

**MINUTES**  
**City of Newport**  
**Infrastructure Task Force Meeting**  
**City Hall Conference Room "A"**  
**Thursday, November 7, 2013**

**Task Force Members Present:** David Allen, Ralph Busby, Fred Springsteen, and Mark McConnell.

**Task Force Members Absent:** Patricia Patrick-Joling and Mark Saelens (*both excused*).

**City Staff Present:** Interim City Manager Ted Smith, Public Works Director Tim Gross, and Executive Assistant Wanda Haney.

**Audience Members:** Citizen: Nyla Jebousek; and media: Dave Morgan of News Lincoln County.

**I. Call to Order.** Allen called the meeting to order at 3:05 p.m. noting that this was the seventh meeting of the Task Force and there are a few more to go. Introductions were made around the table. Allen noted that Task Force members Patrick-Joling and Saelens were absent but excused, and he introduced the audience member and the media representative.

**II. Approval of Minutes from the October 31, 2013, Meeting.**

**MOTION** was made by Springsteen, seconded by Busby, to approve the meeting minutes of October 31, 2013, as presented. The motion carried unanimously in a voice vote.

**III. Preliminary Discussion Around a Framework for Recommendations.** Allen noted that the agenda item that had been scheduled for today was "options for restructuring the approach to funding" presented by Gazewood, Tokos, and Gross. Gazewood has been very ill, but hopefully will be back next week. Therefore, that agenda item has been rescheduled for the November 21<sup>st</sup> meeting. Allen said that in light of that he had suggested scheduling a second meeting in December. There is only November 21<sup>st</sup> left and then December 5<sup>th</sup> scheduled. The next two meetings were set aside for recommendations, but as he noted in his email we could schedule December 12<sup>th</sup> or 19<sup>th</sup> in addition. He noted that the 19<sup>th</sup> would be beneficial because the new City Manager will be here and could sit in and perhaps participate on the recommendations. The consensus was to tentatively schedule December 19<sup>th</sup> and get that on the schedule in case we need it. Allen noted that Gazewood had sent an email regarding the impact of the pool bond on the City's bond indebtedness, but we will wait for Gazewood to discuss that at the November 21<sup>st</sup> meeting.

Allen wanted to follow-up on something that Springsteen had said at the last meeting about the handout with the five bullet points that Tokos presented. He noted that Springsteen had talked about having an overarching statement that would speak to the City's intention. Allen went to the Personnel Handbook and on page 7 found the mission statement that was adopted by the City Council on March 16, 2009, and hasn't been updated since. He noted that this statement could be found by going to the City Recorder's page on the City's website and going to the link for the personnel handbook. For the record, Allen read the mission statement, which is "The City of Newport pledges to develop, provide, promote, and manage the essential services for the community while directing services to continue with the well-being and public safety of residents and visitors. The city will maintain fiscal responsibility while encouraging and assisting community partners and agencies with economic diversification, sustainable development, and livability, for the City of Newport." Allen thought maybe the mission statement speaks to where Springsteen was going with his statement. Busby noted that when this Task Force was formed, he thought that the resolution had a mission statement in it. He thought that might be good to have on top of our recommendations because it would show that the recommendations make sense to what the mission was. That way when someone reads them they can tie one to the other. Allen noted that the "whereas" clauses in the resolution that put together this Task Force don't speak to that specifically. Allen read from the resolution noting that what they say is that the City Council and the Budget Committee recognize the need for consistent and long-term public infrastructure investment, recognize that utility rates and fees can create a financial hardship for residents and businesses, and in light of that they wanted to explore different and various funding options for public infrastructure investments; and then they tasked this group to put together recommendations along those lines. He said those are the parameters we are operating under as a Task Force. Speaking to the larger issue, the mission statement that the City has falls into that somewhat; and we could probably utilize that a bit as we are trying to develop some objectives. He added, at least as an overarching framework or theme.

Allen said we had considered cancelling this meeting, but he wanted to at least try to get together and see if there is anything we can at least start with as a framework for recommendations. He said, not that we will get into details today; we will reserve that for the last two meetings. But it's to keep the momentum going as Springsteen had suggested. We will wait two weeks for Gazewood to present his funding information.

Gross wanted to touch a little bit on what Gazewood was going to start talking about. Gross said that every Thursday he has a discussion with our grant consultant. He thought that he had advised in the past that we have been pursuing state revolving loan funding, which is a low-interest loan long term. It is a 5 or 6 year loan process where we would draw down on that. Gross said the reason he wanted to bring that up is that he's never been a big fan of bonding because he doesn't like the approach of how bonding works where you take a lot of money up front and then dole that out over capital projects over a period of time. All the while you are paying interest on that money you've already taken. Whereas the SRF loan process works almost completely the polar opposite to that. You get approved for loan funding up front, but you only take what you actually need when you need it. It's interest-free until the completion of the project. It's kind of free money up until the time you are completed with the project and then you start your pay-back period, and the interest rates are generally lower. There is a lot more up-front work with a process like that, but it's a little bit easier on the cash flow. The grant consultant and Gross talked about that. The majority of the projects we have identified fall within that category under both the Clean Water State Revolving Loan Fund and the Oregon Water Resources Department loan process. Gazewood is going to talk about our ability to bond for projects long-term at the next meeting and what our revenue capacity is and what that bonding schedule would look like. Gross wants the Task Force to seriously consider the loan process as an alternative to a bonding process because he thinks it works a little bit easier for us in scheduling projects. We are not pulling all that money in up front and then paying on that while it takes us five or six years to spend it. He wanted to bring that up because we have successfully acquired that SRF loan. We've finished the application process, and it is pending review right now. It should in theory be available to us within the next couple of months; which will then fund our wastewater projects over the next six years. He said that's not a bad way to approach it. We could do that on the water side as well; for the Agate Beach tank, some of the water line replacements we need, the pump station improvements, and some of the dam work. Schedule out what we know is going to be coming over six years. It took us about a year to go through the application process for that loan, but we did a lot of preliminary engineering and environmental work that we would have to be doing in those projects anyway. It's slower to start, but it's easier to maintain a long-term funding strategy.

