

Mayor Bob Andrews said that we have not even touched it in the last 5 years.

Councilor Currier asked for any reason why we could not tell everyone with property along Main Street to just build a sidewalk.

Councilor Soppe asked if the curbs and sidewalks could be done and not the streets.

Mr. Danicic argued that someone has to design it, and although someone can do the design and require them to complete it, then you run into the problem of having brand new pavement next to old pavement and there will be a seam and different levels. It will become a drainage issue.

Discussion followed concerning the beginning fund balance and the amount of money that may or may not be able to be accumulated back.

Mr. Wall pointed out the actual discussion here should not be whether spend all or spend part, it is a policy decision and the question is whether we want some or more to go towards road maintenance now, or leave where it is.

MOTION: Wall/Rierson to transfer \$200,000 of the \$400,000 into road maintenance for street repairs.

Councilor Soppe asked staff how this would impact the Main Street Project.

Mr. Danicic replied it would put it off perhaps another year.

VOTE: To transfer \$200,000 for road repairs. (Unanimous) Motion carried.

Chair Reardon called for a break at 8:44 pm and reconvened at 8:52 pm.

Discussions made about what to cover until end of meeting and where the next meeting is to be held since there will be several meetings at the same time that will be conflicts for some of the members.

Councilor Soppe reminded the committee that the discussion was never completed concerning the "hot topic" letter A.

A. Ambulance Purchase (Add \$1.00 to Fire/Equipment Fee) [Continued]

Councilor Soppe asked to go back to the suggestion about having the city manager come up with something more complicated for how we charge. He thought that some homes are bigger fire risks than others and someone who builds a new house with a sprinkler system should be given a break. He stated his agreement for the need of a new formula measuring the square footage. He also wanted to talk about the issue of the hospital's previous agreement with the former mayor about donating an ambulance.

Mayor Andrews said the former mayor went to Providence and proposed the hospital purchase an ambulance, they took it up with the corporate headquarters in Seattle but they denied the proposal, but they said if local administration wished to buy one that is where it would come from. It stopped there. He said he met with Providence Newberg today and there is talk of considering a grant instead. They are now considering a participation of \$80,000 towards a purchase of an ambulance. There has been nothing in writing, just discussion and the goal is to try to come up with one in the next year or so.

Mr. Amundson asked what the ramifications would be if we held off the ambulance purchase another year.

Mr. Bennett said the choice is between either a fire truck or an ambulance, the need is for an ambulance.

Mr. Wall asked what total amount is is for the ambulance.

Mr. Bennett said about \$190,000.

Discussion about there needing to be another \$110,000 provided on top of the possible grant and the need to purchase the ambulance this year. The funds are available now but there will not be enough to fund the fire truck in the following year, under the current allocation.

MOTION: Rierson/Palmer to continue the Fire/Equipment Fee at the current level until City Council has time to re-evaluate it, make appropriate adjustments, and come up with a supplemental budget.

VOTE: To keep the fee at the current level pending City Council decision.
(Unanimous) Motion carried.

D. Cable TV Fund Transfer

Terrence Mahr, City Attorney, discussed the background to this issue and how Comcast contributes \$10,000 per year for support of scholarships. Currently, with interest, the total is \$200,887 and \$118,191 is already spent. He stated we must give some thought of the fact it is intended for support of internships and equipment to support community access station. There is \$101,187 remaining. There is no statute saying the city cannot spend the money on whatever we want, the only qualifier is from a letter that the cable company agreed to it for certain purposes. He suggested we transfer in the \$90,000 with the condition that he clarifies it with Comcast and that will relieve us of the obligation of the letter.

Mr. Wall asked if the cable channel lost this money, would it stop operating.

Councilor Soppe replied it is not operating right now since they lost the lease on the building a year ago and they have requested space in the Library Annex from council.

