**NEWBERG BUDGET COMMITTEE MINUTES**

**May 17, 2023**

**CALL MEETING TO ORDER**

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

**ROLL CALL**

Members Present: Alex Nichols (arrived late), Theodore Ebora, Steph St. Cyr, Raquel Peregrino de Brito, Judy Brown, Bill Rosacker, Molly Olson, Peggy Kilburg, Mike McBride, and student Lily Bizeau

Members Excused: Greg Meenahan, Lozelle Mathai, Derek Carmon, Robyn Wheatley

Members Absent: Elise Yarnell Hollamon

Staff Present: City Manager Will Worthey, City Attorney James Walker, Finance Manager Kady Strode, City Engineer Kaaren Hofman, Library Director Korie Buerkle, Community Development Director Doug Rux, Assistant City Engineer Sarah Wilson, City Recorder Sue Ryan

**PUBLIC COMMENTS**

Chair Peregrino de Brito opened the meeting for public comments and confirmed no written comments or virtual registrations for tonight had been received.

1. Aubrey Nichols, Executive Director, Newberg Downtown Coalition, spoke regarding future plans for the Butler Square property, the property on the corner of First and Howard Street, asking for support for budgeting for the construction of a public restroom on that property.

**APPROVAL OF 2022 MINUTES**

2022 ARPA Budget Committee Minutes

[BCM Minutes 2022 ARPA Bundle.pdf](https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/1955677/BCM_Minutes_2022_ARPA_bundle.pdf)

BCM Minutes 2022

[BCM Minutes 2022 bundle.pdf](file:///C:\Users\Lettie\Desktop\NBC%20Due%2011\BCM%20Minutes%202022%20bundle.pdf)

Action: To approve both sets of minutes as presented.

Motion: Unknown [4:38]

Second: Unknown [4:41]

Vote: Yes 9 No 0 Abstain 0 Absent 5 (Meenahan, Mathai, Carmon, Wheatley, Nichols, Elise Yarnell Hollamon)

**CAPITAL PROJECT FUNDS**

Finance Manager Strode and Community Development Director Doug Rux stated that when the Committee reviewed Fund 14, Staff anticipated spending $395,000 on the loan for the Fairfield Inn this fiscal year. However, Staff recently learned that the expenditure would not occur until late August when the City would not have the funds budgeted. Therefore, the $395,000 was added to the Beginning Fund Balance for FY2023-2024 and increased the expenditure line item for the Economic Development Revolving Loan Fund by $395,000. The contingencies did not change. Proposing this change to the FY2023-2024 budget prevents the need for a supplemental budget in July. Each Committee Member had a printout of Fund 14.

Funds 4 (Proprietary Capital Projects) and 18 (Street Capital Projects)

Assistant City Engineer Wilson reviewed general information pertaining to both Funds 4 and 18. Topics discussed were the development of capital project lists, five- and ten-year budgets, ongoing maintenance programs, multi-year projects, and saving up for projects.

Fund 4 (Proprietary Capital Projects)

Assistant City Engineer Wilson reviewed Fund 4, noting the Capital Improvement Projects (CIP) list was approved by Council in March and the Otis Springs project had been postponed. She and City Manager Worthey addressed clarifying questions and also responded to Committee comments as follows:

* The Otis Springs project was postponed because Staff had decided that was not where they wanted to spend infrastructure money and that it could wait until a later date.
* The Programmable Logic Controller project (Page 103, line 04-5150-706397) was carried over from 2022-23 and would now be carried over to the next fiscal year. The project was at 60 percent completion and should be finished in the next fiscal year. The $1.1 million allocated should be sufficient to complete the project, as the bulk of the money was going towards equipment, which would be purchased after July 1. A Yamhill County American Rescue Plan Act (ARPA) grant would cover $500,000 and was reflected in the budget.