Allen said that is one approach, but a question he has for Gazewood and Gross in two weeks is what is the funding source to pay for those loans. Gross said it would be rates. Allen said it gets back to the larger issue, which is you are talking about a way of finding money to pay for projects; loan versus general obligation bonds. Gross said there are bonds and then there are bonds; there are revenue bonds and GO bonds. He said GO bonds are different. Allen said the issue that came to the Council, which we want to address, is when you speak about revenue bonds you are speaking about water and sewer rates. When you are speaking about GO bonds you are speaking about a different revenue source, which is separate. The issue that we are looking at as a Task Force is when you look at the funding mechanisms for those projects, how you can equitably spread it across different funding mechanisms to give that equity across different sectors. He said it's a valid point that Gross brings up, but it doesn't speak to the larger issue necessarily that he thinks the Task Force is looking at, which is the equitable distribution of finding that funding to pay for those projects. Gross disagreed with the fundamental purpose of this Task Force. Allen said that was one of the purposes for this Task Force. Gross said that we're not going to find an alternative method for funding for infrastructure forever outside of rates. There are other things that can supplement that; and the GO bonds certainly can do that. But the reality of passing one GO bond after another to be able to fund those projects is unrealistic. There has to be companion funding sources moving forward. Allen agreed but said that we can't discount GO bonds, we need to look at it in conjunction with everything else. McConnell asked if the revolving fund isn't revenue based and that's how you get credit so to speak; it's based on rates? Gross said that rates are not necessarily your only collateral for the loan; but that is essentially what they base it on. They look at your rate structure to make sure you have the ability to pay that loan back in the term of the loan period you choose. Gross said we haven't signed the final agreement. The application is complete and is to the attorney for review. He said the loan agreement would have to go to the City Council before we ever decided to pull that trigger.

McConnell asked Gross how much he was asking for, and Gross said it is going to be close to \$10 million. That's not \$10 million up front either; it could be up to \$10 million. He would think that in the course of the six years that we are doing this project we would look at other ways of funding that project in the interim, knowing that we have the cash flow to continue on with the project without starting and stopping. Busby said so you are getting a line of credit essentially. McConnell said if you receive a grant for \$2 million or something, then you don't borrow the \$2 million you were planning to. Allen said that on a general obligation bond you do the same thing; you use it when you need it, you don't necessarily have to go out for it entirely all at once. GO bonds can be put together the same way to some extent; it's not all or nothing. You can actually stagger it over time depending on what your needs are with certain constraints. Gross said yes, but you are pulling money from people's property taxes. Allen said the point is that we are trying to get information from staff on the viable options including what Gross is presenting and what he thinks Gazewood has supported. Allen said we will wait for Gazewood to be here in two weeks, and then we will probably be able to get a more thorough analysis from Gross and Gazewood on our options. He said one isn't better than the other; one isn't a higher priority. They are both viable, but they are different; and they meet different needs. The question is how we put those together in balance so we have an equitable approach. Allen said that's the goal. Gross added, for long term; and Allen agreed. Gross said we need something that you are able to reproduce year in and year out for every year forever and have some sort of understanding of how often we can go out for a bond measure, what our success rate on that would be, what the revenue rate of return would be on that, and what our debt loading is going to be. He said they all kind of piece those things together. Allen said that is what we are trying to do. Allen said it is great to bring it in as a heads up right now, but today's goal wasn't to speak about restructuring and funding; it was to speak about framework.

He thinks it is something that Gross wants to put together in more detail so when Gazewood is here in two weeks he will be able to weigh in on it as well and get a more comprehensive approach and understanding of this issue. Busby said it is a very viable option. Gross said that he just wants to make sure that the recommendation of the Task Force isn't heavily weighted one way or another; there has to be a balance. Allen said he didn't think that was the intent of this Task Force. Gross said that is something he and Gazewood need to sit down on. They could make a financial plan each year and how you end up laying that out, making assumptions you are able to acquire dollars through these different sources at different time intervals and allow us to have the cash flow necessary to just keep moving forward. Allen said that he was hoping that before we have to start making recommendations Gross, Gazewood, and perhaps Tokos would sit around internally here and go through that stuff so that when you come with staff recommendations, at least everyone at the staff level will be supportive of what is being asked of this Task Force as a recommendation.

Springsteen had something he wanted to throw out and put into the mix. He said what we have been talking about is spending this bucket of money; and we are not even sure how big the bucket is. If it's that easy to draw these grants, then other municipalities are doing the same thing. His question was how high is up when you are talking about water rates. We know where it is now. In conjunction with these proposals and all these thing you have to do (the borrowing and so forth), ten years from now what do you see these water rates being? Gross said we have talked about that. If you funded all our capital projects internally, which would be worst case scenario, anything from there is stepping down. Springsteen said that internally is not where we are headed. Gross said you are going to be somewhere between where you're at now and somewhere where that projection is and how to balance that out. Springsteen said he wondered where that somewhere is or where Gross thinks it might be. Gross said he won't be able to answer that until we actually have that funding plan in place because then you can say this is how much capacity we have to borrow each year and this is what our debt load for that would be, and this is how it impacts our operational budget, and these are our reserves. Allen's suggestion was that he would like Gazewood to be here to talk about this; so let's put this on the table for now until two weeks when Gross can go into detail about his recommendation on the revolving loan fund aspect, Gazewood can weigh in on the GO bond aspect, and we can get feedback from them both. Allen didn't think we were in a position to really start going into detail. That wasn't today's agenda item, and Gazewood should be here for that as well.

