

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

June 26, 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
Robert Soppe
Bart Rierson
Jeff Palmer

Jack Reardon (Chair)
Darlyn Adams
Thomas Barnes
Lon Wall
Joel Perez

Staff

Absent:

Andrew Smith, Ernie Amundson

Staff

Present:

Jim Bennett, City Manager
Terrence Mahr, City Attorney
Elizabeth Comfort, Finance Director
Janelle Nordyke, Assistant Finance Director
Libby McCann, Accounting Clerk 1
Dan Danicic, Public Works Director
Barton Brierley, Planning and Building Director
Leah Griffith, Library Director
Becky Green, Human Resources Director
Al Blodgett, Fire Chief
Brian Casey, Police Chief
Mary Newell, Support Services Manager
Dave Brooks, Information Technology Director
Norma Alley, Deputy City Recorder
Jennifer Nelson, Recording Secretary

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

2. APPROVAL OF MAY 31, 2007 AND JUNE 5, 2007 MINUTES

MOTION: Rierson/Larson to approve the Budget Committee Minutes from May 31, 2007 and June 5, 2007 as amended. (12 Yes/2 Absent [Amundson, Smith]) Motion carried.

**3. DISCUSSION OF RECONSIDERATION OF BUDGET CUTS USING
ADDITIONAL PROPERTY TAX**

Chair Reardon read letter from City Attorney's office outlining the objectives of the committee this evening (see official record for full report).

James Bennett, City Manager, summarized the situation noting a number of people testified at the City Council meeting held on June 18th and many were concerned about budget cuts made to balance general fund and they pleaded with the council to restore those cuts. He also announced that in the interim between the last budget meeting on June 5th and the Council meeting the City received additional tax revenue in the amount of approximately \$128,000. It was the Council's judgment that before any final decisions were made the new information should be brought back to the Budget Committee for their opinions. The questions at hand are whether or not any of the cuts already approved by this body should be reconsidered and if they are reconsidered, and then what kind of revenue source should the difference come from or what other cuts could be made in place of them. He noted the agenda talks about using additional tax revenue as a possibility, but it is not meant to imply this is the only thing the committee can consider. He asked the committee to focus on that charge and passed out a letter with items for consideration (see official record for full report).

MOTION: Adams/ to go through and vote on each individual line item to see if there is any division and discussion necessary. Motion failed for lack of a second.

Chair Reardon felt it was appropriate to discuss the revenues first, so everyone knew what is available to be used. He wanted everyone to be comfortable with being able to spend that money in this budget.

Mr. Bennett clarified the tax revenues received were over and above what had been budgeted for the year, it does not fill in the gap, but it was not anticipated.

Joel Perez, Public Member, asked if any of that money leftover falls back in to a contingency or what happens to that money.

Mr. Bennett replied if it not used for a specific fund, it goes into the beginning fund balance for next year.

Councilor Robert Soppe added it cannot be used unless a supplemental budget is completed and approved. He also asked which fiscal year the money would go over into the beginning balance. Staff replied it would be in the beginning balance of fiscal year 2007-08. He also wanted to know when the city had an idea this money was coming in.

Mr. Bennett replied the city new when received on June 7th.

Elizabeth Comfort, Finance Director, added there is no way of knowing what is going to come in until the deposit from the county is received.

Mayor Bob Andrews stated property taxes are due to us and part of expected revenue stream; we expect to receive property taxes. He asked if the issue was just at the point the budget was developed we had not received this portion. He wanted to clarify this is not a windfall, but just a revenue stream we expect to have.

Mr. Bennett replied that was the case. He said they estimate what we think going to receive, and are usually very close or less than budgeted. In this particular year, we received more funds than anticipated. He did agree we expect this every year, but it can be over and above what budgeted, like this year.

Thomas Barnes, Public Member, asked if these were delinquent from previous years and if some were current as well.

Mr. Bennett replied we have a separate budget for current taxes and delinquent taxes and this exceeded both.

Councilor Soppe asked if there was any breakdown available for how much came from what years.