Fund 18 (Street Capital Projects)

Assistant Engineer Wilson reviewed Fund 18, noting most of the projects were funded through the Transportation Utility Fee (TUF) Fund. Street revenue required a restricted, special fund kept separate from other capital project funds. Some of the funding also came from the gas tax. Staff responded to Committee questions as follows:

* Dollars for bicycle routes and ADA improvements (Page 81, line 18-5150-702106) were cut from last year because Staff would be doing the ramps and cement work on an experimental basis, and they would only be paying for materials. The $40,000 was the portion of the project Staff believed would be eligible for system development charges (SDC).
* The Elliot Road Project budget reflected funds allocated for work to be completed in 2023-24 and was just for the streets portion of the project. Staff anticipated more funds would be allocated in the next budget to continue the project.
* Staff was not sure if the College Street Bike Lane & Sidewalk Project would be completed this fiscal year, so Staff proposed $5,500 for the work they believed would be completed in the next fiscal year.
* The Federal Exchange Grant was gas tax revenue exchanged to use for a different purpose still related to the Street Fund. When used for projects like this, it was exchanged at a 94 to 100 ratio. While it was not an even exchange, it allowed more flexibility for gas tax revenue.
* The budget document did not show how SDC money was related to each project, but that information could be provided. SDC funds would be used for Elliot Road, Bike Route & ADA improvements, and the Main Street/Illinois/240 Intersection. Elliott Road could be considered new construction, making it SDC eligible, because the City was providing additional capacity by adding the bike lanes and sidewalks.
* The $680,000 allocated over two years to the Main Street/Illinois intersection was for design, feasibility, and public involvement, not for construction work.
* Staff briefly explained the benefits of using a 2-year budget cycle for projects that cannot be completed in 12 months.

**SDC FUNDS (SYSTEM DEVELOPMENT CHARGE)**

Funds 42 (Street System), 43 (Stormwater), 46 (Wastewater), and 47 (Water)

City Engineer Kaaren Hofman reviewed SDC funds. Estimates for next fiscal year were based on rates previous to the increases passed in April. Topics discussed were qualifications for SDC funds, when SDCs were received, projections of five-year development trends, a potential supplemental budget, and transfers out of the funds. She answered clarifying questions and responded to Committee comments as follows:

* SDC revenue would remain about the same as the last fiscal year because the construction of single-family residences had gone down and multi-family had gone up, which offset each other. Additionally, the difference in timing between the planning permits and the building permits offset each other as well. Therefore, the budgeted revenue was just an estimate.
* The SDC revenue for FY 2022-23 was getting close to the estimated projections.
* Projected water SDCs were lower for the next fiscal year because over the last several years, they had come in lower than the estimated revenue.
* SDCs were paid on the building permits, so they could be paid by the builder or the developer, depending on the type of building project.
* Supplemental budgets in January and July would true up the estimated numbers with the actual numbers.

**MISCELLANEOUS FUNDS**

Fund 19 (Transient Lodging Tax (TLT))

City Manager Worthey reviewed Fund 19. Topics discussed included taxes received, budget allocations, and potential supplement budgets due to understated income estimates. He responded to Committee questions as follows:

* Airbnb and VRBO operators are required to collect the TLT, with Staff going to great lengths to ensure compliance.
* As revenues increased over time, the legal framework required the City to continue using established budget allocations so that the General Fund and the Reserve Fund for potential tourism development would rise together. Trying to change the allocation would have a negative effect because they would have to default to the State’s general number, which was not as good for the City.
* Out of the $1.071 million the City should receive, the City would transfer $694,000 to General Funds, $45,000 would go to the Chamber, and the remaining $330,500 would go to the Visitor Center. The City and Visitor Center portions were more volatile because they were dependent on the taxes raised, while the portion to the Chamber was a fixed amount.
* The Other line item reflected receipts from Airbnb and VRBO, which were tracked through licenses given to the homeowner. In some sense, the TLT tax was on an honor system because they had to self-report revenues and TLT taxes. However, revenues and taxes were also being reported to the Internal Revenue Service (IRS). Additionally, Taste Newberg monitored the local tourism economy, sending the City information about new lodgings to follow up on.
* Some cities have used TLT funds to construct public bathrooms, but the restroom at the Butler Property would come out of Fund 4, not TLT funds. Cleaning and maintenance of the bathroom would be done by Public Works Staff. [41:38] The bathroom would be utilitarian because it would be subject to vandalization and damage, quickly becoming an eyesore. Staff would rather have something modern and easy to clean but inexpensive and hard to vandalize.