Audience member, Jebousek, said she thought that Gross sees this as a superior method of financing, and asked if that is correct. Gross said he didn't know if it was a superior method of financing; it's a little bit more stable. Jebousek said it sounded like it was lower interest and maybe you didn't have to pay as soon. Gross agreed. So she said that sounds superior to her. Her question was how do you see this impacting water rates? If you are able to do this kind of funding, how do you see this lowering water rates? Gross said it certainly will not lower rates. He clarified that it is water and sewer rates. The Sewer Department over spent revenues two years ago. Allen said we would go five more minutes on this topic and then defer it for two weeks until Gazewood is here because a lot of what we are asking right now we'll need Gazewood here to get more detail. So five more minutes, and then we will move into the actual agenda item. Jebousek said that what she is asking is why Gross didn't think this financing method would impact lowering water and sewer rates. Gross said that the way that the rate structure is set up right now is that we are able to pay for our operations and debt service and little more. So, it's not going to lower rates because we are talking about borrowing more money, which means that your debt service is higher. Jebousek asked when the debt service we have now will be completely paid. Gross said that's a question he can't answer until Gazewood comes back because that's what that chart is that they are developing right now trying to figure out what is that break-even point. How much more money can you borrow per year, still maintain cash reserves, still operate your funds, and still move forward; what is that balancing point.

Allen said what we got is a preview of what the discussion will be in two weeks, which is "options for restructuring the approach to funding." McConnell said that was the information we asked for at the last meeting; what's going to happen and what's happening with the rates now. Allen said that Gazewood would have been here today and presented it if he wasn't ill. Allen said we spent a half hour on this and need to move on to the agenda item we have in front of us. We need Gazewood here and don't have the information available to start talking about this in detail. Allen thanked Gross for bringing it up as a preview.

McConnell said to him the overlying issue that we need to talk about is what is going to be the shape of the recommendation. Is it going to be a laundry list, a flow chart, or something else? Are we going to say, "we think you should do this," or is it going to be "if you do this then these are the things that should probably happen or if you do that then these are the things that should happen?" It seems to him that we really need to give the Council a clear idea. Allen said that is what he meant by putting together a framework. McConnell said like what the flow chart is going to look like; what's the shape of that recommendation going to be. Allen said that is what he wanted to get started on today. Allen said that in reading through the minutes from the last meeting, there were a lot of start-up recommendations. He at least thought initially we would look at near-term versus long-term. He was trying to segregate what we are looking at as general themes.

## Near-Term:

Allen went to the flipchart to write down suggestions. He said that he thought using “near-term” versus “long-term” was at least a place to start; and if we need to revise this, then fine. Allen asked if there were any other general overarching categories separate from those. Busby suggested adding to the definition or changing the wording for near-term or long-term. He said on near-term we should have some expected results. Allen asked in how many years. Gross also wondered what is near-term and what is long-term. Allen said how do we define near-term; is it 5 years? Busby said he thought more than timeframe if we say something like “let’s reduce half the funding for the Library”, that is a pretty clear near-term obvious result that is exactly so many dollars. The long-term would be like the recommendations that Gross and Tokos put together last week where we need to do better planning, etc. Those are hard to quantify and we don’t have specific end dates. Under near-term, Busby suggested “re-order or re-prioritize current spending levels.” Then you get down to the level of specificity; which is the highest level. McConnell thought that instead of saying “re-prioritize” you have to say the exercise of prioritizing because it has never occurred openly and on the table. He thinks you have to say “prioritizing all spending levels at all levels of the budget” because they all are so tied together. He wouldn’t say “certain” spending levels because he thinks you have to take a look at all spending. Especially if you think you are going to have an impact on the water rates, and you want to have a positive impact on the water rates (in other words freeze or go backwards); then you have to find other funding. Prioritizing at all levels is one of the places you might look for it. Allen wrote down **number 1** as “**Prioritize or re-prioritize all/certain spending levels, which will result in funding issues.**”

McConnell thought that one of the near-term things is to maintain current levels of service. Allen wrote **number 2** as “**evaluate funding for current levels of service.**” McConnell said what he heard all along the way and one of the reasons we started down this road a couple of years ago increasing the water rates is that we are not going to make any progress if we don’t spend more money than we need right now to maintain current levels of service. So, you have to know how much that is going to cost. The prioritizing is going to tell you what your current levels of service should or shouldn’t be. He noted that one of the issues staff has on this list is to consider developing level of service standards.

Jebousek said that it seems to her that there is a lack of accountability. She keeps hearing stories about the airport, budgets not disclosed to City Council members, data that is not available to even evaluate what’s going on. She said it seems that every department should be accountable for their budget and explain what they are doing and be able to justify or explain why they did spend however many dollars for tools at the airport or whatever we are talking about. It seems that kind of review has never happened. Allen noted that the level of information that the Council has gotten has always been an issue to some extent depending on what year it is, what Council; but he didn’t want to focus on the lack of information the Council has been getting. What he wanted to focus on is an overarching theme for making recommendations. If a component of that is how much information we are getting, we can plug it in. Smith wanted to briefly interrupt because he said we are calling into question character and the expertise. He wanted to clarify that department heads are not sitting around thinking “how can I spend money.” These department heads; and speaking for himself at the Library, he said that he can guarantee that he can talk about every line item in his budget and justify every single penny. There is not an extra penny in the budget. Smith said that the thing Busby talked about the other day, Smith went out and talked to the guys at the airport; and they told him that they had little or no input into how the budget was developed. Busby said that one of them told him they did. Smith said that Terry Durham did; but the operations side wasn’t asked about his budget. Busby said that wasn’t what he was told. Allen said that he prefers to have the Task Force try in the time that we have to come up with a general outline for recommendations. Public comment is reserved at the end. He would really like to stick to what the agenda is. He doesn’t want to get into back and forth. He said if that point wants to be discussed further, wait until after the Task Force meeting to bring it up. Allen said that right now he wants to stay on task and get through what we have on the agenda within the next hour.