Mr. Bennett said there was not, but the exact number from the current tax revenue was \$121,965 and the delinquent amount collected was \$5,882, which totals \$127,847.

Councilor Soppe asked when we were expecting the money to come in.

Mr. Bennett stated there was no expectation.

Discussion continued about how the city tracks tax collection and when they are anticipated to be received. It was mentioned a certain percentage is usually written off as non-collectible as well. Staff stated it was difficult to predict when the taxes would be collected if ever and with delinquencies, you would sometimes have to wait ten years or for a foreclosure, and the estimate for how much the city thinks they will receive is about 92%.

Councilor Mike Boyes asked when taxes are sent out if the share is indicated then.

Mr. Bennett responded they did not do that, the city receives an estimate from assessor's office, an evaluation of the city and we apply our tax rate. He said they try to estimate before they get the information from the assessor, which is not received until late fall, long after the budget has been adopted. He said it is a guessing game, showing what developed during this year and what we think will happen next year; there is a significant margin of error, perhaps 5%, which could be \$2-300,000 with property taxes. In past we have been under the assessed value and we try to be conservative, so we are not over budgeting the amount receiving and getting ourselves into trouble.

Chair Reardon stated he did not know how to include this estimate of revenues for 2007-8.

Mr. Bennett replied this would be in the beginning fund balance as additional revenue and counted along with other revenue that comes in during the year. The beginning fund balance is property taxes collected over the years that has built up and not been spent. It is not new revenue, but old revenue that has not been spent. It is used every year as part of the total revenue when putting together the budget and at end of year we have an ending fund balance and vary every year.

Lon Wall, Public Member, wanted to go back to the Mayor's previous point about how this is not really extra money and it changes nothing because it is part of the regular property taxes and he wanted to be sure we can expect that a portion can be used for some of the cuts. He wondered if we are using "one-time" funds to finance operations here.

Mr. Bennett replied we are not using "one-time" funds, they just underestimated too much this year, but the funds will be received every year from now on because it will change the

assessment of the City and the tax base changes. He stated we will get this next year as well and it will become part of the revenue stream.

MOTION: Larson/Andrews to recommend to the city council to restore the cuts to the budget that have been previously made using the items listed for reconsideration by the City Manager in his June 22nd letter totaling \$127,847.

Councilor Soppe expressed concern this just puts the city back to what was estimated a year ago and we would be spending an additional \$478,000 and it took \$128,000 to get us back there. He said he was concerned the city is doing it again, spending more than we are bringing in, and he would like to hear more about where this money is coming from. He also asked what changed from county for us to count on this money in the upcoming year. He thought if we can count on that as additional revenue above and beyond the beginning fund balance, then we should have it in the budget.

Mr. Bennett replied it was partly because of a short time frame to work with this and it probably should be supplement. But part of this year's revenue then has to be part of next year's base and he believed it was reasonable to say we will have that much plus whatever increases that may occur.

Councilor Soppe asked if the tax base is higher and therefore higher revenue is expected, or whether we just thought a certain percentage would be delinquent.

Mr. Bennett stated he thought the assessor may have just assessed at a higher level than we did and we should be expecting that information sometime in October.

Councilor Soppe felt the city should do a supplemental budget at that time when we have hard numbers because it can be hard to know if we can expect that number. He said we do not know if these are new tax bases or if we just had fewer delinquencies this year.

Mr. Bennett replied it would only affect a small portion and he felt it was safe to assume we are at a higher assessed value.

More discussion continued about how to handle when the assessed value came in from the county so the city has a better idea of where they will stand.

Chair Reardon asked if we would have known about this money would we have been using the \$165,000 one time transfer. He wondered if we may want to consider not using that money since we now have the tax revenue.

Mr. Wall said he appreciated being called back by council because it showed their opinions were valued. He added there was only one real reason we are meeting again and if we fix that maybe everything else would go away. The only people testifying against the proposed budget cuts were from the Chamber of Commerce and he was never in favor of cutting the \$18,000 to the Visitor's Center. He thought if we use the one-time funds now then we will not have to lay off anyone next year.

