



**CITY OF NEWBERG BUDGET COMMITTEE AGENDA
TUESDAY, APRIL 30, 2013**

7:00 P.M. MEETING

PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)

Mission Statement

The City of Newberg serves its citizens, promotes safety, and maintains a healthy community.

Vision Statement

Newberg will cultivate a healthy, safe environment where citizens can work, play and grow in a friendly, dynamic and diverse community valuing partnerships and opportunity.

I. CALL MEETING TO ORDER

II. ROLL CALL

III. CONSENT CALENDAR

Approval of January 29, 2013 minutes

IV. NEW BUSINESS

1. Budget Message by the City Manager

2. Public Comment

(30 minutes maximum, which may be extended at the Chair's discretion, with an opportunity to speak for no more than 5 minutes per speaker allowed)

3. Time for Budget Committee to ask questions they want addressed at the following meetings of the 2013-14 budget

V. ADJOURNMENT

Future Budget Committee Meeting Dates:

May 7 Questions for Department Directors, Budget Committee Deliberations

May 14 Shared Revenues, Budget Committee Deliberations, 2013-14 Budget Recommendation to City Council (tentative)

May 21 2013-14 Budget Recommendation to City Council (tentative)

ACCOMMODATION OF PHYSICAL IMPAIRMENTS: In order to accommodate persons with physical impairments, please notify the City Recorder's office of any special physical or language accommodations you may need as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please call 711.

The Committee accepts comments on agenda items during the meeting. Fill out a form identifying the item you wish to speak on prior to the agenda item beginning and turn it into the Secretary. The Chair reserves the right to change the order of the items on this agenda.

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**CITY OF NEWBERG BUDGET COMMITTEE AGENDA
TUESDAY, JANUARY 29, 2013
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 7:00 pm.

II. ROLL CALL

Councilors Present: Bob Andrews, Mayor
Ryan Howard
Lesley Woodruff

Denise Bacon
Stephen McKinney

Mike Corey
Bart Rierson

Citizen Members
Present:

Ernie Amundson
Patrick Johnson
Lon Wall, Chair

Salvatore Bianco
Deanna Moore

Helen Brown
Jack Reardon

Staff Present:

Daniel Danicic, City Manager
Janelle Nordyke, Finance Director
Mandy Dillman, Minutes Recorder

Terrance Mahr, City Attorney
Caleb Lippard, Asst. Finance Dir.

III. COMMITTEE BUSINESS

1. Committee and Staff Introductions (updated membership list distributed at the meeting).

Staff introduced themselves.

2. Elect Chair/Secretary and Vice Chair

Floor was opened to nominate chair and vice chair.

MOTION: Rierson/Andrews to nominate Lon Wall as Budget Committee Chair. (14Yes/0 No) Motion carried.

MOTION: Rierson/Andrews to nominate Jack Reardon as Budget Committee Vice Chair. (14Yes/0 No) Motion carried.
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IV. PUBLIC COMMENTS

Ms. Pat Haight has lived in Newberg for 75 years and cares about people and businesses in this town. She feels there are things the city could be doing better to save the city and citizens' money. The city is in hard times, her Medicaid is going down and property taxes are going up, and it is hard to make ends meet for everyone. She expressed concern for the possible increase in franchise fees being too much for citizens. She encouraged the council members to ask questions tonight and not just listen. Additionally she suggested the city cut funds, specifically gas reimbursements to city employees. Ms. Haight asked how the city will pay back the money donated to the animal shelter from the wastewater money. Mr. Daniel Danicic, city manager, replied the funds allocated to the Newberg Animal Shelter came from the general fund. Ms. Haight mentioned the money came from wastewater into the general fund and asked if it will be paid back with interest to the wastewater fund.

Mr. Danicic confirmed the general fund will pay it back with interest to the wastewater fund. Ms. Haight ended her comments by suggesting they also stop buying magazines and that council members explore, ask questions, and demand answers in order to provide people in this town with better lives.

V. CONSENT CALENDAR

Approval of May 01, 2012, May 08, 2012 and May 15, 2012 minutes

<p>MOTION: Andrews/Howard to approve May 01, 2012, May 08, 2012 and May 15, 2012 minutes. (14Yes/0 No) Motion carried.</p>

VI. CONTINUED BUSINESS

None.