McConnell said that **number 3** should be “**review the reserve policy.**” He thought that needs to be done near-term. Allen added that to the list. Gross asked if McConnell wanted to increase or reduce the reserves. McConnell said that is what the review would ask. He said that Gross is of the opinion that it is too large. Springsteen said the review would ask if you increase the reserve or how much it is supposed to be. McConnell said that the other side of the reserve policy is if it’s working or not. And another part would be how do reserves get designated for expenses and how do they get rebuilt. He said we never really did that. Allen added **sub-point (a) under number 3** for “**how reserves are used and how replenished.**” Gross said that he does that at fund level, though. He thinks in the past the reserve policy was laid across the board. That’s probably why it was looking like it was so extravagant for water and wastewater; it was based on a percentage of revenues so it was disproportionate for water and wastewater. McConnell said we set the policy but never really went beyond that. He said we never got to the point where the City Manager came and said ‘we need to use this reserve and here is what we need to use it for.’”

Allen said there was one thing that he thought was important out of last week’s discussion, which falls into number 1. He was thinking that as part of our next City Council goal setting there should be a separate day so the Council can actually start prioritizing the services provided by the City. Have a list. What are the essential services on down. And then look at what are the spending levels that are associated with each of those services. Then we can see if what we consider a high priority is lining up with what we are actually spending for that service. Allen thought that Gross mentioned that last week, and everyone

was very supportive of it. Allen said that is something the Council could do right now without spending any money. He wrote down number 4 as “having a Council goal setting discussion regarding priority of services and funding levels associated with those priorities of services.” McConnell noted that the Council shouldn’t do that in a vacuum. McConnell said he is supportive of number 1, which is prioritizing; but he said we had a long discussion at the last meeting about how the prioritizing should be done with a lot of public input. Allen said we have to start somewhere, and sometimes it’s good to have something on paper to take out to the public. What he is suggesting is that as a preliminary step, the City Council can start putting stuff together and then take it out to the public and get input and actually have it revised. He said sometimes it gives the public comment period more direction to actually speak to something. He said he has found out over the years if you have something in draft form in front of the public you will get better feedback than if you just throw out general questions with no direction. What he is suggesting is not a final product but a preliminary. McConnell said either that or just as part of your work session taking a look at the current budget and having that show what the priorities are currently and where the monies are going currently. Allen revised **number 4** recommendation to be “**City Council goal setting and public input/feedback regarding priority of services and funding levels associated with those priorities of services.**” Gross thought that if you come up with a list and brought it, the public perception would be that they would think you are spoon feeding them. He thought that was exactly what happened with the Visual Arts Center and the way it was laid out. The Council wasn’t making any decisions, but it was the perception of the public that they were. Allen said it all depends on how you approach the issue. You have to at least have a list of what the services are and start categorizing them so it is something the public can look at. We can at least provide baseline information to the public to give them information from which they can give us productive feedback. Smith said maybe a bar chart of the budget, and you can see police, fire, library, rec. center, airport, etc. in the general fund. Busby said that isn’t prioritizing per se; it shows how much you spend on each. It is a measure of a priority. McConnell said there is a priority right now; the budget over the years has been put together based on someone’s ideas of the priorities and how the Council and the Budget Committee react to the budget. So there is a priority right now. You at least have to get that information out to people in their hands to say here is how we are spending right now; and would you like to rearrange those priorities? Busby said that the ones that are near-term need to be somewhat specific. He hopes when we are all done with this we can actually put an approximate number at the bottom that will say this will get us “x” amount of money per year as a projection over the next five years or something. Very rough, but at least be able to have a quantifiable output from the near-term. Just don’t say “look at” or “think about”; you might want to put something more specific. Gross asked if that wouldn’t be directly correlated to what your prioritization list is because for instance if you say “my most important priority is public safety and my least important priority is the ice cream stand, and we don’t want to make any kind of reduction in funding for our most important priority but anything that is below our number twenty priority we want to cut their budget to 75% of what it was last year” or something like that. Busby said, exactly, and obviously you don’t cut the lowest to zero or the highest one doesn’t get everything. Giving an example, Busby said he wouldn’t be against something saying for instance that we cut the library by 10% or take a \$100 thousand from the library. To be clear, Allen said this list is just a starting point. When the full group is here for those last two meetings, it might actually turn into something entirely different. But it’s at least starting to get us some basis.

McConnell said so you get down through all your public input, and the public says “we are really happy with how the money’s being spent now so we really don’t think there should be any cuts anywhere. We don’t think you should try to save any money out of this budget.” Then what’s the approach? Busby said he would be surprised if that happened. Allen said that the fifth recommendation should reflect that whatever the results are, we will implement them. He wrote down **number 5** as “**implement results from priority setting.**” He said it could be status quo. McConnell said the Federal Government is going through the same process. They can never make a decision about where to make the cuts; so the last time, they went through the sequester. They just cut everybody the same percentage. Allen asked if McConnell was going to recommend a sequester. Gross said it’s not necessarily just a cost-cutting measure, it can also be used as a decision-making paradigm for future expenditures where you say we have dollars and we want to spend them on our highest priority first. Maybe those priorities change over time and you may have different priorities. At least it provides framework that you make your decisions off of; even internally on the staff level. Smith thought that it’s important that once this comes out, however it works out, that say it’s a 10% cut to all services, that departments come back and say these are the implications or results of those 10% cuts on my department. This is what will actually happen as a result. Busby said that is a normal budget process. But if it were to be a sequester, we would say let’s just start with a 10% cut for everybody and see where it goes. McConnell said but you’re not really saying that; you’re saying everybody except for Public Works. Public Works will use all the money; so their budget will increase.

