

CITY OF NEWPORT

MINUTES OF THE BUDGET COMMITTEE MEETING

MAY 5, 2009

6:00 P.M.

CALL TO ORDER

Mayor Bain called the May 5, 2009, meeting of the City of Newport Budget Committee, to order at 6:00 P.M.

ROLL CALL

Those in attendance were Dac Wilde, David Allen, Don Rowley, Don Huster, Robert Smith, Bill Bain, Terry Obtshka, Richard Kilbride, Roger Snelling, Patricia Patrick, Jeff Bertuleit, Lon Brusselback, Mark McConnell, and Chuck Forinash.

Also in attendance were Dale Shaddox, City Manager, Gary Firestone, City Attorney, Peggy Hawker, City Recorder, Cheryl Atkinson, Executive Assistant to the City Manager, James Bassingthwaite, Community Development Director, Rick Crook, Fire Chief, Ted Smith, Library Director, Dennis Reno, Airport Manager, Lee Ritzman, Public Works Director, Jim Protiva, Parks and Recreation Director, Janice Riessbeck, Finance Director, Mark Miranda, Police Chief, Linda Brown, Assistant Finance Director, Dave Teem, Police Lieutenant, Police Officers Ken Real and Brent Gainer, and Judy Mayhew, Recreation Supervisor.

SELECTION OF CHAIR

MOTION was made by Obtshka, seconded by Brusselback, to elect David Allen as chair of the joint City of Newport and Urban Renewal Agency Budget Committee. The motion carried unanimously in a voice vote.

APPROVAL OF BUDGET COMMITTEE MINUTES – MAY 6, 13, 20, 2008. Allen noted that he had requested an amendment to the minutes of May 20, 2008, and that Riessbeck had made that amendment. MOTION was made by Bain, seconded by Patrick, to approve the minutes of the Budget Committee meetings of May 6, 13, and 20, as amended. The motion carried in a voice vote with Brusselback, McConnell, and Kilbride abstaining as they were not members of the Budget Committee in 2008.

DELIVERY OF BUDGET MESSAGE

Shaddox reported that there have been two preliminary Budget Committee meetings. He noted that reserves and contingencies are basically non-existent, and there is no

equipment replacement fund. He added that it is time to identify needs, priorities, cost estimates, and a strategy for funding same.

Shaddox reported that the General Fund requests exceeded funding by approximately \$3,000,000, and he discussed budget cuts that had to be made to arrive at a balanced budget.

Shaddox reported that the proposed budget does not propose laying off any occupied positions. He noted that he took advantage of listed staff vacancies, adding that it is counter-productive to lay people off to fund capital needs.

Bain asked about carryover balances. Shaddox reported that the General Fund budget is approximately \$10,000,000, and there is a \$957,208. He noted that this is accomplished partly by an approximately 3% under budget spending. He added that this is often caused by over budgeting which creates an unrealistic look at the actual operation.

Kilbride noted that if the city collects the same amount of transient room tax for April, May, and June of this year, as last year, there will be a shortfall of \$100,000. He added that the city cannot depend on the money to be there, and asked whether this amount is \$100,000 - \$200,000 too optimistic. Shaddox noted that this amount is a best guess. Obtshka asked whether there is a penalty for non-payers of transient room tax. Shaddox reported that random audits are currently being conducted on transient room tax accounts. Riessbeck noted that there is currently no active program for discovering non-payers. It was noted that some staff occasionally use the internet to search for vacation rentals in the area. Patrick asked whether interest is charged on past due transient room taxes. Riessbeck noted that the interest is 1% per month on late TRT payments. Patrick suggested that a higher interest might be a greater incentive to pay on time.

McConnell asked whether there is a way to balance service costs through attrition. Shaddox noted that the city should be prepared to reassign and reallocate resources at every opportunity. Brusselback asked about the historical average attrition. Shaddox noted that publications indicate that attrition averages 10% annually.

Smith stated that the Parks and Recreation Department needs to operate with more part-time employees.

Wilde suggested that there may be positions that are legally required. Firestone noted that the required positions are: community development director, city manager, city recorder, city attorney, and city engineer.

Wilde asked whether there were other revenue opportunities.

Allen asked what Shaddox thinks the city needs to do to meet long-term capital needs since normal attrition is not sufficient. Kilbride noted that some of this has been accomplished through long-term leases. McConnell noted that another aspect would be the upcoming rate study.

Shaddox suggested that the Airport and Parks and Recreation Department develop a business plan. Allen suggested that the department heads weigh in on the business plan suggestion. Wilde stated that a business plan would be helpful.

Bertuleit requested clarification of the difference between special revenue and enterprise funds. It was noted that the previously defined enterprise funds were now called special revenue funds. Bain stated that the pie chart on revenues reflected fees for services accounted for 22%; property taxes accounted for 32%; and transient room taxes accounted for 7% of the total budget. He noted that approximately one-half of the room tax monies are available for General Fund purposes.

A discussion ensued regarding lease escalators. Shaddox recommended that escalators be tied to annual leases. Firestone reported that the old city hall lease is unique. He added that the new hangar leases contain an automatic and mandatory escalator.

McConnell noted that the City Council's mission statement and goals are not prioritized.

Riessbeck discussed state shared revenues. She noted that the city is required to hold a public hearing to receive input on the uses of these funds that amount to approximately \$200,000. She reported that there have been no specific requests for state shared revenue, but several agency requests had been received and were included in the non-departmental fund of the General Fund.

