



**CITY OF NEWBERG BUDGET COMMITTEE AGENDA
TUESDAY, MAY 08, 2012
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. COMMITTEE BUSINESS

None

IV. PUBLIC COMMENTS

(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)

V. CONSENT CALENDAR

1. Budget Committee Minutes of 02/28/12 and 04/24/12

VI. CONTINUED BUSINESS

1. Department Directors Presentations – Dan Danicic:
 - a. Administration
 - b. Public Works
2. Committee Deliberation:
 - a. Discussion of outside funding requests
3. Approve 2012-2013 Budget and impose the taxes provided for in the Proposed 2012-13 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 2012-13 upon the assessed value of all taxable property within the City.

VII. NEW BUSINESS

VIII. ADJOURNMENT

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.

CITY OF NEWBERG BUDGET COMMITTEE MINUTES
WEDNESDAY, FEBRUARY 28, 2012
7:00 P.M. MEETING
PUBLIC SAFETY BUILDING TRAINING ROOM
401 E. Third Street, Newberg

I. CALL MEETING TO ORDER

Chair Lon Wall called the meeting to order at 7:00 p.m.

II. ROLL CALL

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
Deanna Moore
Ernie Amundson
Helen Brown

Members

Absent:

Jack Reardon (excused)
Janet Irish (excused)

Staff

Present:

Dan Danicic, City Manager
Janelle Nordyke, Finance Director
Caleb Lippard, Assistant Finance Director
Dawn Wilson, Sr. Paralegal & Elections Officer
DawnKaren Bevill, Recording Secretary

III. COMMITTEE BUSINESS

Elect Chair and Vice Chair:

MOTION #1: Barnes/Andrews nominated Lon Wall as Budget Committee Chair.
(12 Yes/ 0 No/ 2 Absent [Reardon, Irish]) Motion carried.

MOTION #2: Rierson/Wall nominated Thomas Barnes as Budget Committee Vice Chair.
(12 Yes/ 0 No/ 2 Absent [Reardon, Irish]) Motion carried.

IV. PUBLIC COMMENTS

Larry Tennant lives in the City of Newberg and is speaking on behalf of 911 Communications Center. He disagrees with the proposal during last week's City Council meeting entirely. It is not just the City of Newberg that pays for the 911 Center but Dundee, the rural fire departments, and the ambulance service district should as well. The City of Newberg has outstanding Fire and Police Departments and one of the best 911 Centers in the State of Oregon. Mr. Tennant would like to see a committee established to study all the figures and bring the

information back before the Budget Committee in 2013 so the Committee is able to make an informed decision. He does not want to see a fee added onto the water bill since the water bill only affects those in the City.

Councilor Rierson had a conversation with Mayor Crawford of Dundee regarding this issue because he does not believe the City of Newberg should bare the full cost of the 911 operations in whatever form of revenue generation.

Councilor Howard encouraged Mr. Tennant to attend the City Council meeting on March 5, 2012.

V. CONSENT CALENDAR

Approval of September 27, 2011 minutes (Pages 2-8)

MOTION #3: Barnes/McKinney moved to approve the Budget Committee Minutes from September 27, 2011 as amended. (12 Yes/ 0 No/ 2 Absent [Reardon, Irish]) Motion carried.

VI. CONTINUED BUSINESS

No Items were brought forward.

VII. NEW BUSINESS

1. Overview of the State budget law requirements

Mr. Dan Danicic stated a handout is available for the public in order to engage the Budget Committee in sharing their thoughts. Budget Law is the financial plan estimating expenditures and revenues. It controls the City's spending authority. The budget process is straightforward with a budget officer who develops a proposed budget to submit to the Committee who receives the budget message, hears from the public, and approves the Budget and tax rate. It then goes to City Council who adopts the Budget. The Council may increase budget expenditures by 10%, if there is a larger increase the budget must be republished and a new hearing held.

Implementation: Within the adopted budget line item, expenditures may be increased or decreased so long as the total Fund's budget does not increase. The City Council can approve transfers between funds within ORS rules in the form of a Resolution.

The Supplemental Budget is required when the City contemplates allocating funds from contingencies or un-appropriated line items; the City receives revenues not previously anticipated in the budget (e.g. grant money); and after the books close on the previous fiscal year to recognize actual beginning fund balances.

2. Review the state of the City

The Citizens' Rate Review Committee (CRRC) has just concluded their review of the projected FY 2012-2013 and 2013-2014 utility fund budgets. The proposed rates to be considered by City Council this March/April are:

Water: 0% for January 2013; 3% for January 2014
 Wastewater: 0% for January 2013; 3% for January 2014
 Storm Water: 17.5% for January 2013; 17.5% for January 2014.

3. Budget forecast

Significant Budget Actions include reduction of 4 full time employees (Total of 8 since 2010 = 15%); reduction of many line item expenditures and associated inflation factors; changed effective date of increases to January from July; and modified fixed portion of the water rate from 9% to 15% in 2013 and 20% in 2014. This will be heard by the City Council on March 19, 2012.

The General Fund (GF) update is as follows:

- Reduction of staff by 7% (6 FTE)
- Staff reduced to part-time status
- Library closed an additional day
- Non-represented staff health care plan changed to less comprehensive co-pay program
- Police and Fire Union

According to the County Assessor, the projection for Fiscal Year 2012-2013 shows there should be an increase of 1% with potential zero increase in FY 2013-2014. This means General Fund revenue will be flat for the next two years. All departments are holding total expenditures for materials and services to Fiscal Year 2011-2012 values. The driving force for expenditure increases in the General Fund will be staffing with an estimated annual increase for all staff cost around \$400,000.00 – all staff both represented and non-represented. The total in the budget for projected increase is 4.5% of the budget (Salaries, Employment Taxes and Workers' Compensation, Retirement, Health/Life and \$77,000.00 for non-represented staff (Police, Fire, Dispatch, Court, Library, and Planning),

Items under fringe benefits include Longevity bonus and a VEBA account for Public Safety for health insurance costs.