Jebousek said there is no place in that process where you have included the departments. That is what she has been talking about; accountability. Because that gives each department a chance to make their case for its budget and then provide information. They are not in what you just created. Allen said what we just created was a general framework that will be filled in with more details at the next meetings. McConnell said that happens every year when the budget gets put together through the budget officer. Allen said these are general concepts, and he is not going to parse it out into details at this point. We will fill it in with more details.

Busby wondered if we wanted to have a goal to come up with near-term measurable solutions. In other words, this is worth a million dollars, this is worth a hundred thousand dollars. All the words in the world can be used, but how much money are you

putting in the box? Quantify it. McConnell said what Busby is talking about is not expanding the budget. You are talking about finding money to put in the box from where it is now. Busby said that would be one place. It could be other places. It could be, "we are going to go out for \$10 million in bonds." It could be, "we are going to take \$100 thousand from the Library." It could be any of those things. He would like to be able to measure it or at least have an estimate of the value so we know what we are working with rather than just esoteric thoughts. Allen asked Busby to summarize the sixth point under near-term. Busby said "provide quantifiable reductions or new sources of revenue." He added "measurable quantifiable amounts" put forward toward the infrastructure. He said it doesn't matter whether you get them from the existing budget or somewhere else; new funding sources or what you do. He would like to see something you can put on the table that people can see this is what we've got. Allen asked if where Busby was at was "quantify/measure services and the funding sources associated with it" or something like that. Allen asked if he was looking at the baseline we are working off of. Busby said what he wants to see is how much we are saving with our recommendations or adding to the revenue pool; estimates of course. Allen wrote **number 6** down as "**quantify/measure the Task Force recommendations.**" Busby said that was close enough. He said we do have some goals; and as McConnell had mentioned, what are we shooting for? That's half of the equation; and what's the other half of the equation; do we need a million dollars a year or ten million dollars a year? He thinks we have that.

Allen asked Smith and Gross if there was anything at the staff level that they thought would be necessary with short-term goals. Allen recalled that Tokos was talking about some short-term stuff and wished he were here. McConnell said he didn't know if it was up there one way or another, but Gross and Tokos both are investing dollars right now in just trying to figure out where we are and where we are headed. He wondered if that is part of prioritizing, is that part of financing, or part of funding for current levels. He wondered if people understand funding for current levels; just maintaining basic services or were we talking about current levels that we've been investing in grant writing and surveys and those kinds of things. He said to him a near-term goal should be that those processes continue because without those you really can't do any forecasting about where your dollars will be needed five to ten years down the road.

Allen noted that he left number 2 pretty general so it really encompassed whether more was necessary or whether everything was good status quo. He said, again, this is just to set the table for future detail. McConnell just wondered if we needed to have a specific one that says "**continue to spend money on surveys and assessments,**" so Allen wrote that down as **number 7**. Tim said he was concerned because short-term funding is not the problem; long-term funding is the problem. He said, "I don't need a million dollars next year." He said that's nothing he has ever said. He would rather have us make a strategic plan because the City of Newport kind of got into the position we are in over 20-40 years; and we are not going to get out of it in two years. So, let's look down the road in ten to fifteen years, which is probably the long-term; and say let's change direction today and in ten or twenty years we will be at the point where we will be able to fund \$1 million a year or something like that. Busby said that he understood that, but he didn't think it was wrong to put "review of assets for assets." Gross didn't disagree with that at all.

Smith said if we were looking at something short-term, if we were to say "while developing these long-term goals we need a three-year window where we might have to bite the bullet really hard" rather than to say we are permanently going to cut. Busby said there is nothing wrong with short-term asset sales. It doesn't solve the problem. But shifting priorities between departments is a long-term solution. Gross said maybe when saying short-term, we don't say to the departments you cut your budget by this amount. Instead, we want you to reduce services by this amount within this timeframe. Then they have some sort of ability to say, "Ok, I know that I have two employees who are going to retire so I simply won't replace them"; and through attrition we've met our goal. Or, "we are going to reduce this part of our service;" and by doing that we meet our goal. He said when we look at short-term that is the kind of thing he would rather steer toward; being efficient. Because you are not going to pull a lot of resources out of the general fund to really go toward water and wastewater. He thinks what we need to do is make them more efficient so you can spend them in the places that are priorities to you. Allen said so then maybe Smith's recommendation was wait until we have a clear picture. He wrote down **number 8** recommendation as "**defer some near-term projects until we have a clearer picture of what is available long-term.**"

Springsteen said it seems to him that those five bullet points we have been working off of need to be prioritized in one, two, or three years like you were talking about; which one do you really need to be doing. McConnell said that kind of goes back to the same place we were talking about with the reserve policy because you might anticipate that the reserves could be a little less in the future because if you have yourself on good maintenance you won't have things blow up in your face that you have to pay for. Those are the same kinds of discussions that have to happen at the same time. Gross thought it is the philosophy behind the reserve policy too because if you think your infrastructure failure is going to cost \$1 million; there are so few that every really do cost that kind of level.

### Long-Term:

Allen said we would put a hold on the short-term for now and move on to the long-term. He wanted to start with the bullet points handed out at the October 31<sup>st</sup> meeting. He said for right now this is just putting something together so at least on December 5<sup>th</sup> the larger group can start focusing on this. He said between now and the 5<sup>th</sup> this can be summarized for the other members to look at. Maybe we can set aside some time before the end of the meeting on the 21<sup>st</sup> to look at this. Allen went to

