

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

May 31, 2007

7:00 P.M.

NEWBERG FIRE STATION #20, 414 E. 2ND STREET, NEWBERG, OR

1. CALL MEETING TO ORDER/ ROLL CALL

Members

Present:	Mayor Bob Andrews	Jack Reardon (Chair)
	Mike Boyes (late)	
	Roger Currier	Thomas Barnes
	Bob Larson	Andrew Smith
	Bart Riersen (late)	Ernie Amundson
	Robert Soppe	Joel Perez
	Jeff Palmer (late)	Lon Wall

Staff

Absent: Darlyn Adams

Staff

Present: Jim Bennett, City Manager
Terrence Mahr, City Attorney
Elizabeth Comfort, Finance Director
Janelle Nordyke, Assistant Finance Director
Libby McCann, Accounting Clerk 1
Leah Griffith, Library Director
Robin Ashford, Assistant Library Director
Dan Danicic, Public Works Director
Jennifer Nelson, Recording Secretary

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

2. APPROVAL OF MAY 24, 2007 MINUTES

MOTION: Larson/Wall to approve the Budget Committee Minutes from May 24, 2007 as amended. (10 Yes/ 4 Absent [Adams, Boyes, Riersen, Palmer]) Motion carried.
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3. BUDGET PROPOSAL DELIBERATION, CONTINUED

E. Council Travel & Training (06-07 breakdown) – (emailed material 5/11/07)

James Bennett, City Manager, stated he provided a breakdown of council travel and training and what was expended for everyone a couple of weeks ago and if there were further questions tonight he would answer them.

Councilor Bob Larson asked if this breakdown will be corrected on the budget.

Mr. Bennett stated it was not a correction, but just an explanation, it will still be included in the travel and training line, but it will not be broken down.

Questions and discussion followed about a conference and a program in the general government project, why it was selected and what benefit there was to the city.

Councilor Robert Soppe brought up the justification that something fit in the budget was not good enough and the actual reason is because there was \$5,000 dollars not spent on the election, he thought it was dangerous to have things in the budget that is not likely to be spent. He also asked about the \$3,000 dollars in the new budget for visits and hosting for our sister city from Austria.

Mr. Bennett we do not have a current breakdown of all the expenses, we just set aside a reasonable amount for contribution to gifts, hosting a dinner, and defraying accommodation costs, as they did with our former mayor. The Chamber of Commerce is reaching out to the business community to raise money for accommodations, but we need to have something set aside.

Councilor Soppe stated he was trying to find out if we have a real basis for this expense.

Mr. Bennett replied there was no worksheet with exact numbers, but we looked at number of delegates that may be attending, the costs we are looking at are for a banquet that would be catered and the cost of appropriate gifts that would be exchanged. The cost of accommodations would be covered by the business community.

Councilor Soppe asked why the pacific program fit in the general government area better than with training.

Elizabeth Comfort, Finance Director, replied because it could be for either the city manager or the full city government.

Councilor Soppe restated we should be careful about money putting in the budget which is getting spent on other things, if we had spent the \$5,000 on the elections last year, than we would have been over budget.

Mr. Bennett replied he should not pin on election itself on the reason for that money being available, there are other things come out of that fund.

Councilor Soppe said that may be so but if we had spent the \$5,000 would have been \$3,700 over budget. The money was allowed to be allocated in there, and he is just warning that we need to watch that because it is not correct when see line items with a placeholder that is not necessarily going to be spent.

Lon Wall, Public Member, stated as private citizen he did not see how the city can afford to do these kinds of things when talking about the shape of the general funds. He did not believe public officials should take trips at city expense. He did not care what the reason was, he did not like it.

Ernie Amundson, Public Member, asked about what part of the \$3,000 budgeted would be for a banquet and who would be invited.

Mr. Bennett replied he imagined there would be representatives from the city as well as representatives from the business community of Newberg invited.

F. Transit Bus Service Support \$12,000

Mr. Bennett stated he was sorry that Councilor Bart Rierson could not be here for this discussion because he is a big proponent of this and wishes us to support it.

Councilor Larson stated he too would like to see that money left in there because the bus service is very important to many people in the city of Newberg.

Mayor Bob Andrews asked if we should defer this item number letter F until Councilor Rierson arrives from his other meeting.

Mr. Bennett replied that would be fine unless the consensus is to support putting it in, then waiting would not be necessary.

Thomas Barnes, Public Member, stated his support and mentioned that the matching funds they would receive based on the city's contribution which does not cost us anything.

MOTION: Andrews/Amundson to restore the contribution of \$12,000 to the budget for transit bus services.