Mr. Danicic reviewed the options for sustainable mitigation of the budget shortfall. The following ideas offer various degrees of budget deficit reduction as discussion items:

- Increase the transient lodging tax (hotel tax from the current 6% to 9% (State adds 1% on top) with a potential for \$127,000.00.
- Additional staff reductions of approximately \$75,000.00 to \$100,000.00 per position,
- Service reductions and program eliminations.
- Reducing salary, health and /or retirement benefits on non-union staff;
- Request that unions reopen contract to discuss salary and/or benefit reductions; and
- Further line item expense reductions.

Councilor Witherspoon asked if the hotel tax is increased, what percentage of that needs to be designated toward tourism. Mr. Danicic replied 75% toward tourism but the current 6% collected has no such limitations. The \$127,000.00 will be available for the General Fund.

Councilor Shelton asked about anticipated retirements before the end of June. Mr. Danicic explained none in the General Fund; one retirement in January 2013 and one between June, 2012 and January, 2013 in Central Services and only a portion of that would be reflected in the General Fund.

Councilor McKinney asked about the business license fees and if those fees are a legitimate possibility. Mr. Danicic stated yes, it is a topic that will be coming before the City Council for discussion in the future. At this point the fees go into the Economic Development Loan Fund that is separate from the General Fund.

Councilor Bacon stated last year Deanna Moore had mentioned she would be willing to pay more if she could see the City cutting back and is interested to know Ms. Moore's opinion of the reductions now. Ms. Moore stated there have been some significant cutbacks and as a citizen and business owner she is more willing to absorb some cost herself. When she made the comment last year she was referring to cost of living increases as an example, and reduction in staff. Councilor Bacon asked how the City should convey that message to the public. Ms. Moore suggested an outline and actual list of reductions is a good start.

Helen Brown stated there must be a minimum amount of employees needed in order to keep the departments running well. Many citizens do not realize the importance of those employees that cannot be cut from the various departments. Those specifics need to be shown to the public.

Councilor McKinney stated in regard to Fire and Police, the City Council and Budget Committee have made commitments to these men and women and they have accepted the impositions on their incomes or benefits. His concern is if people begin to leave those departments for other positions it will cause a shortage in those departments. When, as Helen Brown said, do we cross the line and not be able to provide the services that citizens should expect?

Councilor Howard is concerned that the bare bones description does not show the actual loss of operating at such a diminished level. He does not believe it shows the loss the City is experiencing by operating at bare bones level.

Vice Chair Barnes expects the Fire and Police Departments to be ready to perform their jobs correctly; by cutting so much he is afraid the talent in public safety could be diminished.

Mayor Bob Andrews stated the concentration needs to be on what problems the General Fund is creating.

Mr. Danicic referred to the Budget Calendar, proposing a Town Hall Meeting on April 24, 2012. The meeting will be advertised in the newspaper twice. A post card can be sent out as done for the CRRC that costs \$3,000.00 or a notice in the utility bill that runs \$900.00.

Councilor Howard stated the postcards are very effective vs. the utility bill flyer, although more expensive. Vice Chair Barnes stated postcards get to everyone vs. the utility bill flyer. Deanna Moore stated \$3,000.00 is expensive; better to take the less costly route. Chair Wall stated many do not look at the inserts in the utility bills; postcards are more effective. Ernie Amundson agreed with the postcards. Councilor McKinney heard from many citizens that the utility bill flyers were not effective.

Helen Brown asked if there is a regulation about putting banners up on the two main streets with changeable dates. Mr. Danicic stated banners are not allowed due to crossing the state highway. Councilor Howard suggested advertising using an electronic billboard west on 99W where the couplet splits going west on Hwy 99W which is a low- cost option. Councilor Shelton stated spending \$3,000.00 to get 100 people to attend is not a good return on the investment. He agrees with Councilor Howard on advertising that way. Ernie Amundson is a member of the CRRC had the largest turnout of citizens ever by advertising via postcards.

Chair Wall suggested approaching the civic organizations to help sponsor the mailing. Vice Chair Barnes stated they have many meetings and can advertise at their meetings as well.

Councilor McKinney will ask the Ad-Hoc Sign Committee to advertise the Town Hall meeting.

Chair Wall polled the Budget Committee members: 7 votes for postcards; 4 votes for Utility Bill Flyers.

4. Time for Budget Committee to ask questions they want addressed

Vice Chair Barnes suggested forming a subcommittee to review the 911 Dispatch and he would be more than happy to chair that committee. Councilor Shelton stated the work from a subcommittee would need to be done to report back to the Budget Committee at the next scheduled meeting. Mayor Andrews stated the City Council will determine whether to go with an action on the May ballot. That will determine whether there will be actions subsequent.

Mr. Danicic encouraged the Budget Committee members to email him their concerns over the next month.

VIII. ADJOURNMENT

The meeting adjourned at 8:29 p.m.

Approved by the Newberg Budget Committee on this 8th day of May, 2012.

