

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

April 26, 2011

7:00 P.M.

PUBLIC SAFETY BUILDING

401 E. Third Street, Newberg

Members

Present:

Councilors:

Bob Andrews, Mayor
Denise Bacon
Bart Riersen
Wade Witherspoon
Stephen McKinney
Marc Shelton
Ryan Howard

Citizens:

Lon Wall, Chair
Thomas Barnes, Vice Chair
Jack Reardon

Members

Absent:

Janet Irish (excused)
Ernie Amundson (excused)

Deanna Moore (unexcused)

Staff

Present:

Dan Danicic, City Manager
Janelle Nordyke, Finance Director
Caleb Lippard, Assistant Finance Director
DawnKaren Bevill, Recording Secretary

-
1. **Call to Order:** Chair Lon Wall called the meeting to order at 7:00 p.m.
 2. **Budget Message and Overview:**

Dan Danicic, City Manager referred to the power point presentation regarding the Fiscal Year 2011/2012 budget and stated this is a challenging year for local government, not just for the City of Newberg but is affecting local, county, and state levels across the country. This is a budget that to the best of its ability will address the needs of the community while remaining balanced. Mr. Danicic explained the Oregon State Budget Law states the City budget must be balanced and as the City Manager, he is personally responsible for over spending the budget.

Mr. Danicic gave an overview of the City government, details of the budget and outlined the recommended changes in the budget in order to perform services within expected revenue for the coming year. A copy of the Budget Document is given to each Budget Committee member and is posted on the City website and at City Hall. The opening information consists of demographics and fiscal policies. The Budget Overview contains key elements of the budget message. The Financial Overview has a description of each fund in the City as well as information on revenues collected for property taxes and debt funds; loans the City has regarding capital improvement work that has been done over the last 20 years. City Services includes the department overviews, the work they've done over the past year and the work they anticipate

doing in the coming fiscal year. The section on Administrative Support Services shows the balance of the funds, such as business, finance, and human resources.

Mr. Danicic explained the difference between Capital Improvement Projects (CIP) and Capital Outlay; CIP includes large infrastructure projects such as roads, sewer, water and stormwater. Capital Outlay are one time expenditures, such as for a vehicle, computer, and software are some examples; anything over \$1,000 as a one-time purchase.

The Supplemental Data section include line item detail, capital outlay, and compensation; the salary for each position. The last section of the Budget Document is the Glossary which contains the acronyms used by the City.

Mr. Danicic reviewed Debt Service Funds and explained the current total outstanding debt principle is \$29 million. State Law allows a government agency up to 3% of your market value in debt. Currently, 3% real market value means the City could be at \$60 million of debt and still be within State guidelines. The annual debt payments are approximately \$3.1 million per year for all debt. The debt is paid by revenue coming from the General Fund, along with water rates, system development charges (SDCs) that are assessed on new development, and wastewater rates. The revenue from those funds to support paying debt is \$17.7 million. The City's debt to income ratio is 17.5%; local government looks at 20% as the ceiling. The question then becomes do you pay as you go or debt finance. The projects that have been debt financed include the following:

- Public Safety Building
- Fire Station 21
- City Hall seismic upgrade and remodel
- Water Reservoir
- Water Treatment Plant Expansion and River Crossing
- Wastewater Treatment Plant Rehab and Expansion

Every action that the City takes is covered in the Line Item Detail which includes:

- Revenues
- Staff Cost
- Materials and Services Cost
- Debt
- Newberg Animal Shelter Friends Account
- Library Friends Account

The overall budget must be balanced and cannot be exceeded. Accuracy in line items varies and sometimes an issue arises that goes over the budget and that is why there is a Supplemental Budgeting process 3 – 4 times per year that needs to be approved by the City Council and then implemented.

Mr. Danicic reviewed the City Organization as follows:

General Fund:

- Police
- Fire
- Library
- Planning

- Communications (9-1-1 dispatch center)

Revenues for the General Fund come from Property Taxes, Franchise Fees, State Revenue Sharing, and miscellaneous fees and permits.

