



**CITY OF NEWBERG COUNCIL AGENDA
DECEMBER 19, 2011
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. PLEDGE OF ALLEGIANCE

IV. CITY MANAGER'S REPORT

V. PUBLIC COMMENTS

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

VI. CONSENT CALENDAR

1. Consider a motion approving **Resolution No. 2011-2983** authorizing the city manager to enter into a contract with Hughes Fire Equipment, Inc. for the purchase of a fire apparatus with patient transport capability. (Pgs. 3-6)
2. Consider a motion approving November 7, 2011, City Council minutes. (Pgs. 7-14)

VII. NEW BUSINESS

1. Consider a motion approving a Food for Fines Event for the Newberg Public Library for over due book fines during February 29 through March 14, 2012. (Pgs. 15-16)
2. Consider a motion approving **Resolution No. 2011-2984** accepting the 2010-2011 Fiscal Year Budget Audit. (Pgs. 17-44)

The Mayor reserves the right to change the order of items to be considered by the Council at their meeting. No new items will be heard after 11:00 p.m., unless approved by the Council.

3. Consider a motion approving **Resolution No. 2011-2978** extending the City's workers' compensation insurance coverage to volunteers. (Pgs. 45-47)

VIII. COUNCIL BUSINESS

IX. EXECUTIVE SESSION

Executive Session pursuant to ORS 192.660(2)(h) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed – pertaining to the Industrial UGB.

X. 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 dial 711.

Council 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 City Recorder. The exception is land use hearings, which requires a specific public hearing process. The City Council asks written testimony be submitted to the City Recorder before 5:00 p.m. on the preceding Thursday. Written testimony submitted after that will be brought before the Council on the night of the meeting for consideration and a vote to accept or not accept it into the record.

The Mayor reserves the right to change the order of items to be considered by the Council at their meeting. No new items will be heard after 11:00 p.m., unless approved by the Council.

REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: December 19, 2011

Order ___ No.	Ordinance ___ No.	Resolution <u>XX</u> No. 2011-2983	Motion ___	Information ___
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SUBJECT: Purchase Fire Apparatus with Patient Transport Ability

Contact Person (Preparer) for this Motion: Les Hallman
Dept.: Fire
File No.:

RECOMMENDATION: Adopt **Resolution No. 2011-2983** authorizing the city manager to enter into a contract with Hughes Fire Equipment, Inc., for the purchase of one (1) fire apparatus with patient transport capabilities and with Oshkosh Capital (Pierce) for a Tax-Exempt Lease Purchase Agreement to finance the purchase.

EXECUTIVE SUMMARY:

Newberg Fire Department (NFD) operates a fire-based Emergency Medical Services (EMS) and is required by the Yamhill County Ambulance Service Area Agreement to maintain no less than two (2) Advanced Life Support (ALS) ambulances in service at all times. Due to high call volumes, NFD also “cross-staffs” up to two (2) additional ALS ambulances by crews that also staff fire apparatus. When a fire apparatus crew is forced to staff an ambulance, it reduces the level of fire protection. NFD has found an alternate service delivery model practiced by several fire departments around the country. These agencies utilize a fire apparatus that also has the ability to provide patient transport. Not only does this model help maintain a higher level of fire protection, but it also provides efficiency by combining two separate units into one.

The current NFD Vehicle Replacement Schedule calls for replacement of one (1) Rescue/Ambulance in the current fiscal year (FY) and one (1) fire engine in FY 2013-2014. This purchase will combine those two scheduled purchases at an estimated savings of \$150,000.00.

NFD developed a Request for Proposals (RFP) for a manufacturer to design, build and deliver one (1) fire apparatus with patient transport capabilities. The recommended proposal was the only proposal received at a cost of \$598,823.00 and does meet all of the RFP requirements. The next purchase of large equipment is anticipated for 2018.

Note: The ORS (279B.075) provides to extent of reasonable and practical, the contracting agency must negotiate with the sole source agent, so this allows flexibility for the city manager through the fire chief to negotiate changes to the contract that may seem appropriate.

FISCAL IMPACT:

\$200,000.00 is budgeted in Fund 33.2210.534000 of the 2011-2012 General Fund Budget as the first of three annual payments. The city manager is authorized by the municipal code to increase contracts by 10% allowing funds for contingency should they be needed, and those funds are also available in Fund 33.2210.534000 with a remaining balance of \$223,713.00 in FY 2011-2012. Between the beginning fund balances and estimated revenues of \$142,000.00 per year for FYs 2012-2013 and 2013-2014, the City estimates having adequate funding for the second and third year lease payments. A detailed budget forecast is shown in Attachment 1.

STRATEGIC ASSESSMENT:

This purchase will allow NFD to maintain a higher level of service with the use of a fire apparatus with patient transport capabilities. It will also combine two scheduled vehicle replacements into one for an estimated cost savings of \$150,000.00.

**Transporting Engine Lease
Beginning 2011-12**

	2011-12 Budgeted Fund 33	2011-12 Actual / Est Fund 33	2012-13 Estimated Fund 33	2013-14 Estimated Fund 33
06.30.11				
Beg Balance in Fund	552,591.00	552,591.00	223,713.85	136,046.30
Revenues				
Fees	139,000.00	142,103.40	142,103.40	142,103.40
Interest	2,000.00	229.05	229.05	229.05
Insurance Proceeds	148,790.40	148,790.40		
Transfer In-EMS	<u>20,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>
Total Revenues:	<u>309,790.40</u>	<u>311,122.85</u>	<u>162,332.45</u>	<u>162,332.45</u>
Subtotal	<u>862,381.40</u>	<u>863,713.85</u>	<u>386,046.30</u>	<u>298,378.75</u>
Expenses:				
Transport Engine Lease	200,000.00	200,000.00	200,000.00	200,000.00
Ambulance Remount	174,000.00	220,000.00		
Wrecked Ambulance	220,000.00	220,000.00		
Equipment for Transport Other Capital Outlay	<u> </u>	<u> </u>	<u>50,000.00</u>	<u> </u>
Total Expenses:	<u>594,000.00</u>	<u>640,000.00</u>	<u>250,000.00</u>	<u>200,000.00</u>
End Balance in Fund	<u><u>268,381.40</u></u>	<u><u>223,713.85</u></u>	<u><u>136,046.30</u></u>	<u><u>98,378.75</u></u>



RESOLUTION No. 2011-2983

A RESOLUTION AUTHORIZING THE CITY MANAGER TO SIGN A CONTRACT WITH HUGHES FIRE EQUIPMENT, INC., FOR THE PURCHASE OF ONE (1) FIRE APPARATUS WITH PATIENT TRANSPORT CAPABILITIES AND WITH OSHKOSH CAPITAL FOR THE TAX-EXEMPT LEASE PURCHASE AGREEMENT TO FINANCE THE PURCHASE

RECITALS:

1. The Newberg Fire Department (NFD) has operated a Fire-Based EMS system since 1994.
2. The purchase of a fire apparatus with patient transport capabilities will provide a more efficient and effective delivery of NFD services.
3. NFD has a strategic plan for the replacement of emergency vehicles. The replacement schedule calls for replacement of one (1) Rescue/Ambulance in the current fiscal year (FY) and one (1) fire engine in FY 2013-2014. This purchase will combine those two scheduled purchases at an estimated savings of \$150,000.00.
4. Following the Request for Proposal (RFP) process, the City's Selection Committee finds the proposal from Pierce Manufacturing, represented by Hughes Fire Equipment of Oregon, to meet all RFP requirements and in the best interest of the City of Newberg.
5. The 2011-2012 City budget includes \$200,000.00 for the first of three annual payments for a fire apparatus with patient transport capabilities.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. The City selects Hughes Fire Equipment, Inc. (dealer) to manufacture the above-described fire apparatus at a cost not-to-exceed \$600,000.00 over three (3) years.
2. The city manager is authorized and empowered to sign all necessary documents, do all necessary acts, and enter into all necessary agreements for the purchase of the fire apparatus from Hughes Fire Equipment, Inc., including documents related to the tax-exempt, lease-purchase agreement with Oshkosh Capital (Pierce).
3. The City Council acting as the Contract Review Board makes the following findings:
 - a. Municipal Code Section 3.25.080(F)(10), entitled "Solicitation methods for classes of contracts." allows the City to enter into a "Sole-Source Contract."
 - b. The City Fire Department has issued a Request for Proposal (RFP) for the apparatus with patient transportation capabilities and received one (1) response to their RFP from Hughes Fire Equipment, Inc. (dealer).

- c. It is the understanding of the fire chief that Hughes is the only company building these fire apparatuses with patient transportation capabilities, but the RFP was intended to see if any other companies were building them and to give anyone else an opportunity if there were other dealers.
 - d. It is in the best interest of the City to have the fire apparatus with patient transportation capabilities in order to provide the highest possible level of fire protection and to be able to provide EMS services.
 - e. The city manager, as the contracting agent, is authorized to negotiate with the dealer to obtain contract terms that are most advantageous to the city.
 - f. The City selects Hughes Fire Equipment, Inc. (dealer) to manufacture one (1) fire apparatus with patient transport capabilities and Oshkosh Capital (Pierce) to provide a tax-exempt lease agreement for the purchase.
4. The city attorney will approve the contract and purchase agreement as to form and content.

➤ **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: December 20, 2011

ADOPTED by the City Council of the City of Newberg, Oregon, this 19th day of December, 2011.

Norma I. Alley, City Recorder

ATTEST by the Mayor this 22nd day of December, 2011.

Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through _____ Committee at ____ / ____ / ____ meeting. Or, X None.
(committee name) (date) (check if applicable)

REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: December 19, 2011

Order ___ Ordinance ___ Resolution ___ Motion XX Information ___
No. No. No.