Budget Committee Chair

Minutes Recorder

**CITY OF NEWERG BUDGET COMMITTEE
TOWN HALL MEETING MINUTES
TUESDAY, APRIL 24, 2012
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 p.m.

II. ROLL CALL

Members

Present:

Councilors:

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

Citizens:

Lon Wall
Thomas Barnes
Jack Reardon
Janet Irish
Deanna Moore
Ernie Amundson
Helen Brown

Staff

Present:

Dan Danicic, City Manager
Janelle Nordyke, Finance Director
Caleb Lippard, Assistant Finance Director

Terry Mahr, City Attorney
DawnKaren Bevill, Recording Secretary

III. COMMITTEE BUSINESS

1. Town Hall and Budget Message presented by Dan Danicic:

Mr. Dan Danicic, City Manager stated the State of Oregon statutes ORS 294.305 through 565 address the details of public budgeting. It sets out the standards and procedures and defines the Budget Committee that requires an equal amount of City Councilors and citizens which are appointed by the City Council, and also requires public involvement at one meeting. Mr. Danicic put together a proposed budget that is presented to the Budget Committee who receives the public comments and then deliberates and puts forth an approved budget. The Budget Committee has the opportunity during the deliberation process to modify it and ask for changes. The budget then goes to the City Council for formal adoption. The goal is to achieve the formal adoption of the budget by June 30 of each year in order to have an approved budget by the fiscal year, July – June. Once approved the budget is implemented on a daily basis. When line items exceed the total budget, a supplemental budget request is brought before the City Council who recognizes expenditures and revenues that were unanticipated. At the end of the fiscal year on June 30th, the City closes out the books, recognizes the expenditures, funds that are left over are then recognized as beginning fund balances. An audit is performed annually and is completed by a State certified firm. This process is used by every city in the State of Oregon.

The budget document contains demographic information and outlines the fiscal policies used in putting the budget together; as well as the City Manager's budget message. It also contains the financial overview of each of the funds and of the property taxes. There is a separate accounting for debt funds; all of the debt the City has acquired, how much the City is paying, and the expected payoff amounts.

There is a section with an overview for each department and information regarding the tasks completed over the course of the year and what is planned in the upcoming year. Capital Projects, which tend to be very expensive, are listed in the document as well. The Supplemental Data is listed in the back of the document that shows the line item detail and exactly what is being spent in every department.

There are three groupings in the budget: The General Fund, which includes the Police, Fire, Library, Planning/Building and Communications, are supported by revenues from property taxes, franchise fees, state revenue sharing, (money received from cigarette and liquor tax), and miscellaneous fees and permits. The Public Works Fund includes transportation, water, wastewater, and stormwater and is supported through revenues from the state gas tax, utility rates, and development fees. The Central Services Fund includes Administration, Finance, Information Technologies, Legal, Fleet, and Facilities. This group does not receive any revenue but are supported by being pro-rated to the General Fund and Public Works Funds depending on the nature of their activity.

Public Works is currently a more stable funding source through utility fees. Revenues over the last three fiscal years have been increasing. The upcoming fiscal year 2012-13, water has a drop in revenue due to reduced consumption of water. Expenses for each of the funds shows transportation has been flat but is starting to increase due to the House Bill 2001 increase in the Gas Tax. Water expenses have been brought down due to decrease in revenues. Mr. Danicic reviewed the utility rate history from 1990 to present day. The utility rates were flat for 10 years but as a consequence the only work that occurred in Public Works was operations and maintenance; no facility enhancement or improvements were done. In 2000, the rates began to rise quite a bit because the capacity issue of the water system needed to be addressed. Rehabilitation of the existing Water Plant caused a raise in water rates. Now the rehabilitation of the Wastewater Plant is needed. It was built in the late 1980's and had not received any significant rehab work until 2004. The current Master Plan for wastewater has identified \$50 million in improvements is necessary; \$11 million has been approved to date for debt financing. The next loan will be in the coming year. In June, 2012, the City Council will consider the next two years of rate changes and the proposal is as follows: Zero % increase for water and wastewater for 2013 with a 3.5% increase in January 2014; stormwater increase of 17.5% in January 2013 and January 2014.

The challenge is in the General Fund. In Oregon, taxes are assessed on assessed value and not on market value of properties; a measure was passed a decade ago that changed the taxing methodology. The assessed value can only increase 3%. Market values are now dropping and in the case of Newberg in 2012-13, there will be a number of properties less than the assessed value; close to 4,000 lots. The projection from the County Tax Assessor suggests a zero increase or a negative increase for the near future.

Personnel costs have been steadily increasing although last year there were no cost of living or step increases given to staff, but there were increases in health and retirement costs. Materials and services costs have been flat-lined. Revenues vs. expenses in the General Fund shows next year projecting expenses will exceed revenues, using up the reserve funds.

In order to balance the budget for 2012-13 there will be no cost of living increases, no step increase, and no sick leave incentive for non-union staff. Further staff reductions, which are currently vacant, are an IT Technician, Engineering Tech 3 position, Laborer, and an Engineering Secretary. Two planner positions will be reduced to part-time status. Since 2008, the City has seen a reduction of 11% in staffing from 171 to 152. With these changes, the Contingency in the General Fund is \$160,783.00.

Other Budget actions are the reduction in the Administrative Services Charge that has been reduced in the Building Fund for 2012-13. Because personnel and material expenses were exceeding revenue in the

Economic Development Loan Fund the personnel allocation has been reduced and the administrative charge has been eliminated.