Fund 9 (Debt Service Fund)

Finance Director Strode reviewed Fund 9, noting it covered three debts: pension bonds, the bypass loan, and the public safety communication upgrade. The bypass loan was paid for with the Federal Exchange Grant, but in this case, at a 1:1 ratio. Staff responded to Committee questions as follows:

* The Transfer In – General Fund (Page 113, Line 09-0000-390001) reflected funds transferred in from the General Fund to support debt service for the public safety communication upgrade, covering both principal and interest.
* Debt retirement for the communication upgrade would happen naturally in five years, but Staff would like to retire it early, possibly in FY2025-26. Staff’s next objective would be to reduce the Department of Environmental Quality (DEQ) loan for the wastewater plant.

Fund 21 (Governmental Capital Project Funds)

Finance Director Strode reviewed Fund 21, explaining it was carryover money related to the public safety communication upgrade to the dispatch center. The project was completed, but the final invoice would not be received until next year.

Fund 22 (Library Gift, Memorial, and Grant Fund)

Library Director Buerkle reviewed Fund 22, noting Library Friends would not provide money to the fund this year because they were directly paying $55,000 for repairs in the Carnegie Library. She responded to Committee questions and comments as follows:

* The Library Foundation gets funds for their grants through bequeathed gifts. The funds accrue, with the Library receiving a mandatory four percent from fund earnings. The Foundation was administered by a six-member board made up of community members.
* The windows project funded by Library Friends was in process and would span two budget years, so they asked Friends to pay for it directly. Public Works was overseeing the project. Contractor selection was completed, and they were waiting for permits.

Fund 99 (ARPA Fund)

City Manager Worthey reviewed Fund 99, noting about half of the money had been spent. More projects were moving forward again, so it could be that less would be spent in the upcoming budget year compared to what was in the budget document. Staff discussed the potential of recalling undesignated ARPA funds if the U.S. defaulted on the debt ceiling. Staff answered clarifying questions and responded to Committee comments as follows:

* The $1.5 million allocated to redundant water supply should be spent in FY2023-2024 and all funds would be spent before the deadline.
* The $2.043 million for community projects would be tracked with the recipients to make sure they were completed by the deadline. Each recipient had a memorandum of understanding that laid out milestones. If those were not met, legal action would be taken, with one organization already receiving an attorney’s letter for non-compliance.
* If a project were canceled, the funds would remain with the City and could be used on other ARPA projects.
* The best place to review progress on ARPA funds was the video of the May 1, 2023, Council meeting.

**PUBLIC HEARING**

Chair Peregrino de Brito opened the public hearing on State Shared Revenue Funds for Fiscal Year 2023-24 and asked if there were any declarations of conflicts of interest. There were none.

Finance Director Strode presented the Staff report, summarizing what the State Shared Revenues were and the proposed uses of the funds.

Testimony: None.

Chair Peregrino de Brito closed the Public Hearing.

Staff recommended the State Shared Revenue Budget be approved as proposed.

Action: To approve State Shared Revenue as proposed in the budget.

Motion: Unknown [1:02:57]

Second: Unknown [1:03:03]

Vote: Yes 10 No 0 Abstain 0 Absent 4 (Meenahan, Mathai, Carmon, Wheatley, Elise Yarnell Hollamon)

**GENERAL DISCUSSION – APPROVE THE BUDGET**

Property Tax Levy Discussion:

Finance Director Strode shared details of the proposed tax rate, which was a 3 percent increase, which was the maximum increase allowed by the City’s charter but would still result in an assessed rate that was lower than the maximum. Staff answered clarifying questions from Committee Members about the tax, the impact of the tax on the proposed budget, and how the proposed increase was calculated.

Committee Members discussed previous tax rates and debated whether to raise the tax rate or keep it at current levels.

Staff recommended that the Committee approve the proposed property tax rate.

Approval of the Budget:

Action: To approve the proposed budget as amended for Fiscal Year 2023-24.

Motion: Unknown [1:28:04]

Second: Unknown [1:28:10]

Vote: Yes 10 No 0 Abstain 0 Absent 4 (Meenahan, Mathai, Carmon, Wheatley, Elise Yarnell Hollamon)

Approval of the Property Tax Levy:

Action: To approve the taxes for 2023-24 Fiscal Year of $2.8983 per $1,000 of assessed value for operating purposes.

Motion: Unknown [1:31:01]

Second: Unknown [1:31:16]

Vote: Yes 10 No 0 Abstain 0 Absent 4 (Meenahan, Mathai, Carmon, Wheatley, Elise Yarnell Hollamon)

**ADJOURNMENT**

Chair Peregrino de Brito adjourned the meeting at 7:36 p.m.