VII. NEW BUSINESS

1. Budget Report by the City Manager

Mr. Daniel Danicic, city manager, gave a brief explanation of how the budget committee works for new members. Mr. Danicic explained the general fund covers police, library, fire, planning, and portions of overhead in the city managers office, legal, and information technology. These programs are funded through property tax, franchise fees, and other permit fees and all the funds are prorated to the different programs. The wastewater, stormwater and water funds are all separately funded by fees, while transportation is funded by gas taxes from the state.

Committee member Patrick Johnson asked if there is a street utility fee. Mr. Danicic replied there is not.

Mr. Danicic gave a recap on changes to the general fund since 2009. They reduced staff by six positions, several employees switched to part time, reduced the number of days the library was open by one, and made changes to health insurance programs for non represented. In fiscal year 2011-2012 all employees had forgone their Cost of Living Adjustments (COLAs) for one year. In 2012-2013 non-representative staff did not receive COLAs either. They also made changes to management and reduced fire department overtime and city hall hours. At the end of 2012-2013 the unused beginning fund balance funds transfer to the next year and is estimated to be \$1,900,000.00. Last fiscal year ended with \$2,700,000.00 in the beginning fund balance. This extra money came from conservative revenue estimates, increases in development fees, increases in franchise fees, line items being slightly higher than estimated, reductions in department head spending, and by not filling voluntarily-vacated staff positions. Committee member Ernie Amundson asked what the total number reduced in the general fund was. Mr. Danicic replied there was an 11% reduction in staff in three years. Mr. Amundson asked if representative staff would receive COLAs this year. Mr. Danicic said they would this year and they would talk more about it in the utility funds.

Councilor Stephen McKinney asked if they had seen an impact in regards to the new health care act. Mr. Danicic replied it was too early to know the exact impact. Councilor McKinney asked when it would be implemented. Mrs. Janelle Nordyke, Finance Director, replied it would take effect in 2014.

Mr. Danicic referred to graphs in the information packet that shows in 2013-2014 the expenditure line and revenue line will intersect, causing the city to go negative in funds. Expenditures are increasing every year by 4%. The lines have been close to crossing for several years, and each year the city starts out projecting they will have less revenue than expenditures, but by making changes each year they have been able to push it

further out. Mr. Danicic said there is no practical way of fixing it all at once unless they are willing to take drastic measures like increase taxes significantly or lay off a third of the staff. Committee member Jack Reardon asked how the 4% increase in expenses is determined and felt the number should be 3%. Mr. Danicic replied it is increasing greater than expected and the cap revenue on property taxes is 3%. The remainder of the revenue is not subject to that cap, property taxes account for over half the general fund each year and it nets out to be 4% together.

Councilor Bart Rierson wondered where the 50% of revenue that is not taxes is coming from. Mr. Danicic answered it comes from other sources such as franchise fees for natural gas, power, telephone, and cable TV. Councilor Rierson asked what percentage they are using of this revenue projection and mentioned it seems to be rather low. Mr. Danicic replied it is a five year projection of 4% for staff cost increases. He mentioned he could provide the committee with each line item percentage.

Committee member Deanna Moore asked if the beginning fund balance going over actual reserves is what makes up the beginning fund balance at the start of a new year. Mr. Danicic explained the beginning fund balance comes from taking prior year beginning fund balance, plus current revenues, less actual expense costs, and what is left is the new amount of money not spent which is moved into the beginning fund balance of the next year.

Committee member Salvatore Bianco referred to the 2013-2014 calendar and asked if there was any kind of consideration for the potential of development when calculating increases of all other revenue than property tax, and how that might impact the estimates. Mr. Danicic replied the population growth has been flat for the last few years and looking back ten years at franchise fees would skew growth. They look back just a few years and build conservative growth expectations. They work with the planning director who has an idea of what people are planning and estimates what projects he thinks will develop.