SUBJECT: Approve the November 7, 2011, City Council Meeting minutes.

Contact Person (Preparer) for this Motion: Norma Alley, City Recorder
Dept.: Administration

RECOMMENDATION:

Approve City Council minutes for preservation and permanent retention in the City's historical records.

EXECUTIVE SUMMARY:

The City of Newberg City Council held a public meeting and minutes were recorded in text. In accordance to Oregon State Records Management law, the City of Newberg must preserve these minutes in hard copy form for permanent retention.

FISCAL IMPACT:

None.

STRATEGIC ASSESSMENT:

None.

VI. PUBLIC COMMENTS

Mr. Hank Grum provided testimony regarding the City's website posting on Frequently Asked Questions (FAQs), conversations he had with the city attorney about not being able to discuss politics and the whole truth, and spoke to the Council about reflecting on values, the division of labor, the political branch of philosophy, and avoiding the omission of facts in official documents. He encouraged Council to understand the underlying values and pursue them (see official meeting packet for full written testimony).

Councilor Bart Rierson expressed his appreciation for Mr. Grum's concerns with what goes on. He questioned the email he sent to Council regarding omission of facts in election material and if the information Mr. Grum provided may have missed some information the City felt was important as well, like the fact an election would have to be held within thirty days. He said people can disagree and not everyone shares the same values.

Councilor Ryan Howard said he appreciates that Mr. Grum does not agree with them or recognize the distinction between legislative and administrative process. Mr. Grum referred to the CRRC minutes from 2009 describing how to make the administrative process protected from the legislative actions. Councilor Howard continued by saying he recognizes Mr. Grum does not like the distinction between the two but the Charter differentiates those things for a reason. He added while he understands his concern the City did not express themselves clearly enough, he does not agree with Mr. Grum's characterization of people opposing his measure as being in opposition of his right to vote.

Councilor Stephen McKinney spoke of the long practice of city government to allow citizens to bring items to a vote and the difficulty of understanding some of the points of Mr. Grum's disagreement. He said the measure is poorly written and promises made to citizens who promised to support it regarding the Charter were not factual. He spoke of the evolution of the City's Charter and the respect many citizens have for it. He sympathized with Mr. Grum's hurt feelings but felt he was laying blame on city staff and the Council for the fact the measure was not written clearly and will lead to thousands of dollars spent to make up for this if it passes. He said it was their duty to protect the Constitution of the United States, the State of Oregon, the Charter of the City of Newberg, and the electorate, which is why he is hoping for a favorable result in opposition to the measure tomorrow.

Mr. Terry Mahr, City Attorney, said he did have a conversation with Mr. Grum who asked what happened to the oath "to tell the whole truth and nothing but the truth" to which he responded that is an oath only on television; it was not to say he was not telling the truth. He also stated as an employee of the City he cannot make statements for or against a measure because that would be a political statement. He felt his responses were not accurately portrayed.

Councilor McKinney added the legal department used due diligence to make the right statement of argument regarding the measure which was vetted by the State as factual. He said he was proud of the City Attorney for exercising all precaution to make the right statement and be as unbiased as he could.

Ms. Pat Haight spoke about a request she made to get information on the League of Oregon Cities (LOC) Conference recently attended by Council and staff. She asked why no plan for a report to be given by anyone on this. She felt since money is spent to be a member of the LOC and to attend these conferences, those attending should come back and give a report on what was studied so the people know where their money is being spent. She spoke of the Council needing to straighten their heads out on some of the people that work for this city and if they do not start including people then no businesses will want to come here. She said if they were going off on secret meetings, then she wants to know how much is costs; she told them to just tell her what they are doing with our money and she is expecting a report on the LOC meetings.

Mayor Andrews said Ms. Haight was premature in her anger as there are plans to report to council.

Councilor Rierson added he understood her anger but did not agree with her characterizations of the Council having secret meetings. He also agreed there are angry citizens, but there are also citizens who are pleased with how they work and the direction they are going.

Councilor Howard agreed just because they have not provided a report to citizens it should not be assumed they have secret meetings; he said he has given a report to everyone who has asked him and they were enthusiastic about what was learned, like focusing on emergency preparedness for example. Ms. Haight said if everyone gave a little talk like that it would be fine.

Councilor Denise Bacon added she received information about working with the Latino community and Red Cross to develop a plan to reach people and understand types of emergencies and different reactions based on cultural values. Ms. Haight asked if it was unfair for her to ask for something like this. Councilor Bacon said it was not unfair.

Mayor Andrews closed the discussion stating the message was received and reports are coming; however, regarding the details of the public records issues he would leave in the hands of the city manager. Mr. Danicic said he did say there was not a plan to present anything and that was a miscommunication on his part.

Mr. Mike Ragsdale gave a report on the activities and success of the recent Halloween events downtown supported by the Newberg Downtown Coalition (NDC) and the Chehalem Park and Recreation District (CPRD). He recognized the organizational efforts made by the Library Director Leah Griffith and many other volunteers. Councilor McKinney added his appreciation for Mr. Ragsdale's time and efforts with the NDC and mentioned kudos being given from the head of the farmers' market in McMinnville about what he is doing for Newberg.

Mr. Robert Soppe asked Council about the statement made about the proposed measure that "10% of the city can challenge any legislation" and if they thought it was misleading; he asked Councilor Rierson about a comment he made about not thinking council meetings were "appropriate forums for discussion" and wondered what he thought was an appropriate forum; and he also asked what were the specific Councils and agreements referred to by Councilors regarding the animal shelter (see official meeting packet for full written testimony).

Councilor Bacon spoke to the first question and explained why she was willing to sign the statement. She said it was her understanding water rates cannot be included because of bonding issues and indebtedness and if the citizens felt a desire to change how we did that it could be an issue. She said this makes her believe the statement is true. Mr. Soppe said technically it is. Councilor Bacon added there were only 225 words allotted for the statement to include all points, this does not allow for in depth explanation.

Councilor Howard added it is a technical issue and that is why he was supporting the statement and said this is a good example of why not every issue is appropriate to send since not everyone will understand the distinction in the Charter. He said it may have been worded differently, but they were limited.

Councilor McKinney said he was glad to sign because it was defending the Charter and CRRC was an example within that writing; he said the Council is in unanimous defense of the Charter which has served the community so well.

Councilor Rierson stated he could get back to Mr. Soppe in regards to his questions on the animal shelter, but it would not matter to him if those promises had been made, he still would have supported it. Mr. Mahr spoke of a memo of understanding requested by Mr. Soppe being unsigned and there for technically the promises were not made and continued with some background on conversations between past Councils and city managers that may have led to them being unsigned, there was nothing binding, but it was just to continue a good working

relationship. Mr. Soppe emphasized he has concerns with Council citing something when they are not sure if it even exists and he cautioned them from making those kind of references.

Councilor Rierson continued by addressing Mr. Soppe's other concern regarding appropriate forums for discussion saying the Council takes public comments but it is not a forum for deliberation and as this is a business meeting there is a lot of stuff to get done which is why they only allow five minutes per speaker. Mr. Soppe stated they have a difference in opinion and the public needs to be encouraged to participate more.

Councilor McKinney commented on the discussion regarding a record of context and validity of previous council's discussions; he said it is a matter of how he can present something to his neighbors and they trust the city attorney as an excellent source of information to provide a long history of context. Mr. Soppe agreed he always found Mr. Mahr to be useful and competent, but promises and agreements are different from encouragement.

Mayor Andrews agreed that Mr. Soppe's questions touched onto something worth the consideration of the Council and they are not unwilling to listen; he thanked him for his comments.

Ms. Leah Griffith, Library Director, introduced Elizabeth Pérez Anderson to the Council as the newly appointed member to the Library Board. Council thanked her for her willingness to serve. Ms. Pérez Anderson stated the library is amazing and sitting through this meeting has been very educational for her.

VII. CONSENT CALENDAR

Consider a motion approving September 19, 2011, City Council minutes.

<p>MOTION: Shelton/Bacon approving the City Council minutes from September 19, 2011, as amended. Motion carried (7 Yes/0 No).</p>
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VIII. PUBLIC HEARINGS

Consider a motion approving **Resolution No. 2011-2973** approving Supplemental Budget #1 for the 2011-2012 Fiscal Year.

TIME – 8:05 PM

Mayor Andrews introduced the resolution and called for conflicts of interest or abstentions; none appeared.

Ms. Janelle Nordyke, Finance Director, presented the staff report (see official meeting packet for full report).

Councilor McKinney asked staff about the financial impact and the difference in figures. Ms. Nordyke said some increases were not expected and they were pleasantly surprised to see more revenue than anticipated, there was also a reduction in the general fund spending because they waited to fill vacant positions. She added this will still be a challenging fiscal year and some of those reductions in spending will need to be spent this year.

Mayor Andrews opened and closed the public testimony. Staff recommended adoption.

<p>MOTION: Shelton/Witherspoon approving Resolution No. 2011-2973 approving Supplemental Budget #1 for the 2011-2012 Fiscal Year.</p>

Councilor Rierson said he understands it is a required process but felt it was frustrating to have estimates that far off. There have been a lot of sacrifices made, including staff, because of those projections and he hoped we would not have to do this again, especially for this amount.

Councilor Marc Shelton clarified with staff the additional revenue was because of the Transient Lodging Tax (TLT) and a representation of the savings from expenditures not made and he feels good the Budget Committee is aware this is where we are heading. The other savings for departments was not revenue generation, instead it was frugal spending.

Councilor McKinney spoke briefly with staff about fund 33 on page 19 regarding the capital outlay increase, the loss of the ambulance, and how the money is coming in and out of the fund. Ms. Nordyke replied this is directly accounting for that.