Councilor Soppe stated his displeasure with the bus services and his belief they could do better advertising. He is concerned about the drop in rates as well.

Councilor Roger Currier stated he supports this fully and that it enhances where we want to be as a county, but in some shape or form we need to stipulate the maintenance of a phone number on every bus, we need to lock in that requirement with the money we contribute.

Mayor Andrews stated council had the ability to attach those requirements when adopting the budget.

VOTE: To restore the \$12,000 contribution for transit bus services. (10 Yes/ 4 Absent [Adams, Boyes, Rierson, Palmer]) Motion carried.

G. Your Mediators \$5,000 request

Mr. Bennett added this was a revenue neutral cost to the city and a motion was needed because it was not currently in the budget. He recommended restoring it and that the additional fee also be placed on court fines.

MOTION: Larson/Andrews to approve the restoration the \$5,000 request for Your Mediators and for the cost to be covered by an additional fee placed on court fines.

Councilor Soppe asked if the budget committee really had the authority to order that last part about the additional fee or if it was at the municipal judge's discretion.

Mr. Bennett stated they city hires the municipal judge and that we do have the authority.

VOTE: to approve the restoration of \$5,000 for Your Mediators to the budget and an additional fee to court fines. (13 Yes/ 1 Absent [Adams]) Motion carried.

H. Bank Fees costs

Mr. Bennett reminded the committee of the issue at hand and deferred to Ms. Comfort to share information researched concerning the credit card purchases and the service charges on them.

Ms. Comfort stated that every time we allow a credit card to be used for payment we are charged a processing fee of 3% average on the merchant pass, although we are given a break on higher amounts. If you take the charges for an average water bill consumer at about \$71, the approximate processing fees charged to us is \$2.15. If you look at the charge analysis fees for taking a check: it is mailed in, the an employee is paid to manually sort the checks, each receipt is entered after verified through the system, each check is stamped for authorization, the checks are transported to the bank, and then the bank charges a deposit fee and handling charge of about 8 cents. Calculating time and labor it is approximately \$2.12 minimally from the bank to use checks for payment. There are also the added charges for Non-Sufficient Funds fees, which is a \$15 charge as well as hanging something on the persons home. Credit cards are immediate and more efficient.

Councilor Currier asked about an employee who used to work in utility billing now being in the finance department.

Ms. Comfort verified she did move Libby McCann, Accounting Clerk 1, into her department and she only does 50% in utility billing now.

Councilor Currier argued that we are not saving anything by moving people into another department and we never get rid of anyone.

Mr. Bennett replied that is assuming the work can be done with the existing staff; they are already overworked and stretched all around.

Joel Perez, Public Member, asked if we looked into whether we could legally charge a fee to customers to cover the costs of the processing fees.

Ms. Comfort stated we can charge a convenience fee online only to cover labor costs, but not on face to face transactions.

Councilor Soppe wondered how do gas stations get away with charging a convenience fee and they have face to face transaction. He also asked why we were getting charged for checks used and what the point was to having a business account with this bank when others have free checking.

Ms. Comfort we do have interest and that offsets fees, you have to negotiate a Request for Proposal (RFP) and she has not done that yet because they will not give you an estimate of the number.

Councilor Soppe recommended calling Nova and they will give you answer in 5 minutes.

Ms. Comfort replied that we have used Nova.

Councilor Soppe said he understood the idea of streamlining utility billing and providing services to citizens, and it is nice to get citizens hit with traffic tickets to pay them before walking out the door. However, by not putting the \$500 limit on building permits and big ticket items that get utilized heavily, it is a great cost to us which we are not going to collect on.

Ms. Comfort pointed out we did have a bounced check for \$114,000 and it cost us a lot of money to take care of it, whereas a credit card would be denied immediately.

Councilor Soppe asked how many water bills are over \$500.

Ms. Comfort stated there are property owners that own whole complexes who have bills over \$500. She said she also surveyed other cities and they said they do not charge customers for credit payments and they had wanted to put a limit as well, but they pulled back since others said they do not.

Mr. Bennett suggested maybe it needs to be \$1,000.

Councilor Soppe felt staff should revisit the fact there is no limit.

Mr. Wall asked what percentages are charged when the card is not present.

Ms. Comfort stated the city did not accept cards over the phone, cards present percentage is about 1.33%, but 99% of our charges are card not present. This is however being offset by freeing up time elsewhere, but it does not with this high 3% charge. Once we get into larger amounts it could cost us a lot of money. She added that we cannot charge a customer the percentage to cover the fee, but you can offer a discount; so it will be necessary to come up with another way to offset this charge.