Mr. Danicic continued to explain what options the city has to help address budget challenges. The city could increase revenues, decrease operating expenses, decrease staff, or do some combination of the three. Typically the city has decreased expenses by doing a combination of the three over the past few years. One suggestion might be to increasing the transient lodging tax (TLT). Around the country it is typical to see 10-12% and although, currently in Newberg the tax is 6%, it could be increased to 9%. That would be a \$177,000.00 increase. Mr. Johnson inquired if the money would go into tourism. Mr. Danicic replied that 17% of the transient lodging tax must go to tourism and related activities; however, Newberg gives 25% to tourism. Since they are giving more than the state requirement, the majority of the increase could be used elsewhere. Mr. Bianco mentioned non-residents traveling to Newberg that require police or fire department involvement during their stay end up costing the city more money since they are not paying taxes to support these services. Mr. Danicic agreed with Mr. Bianco; however, state law does not allow public safety expenditure to be labeled as tourism dollars. They are working to amend the language to make it possible and for road maintenance funds to also come from tourism. Ms. Moore asked if there was any data they could see on transient lodging tax percentages around the county. Mr. Danicic said he could put information on the website for the city to see. He also mentioned some revenue is increasing such as trash franchise from 3% to 5% to make it the same level as gas, cable and electric franchise fees. Councilor Denise Bacon suggested raising the tax for curb and street damage as well. Mr. Danicic agreed. Councilor McKinney expressed concern that increasing the garbage franchise fee would increase costs directly for citizens without a visible benefit for them; however, they will be adding glass to the recycling program soon and fees need to increase for that to happen, which makes sense to the consumer. Ms. Moore asked what the dollar amount being passed onto citizens will be for increased franchise fees. Mr. Danicic replied they can determine what it will be if they choose to go that path. They discussed how public utility fees must go directly into utility funds and can be loaned to the general fund, but cannot directly go there.

Mr. Danicic also mentioned a public safety fee established by the council a few years ago which was \$1.00 per residence and was enough to pay for one police officer. He suggested increasing the fee by \$3.00 over a period of three to four years. He mentioned non-profits do not pay property taxes so this would be a way to have all property owners of the city participate and it could generate \$100,000.00 if increased by just one dollar.

Mr. Danicic continued by suggesting a levy of 95 cents per a thousand, which could generate a consistent \$1,200,000.00 per year. The first year excess collected over the actual expenses would be carried over to the following years, so there would be enough to sustain the general fund for 5 years. A levy would take 12-18 months to put together, so it would not be a solution for 2013-2014. Mayor Bob Andrews asked how vulnerable the levy is. Mr. Danicic replied the cap is \$10.00 per thousand, however, after assessments it would most likely be \$7.00 with a cap of \$8.00 all combined. Mayor Andrews asked if this is assuming other agencies levies will not pass. Mr. Danicic explained other levies will be passed; they will just be reduced once the cap is met. The city works with the school district, library and others to coordinate what will be best for the community. Mr. Amundson asked if the levy is passed by voter or by council. Mr. Danicic said it is voted on by the public.

Mr. Danicic continued explaining alternative ways to reduce costs. These include reducing number of staff, decreasing services, eliminating days the library is open, or being less conservative with revenue. Councilor Ryan Howard was concerned all the options besides reducing staff do not address the divergence of the expenditure and revenue lines. He explained they need more creative ways to reduce costs and keep up with inflating expenses. Committee Member Helen Brown commented she would cut staff last. Lacking staff in public safety could cost them more in the long run, cutting down on staff means reducing the quality of service the city can provide and in turn will decrease the quality of life of Newberg's citizens. Mr. Reardon added that he feels income revenue projections have always been too conservative and underestimated. Mr. Bianco mentioned concern for the city not having enough public safety employees causing potential lawsuits for the city and if they choose that path the city would have to be very careful with how they handle themselves. Mr. Danicic clarified there is no liability to the city for not having an adequate police and fire force; instead the effects go to the citizens by home owner insurance going up. One thing to remember is by reducing staff they are not just talking police and fire, but also public works, library, emergency operation center, finance department, public safety managers, and others.

Mr. Danicic talked about the staff's need for new computers. Last year money was allocated to buy new computers because they have not been putting aside money for it for several years in place of other needs. A package is being put together to address all the downgraded computer systems. Overall \$500,000.00 will be needed to replace staffs' computers, computers in public safety vehicles, computers at treatment plants, and many more. Some of the funds will be borrowed to be repaid over five years. Mr. Reardon asked about the \$60,000.00 spent last year for computers. Mr. Danicic answered they used that money to update the server last year.