Mr. Danicic added he appreciates the Council's concerns with larger ending fund balances and emphasized staff makes their estimates in January, which is many months in advance and they are bound by the fact they cannot over-expend the budget.

VOTE: Approving **Resolution No. 2011-2973** approving Supplemental Budget #1 for the 2011-2012 Fiscal Year. Motion carried (7 Yes/0 No).

IX. NEW BUSINESS

1. Consider a motion accepting the Chehalem Valley Visitor Information Center's 2011-2012 First Quarter Report.

TIME – 8:22 PM

Ms. Sheryl Kelsh, Executive Director of Chehalem Valley Chamber of Commerce, presented the Visitors' Center report (see official meeting packet for full report).

Mr. Danicic asked if she has seen anyone running away from Newberg in this current business climate. Ms. Kelsh replied no and added business is in a holding pattern with tourism leading us out of economic decline. This means good things for all businesses in general.

Councilor McKinney commented the downtown looks healthier with more stores lit up; he offered kudos to the Chamber of Commerce and the Newberg Downtown Coalition (NDC) for their efforts.

MOTION: **Rierson/Bacon** accepting the Chehalem Valley Visitor Information Center's 2011-2012 First Quarter Report. Motion carried (7 Yes/0 No).

2. Consider a motion approving **Resolution No. 2011-2979** the Newberg Public Library Strategic Plan 2011-2014.

TIME – 8:32 PM

Ms. Leah Griffith, Library Director, and Mr. Geoff Godfrey, Library Board Chair, presented the staff report (see official meeting packet for full report).

Mayor Andrews asked them to convey to staff the Council's appreciation in their accomplishing tasks when things are not too good financially and offered compliments on providing a strategic plan. He and Councilor Witherspoon discussed adding additional language regarding fiscal impacts of requiring additional funds to accomplish the plans.

Councilor Shelton also supported including alternative funding sources being sought within the Plan.

Councilor McKinney said he was in favor of the resolution and did not wish the Library to be handcuffed by describing a specific amount, but at some point in time they should try to isolate how much funding is needed for implementation of the Plan because this needs to be a useful tool.

Councilor Witherspoon said he did not think a specific figure was needed, but when they talk about generating new sources of revenue, it is the statement of “requires additional funds” that is so open ended it can be seen as a license to spend. Mr. Danicic suggested an additional sentence stating, “The allocation of needed funds will be through the annual budgeting process or supplemental budget process.”

Mayor Andrews said this is in the introduction of the material and the resolution does not speak to funding so he did not feel it was necessary to wordsmith the executive summary. If something requires funding they will have to come back to Council and he would like it to be on the record that they are not adopting the fiscal impact of the executive summary, they are adopting the resolution. Mr. Danicic agreed when returning to the context of what is adopted then clarification is helpful, but in the big picture it is the resolution being adopted and it does not allocate any monies.

Mr. Godfrey mentioned the estimate for the Children’s Room remodel came down significantly from \$700,000.00 to approximately \$200,000.00 to \$260,000.00.

Mayor Andrews called for a recess at 9:07 PM and reconvened at 9:12 PM.

MOTION: Witherspoon/Rierson approving **Resolution No. 2011-2979** the Newberg Public Library Strategic Plan 2011-2014. Motion carried (7 Yes/0 No).

3. Consider a motion approving **Resolution No. 2011-2956** adopting an official City of Newberg logo design and guidelines for use.

TIME – 9:12 PM

Ms. Griffith presented the staff report (see official meeting packet for full report).

Councilor Witherspoon stated he does not like the City’s logo because it does not say who we are by showing a picture of Newberg in between the ocean and trees with no representation of its greatest resource of wine; he would like to suggest starting the process to look at the possibility of an entirely new logo.

MOTION: Howard/Bacon approving **Resolution No. 2011-2956** adopting an official City of Newberg logo design and guidelines for use. Motion carried (7 Yes/0 No).

Councilor Witherspoon suggested there should be a plan developed on what the process looks like and if funds are available first before creating the logo. Mr. Danicic clarified the desire of Council to have an initial report with a proposed process for adopting the new logo and what expenses there may be.

MOTION: Witherspoon/Howard direct staff to begin process of pursuing a new design for the City of Newberg logo and to move into a full branding concept for the City. Motion carried (7 Yes/0 No).

4. Consider a motion approving **Resolution No. 2011-2952** ratifying the Police Collective Bargaining Agreement expiring June 30, 2014.

TIME – 9:33 PM

Mr. Mahr presented the staff report mentioning dates and other grammatical discrepancies needing to be cleaned up (see official meeting packet for full report).

Mr. Chris Bolek, Police Captain and Mr. Nathan James, Police Officer and union representative, gave brief testimony regarding the process of coming to an agreement and were present to answer any questions.

Councilor Howard said it is always good to have constructive and not counter productive goals and asked about what the future may hold in response to increasing healthcare costs. Discussions followed on the importance of discussing possibilities to help alleviate possible increases in the future. Staff added in the past the association has marketed for more healthcare packages and there has been emphasis on and incentives for healthy activities and wellness to mitigate costs. Councilor Howard was happy to hear they were thinking about creative solutions.

Mr. Mahr stated he would be making the noted grammatical amendments for the final version of the approved document.

MOTION: McKinney/Rierson approving Resolution No. 2011-2952 ratifying the Police Collective Bargaining Agreement expiring June 30, 2014. Motion carried (7 Yes/0 No).

X. COUNCIL BUSINESS

TIME – 9:59 PM

Mayor Andrews spoke of beginning the process of the roving gavel at the next meeting, asked about attendees for the Chehalem Youth and Family Services (CYFS) Ignite the Light event tomorrow, and offered a donation of Christmas lights to decorate City Hall.

Councilor Howard gave updates on the Drug Take Back with 104 pounds of drugs collected and stated that the lower numbers may indicate the permanent location for prescription drop-off may be reaching the intended audience as they have been regularly been collecting 30-40 pounds every few weeks. He spoke of ideas to get the word out to more about the drop-box.

XI. ADJOURNMENT

The meeting adjourned at 10:11 PM.

ADOPTED by the Newberg City Council this 5th day of December, 2011.

Norma I. Alley, City Recorder

ATTEST by the Mayor this 8th day of December, 2011.

Bob Andrews, Mayor

REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: December 19, 2011

Order ___ No.	Ordinance ___ No.	Resolution ___ No.	Motion <u>XX</u>	Information ___
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SUBJECT: Approve a Food For Fines project for the Library.

Contact Person (Preparer) for this Motion: Leah M. Griffith
Dept.: Library
File No.:

RECOMMENDATION: Approve a **Food for Fines** event for the Newberg Public Library for February 29-March 14, 2012, in conjunction with leap year.

EXECUTIVE SUMMARY: Many libraries hold Food for Fines events periodically to encourage library users to pay off fines (up to \$10) in exchange for food for the local food bank. The Newberg Public Library project will help feed those in need in our community, and create an opportunity for library patrons to pay off fines that may otherwise keep them from checking out library items.

Patrons will be allowed to pay off up to \$10 in overdue fines only-food will not be accepted for replacement fees, lost item charges or damaged charges.

A list of acceptable items for Food for Fines will be posted (see attached poster). Perishable, damaged, expired and unlabeled items will not be accepted. Food will be donated to FISH.

The last time the library did Food for Fines was in December, 2004 in conjunction with the shift to a new automated checkout system. The loss in revenue was minimal and hundreds of pounds of food was collected. It was difficult to determine the loss of fine revenue as the change over to a new checkout system meant the library was closed part of the time and didn't check out as many items during that same time period.

FISCAL IMPACT: In researching Food for Fines events at other Oregon libraries, it became clear that the loss in fine revenue is minimal, and in fact a number of libraries (Tigard, Gladstone, Stayton) actually had fine revenue increase or remain the same during the time of the program and for the year. The Food for Fines publicity encouraged people to pay off their fines and if they had more than \$10 in fines, they paid the remainder of the fines in cash.

There is the potential loss of \$600 in fine revenue (an average week nets \$300 in fines and the program will be two weeks long), however as noted above, revenue loss is expected to be minimal or not at all.

These events are also known for the return of long overdue materials, the value of which quickly exceeds the loss in fine revenue.

STRATEGIC ASSESSMENT: A Food for Fines event can assist in the return of long overdue materials that do not have to be replaced. It can clear up fines for a number of readers. It also provides an opportunity for the public to support the community food bank. This project will not be a yearly event as we do not want to encourage people to wait until an appointed time to pay off fines with food each year.

February 29—March 14, 2012

Food for Fines

You bring the food, we'll waive the fines.

One food item = \$1.00 in fines

*Up to \$10 in overdue fines may be waived.**

Peanut Butter

Chunky Soups / Chili / Beans

Tuna

Boxed Hot or Cold Cereal

Pasta & Pasta Sauces

Juice

Canned Fruit / Vegetables

Don't have any fines? Additional donations are welcome. All food will be donated to Newberg F.I.S.H.

**Only non-perishable, undamaged, unexpired and labeled items will be accepted. Food will be accepted for fines ONLY and not for replacement fees or lost items.*



**Newberg Public
LIBRARY**

REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: December 19, 2011

Order ___	Ordinance ___	Resolution <u>XX</u>	Motion ___	Information ___
No.	No.	No. 2011-2984		

SUBJECT: To accept the annual audit report and financial statements for the fiscal year that ended June 30, 2011.

**Contact Person (Preparer) for this Motion: Janelle Nordyke
Dept.: Finance
File No.:**

RECOMMENDATION: Adopt **Resolution No. 2011-2984** accepting the annual auditor's report and financial statements for the fiscal year that ended June 30, 2011.