Councilor Bart Rierson discussed his own business experience stating he takes credit cards all the time and pays 2%, as long as he enters the three digit code, exp date, the billing zip code; basically, the more info the better the discount. But, despite getting hit with fees, getting paid and making it easier to get paid is more cost effective. Those fees are a cost of doing business and not getting paid costs more. He did not believe it was appropriate to charge an additional amount.

Councilor Jeff Palmer agreed there were some good points and ideas but believes this was something that should be left for staff and council to address and suggested moving ahead with the process of approving the budget.

Mr. Wall stated he was still for something to help with these costs. He said the city is not a business and does not have competitors, and pointed must compensate through taxes or fees instead.

Councilor Palmer again stated that he was ready to move ahead, he added it is true we are a monopoly and do not offer choices to get water elsewhere; however, we do compete with other

cities for economy and quality of living. If it seemed that a city was “nickel and diming” him, he would be pressed to move to another city.

Chair Reardon added that the city must determine costs versus benefits and if the costs outweigh the benefits and it cannot be justified, then the city should determine whether or not to provide that service.

Mr. Amundson asked if this fee only applies to water payments.

Ms. Comfort replied it applied to all credit card use, not just water, but water was the only one paid online.

Councilor Soppe asked if staff recalled what the expense was to add utility billing online.

Ms. Comfort replied it was not as much as they had originally thought it would be because we got a discount, maybe \$2,600.

Councilor Mike Boyes wondered if when the rate review committee met if they could just figure out what the total cost is and divide into the bill and just not worry about it.

Councilor Currier replied that he did not want to pay for his convenience.

Mr. Bennett stated that the rate review committee could look at that though.

Mr. Amundson mentioned the reason the city decided to go with the online billing is to decrease the costs from hanging tags on people’s doors. He asked if it is working and if there has been a decrease at all since we are still hanging tags every month. Staff responded that it had made a difference.

Chair Reardon stated the committee did not need to make a motion on this and suggested moving on.

I. Planning Revenue updated: additional \$50,000

Mr. Bennett explained to the committee they had re-looked at the numbers and at how much additional revenue would be received, that would not be duplicated. With that we can reasonably justify an additional \$50,000 for the remainder of this fiscal year with some small projects not accounted for in the next fiscal. The original estimate was so much higher because of duplicates. This could be used to offset some items in the general fund.

Councilor Soppe wanted to clarify the \$50,000 is in both fiscal 06-7 and 07-8 and when staff gave the presentation saying it was \$150,000 that was incorrect.

Mr. Bennett verified this and added there would need to be a motion to add the \$50,000 back into the budget.

MOTION: Andrews/Larson to approve adding the \$50,000 of additional planning revenue to the budget.

Councilor Soppe asked about the beginning balance and how we can add a number to this budget when part of it is coming from one place and part from another.

Ms. Comfort stated we are receiving an additional \$50,000 in unexpected dollars and her understanding is that some will be brought in this year and part next year, but it will still be reflected in this budget.

Mr. Bennett added the \$50,000 is what we need to show in the bottom line of the general fund.

Councilor Soppe argued it could not be in the beginning balance if part of it is not in this fiscal year.

Mr. Bennett replied we are to be voting on the bottom line.

Mayor Andrews and **Councilor Larson** withdrew the original motion.

MOTION: Andrews/Soppe to approve adding the \$50,000 of additional planning revenue to the bottom line of the 2007-08 budget.

VOTE: To approve additional \$50,000 to the bottom line. (13 Yes/ 1 Absent [Adams]) Motion carried.

Councilor Boyes requested a recap of the first two items that were missed by the members attending other meetings.

Mr. Bennett complied with the permission of the committee.

J. \$225,000 transfer to General Fund from Economic Development fund

Mr. Bennett described one of the revenue sources incorporated into the general fund portion of the budget as the \$225,000 one time funding of program income from a Community Development Block Grant (CDBG). He talked about it being sent back from the Yamhill County housing with no strings attached. The money was placed into the economic development fund, a fund in which we have loaned money out before than needs to be repaid this year. The anticipation was to use this unexpected money to offset the shortfall in the general fund, including the interest.

Andrew Smith, Public Member, wanted to clarify this was a one time funding source to be used balance the general fund and would not be available again.

Mr. Bennett verified this is a one time funding source only.

Councilor Boyes asked if we will still have a problem with the general fund then and if this was this already figured in.

Mr. Bennett replied it is in the proposed budget now, on page 183.