The Public Works Funds is responsible for:

- Transportation
- Water
- Wastewater
- Stormwater

Revenues for the Public Works Fund come from State Gas Tax, Utility Rates, and Development Fees.

In between the General Fund and the Public Works Fund is Central Services (Administrative Support Services):

- Administration
- Finance
- Information Tech
- Legal
- Fleet
- Facilities

Central Services expenditure are prorated and broken down by fund.

Public Works have some budget challenges but not as challenging as the General Fund. Revenues have not kept up with projections; water is 10% below and wastewater is 2% below projections which is important because rates are set on a two-year cycle. When the rates were estimated for Fiscal Year 10/11, the actual revenues were less than projected. The lack of appropriate rate increases in the 1990's (ten years of zero increase) resulted in the need to implement rate increases each year since 2001 in an attempt to catch up. The lower revenue results will have a ripple effect in the following years as we potentially fall further behind. A rate increase has been adopted for FY 11/12. The average residential customer will experience a 15% increase.

Public Works – Capital Projects:

Wastewater:

- Treatment Plant Rehab
- Wyooski Street Pump Station Property

Transportation:

- College Street Pedestrian Improvement Grant
- Sheridan Street Repair
- Everest/HWY 219 Improvements
- Deborah Road Safe Routes
- Pavement Rehab Overlays

Water:

- Backlash Pond Liner
- North Valley Reservoir Seismic Repairs
- Well Field Control Structure Replacement
- Springs Divestiture or Improvements
- Future Treatment Plan Geotech Study

Stormwater:

- Vermillion Street

Capital Outlay One-time Expenditures:

Computer Related:

- Computer related improvements are needed for critical servers (\$94K),
- Miscellaneous computers/software (24K).

Public Works:

- Aerial Photos (\$4K)
- Wastewater Plant (\$35K)
- Water Plant (\$75K)
- Operations New Truck (\$27K)
- Maintenance Vehicle/Equipment (\$205K)
- Facilities Repair (\$30K)

Library:

- Children's Room Remodel (\$120K – Donations)

Fire:

- Four AEDs (\$6K)
- Ambulance Retrofit (\$220K)
- Station 20 Upgrade (\$810K FEMA Grant).

Police:

- Patrol Work Stations (\$24K)
- Patrol Vehicles (\$60K)
- Forensics Equipment (\$5K)

Mr. Danicic stated the General Fund revenue has been decreasing since Fiscal Year (FY) 08/09 and expenses related to utilities, health, and retirement have steadily increased.

The property tax bill includes more than just the City; it includes the School District, Park District, and the County; only 28% of property taxes come to the City to fund the General Fund. The projected revenues just from property taxes are \$5.8 million while the total cost to provide Police, Fire, and Dispatch is \$9.8 million. Property taxes cannot keep up with the public safety costs due to the law. He explained the real market value versus the assessed value.

Outside Budget Requests:

Tourism Fund (Transient Lodging Tax):

- Tourism and Community Support (consider allocating funds in June)
- First Friday Art Walk for trolley operation (consider allocating funds in June)
- Newberg Camellia Festival
- Old Fashioned Festival
- Visitor Center

Community Support (General Fund):

- Newberg Downtown Coalition
- Chehelem Valley Transit
- Your Community Mediators of Yamhill County
- Miscellaneous Unallocated funds come out of the General Fund.

Actions taken to balance the budget include no cost of living increases, no step increases, and no sick leave incentive. Staff reductions from the General Fund include an Assistant Planner, Court Clerk, P/T Finance Secretary, Contract Prosecutor (City Attorney to take on role), and 2 P/T Library Aides. Staff reductions from Public Works include a Maintenance Assistant Supervisor and a Senior Engineer. Positions reduced to part-time are an Engineering Secretary, Engineering Tech 2 (two positions), and the Planning Department Office Manager. Other staff changes include a full-time Finance Secretary moved to Utility Billing fund and a vacant IT Technician position will be filled with a contract employee without benefits. The total reduction is \$982,750 leaving a General Fund Contingency of only \$25,542; although there should be at least 3 months of operating revenues in reserves at all times.

