

**NEWBERG CITY COUNCIL WORK SESSION MINUTES
MARCH 4, 2014, 7:00 P.M.
PUBLIC SAFETY BUILDING TRAINING ROOM (401 EAST THIRD STREET)**

I. CALL MEETING TO ORDER

Mayor Bob Andrews called the meeting to order at 7:02 PM.

II. ROLL CALL

Members Present:	Mayor Bob Andrews	Denise Bacon	Ryan Howard
	Bart Rierson	Stephen McKinney	Mike Corey
	Lesley Woodruff		

Staff Present:	Lee Elliott, city manager pro tem	Truman Stone, city attorney
	Jay Harris, city engineer	Janelle Nordyke, finance director
	Les Hallman, fire chief	Dave Brooks, IT director
	Brian Casey, chief of police	Barton Brierley, planning and building director
	Norma Alley, city recorder	Nicole Tannler, minutes recorder

Others Present: Roger Jordan and Robert Wells

III. COUNCIL ITEMS

Presentation of Mid Year Analysis and Three Year Projections of the General Fund.

Mr. Lee Elliott said he has spent the last two and a half months working with consultants Roger Jordan and Bob Wells to delve into the general fund providing an overview, strategic assessment, and forecast. The staff has worked with the consultants closely and they would like to have them go over what they have come up with.

Mr. Roger Jordan said Mr. Robert Wells and I are long time city managers in Oregon, teachers for the League of Oregon Cities, assist in providing low cost training, and budget analyst consultants. We specialize in general fund budgeting for long range planning and projections. Newberg has a sophisticated budget and we suggest a fluid and dynamic budget, which is looked at by staff monthly and quarterly by the council. At the end of six months, we can get an estimate of the next three years. Since the recession property tax has gone down causing savings accounts to deplete very quickly. We see the general fund being balanced in a two to three years.

Mr. Robert Wells reported the city has done a great job of managing through the recession the last three years and your budget is healthy. Looking at the property tax graph, 2006 was increasing 12% per year, recession hit in 2007, and you were still above 6% through 2010. The state is coming out of recession and local government is still declining at 1%. We are looking at reducing your reserve fund to \$460,000.00. With PERs, in 2015 we are looking at \$600,000.00 in overage with a rate increase. This report assumes worst case scenario and we have property taxes increasing at 1% with a projection of 1.3% next year. The volatility makes it hard to plan for the future so we plan very conservatively. On cost of living, the forecast assumes 2% for employees. With tightening up the budget next year may be higher than originally projected and we have incorporated into the forecast a \$300,000.00 savings.

Councilor Ryan Howard asked if the \$300,000.00 takes into account the \$600,000.00. Mr. Wells said yes.

Mr. Jordan said this is just the general fund and there is really no money being moved around. The reserve account is at 15%, which is enough money to get you through October. My recommendation would be for the

council to decide how much risk your willing to take with your cash flow and what percentage you want your reserve to be. This is a policy the council should decide on.

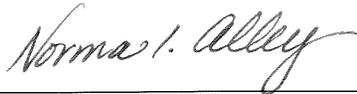
Councilor Mike Corey asked if it would be prudent to have more money in reserves than to get through just October and is there a recommendation on a percentage. Mr. Wells answered a reserve of 15% is a really good reserve. Some Councils would consider more money for catastrophic and unforeseen events. You need to come to agreement what risk you are willing to take. You should feel good that you have those strong reserves. Mr. Wells said this is a model to use to look into the future.

Mr. Jordan said it is a manageable three year projection and it is very difficult to project where you will be 18 months from now. Council should look at the budget every quarter because the budget is fluid and you have to be on top of it all the time.

IV. ADJOURNMENT

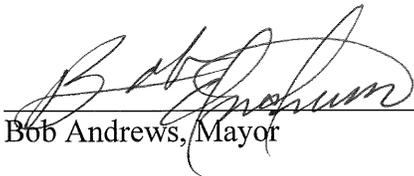
The meeting adjourned at 7:48 PM.

ADOPTED by the Newberg City Council this 5th day of May, 2014.



Norma I. Alley, MMC, City Recorder

ATTEST by the Mayor this 8th day of May, 2014.



Bob Andrews, Mayor