EXECUTIVE SUMMARY:

Following the close of each fiscal year, auditors come to the City to review our financial records. The current auditors are Boldt, Carlisle and Smith, LLC of Salem, Oregon, who specialize in performing governmental audits and are competent in performing their audits. The audit team was at the City the week of September 12, 2011 conducting field work. This process includes: obtaining an understanding of the City's internal controls by asking pertinent questions, reviewing City Council minutes, critically examining and testing samples of various transactions, and intently inquiring of management and other employees about fraud risks. Fraud risks include untimely bank reconciliations, not having separation of duties, lack of internal controls to prevent collusion and material errors. The City of Newberg has timely bank reconciliations, has the minimum number of required employees to have separation of duties, and has good internal controls to prevent collusion and material errors.

On December 1, 2011, the City of Newberg was issued an unqualified opinion on the financial statements for the year ending June 30, 2011 (Attachment 1 for the Independent Auditor's Report). An unqualified opinion means that the financial statements are presented fairly in the auditors' opinion, are free of material misstatements, have been prepared in accordance with the United States generally accepted accounting principles, and are consistently applied. A material misstatement is the presentation of misleading financial information, whether caused by error or fraud, which could influence the decision of the intended users. The City received the highest positive opinion an auditor can give.

As Oregon municipal auditors, Boldt, Carlisle & Smith are also required to issue a report that states the City of Newberg has substantially complied with the Minimum Standards required for audits of a municipality. (Attachment 2)

The City of Newberg's Comprehensive Annual Financial Report for the year ending June 30, 2011 can be found on the City's website at www.newbergoregon.gov/finance/comprehensive-annual-financial-report and select CAFR 2011 or by contacting the Finance Department at (503) 537-1216. For an analysis of the financial results, please read the Transmittal Letter (Attachment 3) and Management Discussion and Analysis Report (Attachment 4).

The following information briefly recaps the major sections of the City's financial statements: The Government-Wide Statements of the City are presented on pages 1-4 of the report. These statements show the result of operations for all services of the City on a full accrual basis of accounting. These statements focus on the long-term health of the City. The full accrual basis of accounting includes reporting long-term liabilities, long-term receivables, depreciation, and the capitalization of asset

purchases. The functions of the City are split into two categories: Governmental Activities (everything except business-type activities) and Business-Type Activities (Water, Wastewater, Storm Water, and Emergency Medical Services).

The Governmental Fund Statements are presented on pages 5-12. These statements have a short-term focus, therefore, only current revenues and current expenses are reported. This accounting method is called the modified accrual approach. These reports include General Fund, Street Fund, Building Inspection Fund and Other Governmental Funds (Special Revenue, General Government Debt Service and non-utility Capital Projects).

The Proprietary Fund Statements are presented on pages 13-16. These reports show the financial results of the utility operations and emergency medical services prepared under the full accrual basis of accounting. The utilities and emergency medical services are considered business-type activities due to the collection of user charges to fully recuperate costs. The Internal Services Funds (Administrative Support Services and the Vehicle/Equipment Replacement Reserve) are also included in this category as they fully recuperate costs.

The Fiduciary Funds are presented on pages 17-20. These reports are intended to disclose the employee retirement funds that the City manages in a fiduciary capacity and the City's court bail deposits. The amounts reported in these funds do not belong to the City, but are held in trust for other parties.

The Notes to the Financial Statements are presented on pages 21-52. The Notes describe the summary of significant accounting policies of the City; stewardship, compliance and accountability of the City; detailed notes on all funds, including debt; and other information such as retirement plans and property tax limitations.

The Combining Statements and Budget to Actual Reports are presented on pages 53-110. The purpose of the Budget to Actual reports is to demonstrate how the City complied with budgetary restrictions over the course of the fiscal year. These reports will look a little different from those in the past because of GASB 54, which was created to let the public know what portion of the ending fund balance was nonspendable, restricted, committed, assigned and/or unassigned. In addition, it also redefined Special Revenue ending fund balances to only be classified as restricted or committed. The City Council adopted Resolution 2011-2929 in February, 2011, which classified those Special Revenue funds that had not been previously defined. Also included in this section are reconciling statements on pages 96-97 and 105. The purpose of combining and reconciling reports is to document how the individual fund statements were consolidated and adjusted to prepare the information for the summary reports shown on pages 1-20.

Pages 111-146 have additional information about the City's operations, including pertinent statistical facts.

FISCAL IMPACT:

None.

STRATEGIC ASSESSMENT:

The City of Newberg's financial statements for the year ending June 30, 2011, have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America and Oregon Local Budget Law. These statements will be filed with all regulatory agencies that monitor City financial activities.



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members of the City Council
CITY OF NEWBERG
Newberg, Oregon**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWBERG**, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF NEWBERG**, as of June 30, 2011, the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General, Street, and Building Inspection Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a* through *p* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A

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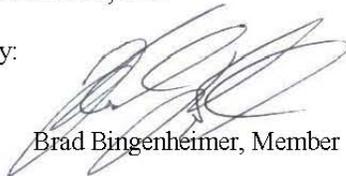
**Honorable Mayor and Members of the City Council
CITY OF NEWBERG
Newberg, Oregon**

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **CITY OF NEWBERG's** financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, other information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Boldt, Carlisle & Smith LLC
Certified Public Accountants
Salem, Oregon
December 1, 2011

By:



Brad Bingenheimer, Member

B



**INDEPENDENT AUDITOR’S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

We have audited the basic financial statements of the **CITY OF NEWBERG** as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the **CITY OF NEWBERG**’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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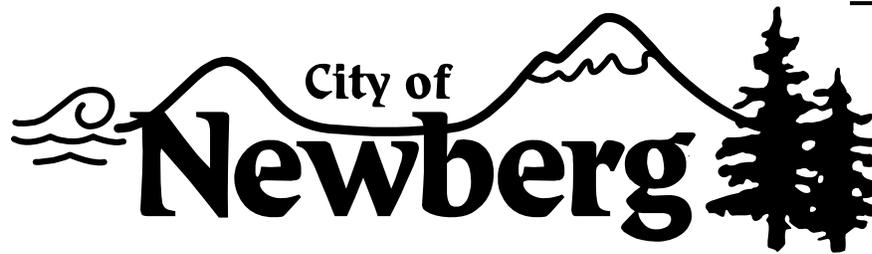
In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **CITY OF NEWBERG's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the **CITY OF NEWBERG** and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt, Carlisle & Smith LLC
Certified Public Accountants
Salem, Oregon
December 1, 2011



December 2, 2011

To the Honorable Mayor, City Councilors, and Citizens of the City of Newberg, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Newberg, Oregon (the City) for the fiscal year ended June 30, 2011 is hereby submitted.

This report presents the financial position of the City as of June 30, 2011 and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of the State of Oregon. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to comply with reporting requirements.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors, beginning on page a.

The City of Newberg's financial statements have been audited by Boldt, Carlisle & Smith LLC, a firm of licensed certified public accountants. They have issued an unqualified opinion on the City of Newberg's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report, beginning with page A.

Governmental Structure

The City of Newberg was incorporated in 1889. The City is located 23 miles southwest of Portland, Oregon's largest city, and lies on the main east-west route between Portland and the central Oregon coast. It is the second largest city in Yamhill County. Yamhill County is part of the Portland-Vancouver metropolitan statistical area. The City currently has a land area of 6.83 square miles and a 2011 population of 22,110. The City has the authority to extend its corporate limits by annexation. During the 2010-11 fiscal year the City grew by one acre as there was one annexation (308 Hwy 99W and 612 W 3rd St).

The City operates under a Council-Manager form of government. Policy making and legislative authority are vested in the Mayor and City Council which is composed of six members. Each council member represents a City district and is elected at large. Mayor and Council members are non-partisan and serve four-year terms. Terms are staggered with three Council positions next elected in November 2012. The City Manager is appointed by the Council and is responsible for carrying out the policies of the Council, overseeing the day-to-day operations and appointing department heads. Other positions appointed by the City Council are the City Attorney and Municipal Judge.

The City provides a full range of services. These services include police and fire protection; 911 emergency telephone center for the cities of Newberg and Dundee police and Newberg and Dundee rural fire protection districts; emergency medical services; municipal court; library services; land use planning; building inspection; economic development; engineering; the construction and maintenance of streets and related infrastructure; and the water, wastewater treatment and storm water systems. The City has no component unit governmental entities. Yamhill County, the Newberg School District and Chehalem Park and Recreation District are separate overlapping local governments under State law and are not included in this report.

Economic Condition and Outlook

It should be noted that as of 1997-98 the State no longer imposes property taxes based on real market value. Instead, the voters approved a measure that bases taxation on a value that rolled back assessed values and capped the annual growth at 3% with greater increases allowed for major remodeling and new construction. During 2009-10 to 2010-11, the City’s assessed value increased 5.70% and the market value increased 0.28%¹. The difference in market value and assessed value is \$752 million.

Table 1
City of Newberg Assessed and Market Values²

	2007-08	2008-09	2009-10	2010-11
Assessed Value	1,193,170,105	1,271,921,638	1,364,210,006	1,441,923,513
Percent Change	7.41%	6.60%	7.26%	5.70%
Market Value	2,268,613,601	2,239,316,374	2,187,831,882	2,193,902,961
Percent Change	19.07%	-1.29%	-2.30%	0.28%

¹ Assessed values and market values are set at 12:01 a.m. of each January 1st for taxes levied for the following fiscal year. Under Ballot Measure 50, Assessed values may increase up to 3% per year plus new construction, while market values more closely reflect the housing/commercial market. Market value is used to compute taxes under Ballot Measure 5 which caps taxes at \$10.00 per \$1,000 of market value for general government purposes, and \$5.00 per \$1,000 of market value for education. The cap does not affect general obligation debt levies.

² Yamhill County Assessor’s Office.