Everything Mr. Danicic has read tells him the private sector recovery looks to be in the year 2013; City government in 2015; thus four more years of budget challenges. The City will be faced with fewer staff, more part-time positions, more volunteers, and reduced service levels over the next two years. In the coming year the City must closely track the budget and make adjustments through the year, not just at budget time and must also seriously discuss and consider increased taxes such as the Transient Lodging Tax or Operating Levies.

3. Public Comment:

Chair Wall reminded the public there is a 5-minute time limit for comments.

Pat Haight stated Newberg is in trouble financially, even Dan Danicic, City Manager, and Lon Wall, Budget Committee Chair has said so. The State of Oregon is also in financial trouble. But like the State of Oregon, the City in its ignorance put off the water plant all the way back in 1992, which today the City Manager says will cost much more now than it would have in the past. In the past the City has refused to plan for expenditures and became more dependent on system development charges. The city didn't put any money away for a rainy day fund. The City borrowed more money, throwing away millions of our dollars in interest payments. Newberg may be at the point of no return. It's time for the Budget Committee to do something about it and say no, not this year to the City staff that has spent more money than they had and even more than was budgeted for, such as the Baker Rock Property which cost \$2 million. How will they pay it back or any of the loans for that matter? There are no SDCs coming in anymore but dependent upon the citizens to pay for the loans. Norma Alley, City

Recorder spends her time going to Costco, Michaels, and IKEA. We do not have any more money; cut staff instead.

Jadene Stensland thanked Dan Danicic for his presentation. The Budget Committee will have many tough decisions to make, but asked them to make them. She appreciates the information given and the community needs to change their lifestyle in order to help with the budget. The community needs to be more informed. Ms. Stensland suggested non-profits pay a portion of property taxes.

Roger Wiltshire stated there are 7 Council members present and only 4 public members present on the Budget Committee tonight which disturbs him. He referred to the proposed budget and as he compares it to the Mayor's Minutes from the water bill he received advocating there has been a dramatic variation between real market values and taxation values. He noticed that in the current proposed budget that the individual that prepared it, and that is the individual which is the City Manager, which he has asked for his firing on numerous occasions in City Council, indicates on page Roman numeral v. that the 2010 census information is not available and then he goes on to the next page which says the census bureau 2010. He has a problem with this idiosyncrasy of inconsistency. He demanded from this committee that they require this preparation of the person who wrote this document be consistent and accurate because if they are not accurate and they're inconsistent he has absolutely no trust in anyone of this City giving the public information. In the last committee meeting, he heard a statement from an individual of the staff and when asked a question by this committee regarding a particular figure and the reply was, "I don't know but it was a lot." Now that Accounting Clerk that is sitting in the position of a Financial Director could not give the figure. Roger's position is this committee needs to take a recess and direct that individual to go get the figure and bring it back to this body. That is a Kindergarten response and he wants an adult answer.

Zach Williams represents the Fire Fighters of the Newberg Fire Department. The department is operating off an operations budget from 2008 and it will at some point not be able to operate at that level any longer. In future considerations, please research other funding mechanisms to support the General Funds operations. There are certain services the public relies on for safety.

Public Comment ended at 8:06 p.m.

4. Fund Requests Presentations:

Robin Anderson, Director Chehalem Cultural Center, and Bryan Stewart, City employee, represent the Newberg Camellia Festival. Ms. Anderson stated with support of the City and the Cultural Center, they were able to double the attendance from last year and were able to identify new revenue streams to support the festival. Ms. Anderson asked for the City's continued support since it will also help bring tourists in during the festival. Mr. Stewart stated Newberg is unique in being the Camellia City. The Joan Austin Sports Complex, The Allison, several nurseries, George Fox University, Chehalem Park & Recreation, and the Newberg Downtown Association were among those involved from the community. The American Camellia Society President and Appointees are making a special visit to the City of Newberg next year to scout out potential locations for the National Convention that is held annually.