the bullet points that Tokos and Gross had prepared. Allen thought that on the 21<sup>st</sup> the Task Force would have from Tokos and Gross at least some general timeframes and costs associated with each of these bullet points. Gross said maybe some details, but he wasn't sure how close the cost estimates would be. Allen said we may have more details on these, but for now asked if the Task Force just wanted to prioritize these five. Springsteen said he would like Gross to come in with a list as he would like to see it; which one is number one from Gross. Gross asked if Springsteen was suggesting for next time that Gross and Tokos provide their prioritization first. Allen said that the Task Force could maybe take a shot at it and Tokos and Gross can take a look at it and come back in with their thoughts. Springsteen said that he's not a city engineer, Gross is and knows what he wants to do and which one of those is important to him and which ones can he afford to do. Allen asked if Gross could help preliminarily right now and maybe in two weeks further refine it after he talks to Tokos. McConnell thought they were in the right order. He said it is true that some are more involved than others and some will take more time. Allen thought this was a really good starting point for long-term. Springsteen said the only thing that he can see that is missing from this is an action plan that supports these bullet points. Allen said that maybe an action plan is a recommendation. Springsteen thought that was a good place to start. So, Allen put on the long-term list "**develop an action plan**" as **number 1**. Springsteen said after that you begin to establish a budget for the action plan. McConnell said you could say "develop and fund an action plan." He said there are lots and lots of plans on shelves here around City Hall that have no funding. Allen put **sub-point (a) under number 1 as "fund action plan."**

McConnell thought of annexation of lands that are in the urban growth boundary if it wasn't on the list. Gross wanted to make a caution there. He said there are pluses and minuses to annexation. He said many of those lands in South Beach are served by the Seal Rock Water District, and we would spend more money taking care of the water system than what we are taking in in taxes. That is why we haven't wanted to annex those properties. You can't afford the infrastructure system that is in place. He said we bought a large portion of the Seal Rock Water District a number of years ago. We are still paying for that and then already went around and completely replaced it all. He said that Surfside is a classic example there. McConnell thought we still need to take a look at it because it has a relationship to urban renewal and those things. Gross said that's maybe how you do that. You develop an urban renewal district sometime in the future to encompass those properties. The urban renewal district helps pay for the infrastructure improvements that are necessary to provide them services. McConnell noted that a lot of them are within that South Beach urban renewal district.

Allen asked Jebousek if there was anything on long-term that she could think of other than these five bullet points. Gross said that some bullet points are under others. Number one is something that you would start right away because that is how you properly manage an infrastructure system in general. That leads to item number two and item number four, which come out of item number one. You can't really critically evaluate projects until you know what the condition of your infrastructure is. Likewise it is hard for you to understand what your level of service is until you actually understand the condition. It helps you develop your priority list and what the level of service you can sustain is. Point numbers three and five really stand on their own, and he thinks you would want to implement right away too because it may take you a number of years to develop a priority list and decide how you want to shift your funding strategies to fund your highest priority things and literally pull funding from your lowest priority things. Allen asked Gross if to him point number one is really the starting point. Gross said yes, they have been working on it for the last three years; but it probably would take at least five years to get it to a decent planning place and then you can analyze points two and four in planning it out. Springsteen asked that in looking ahead to future years, years 2, 3, 4, if Gross foresees some of these bullet points not necessarily going away but becoming more business as usual kind of thing rather than manage by crisis. Gross said that he thought bullet point number one is kind of a new concept for some people. That is as you develop that it becomes your status quo. You keep updating that condition analysis every year. Springsteen said then as you reach that, the importance of it would be stabilized and then you would bring another one of your long-term priorities over to the short-term and keep funneling them in. Gross used a pavement condition analysis as an example because it's easy. He noted that roads will pretty consistently last about 40 years if you don't touch them at all. You put it in the ground and you leave it; then forty years from now it's rubble. It's very, very consistent no matter where you are. So, you have all these roads of all these different ages and all these different strategies that you use. You can say, "I want to spend \$100 thousand more every year doing pavement maintenance, and I can make my road last 80 years instead of 40." That's what that does for you, and it drives how your operations work. It becomes part of your normal every day. Allen said number two would be the same as he said for number one, but just continue to re-examine over time. He wrote down **number 2 as "continue to re-evaluate over time."** Gross said you keep looking at it every year. It probably should be something that gets reported to the Council every year; this is the current condition of our infrastructure. Springsteen said then that's your business plan or whatever you want to call it. Gross said it develops the core function of your business plan. Springsteen mentioned continued review of debt service. Allen wrote down **sub-point (a) under item number 2 as "develops core of business plan."**

Springsteen said that something that occurs to him, but he isn't sure where it fits in, is continual review of your debt service because that will expose borrowing capabilities. Allen wrote down **number 3 as "continue to re-evaluate debt load."** Gross said that he thought that was something that should get evaluated in the new budget process. It is a report of your financial condition. Springsteen said it was in there last time, but he didn't think anybody spent a great deal of time on it. He didn't think anybody understood it. Allen said that should probably be near-term and long-term goals. To tie it to the short-term goals, Allen **added recommendation number 9, "continue to re-examine debt load," to the near-term list;** the same as

recommendation number 3 on the long-term list. McConnell said that Patrick-Joling is not here; but she would probably add on near-term, figure out where you are right now. Gross noted that Gazewood is working through that. McConnell said that it's a huge thing to try to get a true snapshot of where the finances are. Gross said that from the perspective of staff, they have to have an understanding of where their finances are at any given time. It took him six hours today to figure out how much we spent on a particular project; and you can't operate on that level. He said if you are going to make something priority, get a decent finance director and a decent financial system so we have decent information to work from. He said we fly blind out there. McConnell said you need to work with your new City Manager on that. Gross said that seems like that would be a standard expectation of the City. Busby said he thought the new City Manager has a lot of interest in it. Gross said Gazewood is doing a very good job right now. Allen said Gazewood did that seven years ago when he was here. Then he left, and now he has to kind of re-do what he did six or seven years ago.

