City of Newberg

Budget Committee Meeting

February 15, 2011

7 pm Public Safety Building

Agenda

1. Call to Order
2. Public Comment
3. Introduction
4. Department Head Presentations
5. General Fund
6. Budget Calendar
7. Adjourn

Budget Committee
February 15, 2011
FY 2011/12 Budget Development

AGENDA

1. Introduction
2. Department Head Presentations
3. General Fund
4. Budget Calendar

INTRODUCTION

This work session begins discussion of the fiscal year (FY) 2011/12 budget.

The current budget challenges did not appear overnight. We find ourselves in this situation having incrementally addressed many community needs over a period of many years. We are not alone as both the public and private sectors have been dramatically affected by the recession. Our collective optimism of the future has been shattered by the collapse of the economy.

This will not be the last word on budget development. Nor will all of the questions be answered. The development of the budget is a dynamic process. The goal of this work session is to identify the major budget concerns and potential remedial actions.

It is not expected nor desired that the Budget Committee make definitive decisions on which budget actions to seriously consider. Rather, I am looking for the Committee's level of comfort and to solicit additional ideas.

Staff can prepare a balanced budget by making logical and effective reductions. The Committee's guidance is needed to provide direction. You all are charged with balancing the needs of the overall community.

The guidance you provide tonight will be used to prepare the proposed budget that will be presentation in April 2011.

The City of Newberg
Serves Its Citizens, Promotes Safety
And Maintains a Healthy Community

GENERAL FUND

WHAT HAVE WE DONE SO FAR:

We began taking strategic steps to manage the budget two years ago.

FY 09/10

- All materials and services line items were held to FY 08/09 levels to the maximum extent practicable.
- Computer and vehicle replacement funding contributions we reduced to zero.
- Funding for 1.0 FTE was eliminated

FY 10/11

- COLA for non-union staff was delayed to January 2011.
- Insurance program change for non-union staff.
- Funding for 0.5 FTE was eliminated.
- The overtime budget for the Fire Department was reduced.
- Library reduced to five days from six days of service.
- All materials and services line items were held to FY 08/09 levels to the maximum extent practicable.

FIVE-YEAR PROJECTION:

Fiscal Year	Beginning Fund Balance
10/11	$2,141,239 (adopted)
11/12	$1,275,418
12/13	($1,239,534)
13/14	($3,341,164)
14/15	($5,296,536)
15/16	($7,227,450)

The beginning fund balance is an indicator of the state of the budget. A value greater than zero is desired. Projecting the budget out five years indicates that by FY 12/13 the general fund will be operating at a deficit that will grow by approximately $2M per year. Here is our challenge as I see it:

How do we mitigate a $2M gap within the $13M General Fund?

Options:

- Increase Revenues
- Decrease Costs
- Combination of Both

GENERAL PROGRAM FUNDS

To seek changes in the general fund, changes, reductions or eliminations must come from the following programs:

General Fund (01)

1. General Government (Council)
2. Municipal Court
3. Police Department
4. Fire Department
5. Communications (Dispatch)
6. Library
7. Planning

Admin Support Services (31) (approximately 50% allocated to General Fund)

1. City Manager
2. Human resources
3. City Recorder
4. Emergency Management
5. Finance
6. Utility Billing
7. Information Technology
8. City Attorney
9. Fleet
10. Facilities

NON-GENERAL FUND PROGRAMS

A summary of the non-general fund programs is provided for information.

Transportation (02)

Emergency Medical Services (05)

Utility Funds

1. Wastewater (06)
2. Water (07)
3. Storm Water (17)

Building Fund (08)

Communications (13) (911 tax revenue)

Economic Development (14)

REVENUE INCREASE			
Action Item	**Comment**	**Implementation** Short/Long Term	**Potential Value**
Property Tax	Current rate is $4.36 per thousand assessed value.	Long	$0.10 per $1000 assessed value = $130,000
Operating Levy	Can be only for a limited time. Established by vote.	Long	$0.10 per $1000 assessed value = $130,000
Transient Lodging Tax	Currently set at 6% for City and 1% for state. Any increase requires 70% dedicated to tourism.		$40,000 for each 1% increase.
Gas Tax	Has typically been considered to offset reduced transportation funding not for general fund.	Long	$100,000 for $0.01 per gallon tax
Municipal Court	Current net revenue $456,000 A: Eliminate Court B: Cite only traffic violations into municipal court	Short	A: Net revenue loss $267,000 B: Net Revenue gain $55,000
City Income Tax	Voter approval required. 2007 Oregon Employment Department reported total Newberg payroll of $342,653,966	Long	0.05% = $1,700,000
Business License	Change the current methodology from simple $50 per business to one based on number of employees.	Short	$20,000 increase

REVENUE INCREASE			
Action Item	**Comment**	**Implementation** Short/Long Term	**Potential Value**
Franchise Fees			
PGE	Currently 5% ($850,000)		
NW Natural	Currently 5% ($285,000)		
Frontier (Voice)	Currently 7% ($ 45,000)		
Frontier (TV)	Currently 5% ($)		Long Term viability is uncertain.
Comcast (TV)	Currently 5% ($177,000)		
Comcast (Voice)	Currently 0%		
WasteManagement	Currently 3% ($ 77,000)	Short	2% increase = $52,000
Wastewater	Currently 5% ($265,000)	Short	1% increase = $44,000
Water	Currently 5% ($224,000)	Short	1% increase = $52,000
Stormwater	Currently 0%	Short	5% increase = $33,000
Public Safety Fee	Currently $3 per residential account. Higher for commercial based on meter size.	Short	$1 increase = $100,000

EXPENSE REDUCTION			
Action Item	**Comment**	**Implementation** Short/Long Term	**Potential Value**
Emergency Services Dispatch	Contract with WCCCA to provide dispatch of police and fire.	Long	$300,000
Fire Station 21	Close this station and layoff 12 staff. This will reduce the number of multiple call-outs we can respond to.	Short	$1.1M
Library	Layoff staff with a reduction in the number of programs available to the public. Close additional days	Short	
Furlough Days		Short	1 day = $37,000
Salary reduction		Short	1% =$93,000
Early Retirement	Provide incentives for staff at or near retirement age, then leave position vacant or backfill with staff at a lower Step and/or Pay Grade		
Layoffs	Targeted staff reduction $93,000 per employee average	Short/long	$2M deficit would require 22 staff. Total general fund FTE = 84
Pay Freezes	COLA and/or Step increase freeze	Short	$200,000
Merit Steps	Increase number of steps from 6 to 12	Short	$50,000
Insurance Benefits	Change the 90/10 employee split	Short	89/11 = $8,400 80/20 = $84,000

BUDGET CALENDAR

April 26 – Budget Presentation and Town Hall

May 03 – Budget Committee Deliberations

May 10 – Budget Committee Deliberations

May 17 – Budget Committee Budget Recommendation

June 06 – Council Budget Adoption