Russ Thomas, Old Fashioned Festival Chair for 2011, stated the festival is in its 31st year, which averages an attendance of approximately 40,000 people. It is a significant fundraising opportunity for some of the local non-profits such as the Volunteer Fire Department and Rotary who partakes and assists in the festival. The funds that have been supported by the City of Newberg have been used exclusively for the fireworks display, which cost in excess of \$10,000; the entertainment and staging that is done in preparation for that costs an addition \$4,000. It is one of the largest firework displays in the State of Oregon. Mr. Thomas asked for the continued support for the community.

Doug Pilant, Chehalem Valley Transit Executive Director is grateful for the opportunity to be of service to the community. There are many different parts that have made it successful. Leslie Lewis, Yamhill County Commissioner stated it is her pleasure to be the liaison to the transit portion of the County Government. She thanked Newberg for the services provided in the area. CVT operates from Tigard to McMinnville. This past year the routes have changed from 1 fixed route to 4 fixed routes which used to take an hour and twenty minutes, but now are much shorter and conducive to ridership. Two providers in the County are YCAP and CVT. During the past year, CVT now provides all fixed routes in Yamhill County and provides Dial-a-Ride. Of the \$18,000 allocated, all will be used in Newberg.

Mike Ragsdale, Executive Director of the Newberg Downtown Coalition, and Dennis Lewis, Board Member, presented a short slide presentation. The NDC has been happy to provide activities for the downtown. The Coalition accomplishments include the creation of a historic downtown walking tour; played an active role in planning the Newberg Cultural District, as well as provided volunteers for the Project for Public Spaces presentation; established an economic restructuring committee to attract and retain businesses downtown and launched www.newbergdowntown.org website that promotes downtown businesses and events, as well as provide a platform for coordinating revitalization efforts. The Coalition created a suggested downtown paint color palette for merchants and business owners; enlisted George Fox undergraduate students to conduct market research for downtown and engaged George Fox MBA students to create a business assistance program to provide training and other assistance to downtown businesses. Further accomplishments include encouraging business referrals by bringing business owners together weekly through our Merchant to Merchant program; formed a design committee to provide business and citizen recommendations to the City for physical improvements; and organized a promotions committee to work on special marketing efforts and events to draw people downtown and to help downtown businesses attract customers. Mr. Lewis stated the real value property makes a huge difference in the tax base. If the downtown continues to be improved it is a win-win for the entire community. There is an agricultural community that is growing; an art community in this area and with the downtown being the center focal point, if you invest in the infrastructure of the community it will be advantageous.

Marlena Bertram, Your Community Mediators of Yamhill County, stated the research article from the Association for Conflict Resolution shows the effects of conflict mediation and indicates people who use mediation are more likely to stop using police or court resources in the period following mediation. She provided a statistical breakdown of the cases handled in 2010 according to the case type and referral. The case value increased over the year by 8%. Last year they served 52 cases; 171 Newberg residents for a case value of \$14,661. They are now charging for parenting plan updates and are initiating a Work Force Partners Program to provide conflict resolution training and human resource support to business staff. Leticia Duran stated another program called the Youth of Yamhill County is a class for youth incarcerated at the Detention Center on conflict resolution.

5. **Next Meeting:** The next Budget Committee Meeting is on May 3, 2011, Public Safety Building, 7:00 p.m. Public Comments will be received.
6. **Adjourn:** The meeting adjourned at 8:40 p.m.

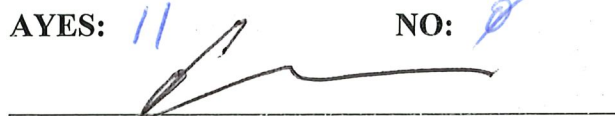
Approved by the Newberg Budget Committee on this 27th day of September, 2011.

AYES: 11

NO: 0

ABSENT: 3 (Howard Witherspoon Irish)

ABSTAIN: 0


Budget Committee Chair