Gross said that he thought that you would do item 1, 3, and 5 from their draft suggestion list concurrently; and items 2 and 4 end up being driven out of number 1. Allen wrote down long-term recommendation **number 4** as "**bullet point numbers 2 and 4 are driven by number 1.**" He wrote recommendation **number 5** as "**bullet point numbers 3 and 5 stand alone with bullet point number 1.**" Gross said that he is thinking Public Works. But he noted that bullet point number 2 (developing level of service standards) can be applied to police, fire, library; basically everybody. He said that is going to be something that some departments can start right now. And maybe at some level also provide some information in that regard to Council as we develop our budget; "here is the level of service we want to provide," "here is the response time we want to achieve," whatever it is. McConnell said when we went through the budget process about four years ago having to make some sizable cuts, one of the issues we went through was if you cut this much out of the rec. center budget, this is what's going to happen with the hours; just those kinds of things. So he thinks it's fair to just keep those going for everybody.

Allen said those are what he has with the bullet points and wondered if that seemed to be a fair assessment. He didn't know if we could go into too much more detail right now until Tokos and Gross get back to the Task Force. He asked if there was anything else we talked about. McConnell said investigate annexation of unincorporated areas. Gross said that he bet you could do a cost benefit study on that; what you're really increasing revenues over expenditures. McConnell said that urban renewal and annexation are both long-term. Allen wrote down long-term recommendation **number 6** as "**evaluate annexation and urban renewal.**"

Springsteen asked Gross at budget time how much negotiation goes on with the City Manager prior to or as the budget process begins to solidify. Gross said that he didn't know if negotiation is the right term. Springsteen asked how it works. Gross said as it occurs, our operations budget has increased 3-5% each year, and that's really about it. Then the rest of the money that has been left has gone into contingency, reserve, and capital projects. Springsteen said then on the front end, reality has kind of been left out; and you get a certain amount of money and you have to figure out how it gets spent. He asked if that is how it kind of works; and Gross confirmed it was. Gross said it's easy from the operations side because our constant doesn't change that much. It changes based on how much electricity costs go up and things like that; it's very predictable. What changes is how much money we actually start out with and what capital projects are necessary to be completed that year. Sometimes we have a larger ending fund balance because we didn't have major catastrophic emergencies. We bury money in the operations fund for repairs and replacements. Springsteen asked if he gets to keep that; and Gross said that rolls into the beginning fund balance, and then we are budgeted the next year. He said for example if we had \$100 thousand last year, and it went to \$105 thousand this year with 5% saved; whatever rolls into the beginning fund balance goes into kind of a kitty. It probably would roll into capital projects. Springsteen said then it doesn't go back into the general fund for example. Smith said the Library's and other departments' money would all go back into the general fund. Busby said it all goes back into one big bucket to be distributed. McConnell said the enterprise funds are different because they have to stay autonomous from the rest. Gross said water and wastewater are run as their own separate businesses; the streets department isn't.

McConnell noted that the districts are already in these bullet points. Allen said that urban renewal is kind of where our focus is at the Planning Commission level right now; and we just had a presentation at the Council's last meeting. McConnell said that he still believes long-term the City needs to take a look at and do planning for economic development because if you aren't growing, everything is shrinking. Allen put "**incorporate economic development**" as long-term recommendation **number 7**. McConnell said it is something you have to continue to do and focus on. It's something the City has not done for a really long time; and he thinks we are seeing some of the effects of that as a result.

Gross said that on the Public Works side, the other thing the master plan process gives you is a prediction of development demand. And so when we go into a water project, we know generally how much demand will be on that particular section if this area develops. That is where the SDC funds come in. Those SDCs pay for that oversizing; if we don't do that, it would restrict development. He keeps thinking of the Lawson property up on Avery Street. It's pre-approved for commercial development, but it can't be developed because there is no sewer or water capacity. So it's stagnant as a result. Urban renewal deals with blight but it also deals with infrastructure to be able to allow development to occur. He said actually Patrick-Joling talked about that very thing during the budget process.

#### IV. Task Force Comments.

Allen said for right now we have about nine points for near-term, and about seven for long-term. He asked if there were any others. Springsteen said you have enough. Allen said this is a starting point right now. Next meeting he's hoping that we can have about an hour's worth or so of discussion on funding and perhaps can start finishing up this with the additional Task Force members. At the last two meetings, we will get into actual details and start sorting out what we want as a group to actually recommend based on this list and whatever we come up with. We can revise the list or add to it. He just wanted to get the discussion started. The folks that aren't here can perhaps listen to the audio or read the minutes.

Busby thought on the near-term side, we are going to have a tough row to hoe to get from the generalizations down to solid items. He thinks it's going to be hard. Allen said it might. He didn't know what we are going to come up with, but he thought the last two meetings will be challenging. Gross thought you are only going to be able to get very general recommendations at the end of this meeting because you can't dig into the weeds on some of these things. But that's not to say that you don't have a committee that talks about a very specific thing; you are going to specifically focus on prioritization; you are going to talk to department heads; you're going to talk to the general public at large; you're going to prioritize the City's core functions. That is the only focus of that group. You could do that in any of those near-term things because without being organized, they are not going to come to fruition. It's not going to happen in this committee because you don't have the time to get into that level. He said another committee could certainly do that. That particular one could certainly happen before the budget time. In a matter of a couple of months you could get a pretty good idea about a priority list and vet that. McConnell said that he doesn't really think it's our job as a Task Force, but he thinks the Council is really going to have to take a look at some specific options for them at some point. Sooner rather than later because you have a new City Manager trying to figure out where you are anyway and where you should be headed; and a new finance director. He said it will take them two or three months if that's all they focus on every day, which they won't be allowed to do because there are so many more things pulling at their shirt tails. It will take a long time to figure out where you are. In the near-term the Council will have to come up with concepts, or maybe we can give them those concepts too; i.e., freeze the water rates where they are and take a normal annual increase, and what does that mean; continue on same gradient that was set in place two years ago, and what does that mean; reduce the water rates (as Jebousek added), and what does that mean. Somewhere in there the Council is going to have to have some specific guidelines. McConnell didn't think that we could give them that information, but that might be a recommendation. Allen said we could say you should take a look at this. McConnell added that staff needs to come up with some pictures of that. He said if you did that with the Council, then the public is going to see that too. Allen **added to number 4 on the near-term recommendation list, "work with city staff, public, and stakeholders."** McConnell said it will be an interesting process to go through. Then you will have some input on where the public's priorities are and what the public really wants.