Attachment 3

During the fiscal year 2010-11, construction continued to decline. The following chart gives a list of the building permits, commercial vs residential, for the past four years:

Building Permits	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Commercial	117	122	105	121
Residential	<u>94</u>	<u>182</u>	<u>181</u>	<u>88</u>
Total	211	304	286	209

The majority of current commercial construction permits were for remodeling. Residential activity was less than half of the prior year with only 30 permits issued for new construction. The Building Inspection Department has been experiencing declining revenues, which means staff continues to be reduced.

The City benefits from its proximity to the Portland Metropolitan Area. The diversified economy of the Tri-county area (Multnomah, Washington, and Clackamas counties) and Yamhill County help the City to maintain a relatively stable economic condition. Agriculture dominates economic activities outside the urban area, particularly nurseries, vineyards and wineries. The City also benefits from a family-owned dental manufacturer inside the City and a large paper manufacturer just outside the City. Major employers also include Providence Newberg Medical Center, George Fox University, Fred Meyer, the Allison Inn, Friendsview Retirement Community and Climax Portable Machine Tools. However, even with these employers, as of June 2011, the unemployment rates were for the following:

Unemployment Rates:3

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Yamhill County	5.4%	13.2%	10.5%	9.3%
State of Oregon	6.0%	11.6%	10.2%	9.4%
National USA	5.6%	9.5%	9.5%	9.2%

Major Activities and Accomplishments

For the Year. The City had a number of citizens' groups working on various issues during the year, in addition to the normal, routine citizens groups such as the Planning Commission, Traffic Safety Committee, Library Board and Budget Committee.

The construction of the new pump station on Hwy 240 at the edge of town was completed. This is taking pressure off the Dayton Avenue Pump Station.

2nd Street was completed at the beginning of the year. Funding for the projects was mostly provided by ODOT, Yamhill County and Climax.

Portland Community College (PCC) opened a new campus in town. Construction was completed in time for classes to start this fall.

With the property taxes not providing enough revenues to fund public safety, the City Council discussed the need for additional funding for public safety. There were two years of public outreach before the fee was brought to the City Council for approval. The Public Safety Fee was implemented in August 2009 by

3 Bureau of Labor Statistics Data website at <http://data.bls.gov/timeseries/LAST41000003> for Oregon and <http://data.bls.gov/timeseries/LNS14000000> for National USA.

way of the monthly Utility Bill. Fiscal year 2010-11 was the first full year of revenues.

For the Future. The Citizen's Rate Review Committee will be reconvening in September of 2011 to recommend rates for the City Council to adopt user fees for water, wastewater and storm water utilities for the next two years.

The City continues to focus on City operations, particularly the street system, providing sufficient quality water to the community, improving wastewater treatment processes, and improving the downtown. Over the past several years the City has grown to the point that the wastewater treatment plant has reached its maximum capacity. In addition to being at maximum capacity, the plant is over 25 years old when the average lifespan of a treatment plant is 20 years. All four pumps have been replaced. Other equipment is failing. The plant is in need of major repairs and must be expanded. The City is in the process of beginning construction on phase 1 of the repair and renovation of the wastewater treatment plant. Clean Water State Revolving Loan Fund, through the Department of Environmental Quality, has given the City a line of credit in the amount of \$11,409,645 to provide funding for construction during the first phase.

The City has received several grants, many are small, but a few are large. A FEMA grant was received for remodeling the Fire Station 20 on Second Street. Construction has begun and is expected to be completed by early 2012. The City also received two state grants to construct bike lanes along both sides of the northern section of College Street, a sidewalk along the west side of N College, as well as pedestrian railroad crossings on both sides of the railroad on N College. Construction has begun with an expected completion date of 2013.

Fund-raising for the new Animal Shelter facility has been ongoing for over ten years. Costs to build the facility continued to outpace the donations received. The City Council agreed that it will help provide additional funding to construct a shell. The design phase of the project has been completed. Construction on the new Animal Shelter facility will start in the fall of 2011.

The State imposed a 6 cent tax increase on gasoline effective January 2011. A portion of the increase is being set aside for the City's contribution to the Newberg-Dundee Bypass, in addition to begin pavement rehabilitation.

The City underwent some layoffs at the end of last fiscal year. Due to the declining construction activity, the City has laid off additional staff in the Engineering Division of the Public Works Department.

Relevant Financial Policies

Fund Reserves. The General Fund shall maintain a four-month cash reserve including contingency and unappropriated fund balance. All other operating funds reliant on user fees or monthly intergovernmental revenues shall maintain 60 days cash.

Non-recurring Revenues. The City's general guideline is to use non-recurring revenue for non-recurring expenditures.

Cash Management. In order to maximize interest income in conformance with the City's investment policy, cash in all City funds, with the exception of restricted funds, is pooled and invested in instruments as allowed by Oregon Revised Statutes. Earnings are distributed to each fund on a pro rata basis by the balance in each fund.

Risk Management. City of Newberg's risk management program includes various risk control techniques, including employee accident prevention training, and has third party coverage for all lines of insurance, which includes workers' compensation.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newberg for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the 19th consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for only one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. I especially want to thank Elaina Canutt, CPA, for preparing this report.

Finally, the Finance Department staff would like to thank the Mayor, City Councilors and the City Manager for their support and commitment to maintaining the highest standards of professionalism in the management of the City of Newberg's finances.

Sincerely,

Janelle Nordyke
Finance Director

The management of the City of Newberg, Oregon (City) presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2011. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$140.2 million. Of this amount, \$14 million were reported as unrestricted net assets, amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The net assets of the City increased by \$0.9 million during the fiscal year. Increases in revenues from both governmental and business-type activities paired with declining expenses resulted in positive results.
- Other assets increased \$0.4 million due in part to higher utility receivable balances from implemented rate increases.
- Charges for services increased \$1.5 million (11%) over the prior year due to significant increases in utility rates.
- Property taxes increased \$0.4 million or 7% during the fiscal year. Franchise and public service taxes were consistent with the prior fiscal year.
- Capital grants and contributions increased 118% (\$1.3 million) due to the donation of two roads from Yamhill County and cash contributions from owners of properties that benefited from public improvements.
- Total cost of all programs was \$27.6 million, a decrease of \$0.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of several sections. The components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.
- **Basic Financial Statements.** These statements include the government-wide statements, fund financials, and the notes to the financial statements.

- **Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Within this view, all City operations are categorized and reported as either governmental or business-type activities and are presented using the full accrual basis of accounting. Governmental activities include basic services such as public safety, library, community development and general government administration. Business-type activities are water, wastewater, storm water and emergency medical services. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

- **Fund Financial Statements.** Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current available resources, as well as on balances of current resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Due to the fact that the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may further understand the long-term impact of the government's near-term financial decisions.

- **Governmental Funds.** The City maintains 15 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report three major funds: General Fund, Street Fund, and Building Inspection Fund. Data from the other 12 governmental funds are combined into a single, aggregated presentation. For each major fund, a Budgetary Comparison Statement is presented. Readers who wish to obtain information on nonmajor funds can find it in the Combining Schedules of Nonmajor Funds and/or the Supplemental Information-Budgetary Comparison Schedules sections of this report.

- **Proprietary funds** are used to account for activities where the emphasis is placed on net income determination. The City maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, storm water, and emergency medical services operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for facilities and fleet services, information systems, finance, legal, administration, human resources, vehicle/equipment replacement, and risk management activities. The assets and liabilities of the internal service funds have been allocated among the governmental and business-type activities.

The enterprise funds, all of which are considered to be major funds (on a consolidated basis) of the City, are reported separately as proprietary fund financial statements in the basic financial statements. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided as other supplementary information in the form of combining statements.

- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Newberg’s own programs. The accounting used for fiduciary funds is similar to the treatment used for proprietary funds. The City has two fiduciary funds: Employee Pension Trust Fund and the Bail Fund.

- **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

- **Other Supplementary Data.** The supplementary data section includes combining statements for the non-major governmental funds, combining statements by fund type, and budgetary comparison statements. The combining internal service fund statements are also included in this section.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2011

- **Other Information.** This section includes capital asset and other financial schedules.
- **Statistical Section.** This section includes trend information and demographics.
- **Reports of Independently Certified Public Accountants Required by Statutes.** Supplemental communication on City compliance and internal controls as required by Oregon statutes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets serve as a useful indicator of a government's financial position especially when viewed over multiple periods of time. In the case of the City, assets exceed liabilities by \$140.2 million at the close of the most recent fiscal year. This represents a \$0.9 million increase over the prior fiscal year.

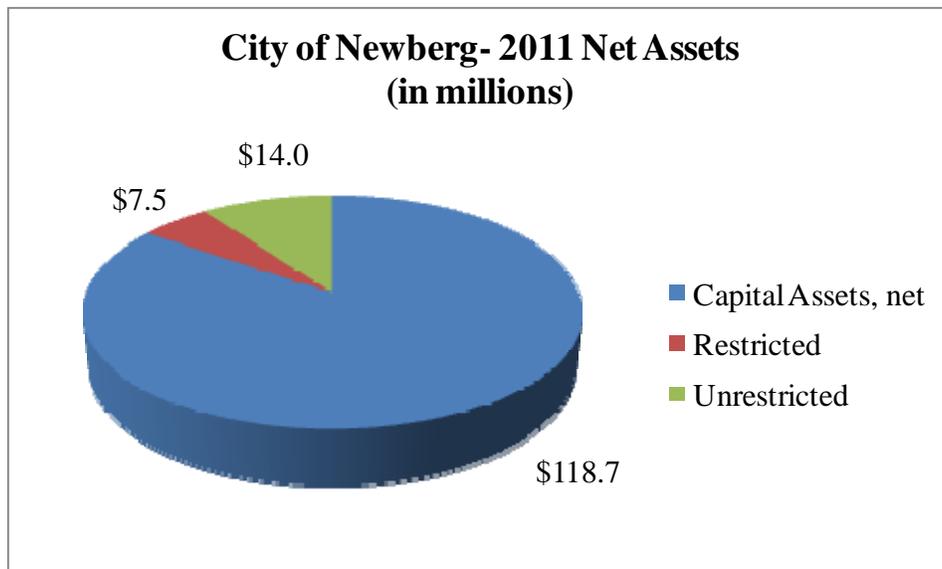
The following table reflects the condensed Statement of Net Assets compared to prior year.