The City has received outside budget requests from other groups or agencies. There are two funds in the budget that are used for such requests: Tourism Fund and Community Support. The Tourism Fund includes \$5,000.00 for the Old Fashioned Festival and \$84,000.00 for the Visitor's Center (25% of hotel tax receipts). The Community Support Fund includes \$8,500.00 toward the Newberg Downtown Coalition operating budget; and \$18,000.00 for Chehalem Valley Transit operations. Miscellaneous unallocated funds total \$1,000.00 in the fund. Mr. Danicic has suggested no contribution this year for Your Community Mediators of Yamhill County.

Looking at the Dow Jones Index, Mr. Danicic believes Newberg will see recovery in approximately 2015. The options for the City's deficits now are to increase the Hotel Tax from 6% to 9%; increasing the Franchise Fee for the waste hauler from 3% to 5%; consider a Stormwater Franchise Fee of 5%; increase Public Safety Fee from \$3 per month to \$5; an Operating Levy – 5 year of \$1.2 million per year that would support the public safety in the General Fund. Further reductions in staffing will have to consider public safety programs.

IV. PUBLIC COMMENTS

TIME: 7:40 p.m.

Raymond Pacini is a City employee with the Public Works Maintenance Department. Public Works employees were told several months back by Dan Danicic that there would be no pay increases or Cost of Living Adjustments (COLA) because they are non-represented. Mr. Danicic assured them that if the Fire and Police received COLA per their contract, staff would be laid off to accommodate that difference in funding. Mr. Pacini stated there are three laborers being laid off or not being hired in Public Works but no reductions in the Fire or Police Departments. He believes he speaks for his Public Works colleagues in saying they feel like they are being taken advantage of regarding the budget because they are non-represented employees. He believes the email sent out by Mr. Danicic and his statements are contradictory. He inquired as to how the COLA increases are being funded without staff reductions. Mr. Pacini asked for transparency. Mr. Danicic replied the raises are being paid for through the General Fund revenues. As far as his assurance he does not believe he would have said staff cuts need to occur in order to pay for the cost of living increases unless the fund could not support it.

Councilor Rierson asked for clarification for the past few years regarding the non-represented and represented employees. Mr. Danicic explained two years ago the represented Police Union agreed to a delay in the COLA in their contract. Both Police and Fire agreed this year to take no COLA or step increases or sick leave incentive at all. This is the first year that non-represented staff took no COLA increases. The year before despite the fact that the cost of living CPI index was a negative 1%, Mr. Danicic argued for a 2% cost of living increase for the non-represented staff which the Budget Committee and City Council agreed to.

Pat Haight referred to the Accounts Payable section that is available online and gave the following examples: Norma Alley was paid \$9.95 to go to Providence Hospital for a meeting; \$9.95 to go to BiMart to make a purchase and Terry Mahr was paid \$17.00 to go to Washington Square. This is too much money to pay for reimbursement of gas and this is happening all the time. Norma Alley was paid \$27.08 to go to Oregon City to attend a meeting; OAMR State Archive Meeting in Lake Oswego she received \$47.90 for gas reimbursement. Terry Mahr went to Woodburn twice and was paid \$20.91 and \$30.00. The City pays \$2,000.00 yearly for David Beam to belong to Greater Portland Incorporated. The City paid Janelle Nordyke \$124.32 to drive to Newport and back. Alan Lee attended a meeting in

Bend and he was paid \$186.00 for mileage as well as one meal for \$26.45. Why are massages being paid for? In August a check was written for the Public Works Department and the Fire Department in the amount of \$200.00 for two massages. Magazine subscriptions, 259 in total, cost thousands of dollars. There are many ways to cut spending. She urged the committee to research the Accounts Payable for the City. Also, the composter should be contracted out which would help create more jobs.

Dawn Yvette Witt, Director of Homeward Bound Pets Adoption Shelter referred to the letter in the packet explaining her request for \$1,500.00 to help spay and neuter animals in Newberg, mainly cats. During the last 13 months they have spayed and neutered over 900 cats in Yamhill County. They are a 501.C3 non-profit; a small organization in McMinnville. Homeward Bound has received \$20,000.00 from Petco, \$10,000.00 from private donations, another \$3,200.00 from Petco and another \$10,000.00 from Pets of Over Population (POPP), who will also give another \$10,000.00 donation but Homeward Bound needs to raise matching funds for them to do so. Homeward Bound has already spent over \$4,125.00 on 75 cats in Newberg in addition to the 900 in the County. City Dog Control used to take care of it but does not any longer. The shelter will be too full if the animals cannot be spayed and neutered and they are a no-kill shelter. The cost is \$1,000.00 per clinic which includes bringing a cat in at 7 a.m. to the Homeward Bound Thrift Shop on Lafayette Avenue in McMinnville where they transport 30 cats in cages to the Tigard Animal Hospital, and bring them back to the Thrift Shop later that evening. They ask for \$20.00 co-pay but it costs Homeward Bound \$55.00. They lend out traps as well. Dan Danicic did tell Ms. Witt he was going to ask for denial of the request but she thanked him for allowing her to come and speak. Any portion the City of Newberg could give this needed clinic would be helpful.

