

**CITY OF NEWBERG BUDGET COMMITTEE MINUTES
TUESDAY, SEPTEMBER 27, 2011
7:00 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

Chair Lon Wall called the meeting to order at 7:03 PM.

II. ROLL CALL

Members

Present:

Councilors:

Bob Andrews, Mayor
Denise Bacon
Stephen McKinney
Bart Rierson
Marc Shelton

Citizens:

Lon Wall, Chair
Thomas Barnes, Vice Chair
Helen Brown
Jack Reardon
Janet Irish (arrived at 7:06 PM)
Ernie Amundson
Deanna Moore

Members

Absent:

Ryan Howard (excused)
Wade Witherspoon (excused)

Staff

Present:

Dan Danicic, City Manager
Janelle Nordyke, Finance Director

Terry Mahr, City Attorney
Jennifer L. Nelson, Minutes Recorder

III. COMMITTEE BUSINESS

1. New Agenda Format / Public Comment Procedure

Chair Wall spoke of efforts to standardize city meetings, agendas, and forms.

2. Membership Terms / Renewals

Ms. Janelle Nordyke, Finance Director, announced both Chair Lon Wall and citizen member Mr. Jack Reardon terms are expiring and they have been asked to reapply. Anyone else interested in applying can find applications from staff or on the website.

IV. PUBLIC COMMENTS

None.

V. CONSENT CALENDAR

1. Approval of April 26, 2011, Minutes

MOTION #1: Andrews/Barnes approving the Consent Calendar including the Budget Committee minutes from April 26, 2011. (11 Yes/0 No/3 Absent [Howard, Witherspoon, Irish]) Motion carried.
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2. Approval of May 3, 2011, Minutes

MOTION #2: Moore/Shelton approving the Budget Committee minutes from May 3, 2011. (11 Yes/0 No/3 Absent [Howard, Witherspoon, Irish]) Motion carried.

3. Approval of May 10, 2011, Minutes

MOTION #3: Barnes/Moore approving the Budget Committee minutes from May 10, 2011. (11 Yes/0 No/3 Absent [Howard, Witherspoon, Irish]) Motion carried.

VI. CONTINUED BUSINESS

1. Review / Recap of the Financial Status

Mr. Daniel Danicic, City Manager, presented the staff report. He stated the books have been closed, the actual numbers are being received, and the auditors are crafting their response, which they are sure will be positive. Auditors did find a few policy procedures in need of being tweaked. The next Budget Committee meeting will not be until January but there are a few things to think about until then. In general revenue is up 1.2% above last year, which is good; but, other costs are rising at a greater rate, such as the 37% drop below projections for the telephone franchise fee. Dan continued by reporting the transient lodging tax is 10% above what was expected, but warned this will probably plateau since it has been a year and a half now since The Allison opened doors; the same is not anticipated for next year. Expenses are also 21% below what was budgeted, which he attributed to staff being diligent in purchasing, staff cuts, and the decision to not fill staffing vacancies right away. With utility funds, stormwater came in close to the budgeted amount being only .25% above and expenditures were 15% below budget, wastewater was 3.5% over budget and 17% below on expenses, there were concerns with water revenue being 8.5% below projections, but a 23% reduction in expenditures helped maintain the 1:1 debt ration for this year; adjustments will need to be made for next year's budget if this debt ratio does not continue to be met; the Citizens' Rate Review Committee (CRRC) will be meeting to take this into consideration.

Councilor Bart Rierson stated the more something costs, the less people will make use of it; so as rates are raised, people will use less water; he wondered if lowering the rates may cause them to use more. Mr. Danicic agreed this is the paradox they face when raising rates to cover costs since others have raised rates as a disincentive for using water when conservation was the goal. There is also a point when you risk losing the customer because the rates are too high, but lowering the rates to see if it balances out is not something he is sure we are ready to do. They are not sure if the reduction in use and revenue is a result of the cool summer or if the economy has forced customers to conserve to save money.