Councilor Rierson asked if we did not need all of that money, would there be any sense to loaning it out and using it later. He asked if we really need it all or if it is a worthy thing to loan it out this time and make the interest.

Mr. Bennett replied since we added \$50,000 back in, we could save \$25,000 of that to be set aside for loan purposes.

Councilor Currier stated he felt it was important to help people out and asked what is still in the ELRDF fund.

Mr. Bennett stated we have \$65,000 in the fund for loans for business; the CDBG is normally targeted for housing.

Councilor Currier stated that doing this will only bail us out for this year and next year we have to figure out what to do.

Mr. Bennett replied the budget committee will need to meet more often now because we need to use this next year to come up with the solutions to address what will happen after the 07-8 year.

Councilor Currier said the city should be looking at ways to make cuts rather than just using all these contingencies and spare monies to balance the budget this year. He pointed out that we have made no real decreases and we have to figure out how to make that happen because adding money with rate increases to those with fixed incomes is not fair. Those on social security have to budget tightly enough already and deciding whether to buy food or pay bills. He does not believe those citizens will be able to afford this. He also added that government as a whole is overpaid because of the benefit packets they receive. He believes that since everyone else has to tighten their budgets to cover costs the government should not get away with not doing that as well.

Mr. Bennett responded that there were a lot of things we wanted to do this year that did not make it into the budget, the new code enforcement officer position is really the only new employee position. He said he understands the point but the problem is the city has a limited amount of money coming into the general fund because property taxes cannot grow in order to keep up with normal inflation, this has kept revenues down but expenses are still rising. Fixing this does not have to be done by just raising revenue, and adopting this proposed budget solution just gives us the breathing room to sit down and figure out what to do later.

Councilor Currier suggested something he had mentioned previously to consider a profit enhancement programs, giving employees up to a 5% bonus or some other limit, as a reward to coming up with some way to save us money other than what is required by their original job description. The award would not have to be paid until the city saw some actual profit.

Mr. Bennett agreed that was a good suggestion.

Chair Reardon said as citizen last year he was told this past fiscal year was projecting high revenue and increased budgets, but the revenue has not come in. In this year again there are substantial increases. He believed there was an opportunity this year to take a closer look at expenses, like additional fuel for the police department, to see how this is justified. He thought this should be looked at in this budget year rather than waiting until next year.

Councilor Boyes pointed out that if the money is placed in the budget then people will often spend it on things we do not really need with the excuse that "it is in the budget". Just because money is there does not mean we should get something we do not need just because the money is available. I think if we wait until next year to do this we will be in worse condition than we are now and if expected income does not come in again this year we will be even shorter still.

Mr. Bennett said the intention is to start the next budget almost immediately after this one is completed and adopted, so by the time was start putting numbers together we will already have plans in place.

Mr. Wall agreed that not raising fee this time around could place us in a bad situation in the long run. He did not think that now was the right time to be making cuts in the city government but he would like to see plans for making cuts for next year. He thought the best solution for now would be to transfer money and come up with something to make sure this does not happen again next year. He felt there were no alternatives left at this stage in the process.

Councilor Soppe disagreed stating there was plenty of time to still make cuts now.

Discussion followed concerning the ELDRF and actual funds available for loans. Staff indicated there were no additional loans made this year, just outstanding loans, there were no requests made this year. The reasons why it was not included in the budget was also discussed noting that accounting is kept separate from the budget and those funds are actually handled by the Mid-Willamette Valley Housing and some loans have been repaid.

Councilor Soppe asked if this money was not transferred to the general fund could it be used elsewhere.

Mr. Bennett said it would normally go into a contingency, which is pretty low. The impact of the public safety contract with the police department is unknown right now, but it would help to build up the contingency and would probably end up there.

Councilor Currier would like to see a reduction by this amount in this budget year and suggested finding \$225,000 in cuts.

Mr. Wall said he could support that as long as we continue to transfer the money to cover us this year. He would like to see both things happen.

Councilor Boyes stated he liked **Councilor Currier's** suggestion and thought it was important to get everyone thinking of ways to reduce spending.

Chair Reardon expressed concern that the city will have to make major cuts next year in employees or services and thought it would be best to address these general fund expenses and bring this budget closer to breaking even.

Councilor Rierson said he remembered the police and fire chiefs telling the budget committee last year that if they had to make cuts it would be to personnel, rather than going with less training or not having the necessary equipment. In order to save this year, then cuts will be made to positions.

Councilor Currier replied this was the reality of the situation and that may have to happen. He said it would be necessary to figure out how to do more with less people and to get the unions to quit begging for more money and insurance.