Mr. Bennett replied that testimony only came from the Chamber, but there were also issues among the councilors about concerns for certain cuts, like the fireworks and certain memberships the city belongs to.

Mr. Wall responded we were only short two council members when the original proposed budget was approved by the budget committee and although **Councilor Boyes** was against the cuts that was not the majority of the council.

Councilor Soppe mentioned he had also raised some issues regarding the cuts and announced he had been given some documentation from the Chamber of Commerce if anyone wanted to look at it. He stated he was the one to make the motion to bring this back to the budget committee and he wanted to clarify why. He said this committee decided not to discuss the individual cuts one by one and he did not feel it was appropriate to change things not discussed before the committee.

Councilor Jeff Palmer stated he seconded the motion because he did not feel it was okay to say "thanks, but no thanks, we will do what we want". He said he was not at the last meeting and he spent a lot of time trying to figure out why we cut certain things that he felt were important. He was also surprised the majority of the committee decided not to go over the cuts one by one and see why they were made. The argument was that staff should know what needs to be cut but he thought it was this committee's responsibility to question the reasons and that was their purpose. He agrees the \$128,000 will not fix anything and we have a real issue that will be ongoing for the General Fund. He stated he was in support of restoring the cuts as outlined by the City Manager.

Councilor Boyes mentioned a letter he sent to the committee discussing adding the \$50,000 back in and for things not to be cut that the city sees. He felt the City Manager did what was asked by providing this list of items that could be brought back in with the \$128,000 additional tax revenue.

Councilor Roger Currier also mentioned he sent an email to most of the group discussing a way to reinstate most of the cuts, doing the telephone system, the money to the Chamber of Commerce, taking out the City/County dinner and planning software by using money left over from not changing the City Recorder position. He offered to make a motion.

Councilor Palmer expressed some concern that the lowest priority cuts being the ones we are restoring; he thought the easiest ones to let go were the ones being brought back.

Mr. Bennett replied the items were provided as a starting point for discussion, just a first stab to give the committee an idea of how it could work; the committee has the prerogative to change it around in any way.

Councilor Palmer agreed these were good recommendations but thought it would be best to start the budget process earlier for the 2008-9 fiscal year.

Councilor Bart Rierson admitted he did not want to use the money from the Cable TV Fund because the money should be appropriately spent on communication items. One of the top items is the telephone system, although it is not a cable thing it does fall under the communication umbrella and it would not hurt him to fund that from the Cable TV Fund. He felt the items he was concerned about were highlighted by the City Manager and believes this shows the City wants to be a part of the rest of the state and are not being exclusionary.

Councilor Boyes thought it was a nice treat to have the \$128,000 given to the city and he was glad we can now pay these dues and memberships. He thought the City Manager gave a lot of thought on how to spend that money and that it shows us as a viable community to others. He thought next year if we are talking more than \$128,000 it should be up to the City Manager and the Finance Director to figure out those problems since we have a year.

Mr. Bennett acknowledged something did come out of this; our way of doing budgets is not working and we need to change how we do it. As far as starting earlier, there are hurdles because there is less information. Now we have been able to identify big issues that are going to affect next year and we can come up with ideas together before we do get the numbers and we will not end up doing what we did this year, working up to the last minute.

Councilor Boyes added it should not be just the city where these contributions come from they should also let people and groups know ahead of time they may be cut so they can prepare. He also felt **Councilor Currier's** idea of offering a reward for ideas of how to spend less or bring in more money would be good.

Councilor Soppe stated he voted against the cuts because he thought it was irresponsible to accept them without discussing them first. He said there were a lot he did understand, but some he did not.

Discussion followed as each item on the list for reconsideration was asked about and explained by staff.

Mr. Wall stated if the motion passes now, someone will come back and make arguments for restoring other individual cuts. He said we still have a big problem and we will not have fixed it. He felt pretending the \$128,000 is real money will make the situation worse for General Fund. If we are still some \$400,000 in the hole then we have not fixed anything at all.