Robert Soppe scanned through the information online and he is compelled to speak regarding inconsistencies and unclear explanations in the budget. The Welcome Message states no more than five-minutes per speaker is allowed which he finds quite discouraging. Under the section – Newberg at a Glance - Private schools should be on the list as well. On page 7 – Assessed Values and Tax Rates, although it is nice to have the disclaimer about different services provided by different cities, he finds the numbers are meaningless; comparing apples and oranges. He referred to the comment regarding the Library being reduced through fewer programs or fewer open days leaving one of the core functions of public safety at risk and stated it would be nice to have a comment about what public safety programs and activities would be at risk. In 2011-12 there was a budget item for Housing Authority Loans but it was not listed in the year prior. What is it? On page 12, it shows assessed values increasing by 1% and taxes levied decreasing by 0.69%. He found no explanation for that in the budget. He noticed between pages 11 and 12 of the property taxes for 2012-13 a discrepancy of slightly different values. On page 39, the Police budget shows the addition of one FTE for animal control that is not in last year's budget. On page 54, Newberg charges \$79 annually for a Library card for those in Dundee and rural Newberg. He believes it would be appropriate to mention how that is a small fraction of the cost for what the burden is on the City, since it implies it is a revenue source but in fact is not. Page 87 – Human Resources Personnel Services has the same FTE as last year but an increase in costs of 17%. Why is that? Mr. Soppe asked for an explanation for the IT Department's 279% increase in capital outlay on page 97. On page 117, regarding the Springbrook water project water line, the budget line is \$125,000.00 but is expected to cost over \$8 million. How will the City be paying for that? The Police Department budget investigations FTE dropped from five to four but the actual proposed went down a minimal amount. Why? Public Works Capital Projects engineering FTE increases from 0.89 to 2.25 has no explanation. In Community Support the Cable Fund is tripling from \$5,000.00 to \$15,000.00 with no explanation. Mr. Soppe has commented at a number of City Council meetings regarding the funding of projects that were not necessarily mandated. He believes this is where the rubber meets the road on those. He was surprised at a recent City Council meeting when a Councilor referred to Planning and SDC fees as being excessive because the City Council generally tends to approve those things but this is the time to look at the fees and reduce them. On page 7 and 8 of the Presentation, there are some

significant surpluses shown. It would be very good to explain what the difference goes for. Similarly on page 12, the difference between the revenues and expenses there is \$12.1 million. The Economic Development Loan Fund needs to be looked at and what is the point of having Business Licenses? Chair Wall asked Mr. Soppe to send his questions to the City Manager so they can be reviewed.

Rod Kilcup, Chairman of Your Community Mediators of Yamhill County and Mark Kelley, Board Member, are not scheduled to be funded and this time. They have taken the advice that they received from the Budget Committee previously of running the organization on business principles. Business people have been placed on their Board and they have directly related the request of support to the amount of work done here in Newberg. Last year, 21% of the cases were in Newberg; 27% this year. Community cases now involve 50% in Newberg. Expenditures are the cost of maintaining the building and one staff person. They have 30 volunteers that come to Newberg and receive no compensation. Mr. Kelley explained for 2011, there were 55 cases for Newberg and 31 went to mediation. There were 135 Newberg residents that were served; 117 staff hours. Their cost for Newberg was \$4,388.00 in 2011 which does not include volunteer staff hours. They are asking the Budget Committee for 8% of YCM resources. They need to find some way to compensate for their expenses without having to cut services.

Councilor Howard is a proponent for mediation and asked Mr. Kilcup to elaborate on the services of mediation. Mr. Kilcup stated their volunteers have been specially trained for over 30 hours to assist in cases and they provide many services for families and juveniles; help parents who are divorced in visitation for children, and help businesses work out disputes for employees.

Mayor Andrews asked Mr. Kilcup what types of revenue sources they receive from the public and private sector. Mr. Kilcup replied they receive a combined \$63,000.00 per year; \$25,300.00 from the cities, towns, and county government and supplement with grants, which has been successful in the past few years from United Way, YCAP, Nike, and Spirit Mountain Casino, who supports work with juveniles who are first time offenders. They have space donated by the Mennonite Church in the basement and have only one paid person on staff. They receive funds from Kiwanis, donors who contribute through a campaign that is run yearly, and a contract with Yamhill County Court to handle small claims cases. The pamphlet shows the summary of funds.

Charlie Harris asked about House Bill 2001 and the Gas Tax increase and whether it was that bill or a subsequent bill that opened up the Gas Tax to be used for public safety measures. To what extent does the City anticipate increases in Gas Tax revenue and how much of that could actually go toward the upcoming public safety issues? He does not understand where \$85,000 for the Visitor's Center can go when another agency can run with 30 – 40 volunteers on only \$63,000.00 and they are asking for a small amount from the City. Franchise fees and stormwater fees will come from the public and they are barely more than what is being given to the Visitor's Center now. If the Lodging tax went up to \$9 he is hoping the Visitor's Center will not be receiving another 25%.

Councilor Rierson stated it is often not legal to take money from one fund and place it in another. Part of the agreement with the County is to help fund the bypass which would come from a portion of increased revenues. Road maintenance is needed and it costs more to rebuild a road if it is not maintained. Transportation dollars should be used for transportation matters. Regarding the possible increase in the Transient Lodging Tax, it is true there is a substantial amount of money that the City pays to the Visitor's Center; the Chamber of Commerce funds approximately half of that operation as well. The reason the City funds it is because it is an investment in the City. It is appropriate to use those funds to help bring more visitors into the City because it is a great rate of return.

Mr. Danicic stated for the House Bill 2001 there is close to \$400,000.00 in additional revenue coming in. He proposes managing that money as local match for the bypass. The other \$300,000.00 will be put

into “on the ground projects” and will be clarified when Public Works makes their presentation on May 8, 2012, at the Budget Committee Meeting. As far as public safety, there was a legislative proposal to allow the hotel tax to go toward public safety but that has not happened as of yet.