Mr. Danicic addressed a concern in which citizens are using less water in order to save themselves money and the city is taking a hit from it. Councilor Rierson suggested a reduction in summer water consumption might be due to people reusing water and wondered if that is causing wastewater to go down, therefore, costing the city less to treat. Mr. Danicic said numbers do not account for reused water. He agreed lower water usage has made it possible for the city to put off future infrastructure on the water treatment plant. Councilor McKinney mentioned water rates are increasing and consumption is down, which makes it difficult for the city to pay for the water department. Mr. Danicic agreed. Mr. Johnson asked where they were in regards to meeting the Environmental Protection Agency (EPA) requirements of the wastewater treatment plant. Mr. Danicic said they are four years into a ten year project to update the wastewater treatment plant, which will eventually cost around \$50,000,000.00 and will be paid for through system development charges from new developments. Part of the issue is cracks in the pipes leading to citizens homes. In order to fix those cracks it would cost the average home owner \$2,000.00 - \$4,000.00 a piece. Councilor Howard asked if the cracks in pipes were from bad joints

and if it was several places or just a few spots. Mr. Danicic clarified they would need to install flow monitors to see where the cracks are. They already know there are cracks in manhole covers, some of the pipes are over seventy-five years old, some are clay, some have been punctured from different companies installing cables, and they have pictures of places where some of the pipes no longer have the top half attached.

Mr. Amundson asked if they would be spending \$14,000,000.00 to update the wastewater treatment plant in 2014. Mr. Danicic replied they have spent that much over the last five years and money has been allocated to pay it back a little each year. To replace the entire wastewater treatment plant would cost \$75,000,000.00 which they could not collect any time soon. Mr. Amundson asked if the money was in the wastewater fund. Mr. Danicic explained they have \$4,000,000.00 in the wastewater fund in reserve for collection, but not enough to fund the \$14,000,000.00.

Ms. Brown asked how much the fine would be if too much water was passed into the river. Mr. Danicic replied it would be upwards of \$25,000.00 a day until taken care of; however, they would most likely enter into a stipulated agreement and allocate funds to fix the problem instead of paying the full amount, which is allowed as long as the issues are rectified.

Mr. Danicic addressed more ideas to fix infrastructure needs with the flat revenue, such as increasing the gas tax similarly to the 2001 increase which provided money for street restoration projects.

Mr. Reardon wondered how the new Public Employees Retirement System (PERS) increase will affect the budget and when they will see the increases. Ms. Nordyke answered it will be effective in the 2013-2014 budget year and will be a significant increase. Discussion commenced further on PERS stating that it will go from costing the city 22% of payroll to costing the city 28% of payroll. Mr. Reardon asked if the city had discussed the possibility of the employees picking up more of the benefits. The non-public safety employees pay 6% of their retirement, whereas, the public safety employees and management's 6% is paid by the city. The Public Works Union has agreed that if the costs for health insurance increase more than 10% in a year the city pays 50% of that increase with the Public Work union employees picking up the difference. Currently 80% of the general fund goes to employee wages and benefits.

2. Budget Calendar Review and Acceptance

Discussion commenced on the next budget meeting which will be April 30th with time for public testimony and discussion, the next meeting on May 7th for department review, and the third meeting on May 14th 2013 for commencement of deliberations. The overall goal is to have the budget to council on June 3rd 2013 with time for public testimony and ready for council to adopt.

3. Time for Budget Committee to ask questions they want addressed and to give the City guidance in preparation of the 2013-14 budget

Councilor McKinney asked if a franchise fee increase were to be enacted how long would it take and if it would be purposed in this year's budget. Ms. Brown asked for time to meet with other councilors to discuss what their wish-list items are for budget. Ms. Moore wondered if they could get more information on the healthcare contracts.

Chair Wall finished the meeting by reminding council members whatever decision they make will ultimately get paid by tax payers; it is the council's job to decide which method is the most effective. He also mentioned the idea of building water fountains that could solve the water problem, create employment to build them, and would bring in tourists.

VIII. ADJOURNMENT

The meeting adjourned at 9:09 pm.

Approved by the Newberg Budget Committee this 30th day of April 2013.

First & Last Name
Minutes Recorder

First & Last Name
Budget Committee Chair

DRAFT