Mr. Barnes asked staff some questions about the numbers and line items on page 183 of the budget document

Discussion followed concerning the prior year taxes and delinquent taxes and the estimations made. There was also discussion on the Planning department's burden on the General Fund.

Mayor Andrews mentioned his thoughts on some of the cuts being isolationist practices. He also noted that the health insurance programs were contingent on participating in the League of Oregon Cities (LOC) and other services are also based on the city's membership to the Mid-Willamette Valley Council of Governments (COG) such as direct access to some grants. If we cut ourselves off from the memberships to those organizations we also lose those services. He said in order to build a community it is important to economic independence as well as making an investment in economic development. He also asked staff what it would do for the next twelve months if the \$7,500 for Planning Professional Services was not available. Staff replied it would extend the project at least six months. He also asked if this motion passed would the \$1,640 be left in a contingency. Staff replied it would be added to the contingency line item which is currently \$113,000.

VOTE: To approve recommendations to the city council to restore the cuts to the budget that have been previously made using the items listed for reconsideration by the City Manager in his June 22nd letter totaling \$127,847. (7 Yes/5 No [Currier, Wall, Barnes, Reardon, Soppe]/2 Absent [Amundson, Smith]) Motion carried.

Mr. Wall stated the committee has patched up the budget for another year and he discussed some of the problems in southern Oregon relying on monies that have now been yanked. He reminded the committee that they said it would be fixed last year and now we are doing the same again. He thought this practice was dangerous.

Councilor Boyes talked about the decisions last year and being told there was not a problem, but now we know we are going to have a problem and we need to start working in the month of July to understand more about the taxes being up and how to work on this.

Councilor Soppe addressed a new issue concerning the Cable TV Fund being asked to be taken out and that the committee did not direct staff what to do with that money. He said his opinion was it should not be shown as spent unless for a specified project and a supplemental budget should be completed at that time. He felt if it was left as an expended General Fund item it could be very easily spent out of there without proper allocation.

MOTION: Soppe/Wall to recommend to council the Cable TV Fund not to be listed as fully expended in the General Fund, but put into contingencies instead, therefore requiring a supplemental budget to be used.

Mayor Andrews asked if this changes the budget.

Mr. Bennett replied there would be some loss from the expendable line item to a contingency and it would need a supplemental budget to access the money. He said it does not change the budget it just moves the dollars around and the process to acquire it.

VOTE: To move the Cable TV Fund money into a contingency instead of showing it as expended in the General Fund. (10 Yes/2 No [Adams, Rierson]/2 Absent [Amundson, Smith]) Motion carried.

Councilor Palmer addressed the letter from Ms. Estelle Fromm concerning travel and training costs. He thought it might be helpful to develop an accounting process to have expenditure types of items for each department for things like capital outlay for computers and travel and training. He thought it would be helpful for comparing Newberg to other cities as far as spending and percentages.

Mr. Bennett replied that could be done but it just depends on how they want to see the items grouped.

Councilor Currier mentioned a policy that used to be in place to monitor training and travel outside of the state, stating that all travel outside of Oregon would have to be approved by council.

Chair Reardon agreed it was a valid idea to have a policy like that in order to look at things in context, plus it keeps everyone thinking. He also thought the category breakdown for comparison would also be worthwhile to look at.

Ms. Comfort agreed it might be helpful but she also warned that some things need to be looked at in context and lumping things together might not be as accurate from one department to another because there are different uses.

Discussion continued about travel and training and how to create an itemized list for comparison. Concerns were noted about comparing one department with another when they are completely different.

Councilor Currier mentioned he had been receiving several phone calls talking about the state of the General Fund because his name was associated with changing of the recorder position in newspaper and people were upset with someone getting a \$10,000 raise

Chair Reardon thanked council for inviting the committee back for advice and thanked the citizen members for coming back as well.

4. ADJOURNMENT

MOTION: Larson/Adams to adjourn the meeting at 9:31 pm. (10 Yes/2 Absent [Amundson, Smith]) Motion carried.