Allen opened the public hearing on state shared revenues at 7:19 P.M. He asked for public comment.

Joyce Gaffin spoke in support of the Lincoln County Land Trust. It was noted that this is one request that was not funded, but included in the non-departmental fund of the General Fund. McConnell stated that he believed it was a mistake by the City Council to remove the state shared revenue funds, as these funds assisted great organizations that provide great services and are used to leverage other grant funds, which in the case of the Land Trust, could be used for attainable housing. Smith noted that the program was abused years ago, but that he believed the local non-profit agencies are doing a good job and it may be time to look at reinstating the program. Firestone noted that support of these agencies does not have to be tied to state shared revenues. He suggested that the Committee take requests for funding now. Tom Frasier suggested funding landscaping improvements near the 32nd Street pump station, the land between 32nd Street north along Ferry Slip Road, 35th Street and Ferry Slip Road, and the Highway 101, frontage property, in South Beach, that has been stripped. MOTION was made by Bain, seconded by Patrick, to close the public hearing on state shared revenues. The public hearing was closed at 7:31 P.M.

Allen asked for public comment on the budget in general.

Ken Real, president of the Newport Police Association union, stated that the budget was workable. He added that the police department has issues with mandated coverage,

mandated training, attrition, mandated reporting on certain crimes, and officer safety. He noted that the police department needs quality, trained people to meet state mandates. Real stated that it is difficult to meet the mandates when staffing levels are down.

The Committee agreed, since it was operating jointly at the City Council/Urban Renewal Agency, to review the Urban Renewal budget.

Riessbeck reported that there are three funds: the South Beach Urban Renewal Construction Fund, the South Beach Urban Renewal Debt Service Fund, and the Northside Urban Renewal Debt Service Fund. She reported that borrowing is not anticipated this year.

Forinash asked whether the sidewalk projects will start this year. Ritzman stated that they probably will not begin this year as his staff has to review many consultant proposals and continue work on the Bay Boulevard project, and it is unlikely time would permit staff to design the projects and get them out to bid. Bassingthwaite reported that the city is trying to leverage money with ODOT.

Allen asked whether the unappropriated monies could be transferred to the South Beach Construction Fund in the event a project arises. Riessbeck stated that the unappropriated balance can be reduced, but the Committee must remember future debt payments. A discussion ensued regarding reducing the unappropriated fund by \$250,000, and placing this money in the South Beach Construction Fund. Riessbeck stated that if the city does not receive sufficient increment funding, and does not have a reserve, the city will be saddled with debt. A discussion ensued regarding moving the unappropriated funds to a contingency fund in the debt service fund. Joyce Gaffin asked about projects that were not included in this budget, and Riessbeck reported that this is the first year of a phased project. She suggested funding for parks and open space. She noted that she agrees that the unappropriated monies should be placed in a contingency fund. Bassingthwaite suggested changing the name of the line item into contingency and then it would be available to move to the construction fund. Firestone reiterated that the debt must be paid when it is due, and if increment funding is not sufficient, it could result in a special levy increasing taxes. Shaddox agreed with Bassingthwaite's recommendation, and noted that City Council action would be required to use the monies. Bertuleit asked what would occur if a construction project could be done. Riessbeck reported that the City Council would need to adopt a resolution of budget amendment to move monies from the contingency to a project line item. Firestone discussed the powers of the URA, noting that they shall be exercised by the governing body itself. MOTION was made by Bain, seconded by Forinash, to move line item 9510 from unappropriated to a contingency in the South Beach Debt Service Fund. The motion carried unanimously in a voice vote.

A discussion ensued regarding the Coho/Brant neighborhood planning. Joyce Gaffin requested that her previous proposals, regarding the acquisition of land and open space, and planning for the continuity of old growth trees on the foredune, be revisited. Bassingthwaite noted that there is money available for open space.

Bertuleit expressed disappointment that these projects were not completed. He encouraged staff to take action this year on items that need to be addressed that are not on the list of South Beach Urban Renewal District projects not included in the budget. Huster asked whether there was a creative way to make these projects happen. Shaddox noted that an excellent strategy is one of brokering work to consultants. Ritzman reported that consultants are being selected in specific areas.

McConnell asked whether the Oregon Coast Aquarium debt had been repaid, and it was noted that it was.

Tom Frasier asked whether the cities monies were in interest bearing accounts. Riessbeck responded that they were. She reported that governments operate on a fund accounting basis. She added that the General Fund receives property taxes and can be used for any government purpose. Special revenue fund revenues are dedicated for a specific use.

MOTION was made by Bain, seconded by McConnell, to approve the Urban Renewal Agency budget with no special levy, and with the changes as discussed. The motion carried unanimously in a voice vote.

The next Budget Committee meeting will be held on Monday, May 11, 2009, at 6:00 P.M.

Shaddox suggested that the City Council meet on May 11, 2009, from 4:00 – 6:00 P.M. to discuss City Council rules and the city attorney recruitment. MOTION was made by Bain, seconded by Obteshka, to hold a special City Council meeting on Monday, May 11, 2009, at 4:00 P.M. The motion carried unanimously in a voice vote by City Council members.

Having no further business, the meeting adjourned at 8:39 P.M.

David N. Allen, Chair