Councilor Stephen McKinney asked about meter readings; if we are reading fewer than we were and if there is a way to predict how many meters will be used or read. Mr. Danicic stated he did not think there is a way to predict unless they can project the population will continue to increase; at this point there was a reduction in population and only a recovery in the economy will get people moving back and getting businesses up and running, which should increase the meter reading.

Chair Wall wondered if there was a way for the CRRC to know how much of the decrease in water use was from the climate or other factors. Mr. Danicic said to turn to page 24 to look at the graphs showing the number of accounts since 2007 and noted graphs indicate the delinquent notices and shut offs have also increased, too.

Mr. Ernie Amundson asked how long the shut offs last before people can afford to turn the water back on. Ms. Nordyke said there are some going multiple days without water, sometimes four days; it is hard to tell, but she guessed it may be five people a month. Staff said they would look to see if this data is available. Councilor Marc Shelton asked about delinquent notices. Ms. Nordyke said there are averages of five hundred delinquent notices going out every month, and at least half are to repeat customers; there is a \$15 delinquent fee collected for costs of sending the letter.

Councilor McKinney asked if new vacancies are causing the shut offs or if the shut offs are because of delinquencies only. Ms. Nordyke said there is an average of 140 shut offs on shut off day with payment being received for 100 which are turned on that same day; but, there are some that are because someone is no longer living there or banks have foreclosed. The majority that do not pay are because they are no longer living there. Businesses or persons closing accounts are not included.

Ms. Helen Brown asked about ways for people to access help to pay their water bill so families are not going for weeks without water. Ms. Nordyke said there is some assistance, but it is limited and although a lot ask for help, a lot also got without or get water from other means.

Mr. Danicic said they are trying to assess the reduction in water use and looking at the graphs winter usage is consistent and the population fairly steady and water use per capita; but there was a change in the summer time peaks from this July at four million gallons a day from 4.8 million in July 2008. Since there has been a trend in the last four summers, without population being less, then there is definitely conservation in usage.

Mayor Andrews spoke of a decline in business licenses and asked for a reason. Mr. Danicic stated staff is looking into this, but it will take some staff time to go through the records and determine why the numbers decreased so much. He continued with his staff report regarding building permits averaging five to six per month, contract services to Dayton and Lafayette, and calls for service for police and fire increasing, as well as check-outs and use of the library.

Ms. Deanna Moore asked if the number of check-outs also includes online check-outs when discussions began regarding the library. Mr. Danicic replied he believed it does.

Mr. Amundson asked about library revenue vs. expenditures and asked about the number of clients costing the City more. Mr. Danicic said three years ago they closed the library one day a week to reduce expenditures, they reduced staff to primarily part-time employees and volunteers; there is small revenue, but overall the costs are more than what is being brought in.

Ms. Janet Irish asked where revenues would show up. Mr. Danicic referred to page twenty-six where the actual salaries are quite a bit higher because there was a greater demand and they hired more. Ms. Nordyke pointed out on pages thirty-five and thirty six are combined for the library; salaries went up on thirty-five and down on thirty-six as a result of Library Director Leah Griffith doing some shifting in responsibilities. Ms. Irish asked about the difference between library administrations vs. public services. Staff replied that accounted for the hiring of the library assistant director.

Mr. Danicic continued with his report with the reduction of staff and the City Hall hours of operation on a six-month trial to be assessed for community inconveniences or success. Mr. Amundson asked how this affects the hourly or salary wages. Mr. Danicic replied staff is still expected to work their forty hours, but it allows for staffing the front counters to be a combination of salary and hourly. Mr. Danicic mentioned they also reduced capital projects overall as well.

Councilor McKinney asked about the majority of the budget cuts being made since 2008 and the impacts felt in the Capital Improvement Plan (CIP) reductions in the last three years. Mr. Danicic replied the first two years

was from CIP postponements or cancellations, last year was from a reduction in personnel. Councilor McKinney asked about the enormous transportation costs in the 2007-2008 fiscal year within the graph on page twenty-five. Mr. Danicic replied that was the year of the Mountainview Drive reconstruction and the roundabout by The Allison which was a big project.