TABLE 1
NET ASSETS AT YEAR END
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 10.5	\$ 10.5	\$ 12.7	\$ 12.6	\$ 23.2	\$ 23.1
Other assets	3.2	3.0	1.6	1.4	4.8	4.4
Capital assets	75.6	76.1	69.7	70.8	145.3	146.9
Total assets	<u>89.3</u>	<u>89.6</u>	<u>84.0</u>	<u>84.8</u>	<u>173.3</u>	<u>174.4</u>
Long-term obligations	7.9	8.3	23.3	24.6	31.2	32.9
Other liabilities	0.9	1.1	1.0	1.1	1.9	2.2
Total liabilities	<u>8.8</u>	<u>9.4</u>	<u>24.3</u>	<u>25.7</u>	<u>33.1</u>	<u>35.1</u>
Net assets:						
Invested in capital assets, net of related debt	71.9	71.8	46.8	46.7	118.7	118.5
Restricted	4.5	2.3	3.0	3.7	7.5	6.0
Unrestricted	4.1	6.1	9.9	8.7	14.0	14.8
Total net assets	<u>\$ 80.5</u>	<u>\$ 80.2</u>	<u>\$ 59.7</u>	<u>\$ 59.1</u>	<u>\$ 140.2</u>	<u>\$ 139.3</u>

The increase in net assets is attributed to increased property tax revenues and higher user fees related to the utility activities. Contributions from developers for infrastructure also increased during fiscal year 2010-11.

As indicated in the following chart, \$118.7 million, or 85% of the City's net assets as of June 30, 2011 reflect the government's investment in capital assets (land, building, equipment, infrastructure, net of depreciation) less any related outstanding debt used to acquire those capital assets. The City uses these capital assets to provide services to citizens and consequently, they are not available for future spending. Restricted net assets total \$7.5 million, or 5%, and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net assets totaling \$14.0 million, or 10%, may be used to meet the City's ongoing obligations.



STATEMENT OF ACTIVITIES

The following table reflects the condensed Statement of Activities and Changes in Net Assets compared to prior year.

TABLE 2
GOVERNMENTAL AND PROPRIETARY ACTIVITIES
FOR FISCAL YEARS ENDING JUNE 30, 2010 and 2011
(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for services	\$ 3.2	\$ 3.1	\$ 11.9	\$ 10.5	15.1	13.6
Operating grants and contributions	1.2	1.0	-	-	1.2	1.0
Capital grants and contributions	1.5	0.1	0.9	1.0	2.4	1.1
Taxes	9.6	9.1	-	-	9.6	9.1
Interest	0.1	-	0.1	0.1	0.2	0.1
Other	-	0.1	-	-	-	0.1
Total revenues	<u>15.6</u>	<u>13.4</u>	<u>12.9</u>	<u>11.6</u>	<u>28.5</u>	<u>25.0</u>
Expenses						
General government	0.4	0.3	-	-	0.4	0.3
Public safety	9.7	9.1	-	-	9.7	9.1
Library	1.2	1.2	-	-	1.2	1.2
Community development	3.6	4.1	-	-	3.6	4.1
Interest on long-term debt	0.4	0.4	-	-	0.4	0.4
Water	-	-	4.7	4.7	4.7	4.7
Sewer	-	-	5.3	5.7	5.3	5.7
Storm	-	-	0.9	0.9	0.9	0.9
Emergency medical services	-	-	1.4	1.3	1.4	1.3
Total expenses	<u>15.3</u>	<u>15.1</u>	<u>12.3</u>	<u>12.6</u>	<u>27.6</u>	<u>27.7</u>
Increase (decrease) in net assets before transfers	<u>0.3</u>	<u>(1.7)</u>	<u>0.6</u>	<u>(1.0)</u>	<u>0.9</u>	<u>(2.7)</u>
Transfers	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u>0.3</u>	<u>(1.8)</u>	<u>0.6</u>	<u>(0.9)</u>	<u>0.9</u>	<u>(2.7)</u>
Beginning net assets	<u>80.2</u>	<u>82.0</u>	<u>59.1</u>	<u>60.0</u>	<u>139.3</u>	<u>142.0</u>
Ending net assets	<u>\$ 80.5</u>	<u>\$ 80.2</u>	<u>\$ 59.7</u>	<u>\$ 59.1</u>	<u>\$ 140.2</u>	<u>\$ 139.3</u>

Governmental Activities

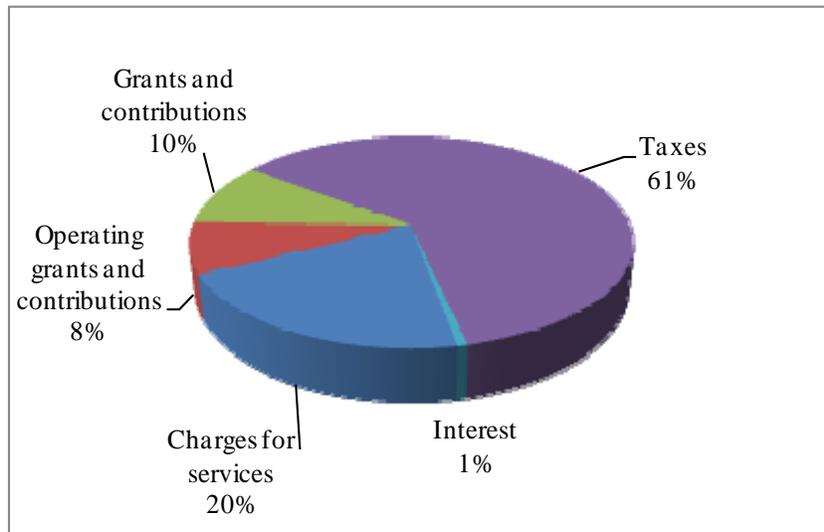
Governmental activities resulted in a \$0.3 million increase to the City’s net assets. This increase is attributable to a rise in funds from a few revenues sources. Although the economic slowdown adversely affected revenues driven by construction activities, there have still been some positive revenue trends in other categories.

- Charges for services – These are revenues that arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

This category also includes municipal court revenues from issuance of traffic citations. Revenues from contracted public safety services that Newberg provides to neighboring districts were up slightly. Also, 2010-11 was the first full fiscal year that that Public Safety Fee had been in place and collected by the City. The library also collected slightly more in fees from issuance of library cards. Street Development fees increased \$161,000 over the prior fiscal year.

- Grants and contributions – These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- Operating grants/contributions – These revenues primarily consist of state gas tax disbursed to the City to use for road maintenance. During 2010-11, gas taxes increased by nearly \$170,000 to \$1,125,181 due to an increase in the State mandated rate. Other small state and private contributions are also included in the operating grant category. These funds go to support specific activities within the City.
- Capital grants/contributions – These revenues primarily consist of grants and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and right-of-way/easements). Overall grant/contributions increased \$1.4 million from \$0.1 million to \$1.5 million due to an infrastructure donation from Yamhill County and contributions from property owners for public improvements.
- Taxes – These are revenues that consist primarily of property taxes, transient lodging taxes, and franchise fees based on gross revenues. Property taxes increased \$0.4 million or 7% over the prior fiscal year. Franchise fees decreased approximately \$0.2 million largely due to the overall economic decline in the area. However, transient lodging taxes increased \$0.1 million in large part to taxes collected from the newly constructed Allison Inn. Internal franchise fees collected from the water and wastewater utilities increased by \$61,000.
- Interest – This is revenue derived from the City's investment of temporarily idle assets. Due to poor investment market earnings, revenues from this source were minor.
- Other - This is miscellaneous revenue not related to services provided.

Governmental Activities – Revenues by Source



- Programs – These are direct expenses that are specifically associated with a service, program, or department and are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

Table 3
Governmental Activities - Program Expenses
for the fiscal year ended June 30, 2011
(in millions)

Programs	FY 2010-11		Compared to FY 2009-10	
	Amount	Percent of Total	Amount	Percent
General government	\$ 0.4	2.6%	\$ 0.1	33.3%
Public safety	9.7	63.4%	0.6	6.6%
Library	1.2	7.8%	-	0.0%
Community development	3.6	23.5%	(0.5)	-12.2%
Interest on long-term debt	0.4	2.6%	-	0.0%
Total expenses	<u>\$ 15.3</u>	<u>100.0%</u>	<u>\$ 0.2</u>	

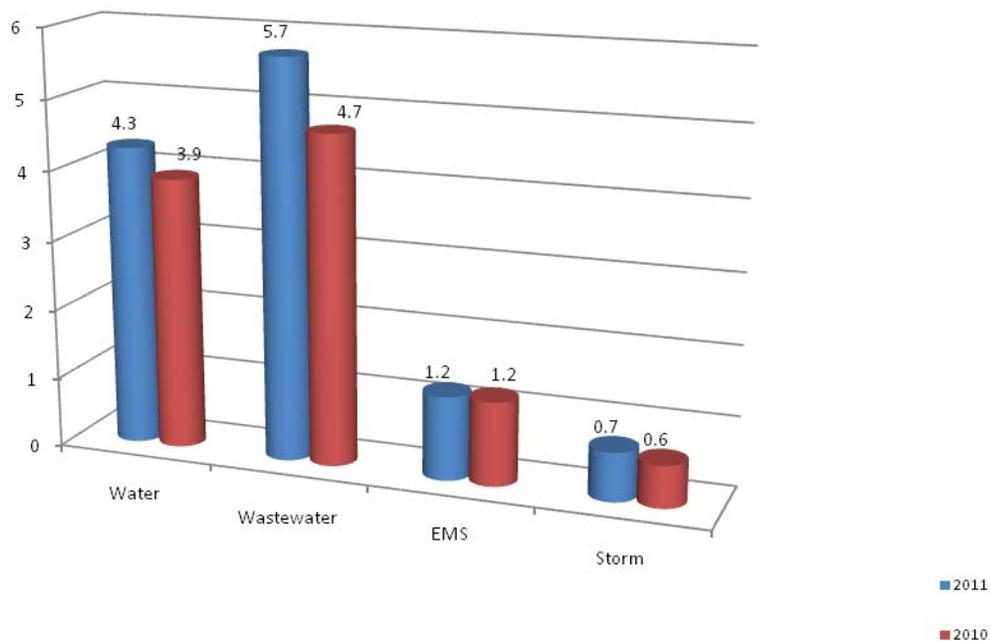
- General government consists of costs relating to operations of the City Council. Costs increased by \$0.1 million due to increases in tourism promotion.
- Public safety consists of the police, fire, court, and 911 operations. The increase in program expense is primarily due to increases in personnel costs. The City filled the police officer positions in the Public Safety Fund during 2010-11.