Mayor Andrews added he was not opposing what has been said but we are fighting a battle in the legislative arena and issues of public safety have to be in collective bargaining issues. Unions can determine this is a public safety issue and someone can dictate to us what we are going to pay. We are fighting this battle and things can be imposed on us; we may not have the freedom to do this.

Councilor Currier said he appreciated his point but bottom line is that this is the revenue we have and 78% goes to public safety and it is the public that governs what we collect.

Mr. Wall in favor of finding possible cuts as well as keeping the \$225,000 from the Economic Development fund in the budget for the general funds and he would be willing to come back on Tuesday if we are going to look at \$225,000 worth of cuts as well. He said they would have to be specific ideas given quickly and we will have to bring in the department heads as well for questions and discussion.

Councilor Soppe agreed this was a good option and thought it would be best for staff to decide where they would think cuts could be made rather than this committee. He felt it was this committee's responsibility to take the heat off of staff for making those choices, but staff should be the ones presenting us with options.

Mr. Amundson asked what percentage is represented by the \$225,000.

Councilor Palmer answered it was 2%.

Mr. Wall recommended for staff to come back to the committee on Tuesday after instructing the department heads to submit 2% in savings.

Discussion followed about keeping the \$225,000 where it is as well as having staff bring back a list of the lowest impact cuts that could be made from each department. It was determined no motion was needed concerning the \$225,000 at this point because it was currently in the budget.

Chair Reardon called for a short recess at 8:57 pm and reconvened at 9:06 pm.

Discussion followed the recess concerning where the committee stood in terms of approving the budget. Staff clarified that all amendments need to be made before it can be approved along with the tax rates. All were reminded the deadline for approval for this was June 5th so it could go on to be approved by council at the scheduled meeting.

Councilor Soppe asked where we are on the general fund with the amendments made already.

Mr. Bennett said with all the actions that budget committee has taken so far we are still \$200,000 behind.

Councilor Soppe asked for a breakdown of what has changed so far according to how to committee has amended it.

Mr. Bennett listed the following changes:

- The allocation of central services being returned to previous way restored \$90,000 to the general fund
- The transfer from the cable TV fund into the general was eliminated for \$90,000 which cancels out the item above
- \$12,000 was put back in the budget for transit bus services
- \$5,000 for mediators
- \$50,000 additional revenue from planning

This all places the general fund about \$33,000 in the good.

Councilor Soppe asked if that was being put back into the beginning balance of next year.

Mr. Bennett replied yes and the budget was still basically balanced.

Councilor Soppe asked if everyone was comfortable with the additional 2% for water and sewer, but said he would not push it if no one else objected. He stated he was uncomfortable with the code enforcement officer position being a \$25,000 burden on the general fund. He is a fan of the position but under the current circumstances he is not comfortable with another hit to general fund.

Councilor Rierson pointed out that the \$5,000 hit for the mediators provides some revenue enhancements to make this revenue neutral.

Councilor Palmer added the code enforcement officer would also create revenue and possibly become revenue neutral as well.

Mr. Bennett agreed there would be increased revenue from citations.

MOTION: Currier/Soppe to direct staff to come back to the budget committee with \$200,000 possible cuts for next year.

MOTION: Soppe/Wall to amend the motion to include a range of options from \$50,000 to \$250,000 for expenditure reductions rather than just \$200,000.

Councilor Soppe explains the intent is to provide options so the budget committee can decide what to take and what to leave and afterwards can decide what to do with the \$225,000 from the economic development fund.

VOTE: To amend the original motion to direct staff to come back to the committee with a range of expenditure reductions from \$50,000 to \$250,000. (13 Yes/ 1 Absent [Adams]) Motion carried.

Councilor Palmer mentioned a number of members would not be in attendance due to other engagements and asked how many members would be needed to vote on the budget.

Mr. Bennett only four votes out of eight members were needed.

VOTE: To approve directing staff to come back to the budget committee on Tuesday, June 5th, 2007 with a specific list of options for expenditure reductions ranging from \$50,000 to \$250,000. (13 Yes/ 1 Absent [Adams]) Motion carried.

4. BUDGET APPROVAL

Budget approval was deferred to the next meeting pending the decisions made from the list of possible expenditure reductions between \$50,000 and \$250,000 that staff will be directed to submit.

5. ADJOURN: NEXT MEETING MAY 29TH, 2007

MOTION: Larson/Palmer to adjourn the meeting at 9:21 pm until the next meeting on Tuesday, June 5, 2007. (13 Yes/1 Absent) Motion carried.