Mr. Danicic continued with his report looking towards the future for the coming budget. He said they will find staff continuing to be careful of line items for materials and services costs, another year of personnel costs will be under budget as they have not allocated any cost of living or step increases and vacancies are open longer with new hires being brought at lower levels. There was a recent analysis and reorganization in the engineering department resulting in a reduction of two positions and the maintenance department is next to be evaluated. He said recovery has been slow and grueling, but positive overall. There had been talk of being back to where things were in 2007 by 2014 in terms of putting the budgets together, but they may need to add two more years to this prediction. They need to have the public understand they will begin to see longer service times, but they are working to best keep public services response as quickly as possible, but the front counter needs assistance; citizens will have to be prepared. The tougher discussions will be about the dispatch center being funded by the City, contracted out, or applying an operating levy for service as well as the dreaded fees and taxes discussions to increase strategically. Dan wants to provide monthly reports for the committee and this is a template of what he will provide so they can see ups and downs and shut offs and calls for services, etc.

Mr. Thomas Barnes asked about the Comcast cable fund and how much, if any, was left. Mr. Danicic replied there is about \$35,000.00 in Yamhill County set aside and it could go up if there is not a favorable end of budget for the City; if everything is positive overall for Comcast, and the same for other utilities. Mr. Barnes asked if this is all in the General Fund; Mr. Danicic replied yes.

Councilor McKinney asked about auditing Comcast and others and if that would reduce the \$35,000.00 to Comcast. Mr. Danicic said it is a property tax refund question for how revenues are calculated and proportioned to our franchise fees.

Ms. Irish asked about an operating levy or project levy and how far out decisions would be; a one year cycle or three to four years out. Mr. Danicic said they can do it in one year, but providing public information adds length to the process.

Mayor Andrews asked what is anticipated for property taxes coming in greater or lesser in this year. Mr. Danicic expects a three percent increase next year; they estimate ninety-five percent of the maximum and this year they allocated ninety percent and did pretty good. They will see what comes in.

Mr. Amundson asked if the ambulances are separate from or all under one for the fire department on pages thirty-two through thirty-four. Mr. Danicic referred to Fund 5 for emergency medical services.

Ms. Moore asked where the figures for business licenses are. Mr. Danicic stated Fund 14 on page fifty-five and said businesses can be cited for not having licenses. Councilor Denise Bacon spoke of no longer noticing for renewals and said follow up was needed with code enforcement. Ms. Nordyke added everything is online now for this and with emails changing, some do not get notified. Ms. Moore asked if there was a way to set up an automatic deduction for this; Ms. Nordyke said it is a different process but a good suggestion.

Mr. Jack Reardon referred to pages forty-seven and forty-nine and the difference in wastewater on contract services and asked if these are bills that come later and how they can save that kind of money. Mr. Danicic said it needs to go back to contract services and they may have anticipated something, but did not do it. Ms. Nordyke said it was carry over of additional budget that was not anticipated. Mr. Reardon was concerned for something being twenty-one percent over what was budgeted with \$2.5 million disappearing and now all of a sudden reappearing. Mr. Danicic explained it is not disappearing all at once, but if they stayed the course

spending at that level and increase, past practices would hit that point, so out of this they took actions over the last fiscal year to help mitigate what we knew would be a problem in the future and staff has done a good job to push off a two million dollar deficit another year from the five years. The next fiscal year may be a half million dollars positive and the next negative; they are making changes each year to eat away at the looming deficit, so not to slash services all at once.

Chair Wall continued the discussion by asking why we are not projecting better when we are coming in twenty-one percent under budget. Ms. Nordyke replied there are many departments in the General Fund and with each department saving a little it adds up. Chair Wall added if they can do this then we can budget this year at eleven million with maybe three percent and then they will be eighteen percent under what was budgeted last year as a possible goal. Mr. Danicic said he would have to go back and look at all the line items to see where the significant savings are coming from. He added it is a matter of risk assessment and how close they want to call those numbers, especially if something unexpected happens to cause issues. Chair Wall felt it was important to be more accurate.