- Library costs were consistent with the prior fiscal year.
- Community development consists of planning, economic development, building inspection, and road maintenance programs. The planning and building divisions continued to make comprehensive program cuts in recognition of declining construction related revenues. The Street Fund also made spending cuts to bring costs more in line with revenues. The result of all these efforts was a \$0.5 million decrease in community development expense for 2010-11.

Business-type Activities

Overall revenues increased by \$1.3 million over the prior fiscal year due to significant rate increases in the utility divisions. System development fees decreased by \$0.3 million and interest revenues were static.

Business-Type Activities – Operating Revenues by Service



The following table reflects the changes in program expenses for the business-type activities:

Table 4
Business-Type Activities - Program Expenses
for the fiscal year ended June 30, 2011
(in millions)

<u>Programs</u>	<u>FY 2010-11</u>		<u>Compared to FY 2009-10</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/(Decrease) Amount</u>	<u>Percent</u>
Water	4.7	38.2%	-	0.0%
Wastewater	5.3	43.1%	(0.4)	-7.0%
Storm	0.9	7.3%	-	0.0%
Emergency medical services	1.4	11.4%	0.1	7.7%
Total expenses	<u>\$ 12.3</u>	<u>100.0%</u>	<u>\$ (0.3)</u>	

The \$0.4 million decrease in the wastewater service division was attributable to lower material and services costs. Personal services and depreciation and amortizations costs rose slightly by a combined change of \$0.1 million. The increase in program costs for EMS was caused by higher personal services costs and a slight increase in depreciation expense.

FUND-BASED FINANCIAL ANALYSIS

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City’s financing requirements.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$8.6 million, an increase of \$0.2 million. Approximately 64.8% of this total amount constitutes fund balance which is restricted in use either by outside parties or legally binding legislation. The fund balance of \$2.9 million in the “committed, assigned, and unassigned” categories is available for spending at the government’s discretion, subject to reporting fund-type limitations. The remaining fund balance of \$49,468 is nonspendable because it is invested in inventory.

The General Fund is the chief operating fund of the City. The fund balance of the City’s General Fund decreased by \$0.3 million, or 9.8%, during the current fiscal year. Key components to the change for the year ended June 30, 2011 are as follows:

- Property taxes increased \$0.5 million, or 8.4%. Assessed values are limited to 3% growth, thus the remaining 5.4% is related to new construction and collections on delinquent taxes.
- Other taxes, which consist of franchise fees, public service taxes, and motel taxes, increases were consistent in total with the prior fiscal year.
- Licenses and permits revenues were similar to the prior fiscal year. New construction permitting activity continues at a diminished pace.
- Intergovernmental revenues increased \$0.2 million due to the receipt of grant proceeds.
- Expenditures in the General Fund grew by \$0.5 million or 4.5% over the prior fiscal year. Public safety functions continued to be the largest contributor to cost increases at \$0.4 million. Personnel costs in these divisions continue to rise. General governmental also experienced a rise in costs primarily due to increased contributions to tourism activity. Library and municipal court operations resulted in slight cost increases, while planning activities generated cost reductions.

The Street Fund ending balance increased by \$148,983 due to a combination of cost cutting measures and increasing revenues from the state gas tax. The State of Oregon raised the gas tax by 6 cents per gallon in January of 2011.

The Building Inspection Fund continued to struggle during 2010-11 with an ending fund balance of only \$24,843. Building inspection revenues were \$0.1 million lower than the prior fiscal year. Additional spending cuts were made to the department in an effort to scale back costs. However, the change in net fund balance was still a loss of \$275,628 for fiscal year 2010-11.

Other governmental fund balances increased by \$574,258 due primarily to cash contributions from property owners for public improvements. These property owners benefited from capital improvements made by the City near the end of fiscal year 2009-10, but reimbursed the City during 2010-11 once the project was fully complete.

Proprietary Funds

Net assets of the water utility decreased by less than \$0.1 million (0.3%) during fiscal year 2010-11. Charges for services increased by nearly 8.6% during the fiscal year due to a rate increase implemented in July of 2010. Operating costs were consistent with the prior fiscal year. System development charge revenues were down \$0.1 million. Interest revenues and expenses were both slightly lower than the previous fiscal year. There were no capital contributions for 2010-11.

The net assets of the wastewater utility increased by \$1 million (3.8%) during fiscal year 2010-11. Charges for services increased 19.7% due to a significant rate increase implemented July 1, 2010. Operating expenses decreased by 6.5% compared to the prior year. The operating income of the division was \$815,232. This is the first time the division has had positive operations in a number of years. System development revenues were \$0.2 million lower than the prior year due to less new construction activity. Capital contributions increased by approximately \$161,000.

The net assets of the storm water utility decreased by \$0.2 million (1.8%) during fiscal year 2010-11. Operating costs continued to outpace operating revenues resulting in an operating loss of \$239,932. Storm water charges for services increased 18% consistent with the rate change implemented July 1, 2010. Operating costs decreased 4.1%.

Net assets of the emergency medical services division decreased \$155,069 (20.6%) during fiscal year 2010-11. Operating revenues increased 4.3% while operating expenses grew 7.2%. Personal service and depreciation costs were the main factors in the expense increases.

BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund, page 10, shows the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2011. The City recognized \$637,561 in additional beginning fund balance through the supplemental budget process. A portion of this extra resource was allocated to Contingency. Another large portion, \$165,000, was appropriated to purchase property for the library department. Later in the year, the City also transferred \$43,000 from Contingency to the police and communications departmental budgets to purchase equipment. Revenues from transient lodging tax were estimated to be \$100,000 higher than originally anticipated. This additional resource was allocated \$25,000 to General Government and \$75,000 to Contingency. Over the course of the fiscal year, other minor changes were made to appropriations to cover unexpected costs.

The police departments expended \$185,562 less than anticipated in the budget process, while the fire department expended \$839,957 less. The difference between budget and actual results for the fire department is due to a FEMA grant project that was just commencing at the end of fiscal year 2010-11. The library department's actual results varied from the budget by \$210,256 due to the deferral of purchasing new property until 2011-12.

CAPITAL ASSETS AND DEBT ADMINISTRATION

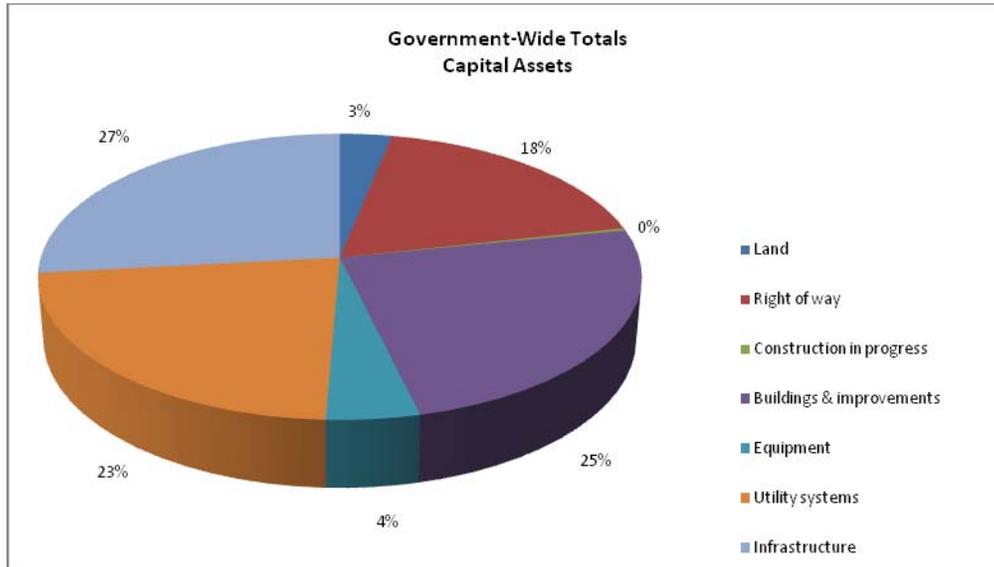
Capital Assets. As of June 30, 2011, the City had invested \$145.3 million in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$1.6 million.