Councilor Shelton stated all the communities participating in the match for the bypass have agreed that money will not be spent until the building of the bypass begins.

Mikes Boyes stated the five-minute time limit is unfair. The City Council needs to reconsider this. Mr. Boyes came in support of the tax of a percentage to the property owners and is in favor of a tax for the water meter of non-profit groups, and would like to see a cut in wages for the Department Heads of 5% – 10% from the City Manager on down. Overall spending regarding travel, seminars, magazines, etc. need to be cut back and will show the public that we are working together. There are so many laws regarding the taxes such as the Gas Tax and perhaps it is time the laws are changed. There are many other towns struggling in Oregon, as well.

Chair Wall asked for the clock to run while he spoke regarding the time limit. Five-minutes is a short amount of time and he understands the public finds it annoying but what would happen if 100 people attended and all wanted to speak? As far as the two gentlemen from the Yamhill County Mediators receiving more time, they would have each had five-minutes per person and he gave them ten-minutes combined. The time limit needs to be set to a specific time. He also urged specific questions be routed to the committee in order for those questions to be answered. The Budget Committee Members can talk with the public anytime regarding their concerns and he encouraged citizens to do so.

V. CONSENT CALENDAR – No Items

VI. CONTINUED BUSINESS – No Items

VII. NEW BUSINESS

1. Budget Committee to ask questions they want addressed before the next meeting on May 1, 2012

Vice Chair Barnes referred to page 109 regarding the \$6,000.00 budget for the Deborah Road flashing school sign and asked how the rest of the job will be funded since the same sign at the Joan Austin School cost \$20,000.00.

Ernie Amundson is concerned on the options for the waste hauler and higher garbage rate. Councilor Shelton stated that would bring all the franchises up to a minimum of 5%.

Councilor Rierson asked for clarification of the Business Tax. Mr. Danicic explained the challenge is the Economic Loan Fund has been P/T staffed to work with and attract new businesses. The license itself does not fund that activity. Expenses have been cut back so not to exceed the revenue. Mayor Andrews stated the genesis of the Business Tax had nothing to do with economic development at the time but was for the Visitor’s Center. He is concerned about the inference that it was for staff. Secondly, he confirmed that at the May 1, 2012 meeting the discussion on the shared revenues will be an action item.

Janet Irish suggested it would be helpful if the questions that are presented to committee members during these meetings can be answered at the meetings so the public does not go home disappointed and frustrated. Mr. Danicic stated staff will take the testimony and will try to provide by the next meeting

answers to the public through a packet which is published on the website as well as mailed to those on the distribution lists. Vice Chair Barnes suggested posting questions on the website, as well.

Helen Brown suggested the reimbursement amounts for mileage and meals be posted on the website.

Deanna Moore stated this is her third year on the Budget Committee and she has seen much transparency over those years and a great amount of effort in answering the many questions that are asked.

2. Review upcoming agendas

May 1, 2012

1. Public Hearing on State Shared Revenue. Proposed use is 100% for Police and Fire.
2. Department Directors presentations: Police, Fire, Library and Planning/Building.

May 8, 2012

1. Approve February 28, 2012 Minutes
2. Continuation of Department Directors presentations: Administration and Public Works
3. Budget Committee deliberations

May 15, 2012

1. Approve April 24, 2012 Minutes
2. Wrap up of Budget Committee deliberations
3. Approve 2012-2013 Budget and impose the taxes provided for in the Proposed 2012-2013 Budget at the rate of 4.3827 per \$1000.00 of assessed value for general operating purposes and \$425,000.00 for Debt Service, and that these taxes are hereby imposed and categorized for the tax year 2012-2013 upon the assessed value of all taxable property within the City.

The next Budget Committee meeting is scheduled for May 1, 2012 at 7 p.m. at the Public Safety Building, 401 E Third St.

VIII. ADJOURNMENT

The meeting adjourned at 9:05 p.m.

Approved by the Newberg Budget Committee on this 8th day of May, 2012.

Budget Committee Chair

Minutes Recorder

City of Newberg Proposed Budget 2012-13: Q&A for Budget Committee

1. According to the audio from tonight's Budget Committee meeting (VERY impressive that it was posted so quickly), the City Manager stated (around 26 minutes into the recording): "The Business License fee will for right now support the fund. But, the fund really is not doing anything at this time because there is not that much staff allocated to it other than enough staff to manage the business license program itself."

According the Budget Summary on page 10, the projected revenue is \$41,500. According to page 61, the proposed expenditures for Personal Services and for Materials and Services are \$22,246. This is after cutting expenses artificially by accounting methods, not actual savings. This indicates that less than half of the revenue received on business licenses goes to overhead of administering the program. Keep in mind that there is really no service provided to businesses other than the production of a piece of paper that declares that the business has a license.

- Does the Budget Committee believe that this is an example of an efficient way of collecting revenue?
 - ✓ Staff Response: The cost cutting is not artificial but real. The goal for this fiscal year is to ensure that expenses do not exceed revenue. This has been accomplished. The next step will be for the Council to consider whether or not the revenue supports the goals and objectives of the Economic Development Loan Fund. The Council is scheduled to begin this very discussion at their May 7th Council meeting.
2. On page ii, there is a statement that includes "... City is also assisted by many volunteers..." after mentioning many committees and such. I think it is important to keep reminding the public that these committee (and Council, etc.) members are also volunteers. Starting that sentence with something such as "In addition to the volunteers in these boards, committees, and commissions, the City is also....".
 - ✓ Staff will make appropriate changes to the text.
 3. Page iv, Newberg at a Glance, "Primary and Secondary Education": why are private schools not mentioned?
 - ✓ There is no particular reason that private schools are omitted. They can be included.
 4. Page vii, "Assessed Values and Tax Rates": I have always considered these numbers meaningless without some fair measure of the different services that they provide being included. I don't think that the comparison would be that difficult.
 - Does the Budget Committee believe that these numbers are useful as shown or should an effort be made to quantify the differences?
 - ✓ While there is great difficulty in comparing city tax rate in an apples to apples fashion, there are many in the community that always ask for these types of comparisons. Staff recommends that they remain.

