**NEWBERG BUDGET COMMITTEE MINUTES**

**May 10, 2023**

**CALL MEETING TO ORDER**

Chair Peregrino de Brito called the meeting to order at 6:00 p.m.

ROLL CALL

Members Present: Derek Carmon, Mike McBride, Robyn Wheatley, Molly Olson, Peggy Kilburg, Elise Yarnell Hollamon, Bill Rosacker, Steph St. Cyr, Theodore Ebora, Alex Nichols, Judy Brown, Greg Meenahan, Raquel Peregrino de Brito, Lozelle Mathai, and student Lily Bizeau

Staff Present: City Manager Will Worthey, City Attorney James Walker, Finance Manager Kady Strode, Police Chief Jeff Kosmicki, Public Works Director Russ Thomas, City Engineer Kaaren Hofmann, Library Director Korie Buerkle, Community Development Director Doug Rux, IT Manager Ian Rodriguez, Sue Ryan

**APPROVAL OF 2022 MINUTES**

City Recorder Sue Ryan reported the 2022 Meeting Minutes packet would not be ready until the next meeting.

**PUBLIC SAFETY FUNDS**

Fund 3 (Civil Forfeiture Fund)

Police Chief Kosmicki reviewed Fund 3. Finance Director Stroke noted Measure 110 had taken away some forfeited goods and cash, causing the low balance. They responded to Committee questions as follows:

* The jump in the beginning balance from $425 to $5,054 was probably due to an old case working through the court system. Probably about half of this budget used to come from narcotics seizures when drugs were illegal.
* The civil forfeiture funds were restricted use. Federal funds were used entirely by the Police Department. State funds required sharing, with 40 percent going to the Police Department and 60 percent disbursed throughout State programs.

Fund 13 (911 Fund)

Finance Director Strode discussed Fund 13, part of State Shared Revenue and responded to Committee questions as follows:

* The large increase in dispatch salaries was due to several positions being vacant last year. Some senior staff salaries were now coming out of this fund to preserve General Fund dollars.
* The estimated excise tax receipts were based on what was actually received this year, which was around $412,000.
* Miscellaneous Revenues were from uncollected revenues from property taxes. This year the City did not receive anything from that fund.

Fund 16 (Public Safety Fund)

Finance Director Strode discussed Fund 16, covering fees on municipal utility bills for police officers and dispatcher officers. Chief Kosmicki explained salaries for the least expensive officers and dispatchers were paid from this fund to keep the municipal bill as low as possible. Police staffing and salaries were discussed. They responded to Committee questions as follows:

* The fees on utility bills would go up by 6.4 percent on July 1, 2023. In real dollars, it would increase to $6.36 a month for both fees.
* They would have to look up the number of equivalent dwelling units (EDUs) in the city because different metrics were used with bigger meter sizes paying a larger fee. City Manager Worthey suggested dividing the City’s population by the average household size of 2.5 people per domicile to get a rough estimate of the number of EDUs in the city.
* Previously, the public safety fee had not been increased since it was introduced onto the municipal statement, but salaries for police officers had continued to increase, so it was not able to fund the three officers it was originally designed for. When the fee was brought back to the Council, an inflationary cost was placed because the fund was almost out of money, even with just two officers.
* If a full force was not hired, the fund balance could not go to the General Fund because it was a Restricted Use Fund. The plan was to fill these positions because they were funded. General Fund revenue could be preserved if there were vacant positions, and those funds would roll over to the general contingency fund next year.

**COMMUNITY DEVELOPMENT FUNDS**

Fund 8 (Building Inspection Fund)

Community Development Director Rux reviewed Fund 8. Topics discussed were the slowdown in construction activity and its effect on the budget, personnel services, office supplies, equipment, travel and training, maintenance agreements, fuel expenses, and internal charges. Responses to Committee questions were as follows:

* The Plans Examiner salary decreased because the current year's budget included another Plans Examiner as a temporary position. Over the course of the year, as they monitored development activity and inspections, they decided not to recruit for that position, so it was not included in the FY 23-24 budget.
* The Building Permit Budget should be close to the projected amount. He talked with developers about what they anticipated doing and looked at the type of construction that would occur before developing the budget.
* The capital outlay of $80,000 was for two new pickups, which had been budgeted for in the current fiscal year, but with supply chain problems and long lead times, they were not going to come in. The money was taken out and re-budgeted with a $10,000 increase because the cost had increased.