**TABLE 5
CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)
(in millions)**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1.0	\$ 1.0	\$ 3.6	\$ 3.6	\$ 4.6	\$ 4.6
Right of way	26.7	26.2	-	-	26.7	26.2
Construction in progress	0.2	0.2	0.2	0.3	0.4	0.5
Buildings & improvements	7.0	7.3	28.5	28.1	35.5	35.4
Equipment	1.9	2.1	4.5	5.1	6.4	7.2
Utility systems	-	-	32.9	33.7	32.9	33.7
Infrastructure	38.8	39.3	-	-	38.8	39.3
Total	<u>\$ 75.6</u>	<u>\$ 76.1</u>	<u>\$ 69.7</u>	<u>\$ 70.8</u>	<u>\$ 145.3</u>	<u>\$ 146.9</u>

Major capital asset events during the current fiscal year included the following:

- Purchase of five new vehicles for various departments total \$117,639
- Construction of Highway 240 Wastewater Pump Station \$1,782,391
- Security Fencing installed at WWTP and WTP using Homeland Security Grant funding
- Depreciation expense for 2010-11 was \$4,977,385
- The City received \$130,872 in Business Energy Tax Credit reimbursements from the State of Oregon related to the wastewater dehydration project



Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on page 37 of this report.

Debt. As of June 30, 2011, the City had a total long-term debt obligation of \$29.3 million. Of this amount, \$6.4 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$1.9 million to be serviced by property taxes, \$4.5 million to be serviced by the City Hall fee and internal charges to departments. All of these debts are backed by the full faith and credit of the City.

TABLE 6
OUTSTANDING DEBT AT YEAR END
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation	\$ 1.9	\$ 2.2	\$ -	\$ -	\$ 1.9	\$ 2.2
Certificates of participation	1.8	1.9	-	-	1.8	1.9
Limited tax bonds	2.7	2.7	-	-	2.7	2.7
Notes payable	-	-	22.9	24.2	22.9	24.2
Total	\$ 6.4	\$ 6.8	\$ 22.9	\$ 24.2	\$ 29.3	\$ 31.0

The City maintained its A1 debt rating with Moody's Investor Service.

During February of 2011, the City Council approved a loan with Clean Water State Revolving Loan Fund in the amount of \$11,409,645 for expansion and repair of the wastewater treatment plant. As of fiscal year end, no draw downs had been requested upon the funding.

Additional information on the City's long-term obligations can be found in the Notes to the Basic Financial Statements on page 39 of this report.

ECONOMIC FACTORS

Providing stable funding for City services during the current economic recession poses a challenge for the next few years. The 2010-11 fiscal year was the last year the City anticipates any taxing base growth from new construction. In addition, other revenues related to new construction such as building inspections, system development fees, plan inspections, and other fees are all diminishing. The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City's implemented significant staff reductions during the development of the 2011-12 budget. It is anticipated that further staff reductions/budget savings will be needed for the 2012-13 budget year.

Funding rising employee retirement costs will also be an issue. For 2011-12, the City's Public Employees Retirement System retirement rate is set to rise by an alarming amount. The City's employer contribution rates will increase between 68%-74% effective July 1, 2011. The City's privately funded retirement plan will experience a significant contribution rate increase as well for 2011-12.

Due to economic hardships, property tax remittances may be less than in previous years, utility billing collections may be more difficult, and the City's ability to raise rates to cover rising costs may be limited. Revenues that come directly from the State of Oregon are becoming scarce as well.

The City's utility infrastructure is in need of updates and expansion. The wastewater treatment plant in particular is nearing maximum capacity. However, raising utility rates in the midst of an economic recession is a tough sell to the citizenry. The Citizen's Rate Review Committee and the City Council will be developing new utility rates during fiscal year 2011-12.

More detail about the impacts of the economy on the City is found in the Letter of Transmittal.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2011

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
City of Newberg
PO Box 970
Newberg, OR 97132



RESOLUTION No. 2011-2984

**A RESOLUTION ACCEPTING THE ANNUAL AUDIT REPORT AND
FINANCIAL STATEMENTS FOR THE FISCAL YEAR THAT ENDED JUNE
30, 2011**

RECITALS:

1. The week of September 12, 2011, the auditing firm of Boldt, Carlisle & Smith LLC conducted field work to review the City's financial records of fiscal year ending June 30, 2011.
2. On December 1, 2011, Boldt, Carlisle & Smith, LLC issued an unqualified opinion on the City's financial report for the year ending June 30, 2011.
3. The annual audit report and financial statements for fiscal year ending June 30, 2011 have been submitted to the City Council with this resolution.
4. The City of Newberg's financial statements for the year ending June 30, 2011 have been prepared in conformity with Generally Accepted Accounting Principles of the United States of America and Oregon Local Budget Law.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

The Council accepts the annual audit report and financial statements for the fiscal year that ended June 30, 2011.

- **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is December 20, 2011.

ADOPTED by the City Council of the City of Newberg, Oregon, this 19th day of December, 2011.

Norma I. Alley, City Recorder

ATTEST by the Mayor this 22nd day of December, 2011.

Bob Andrews, Mayor

REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: November 2, 2011

Order _____ Ordinance _____ Resolution XX Motion _____ Information _____
No. No. No. 2011-2978

SUBJECT: Extending the City of Newberg's workers' compensation insurance coverage to volunteers of the City.

Contact Person (Preparer) for this Motion: Janelle Nordyke
Dept.: Finance Department
File No.:

RECOMMENDATION: Adopt Resolution No. 2011-2978 extending workers' compensation insurance to City volunteers.

EXECUTIVE SUMMARY:

In April, 1988 the City of Newberg extended workers' compensation coverage to volunteers of the departments of Fire, Police, and Library, as well as the community hospital. The City receives valuable services from volunteers, and they should be protected from injuries arising out of or in the scope of their services to the City. The last update was approved in 1999 by resolution.

On November 1, 1999, Resolution No. 1999-2205 was adopted to remove coverage for the Newberg Community Hospital volunteers and extend coverage to all volunteers throughout the City.

The City's insurance pool, Citycounty Insurance Services, has requested a current resolution for this volunteer program in which we are extending coverage to the volunteers of the City.

The current coverage for volunteers depends on the department in which they are volunteering:

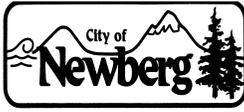
Police Reserves	\$1,200 per volunteer month
Volunteer Fire Fighters	\$1,200 per volunteer month
Police & Fire Dept Admin	\$ State minimum wage per volunteer hour
Other Non-Public Safety	\$ State minimum wage per volunteer hour

It has been the policy of the City of Newberg to not cover those who are on commissions, boards or committees.

The Mayor and City Councilors are elected officials who are paid a small stipend. However the stipend is not considered wages, therefore, they have not previously been covered under our volunteer policy. To cover the Mayor and Councilors, the cost to the City would be \$8.00 per year.

FISCAL IMPACT: The cost of covering volunteers prior to this resolution is \$8,270.44, and has been accounted for through the budgeting process. The cost to cover the Mayor and City Councilors will be an additional \$8.00 per year.

STRATEGIC ASSESSMENT: In order to accurately account for paying workers' compensation for City volunteers, a current resolution is needed, that identifies which persons are considered volunteers under this program and sets out the wage that is used to determine the cost of the workers' compensation coverage on volunteers.



RESOLUTION No. 2011-2978

A RESOLUTION EXTENDING THE CITY OF NEWBERG'S WORKERS' COMPENSATION INSURANCE COVERAGE TO VOLUNTEERS OF THE CITY

RECITALS:

1. The City receives valuable services from volunteers, and they should be protected from injuries arising out of or in the scope of their services to the City.
2. On April, 4, 1988, the City of Newberg approved Resolution No. 1988-1315 extending workers' compensation coverage to volunteers of the Fire, Police, and Library Departments, as well as the Newberg Community Hospital.
3. Resolution No. 1999-2205 was adopted on November 1, 1999, to remove coverage for the Newberg Community Hospital volunteers and extend coverage to all volunteers throughout the City.
4. In 2004, the City issued a letter confirming that Resolution No. 1999-2205 still applied.
5. Citycounty Insurance Services (CIS) has requested a current resolution for this volunteer program in which they are extending workers compensation coverage to the volunteers of the City.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. Pursuant to ORS 656.031, the City of Newberg elects to provide Workers' Compensation insurance coverage to the classes of volunteers listed in this resolution and noted on CIS payroll schedule.
 - a. An assumed monthly wage of \$1,200 will be used for public safety volunteers; and
 - b. An aggregate assumed annual wage of \$2,500 will be used for the Mayor and City Council for the performance of administrative duties; and
 - c. Non-public safety volunteers will keep track of their hours and have their assumed payroll reported in the correct class code listed on the CIS Payroll Schedule for the type of work being performed using Oregon minimum wage; and
 - d. Court-mandated community service workers/inmates on work release who are sentenced by Newberg Municipal Court. Newberg Municipal Court will keep track of their hours and have their assumed payroll reported in Class Code 7720V using Oregon minimum wage; and
 - e. A roster of active volunteers will be kept monthly for reporting purposes. It is acknowledged that CIS may request copies of these rosters during year-end audit; and
 - f. Unanticipated volunteer projects or exposure not addressed herein will be added onto the

City of Newberg's coverage agreement (1) by endorsement, (2) with advance notice to CIS, and (3) allowing two weeks for processing. It is hereby acknowledged that coverage of this type cannot be backdated.

2. Citizens who participate on City committees, commissions, and task forces, ad-hoc committees or the like are not considered volunteers under this program.
3. Repeals Resolution No. 1999-2205 and Resolution No. 1988-1315.

➤ **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: December 20, 2011.

ADOPTED by the City Council of the City of Newberg, Oregon, this 19th day of November, 2011.

Norma I. Alley, City Recorder

ATTEST by the Mayor this 22nd day of November, 2011.

Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through _____ Committee at ____/____/____ meeting. Or, None.
(committee name) (date) (check if applicable)