

CITY OF NEWBERG BUDGET COMMITTEE MINUTES

May 10, 2011

7:00 P.M.

PUBLIC SAFETY BUILDING

401 E. Third Street, Newberg

Members

Present:

Councilors:

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

Citizens:

Lon Wall, Chair
Thomas Barnes, Vice Chair
Jack Reardon
Janet Irish
Deanna Moore
Ernie Amundson

Members

Absent:

Helen Brown (excused)

Staff

Present:

Dan Danicic, City Manager
Janelle Nordyke, Finance Director
Terry Mahr, City Attorney
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. Approve April 26, 2011 Budget Committee Minutes:

The Budget Committee will vote on the April 26, 2011 minutes at the next meeting Budget Committee meeting.

3. City Manager Response to Questions posed on May 3, 2011:

At the last meeting, Mr. Barnes asked why the salary numbers are higher despite holding salaries to zero increases for the coming year. Mr. Danicic explained it is due to a residual effect of this current fiscal year. The General Fund employees received their cost of living increases in January of this fiscal year. In essence, at the end of this year, salaries as far as the budget is concerned are increased by the 1½% COLA that was provided to staff.

Thomas Barnes stated the estimated actual is over \$250,000 more than the budgeted amount. Why would the City budget more than what the actual is. Mr. Danicic explained if there were no raises given in this fiscal year; the same would be budgeted with no increases. The other change that occurred was in exchange for a reduction in the contract approved cost of living for the Police Union, they agreed to postpone their 1½% raise to this fiscal year.

Mr. Danicic also answered the question as to why the Police Chief was receiving a reduced \$250 in compensation, explaining that is a residual effect of the decision not to provide sick leave incentive pay which Chief Casey is eligible for. The combination of recognizing the 1½% increase in January and backing out the sick leave incentive that would normally be budgeted for him, the net effect in this coming year he will receive \$250 less in his end-of-the-year paycheck.

Mr. Danicic referred to page 19 of the budget and addressed the question posed at the last meeting regarding debt. This section of the budget accounts for every debt that the City is obligated for currently. The total principle is \$29 million and the total future interest is \$11.4 million. The City Council recently accepted an \$11 million loan from the State of Oregon – DEQ, which becomes due at the end of the project and is not shown here. If that amount is added in today, it is \$11 million of principle and about \$4 million in interest over the life of that loan. That brings the City to \$40 million of principle due and \$15.8 million in interest; together totaling \$66 million. The City is not obligated for the remainder of the WWTP expansion because the City has not applied for it yet.

Councilor Shelton asked when the debt will be retired for the WWTP. Mr. Danicic replied if the City does not acquire any more debt it would be paid off around the year 2031. The next debt that begins to be retired is in year 2016.

Mr. Danicic addressed the question regarding credit card fees and explained the City uses two different entities to process the credit card transactions. One of them is tied directly to Springbrook Software, the finance accounting software, which charges a set fee. The City is currently working with them to negotiate something better. A different provider is used for the Court and Library to reduce fees. The policy decision on using credit cards for transactions does cost money but is convenient for the public and saves staff time. The business license program has been moved to using credit cards and being able to renew on line which is an incredible savings of time for staff. Utility billing eases the process online as well, and helps the City acquire the money more quickly. Ultimately, it is a policy decision on whether or not to provide that service.

Councilor Ryan suggested one option would be to add a surcharge for credit card payments. Janelle Nordyke stated that option is now available.

Mr. Danicic addressed the questions regarding trips to Costco, Fry's, etc., and stated he did a comparison of purchases online versus the trips made to purchase items and in 2009/10 the ratio for office supplies was 30% and in 2010/11 it was 18%. Staff is using their best professional judgment to compare buying online products or purchasing locally. Looking at the low percentage, there is no pattern of abuse and he can mandate using a City vehicle for purchases to cut back on paying mileage to employees.

Mr. Danicic spoke with the Chamber of Commerce Executive Director who stated she was open to the concept of paying for the Camellia Festival and the Trolley. The Chamber is required under their contract for the Visitor's Center to provide a copy of their business plan for the coming year and those elements will be included in it.

4. Public Comment:

Hank Grum stated he is speaking for himself and on behalf of Pat Haight. He commented on Mr. Danicic's correction to Mr. Grum's statement at the last meeting regarding the \$50 million amounts to be spent for effluent water reuse and that Mr. Danicic had said there were no such funds. Mr. Grum brought excerpts from the DEQ loan document R-68-820 signed by the City Manager, Dan Danicic, on January 6, 2009. On page 2 it states the effluent pump stations need to be doubled in capacity. Page 6 states the total estimated cost for the project is \$55 million for design, construction, and administration

plus \$3 million for neighboring property and other unnamed Public Works and City functions. Page 7 refers to recycled water distribution piping which he believes is for effluent reuse. Page 8 states piping for recycled water to the Chehalem Glen Golf Course. The document also states Phase II distribution piping may include Sportsman Park, Friends Community Cemetery, George Fox University Athletic Field, and the Springbrook development in northern Newberg. Mr. Grum requested an answer and an apology.