Fund 14 (Economic Development Fund)

Community Development Director Rux reviewed Fund 14, noting the Economic Health Manager position had been eliminated in the current fiscal year and was not budgeted for 2023-24. Topics discussed were reductions in materials and services, affordable housing, construction excise taxes, and special payments. He responded to Committee questions as follows:

* The Beginning Fund Balance for Economic Development came from a Community Development Block Grant (CDBG) that Housing and Urban Development let the City keep as well as a percentage of business licenses issued. Out of the original Economic Development Fund money, $75,000 was taken as seed money for the Affordable Housing Trust Fund. Every year, what is budgeted but not spent becomes the Beginning Fund Balance for both of these accounts.
* Materials and Services for Economic Development were in the budget because although the Economic Health Manager position had been eliminated, the City still had economic development activities, which were being done by the Community Development Director at this time.
* Work related to Construction Excise Tax (CET) would be done by the Community Development Director and staff.
* Loans were both a source of revenue and an expense because if loans were done, it was basically a pass-through expenditure. The City contracted with the Mid-Willamette Valley Council of Governments to do underwriting and loan document preparation and charged the applicant the cost of that, providing revenue. The expenditures were for underwriting expenses.

**PUBLIC WORKS FUNDS**

Fund 2 (Streets)

Public Works Director Thomas and Finance Director Strode reviewed Fund 2. Topics discussed were materials cost, the addition of a three-man concrete crew, sidewalk repair and maintenance, and gas tax and Transportation Utility Fee (TUF) revenues, street maintenance, elimination of duplicate line items, street lights. Responses to Committee questions were as follows:

* Bikeway taxes were part of the gas tax revenue. State law now required bike lanes to be put in on reconstructed streets, and gas tax funding helped fund part of the cost.
* Historically, the gas tax had been declining, but last year after everything opened back up from COVID and gas prices were low, there were record highs of people traveling by car instead of flying or staying at home. Gas tax revenue went up slightly, but they were not expecting it to stay that way.
  + City Manager Worthey noted he had researched and written an academic paper on the gas tax revenue problem. They could expect to see revenue from this source being flat going forward. They did know there would be State revenues coming from a new source, but they did not expect to see that until 2026.
* Gas tax revenue supported maintenance activities in the Street Fund, which was also engineering. TUF supported rebuilding and repaving streets. The funds were kept separately and transferred out to Fund 18 for street improvement projects.
* Maintenance was anything to do with the transportation system, including street signs, roadway painting, putting dust abatement on gravel streets, patching potholes, repairing failed small sections of street, and street lighting.
* The maintenance salaries increase on page 77 was due to the three new concrete crew members.
* Street maintenance priorities were determined by a grading system. Public Works Director Thomas could do a presentation for the Council on the grading system.

Fund 6 (Wastewater)

Public Works Director Thomas and Finance Director Strode reviewed Fund 6, noting the plant had quit bagging compost for sale because they had lost money on the bags. Topics discussed were user fees, the rate review process, engineering, operations, maintenance, capital outlay, training costs, and the fuel station. They responded to Committee questions and concerns as follows:

* The increase from $8 million to $14 million in the Beginning Fund Balance for Wastewater Net Working Capital (Page 83, top line) was due to the carryover of capital projects that had not been completed yet.
* The compost program was manned by operators at the wastewater treatment plant, and $15,000 was about what they received from sales. Prior to composting, it cost the City around $350,000 to $400,000 a year to dispose of the sludge. Information about the composting program was available on the City website.
* Revenue from the solar panels went back to the plant as an exchange program, giving a net reduction of electrical costs.
* The lower personnel costs at the wastewater treatment plant were due to the loss of higher paid employees who retired and increases in lower paid employees.
* The Wastewater Safety Program (Page 86, Account 06-5132-524000) was for putting railings of the roofs of buildings, an OSHA requirement. This would be a major, one-time expense.
* The Capital Outlay account was now a savings account for replacing tools and equipment, but the intent was to not spend any of it if they did not have to. Replacing the large pumps at the influent lift station would cost several hundred thousand dollars each when that becomes necessary, and these funds would help pay for that.
* The $11 million Contingency Fund would be used to turn the equalization basin into a third oxidation ditch and possibly build an additional equalization basin to handle surges in the wintertime. They had reduced the inflow and infiltration (I&I) into the system significantly, but recent construction, additions of homes, and expansion had put them at a point where wet weather events would necessitate future expansion.
* The expansion was on the capital improvement list, and monies were being set aside in the Contingency Fund. Staff wanted the City to have cash on hand to avoid taking out loans in the future.

Chair Peregrino de Brito called for a ten-minute break at 7:10 pm and reconvened at 7:20 pm.

Fund 7 (Water)

Public Works Director Thomas reviewed Fund 7, reviewing the construction of the new water treatment plant to provide adequate water for the city and to meet new State regulations. Other topics discussed were funding for the new plant, user fee revenues, water engineering, internal charges, operations, maintenance, and the water meter upgrade program.

City Manager Worthey [1:12:12] noted he was applying for a $821,000 grant through the Bipartisan Infrastructure Law (BIL) money. Recently, the federal government allowed the Department of Energy to give grants. If they were approved for the grant, it would pay for solar power for the new plant.

City Engineer Kaaren Hofmann explained that the transfers out for Capital Projects were for projects that would be in the next fiscal year, but the treatment plant itself would be built over the next several years, so there was still some money in the contingency fund that would get used in 2024-25 and in future years to finish the building the plant along with the loans that they would get.

* The $4 million transfer would be used for some of the capital projects in preparation for construction that were not covered by the loan. The loan itself would cover 49 percent of a package of projects, so it was not for the entire treatment plant itself. The grant could help offset it, but there were other pieces that had to be used.
* She confirmed the loan would only cover part of the need, but the City still had to do its due diligence in making sure other monies were available to complete construction.

Public Works Director Thomas continued responding to Committee questions as follows:

* Once the new plant was constructed and operational, the current plant would be removed.
* Replacing the water meters would not reduce full-time employees (FTEs) because staff who had previously read meters would be used elsewhere. Right now, personnel spent about a day and a half reading water meters and used the rest of the time to provide additional customer service to the community, checking for water leaks, and assisting customers with maintenance, such as turning water off at a leaking hose.
* The Equal Pay option was used by quite a few customers, and modernization of the meters provided benefits to the City to have accurate income relative to the current form. The meters could also help with leak adjustments because they were able to catch leaks a lot quicker.
* The meters contained a chip that recorded the past 30 days of usage, so information could be taken from the chip. They used to have about 85 percent accuracy, and they were now within the American Water Works Association standard of 98.5 percent accuracy.

Fund 17 (Stormwater)

Public Works Director Thomas reviewed Fund 17. Topics discussed were the age of the system, improving the system, addressing flooding issues, fee structure, engineering and maintenance expenses, the possible addition of an FTE to help with maintenance, and cutting capital projects to fund the FTEs. Responses to Committee questions were as follows:

* The catch ponds quit working after a couple of years and needed to be rehabilitated. The structures consisted of a specific gravity filter with large gravel, media layers, and plant growth. Plants were put in simply because they absorb contaminants, but they grow with the root mass growing up and binding the drainage that’s in there.
* Over a period of time, the plants had to be removed and rehabilitated. New media would be put in and Staff would make sure it functioned properly.

City Manager Worthey noted the FTE change created another efficiency because it enabled them to break the technicians into two teams that worked opposite ends of the week, allowing them to have deeper schedules and fewer opportunities for callbacks and overtime.

Public Comment: None

The next Budget Committee meeting would be held on May 17, 2023.

**ADJOURNMENT**

Chair Peregrino de Brito adjourned the meeting at 7:46 p.m.