5. Page c of the Budget Message states: “The Library could be reduced either through fewer programs or fewer open days. This leaves public safety activities, one of the core functions of the City, at risk.”
 - What are the “public safety activities” being referenced here? If several were listed in the statement it would be much clearer.
 - ✓ Public safety is commonly understood to be Police, Fire, and Communications
 - Just as a test, I’d suggest asking the question to the committee members at the next Budget meeting: “When you read that statement, what public safety activities came to mind?”
6. 2011-2012 budget item 14-4120-602000 Housing Authority Loans appeared, though not in 2010-2011. What is the origin of that?
 - ✓ The City received a federal grant for housing rehabilitation loans for low income families many years ago (12+). The money was loaned out, then repaid. The City asked Yamhill County Housing Authority (YCHA) to return the repaid funds (in 2002) with the expectation that we would find a different provider to administer the rehab funds (rather than the funds going into the general countywide YCHA pool). We approached Valley Development Initiatives through Mid-Willamette Valley Council of Government (MWVCOG) to apply for a new grant to bolster the fund. They applied for a grant, but that application was unsuccessful. Without additional funding, the rehab grant money just stayed in the EDRLF Fund. We did use it to loan money to Families United for Independent Living (FUFIL) for their project at Springbrook/Middlebrook, and that has been repaid. By allocating it to a separate department the City is returning it closer to its original purpose.
7. Page 12: Budget shows Assessed Values increasing by 1% but taxes levied decreasing by 0.69%. I didn’t find an explanation for this in the budget.
 - What is the explanation?
 - ✓ The City’s Assessed Value grew 2.63% which would have resulted in a 2011-12 levy of only \$6,910,418. However, the County added \$113,134 in “Discounted Paybacks and Late Fees” and subtracted \$7.65) in another adjustment to arrive at the levy disclosed in the budget of \$7,023,545 (FY 2011-12). This addition to the levy has no direct relationship to Assessed Value and varies considerably from year to year. Sometimes the City gets very little, sometimes it gets a considerable amount. In 2011-12, the adjustment was a considerable amount. This bumped the levy amount in the 2011-12 actual column up. To be conservative, the City does not anticipate any levy adjustments for 2012-13, therefore, the growth rate is less than 1% on the levy because the 2011-12 levy was artificially higher due to an adjustment outside the scope of Assessed Value Growth. If you are interested in the data table for Newberg it can be found in the attached document.

- I notice that the 2012-2013 Property Taxes are listed as \$6,586,505 on page 11, but are listed as \$6,550,280 on page 12. Why is there a discrepancy?
 - ✓ The information on page 12 shows the growth of the current year property tax levy and the relationship to assessed value growth. Both the Debt Service Fund levy and General Fund levy are included. Page 12 does not include delinquent tax collections as there is no direct relationship between the collections and the growth in assessed value.
 - ✓ See calculation below:

Step 1

General Fund Levy 2012-13	6,550,280
Debt Service fund Levy 2012-13	<u>425,000</u>
Total Projected Levy 2012-13	<u>6,975,280</u>

Step 2

91% Collections Rate	<u>0.91</u>
Property Taxes 2012-13	<u>6,347,505</u>

Step 3

Delinquent Collections Debt Service	14,000
Delinquent Collections General Fund	<u>225,000</u>
Total Budgeted Property Taxes 2012-13	<u>6,586,505</u>

8. Page 39: Police budget shows the addition of 1 FTE for Animal Control that does not appear in the 2011-2012 budget. I presume this is not a new position but there is no discussion about the change.
 - What is the reason for the change? Where was the position in the 2011-2012 budget?
 - ✓ For years, the Animal Control Officer had been included in the Support Services section of the Police Department. This also included the Administrative Secretary. With this fiscal year the Administrative Secretary was put under Administration where the position serves and the Animal Control Officer was put in a separate category. The reason for the change is that with the New Animal Shelter being built, there will be additional expenses with the new Shelter, so it was more appropriate to create a separate category to record the cost of running the new animal shelter facility.
9. Page 54: "Newberg charges \$79 annually for a library card to those in Dundee and rural Newberg, which obviously limits use."
 - Why mention the charge without mentioning that the cost to the City to provide the service is greater than the revenue?
 - ✓ This page was written by the Library Director. The \$79 fee was not mentioned as a revenue generator, she was talking about it as a deterrent to use the Library, two totally different things.