Discussions followed about accounting for grant monies, such as the \$800,000.00 in the FEMA grant for the fire department that only \$61,000.00 was spent. Part of that grant suddenly appears at the end of the year and there needs to be a way to recognize that money. Councilor Bart Rierson said that is money that will be spent this year. Mr. Reardon said it "muddies the water" but they still have to have it in there; he felt all the individual account savings should be commended and wondered if it can be done again to deliver that kind of budgeting again. Mr. Danicic did not think they can continue to see this as they may have reached their limit, but they can attempt to get close to it.

Councilor Marc Shelton said he appreciates the way they are looking at the 2010-2011 budgets to plan for actual numbers with a new established baseline for expenditures. He said some of the FEMA monies account for this, but the beginning fund balance is declining and has accumulated over the years. He felt they were right on track and said he appreciates that.

Councilor Rierson asked if some of the savings are attributed to staff layoffs they had not planned. Staff replied yes.

Ms. Brown added no one anticipated a whole ambulance being wiped out. Mr. Danicic agreed and said they can get as much covered from one hundred percent or at the original purchase price; since they have a well managed equipment fee they had the funds available up front and will be reimbursed.

Councilor McKinney wondered what happens in November depending on the possible success of the referendum changing the figures considerably. He said they were fortunate with the twenty-one percent, but that could disappear. Mr. Danicic replied the vote will occur in November and they will do work in January to get a sense right away of what they are looking at. There will be challenges right away with the 2009 retroactive date and they may have to stop collecting the public safety fees; they will have to make staff changes very quickly if it passes. Councilor McKinney asked if there would be any increases in the budget to meet the legal challenges and demands surrounding the referendum. Mr. Danicic replied the budget is set for this fiscal year so anything that comes up will be a supplemental budget out of contingency funds; he does not have anything specific right now but he can place updates in the regular monthly reports.

Mr. Reardon asked if they can pull the numbers for grants out and put them at the bottom so they can see the actuals. Mr. Danicic replied they did this on the revenues, but not the expenses; they can do this in the future.

Mayor Andrews wanted to go back to the discussions on the Transient Lodging Tax (TLT) and the use of the monies depending if there is extra from what is planning now. Mr. Danicic spoke of two items in this budget being the First Friday Artwalk trolley and the Newberg Camellia Festival.

VII. NEW BUSINESS

Chair Wall commented he thought they would have had some people here tonight because of the election coming up and spoke of it being better not to discuss the issues of the upcoming elections as identified members of the committee. He discussed the election of a new chair and considering nominating someone new. Councilor Rierson asked him if he was nominated and elected again if he would accept. Chair Wall replied he would.

Mr. Amundson spoke about two terms on the Budget Committee expiring before the end of year that needs to be filled before then. Mr. Danicic replied the Council fills those positions; the advertisement is out there and once the applications are received and the Council concurs, they will be filled. Mr. Reardon added he submitted his reapplication

Councilor Shelton said in looking at the General Fund baseline for expenditures they had to look at revenues as well and he hoped they could have the enforcement of the business license fee by January and possibly look into adjusting it based on the size of the business. He suggested looking at dog licenses and the TLT in this manner, addressing it from the revenue side as well

Ms. Brown spoke of living in Grants Pass previously and the business district being upset when a bypass was installed there; with traffic being diverted, many businesses failed. She said this needed to be considered if the downtown area will still be relevant if and when the bypass comes with traffic going around Newberg.

Mr. Barnes said there will be a meeting tomorrow night here to discuss the bypass. Mr. Danicic said this could result in a change with the downtown moving towards more tourist-oriented efforts. He said some businesses may close, but others will open and it has little effect on the budget if the property owners are still paying taxes.

VIII. ADJOURNMENT

The meeting adjourned at 8:28 p.m.

Approved by the Newberg Budget Committee on this 28th day of February, 2012.



Budget Committee Chair



Minutes Recorder