Roger Wiltshire stated on Tuesday, May 3, 2011 he asked questions that have not yet been answered. What is the current dollar amount of the revenue source known as Traffic Fines? Where can it be found in the proposed budget and what is the current dollar amount in the current proposed budget? Mr. Danicic explained the Traffic Fines are a line item in the budget and are found in Fund One which is located in any of the published budgets in the Supplemental Information section. The uncollected traffic fines are not an activity that is done because the City is not a private business and does not operate on revenues and losses and it is not in the budget. The books and accounts are not all online but if Mr. Wiltshire would like additional information he can fill out a Public Records Request and that information will be gathered for him.

Pat Haight stated she has made many contributions to the community in Newberg and Dundee. She went to Rick Waters at DEQ who explained the project has been approved at \$55 million.

Chair Wall closed public comment at 8:06 p.m.

5. Budget Committee Deliberation:

Jack Reardon stated the expenses have been increasing steadily each year for the past 4 years and the beginning balance is going down, coming to a point of less than a million dollars for the beginning fund balance very quickly. Research should be done regarding benefits and how they relate to what is happening elsewhere and suggested talking to other City Managers. Dan Danicic explained that last year insurance for non represented staff was changed to save the City money and staff is always looking at the health plans available and the cost sharing. The 90/10 split is a concern for different classes of employees because of the contracts built around it. Some fellow City Managers have stated they are still at 100%. On the public side it is most often 80/20. Private firms also pay from 50% – 100%. That will continue to be researched in the future while maintaining the quality of employees.

Councilor Bacon does not want to see two classes of people in terms of employees and benefits. Jack Reardon respects Councilor Bacon's opinion, but the realities are the cost of health and PERS are rising faster than other expenses. The benefits are creating a major problem in this country and cannot be ignored.

Janet Irish does agree that is the problem but if too drastic of a change is made and employees are lost, it costs much more to replace that employee. Her concern is the \$25,000 left over at the end of the year and would feel better if that could be increased if even just by \$10,000; the carry over needs to be increased.

Councilor Witherspoon stated there are several fairly large contingencies such as waste water and facilities and asked what is the policy in regards to mandating percentages to help offset cuts or can money be moved to help bolster the General Fund contingency. Dan Danicic replied there are specific state laws for spending utility money into the General Fund but the money can be loaned and those monies would need to be paid back plus interest. If the \$25,000 is spent, he would apply for a Supplemental Budget with the City Council to borrow money from the Utility Funds to place into the General Fund.

Councilor Howard stated this is his first budget cycle and agrees with what has been said. He does not see revenues increasing without an increase in rates, so drastic changes need to take place. He thanked staff for the work that has been done on the budget and although costs have been reduced, he hopes the City is ready for more cuts next year.

Thomas Barnes is retired and on a fixed budget but does not believe the City should wait until next year; changes need to happen now. The City needs to start coming up with a plan; identify the cuts made and look at ways to generate more revenue right now.

Councilor McKinney feels there are still some capital expenditures that can be reduced in this budget. The City needs to preserve the personnel and agrees with Ms. Irish regarding the cost of replacing personnel. The Camellia Festival and purchasing a new street sweeper are just a few examples of what can be postponed to another budget year. He appreciates what the Budget Committee has done in mitigating this budget.

Deanna Moore commented as a citizen, business person, and a tax payer she would like to see cuts as much as possible so next year if she is asked to pay more for utilities or licenses, she would be willing to do that if she sees that everything has been done that can be. It is an economic reality.

6. 2011 – Budget Adoption:

MOTION #1: Barnes/Rierson moved to approve the following: The Budget Committee of the City of Newberg recommends to the City Council to approve the 2011-12 Budget as amended and to impose the taxes provided for in the approved budget at the rate of \$4.3827 per \$1,000 of assessed value for general operating purposes and \$425,000 for Debt Service, and that these taxes are hereby imposed and categorized for the tax year 2011-12 upon the assessed value of all taxable property within the City. (13 Yes/ 0 No/ 1 Absent [Brown]) Motion carried.

7. Next Meeting:

Mr. Danicic explained after the adoption of the budget, the Budget Committee usually meets together in January to see how the budget is progressing and then meet again in April or May, but given the state of the budget he proposed meeting in October, at the time the fiscal year books have been closed out and the actuals are available. The committee agreed.

Mayor Andrews believes with the numerous comments brought forth in concern to revenues, he challenged the public to share their ideas as soon as possible regarding cuts and/or revenue sources. He encouraged the citizens to bring ideas to the City Manager and/or Finance Director to help not only identify the problems but to also offer suggestions.

8. Adjourn: The meeting adjourned at 8:55 p.m.

Approved by the Newberg Budget Committee on this 27th day of September, 2012.

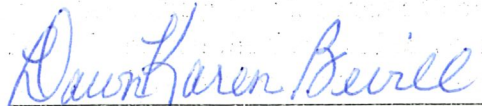
AYES: 13

NO: 0

ABSENT: 1

ABSTAIN:


Budget Committee Chair


Recording Secretary