10. Page 87: HR Personal Services have the same 1 FTE as last year but an increase in cost of over 17%. I don't see any explanation of this.
- What was the reason for it?
 - ✓ The HR budget rose due to the anticipated retirement of the City's HR Director with an anticipated vacation and benefit payout worth \$15,700.
11. Page 97: IT department: the highlights don't mention the 279% increase in capital outlay reserves. (Note: I misstated this at the meeting by leaving out "reserves".) Dave Brooks gave me an excellent response to this question, but I think a single sentence in the Budget explaining it would be informative.
- ✓ This is a new line item establishing an emergency equipment replacement fund so that if a computer or server fails, the City doesn't have to wait for a supplemental budget to replace the failed item.
12. Page 117: Water Program project WA-023, Springbrook Road (Bypass) Waterline: \$125k is budgeted, but overall cost is expected to be \$8.2M. It is not clear how the costs will be covered.
- What is proposed to cover the \$8.2M cost?
 - ✓ Normally there is a 5-year plan included in the Capital Project section. With the transition in Public Works, this was not included. This will be handed out during the Public Works presentation on May 8th and will be included in the 2012-2013 Approved Budget that will be going to City Council.
13. Page 131, Police Dept. budget, Investigations, FTE went from 5 to 4 (a 20% drop), Actual to Proposed went from \$275k to 269k (about 2%). Chief Casey did respond that this had to do with a position that went unfilled, which clarifies it well. Again, a comment about it in the Budget would be informative.
- ✓ Noted
14. Page 160, Public Works Capital Projects Engineering, FTE increases from .89 to 2.25 with no explanation. What was the reason for the increase?
- ✓ As part of the rate review process earlier this year, a close analysis of staff allocation among the utility funds was performed. In addition to eliminating positions, some staff was reallocated to a different fund based on the expected resource needs of those funds.
15. Page 163, Community Support (Cable TV fund) is tripling from actual of \$5k to proposed \$15k. What is it and why is it being tripled?
- ✓ This expenditure was increased in anticipation of the re-establishment of a government education channel on Comcast and Verizon cable TV systems.
16. Page 5 of the presentation lists an Organizational Chart with the Mayor and Council at the top. It has been tradition for quite a while to top it with the Residents of Newberg, as done on page iii of the budget. Why is it different here?
- ✓ This omission is not intended to imply anything.

17. Page 12 of the presentation: In the General Fund, for the last five fiscal years, revenues exceeded expenses by the following amounts: \$3.5M, 3.2M, 2.7M, 2.2M, and 0.5M, for a total of \$12.1M. What was done with that money?
- ✓ In public sector budgeting, the remaining funds each year are not squirreled away in a separate account. The ending balance is applied to the following year as the beginning fund balance and used to balance that subsequent year's budget. Therefore, the perceived surplus funds each year is not cumulative. What is happening is that the annual operating costs are increasing faster than revenues; hence the gap between revenues and expenses are diminishing as Mr. Soppe observes.
18. Pages 7 and 8 of the presentation, there is a similar situation to the preceding one. For example, in 2012/2013, Wastewater revenues exceed expenses by \$2.2M, Water by about \$1.1M, and Transportation by about \$0.5M. What will happen with this money?
- ✓ The difference is reported as Contingency. Contingency is being used as a reserve for either future Capital Improvement repairs or unexpected emergency expenses. Keeping it in Contingency allows flexibility for funds to be used for either need.
19. Page 14, Economic Development Loan Fund: The City Manager gave a good description of the serious shortage in this fund. Is this not the same fund from which the Council recently voted to move about \$70k of unrestricted funds to the Affordable Housing Trust Fund?
- ✓ The definition of the Economic Development Loan Fund is for economic development. The Affordable Housing Trust Fund falls under this definition. Therefore, there is no need to set up a separate fund. A separate department code was added (see answer to question #6 above).
20. Page 109 states Deborah Rd flashing school zone signs installed for \$6k that are similar to the signs installed at Joan Austin School for \$20k. Why the difference?
- ✓ The funding for the Deborah Road flashing school sign is from an ODOT safe routes to school grant. The project currently has not received funding authorization from ODOT, but is on a reserve list for when funding becomes available. The ODOT safe routes to school grant should cover the majority of the project cost, but the \$6,000 in the 2012-13 budget is to cover any overages, staff time, etc. for the project.
21. If went with option to increase Franchise Fee percentage for Waste Management, how would they pay for it?
- ✓ It is expected that the franchisee would pass the cost directly to the user.
22. Mileage reimbursement for meetings & purchases:
- ✓ Travel for business is allowed reimbursement by the Federal Government at a specified rate. Per IRS Revenue Procedure 2008-72: the rate is based on an annual study of the fixed and variable costs of operating an automobile conducted on behalf of the Service by an independent contractor.
23. Massages:
- ✓ The Safety Committee, using grant money, contracted with a masseuse to give 10-minute massages to several employees in 4 different City locations, to help relieve stress in the workplace.

24. Dues to Organizations such as Greater Portland Incorporated (David Beam):
- ✓ Membership in this organization allows the City of Newberg to benefit from a larger consortium of professionals that will help the City in promoting economic development
25. House Bill 2001 – Gas Tax Increase – to what extent does the City anticipate increases in Gas Tax revenue and how much of that could actually go toward the upcoming public safety issues?
- ✓ The City has seen an increase in Gas Tax revenues from House Bill 2001, but not as much as anticipated. Since Gas Tax revenue is a restricted resource, the City must use the revenue for street related activity.
26. 5-minute time limit is unfair:
- ✓ Per Lon Wall’s answer: “Five-minutes is a short amount of time and he understands the public finds it annoying but what would happen if 100 people attended and all wanted to speak? As far as the two gentlemen from the Yamhill County Mediators receiving more time, they would have each had five-minutes per person and he gave them ten-minutes combined. The time limit needs to be set to a specific time. He also urged specific questions be routed to the committee in order for those questions to be answered. The Budget Committee Members can talk with the public anytime regarding their concerns and he encouraged citizens to do so.”