Mr. Wall states he has supported a cable channel for years but he has not been impressed with the efforts of the current people handling it, therefore he would not at this point see any problem with using this money for another purpose.

Councilor Currier agrees the money is just sitting there to be picked up but he asked if we could justify it by what we have talked about doing. The money could be used for involving public with reader board signs, better microphones for meetings, and recording devices. We may not spend all \$90,000 but we could eat up a lot of it in communicating with the public, although not on TV or radio. He asked if it can be justified for better uses than just wiping it away for a year.

Mr. Mahr stated there are some projects in the General Fund that are communications projects, like web page recordings and the idea to communicate with public with video on the website eventually. So there are projects within the general fund that would meet this goal.

Councilor Bob Larson stated that he is on the cable TV subcommittee discussing the recent survey conducted, they have only met once and they are meeting again on Tuesday. He asked that we leave these funds until the committee comes back to City Council in July.

Mayor Andrews asked the City Attorney for a total of what we have available at this time.

Mr. Mahr replied \$101,187 which is adding in an upcoming Comcast contribution of \$10,000 in July and the interest of \$5,000. As of May 31, the total is \$86,000.

Mayor Andrews wanted to be sure we can justify some expenditure of \$10,000 increments for training for internships, etc.

Mr. Mahr replied yes, but in order to not face justification, he would communicate that spending with Comcast ahead of time. They have said would not have objections and could even pay up front if we write a letter.

Mr. Bennett mentioned the results of the survey, although fairly split, which it might be good for city to have, but two-thirds of the citizens who responded, said they would not want to spend more on that service and they were not in favor of raising fees to do that. There was only a 6% return, but comments were consistent.

MOTION: Wall/Rierson to split the difference of the money from the Cable TV fund between the General Fund and the Cable TV fund.

Councilor Mike Boyes desired to wait a month or two before making a decision to give the subcommittee a chance to come up with something.

Councilor Bart Rierson wondered if the money could be earmarked in some way.

Mr. Bennett suggested leaving the money where it is and transferring it if something else is decided.

Councilor Soppe believed that the money should be kept in the area and spirit in which it was received, citing concerns for what the survey showed as far as public support and about Comcast letter requiring a portion to go to local accredited schools.

Mr. Mahr stated at least \$2,000 had to go for that purpose.

Councilor Soppe stated he did not feel comfortable determining a different use for the money until Comcast has given a clear indication. He is also concerned about transferring the money to the General Fund and not being able to transfer it back. He felt it was best not to transfer it this year and the \$90,000 could be justified in projects done in communication.

Mr. Wall and **Mr. Rierson** agreed to remove the first motion from the table.

MOTION: Wall/Larson to eliminate the Cable TV transfer into the General Fund, leaving the money where it is for now and deferring the decision to council for consideration of a supplemental budget at a later time.

Councilor Currier concerned that leaving the decision entirely on council to do this is not the best solution because the citizens should have input into these decisions, which is the purpose of the budget committee composition as it is.

Mr. Bennett replied that the budget committee can be reconvened at any time for consideration of a supplemental budget.

Councilor Larson stated there will be a public meeting on June 3rd.

Councilor Soppe stated his preference is to leave the money in the Cable TV fund.

Councilor Boyes clarified the General Fund will be that much shorter.

Councilor Rierson agreed it will change the bottom line of General Fund and questioned the amount of change.

Mr. Bennett replied it would be a \$90,000 difference in the bottom line.

VOTE: To leave the Cable TV fund as it is and not transfer any portion into the General Fund. (11 Yes/ 3 No [Andrews, Reardon, Rierson]) Motion carried.

4. **BUDGET APPROVAL**

Budget approval was deferred to the next meeting pending the completion of the rest of the hot topic issues.

5. **ADJOURN: NEXT MEETING MAY 31, 2007**

MOTION: Adams/Amundson to adjourn the meeting at 9:35 pm until the next meeting on May 31, 2007. (Unanimous) Motion carried.