Busby said, as he had mentioned at the last meeting, he hopes this year that the Council with some public input sets some high-level goals before they go to the staff goals. He thought what the Council did last year was listen to the staff goals, which were good, and just said okay. He thinks the Council has to start from their end at the top.

On the infrastructure list that the Task Force had created, Allen said that he was adding basically Gross' recommendation on water projects. Gross said it was on there already; the very bottom one. On the flow chart, Allen drew a line between the top item and the bottom to reflect that those two are tied together. Allen said he thought Gross' point was that we have them separate; but really when you talk about distribution and treatment on the water projects, even though raw water supply is down there, that's all part of it.

Allen said that he feels the Task Force has a good start. He said he would take the charts home and put it in a word document and will send it out to all the Task Force members. He will note that this is what we came up with today. Perhaps we'll have some time set on the agenda in two weeks to further discuss this, and this will be something we can take a look at and revise on December 5<sup>th</sup>, which really is what we have scheduled as our first meeting to actually come up with recommendations.

Smith passed out a chart showing at least what the general fund priorities are based upon budget allocations right now. He noted that the Library is the only general fund department that has a separate option tax; there is a countywide library district tax.

#### V. Public Comment.

Jebousek had some comment on the process here but she said she would wait until people stopped talking before proceeding because that was the first thing she wanted to talk about. She thought it would be really good if we had only one conversation going on at a time. She said that she doesn't understand how you guys can carry on a civil discussion with that kind of behavior.

She said that she was surprised that she used the word accountability and it was like someone threw a fire bomb in the middle of the room. She said she doesn't understand that at all. She said to her, accountability means that you would be providing information that would create transparency that would educate the public so they started to have a grasp of the responsibility

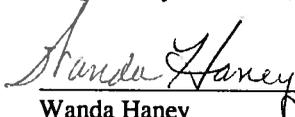
that the different departments have and the things that they are doing. She doesn't think that most people even understand the magnitude of the problems that Public Works has been dealing with. She understands that it's not something you want to publicize that we have massive sewage overflow out on the beach and stuff like that. She just doesn't think that most of the public even understands how much work is going on and understands the amount of money that needs to be spent on things. That's how these discussions get started about tools and clothes and all this other stuff. She said if a department is accountable, they are able to outline what they are doing and what money gets spent to accomplish that. If you have a new City Manager coming and a new finance director coming, wouldn't that be helpful for them to have that from everybody. She wondered if every department didn't already have that information. She asked if they aren't painfully aware of all they are doing and how much it is costing them. She wondered if they can't produce something like that, how they are operating. She said she doesn't understand that. She knows what her budget is every month. She knows the things she has to spend on; it may change, but she knows what that is. She doesn't think that kind of information has been available in a transparent, cohesive, and coherent way. She said that's what she's talking about; not that people should be called on the carpet for what they are doing. That's not what she's saying at all. She said she is horrified when you start talking about the Library. She can't imagine taking a nickel away from the Library. She said when you're accountable and you provide this information to the public, you've just defended what you're doing. You've just made it clear this is what we are providing and this is how much it costs; and "I challenge you to show me where I should be having less money than I have right now." She said it's not an attack.

Smith said that Gross talked about it. When the departments get their opportunity to put their budgets together every year, by the time you add your personnel costs, electricity, gas, and your general operating stuff, and inflation, it changes very little year to year and there is so little money to do anything with. He said Library specifically, out of a million dollar budget, about 900 thousand dollars of that is locked in operational. He only has a very, very small amount of money to wiggle for books. Jebousek said that is good information for the public to have. She said another thing she would say is when people are having the public comment, you don't interrupt them. You don't use up their time during public comment. You let them talk. You don't fight with them, you don't argue with them, and you don't interrupt. Smith said we kind of go through this process line by line. Allen asked Jebousek if she was talking about this meeting, or about other meetings; because we're now talking about public comment. He noted that earlier on, we were having a Task Force discussion and because you were here, we were trying to integrate your comments. That wasn't public comment. We weren't interrupting you during public comment at that time. Jebousek said this is public comment right now. Allen said that Smith's responding; but earlier on it wasn't public comment. Jebousek said that every time she has made a public comment there has been some kind of response during public comment time. Allen said lots of time you ask for response, and staff gives it back to you. She said that she hadn't asked for response just now. Allen asked Smith if he wanted to respond. Smith said that his experience is that in the last thirty years that he's been doing this he sat down with the City Manager and discussed every single line from top to bottom, and the City Manager would compare it to how much was spent on that line item last year. Smith would give him the reasons why he was asking for more or less. As the person responsible to present the budget to the City Council, it is the City Manager's responsibility to bring that up and if there are questions, Smith would be there as a back-up to answer if the City Manager can't. Smith said when you want to have transparency, we don't have time for each department head to go through line by line. That's what the City Manager's role is; to question us. It's for him to be the first person who disagrees with that so that by the time it gets to the City Council for presentation, at least it has been vetted by the City Manager and the finance officer and the department heads have made their defense for what they propose to do in the next year. Allen thanked Smith for that response and asked Jebousek for any additional comments.

Jebousek wondered why it is when Council members wanted budget information, they were told "I've been instructed not to give you budget information." She said that is concerning to her. Busby said it is concerning to the Council members as well, but those people are gone. Allen said that was an issue that was raised during the budget process. He said if Jebousek wanted more detail on that, which perhaps some staff member could give her, that is probably something to discuss with them after the meeting and they could probably share more detail with her if they feel it is appropriate. He said it is good to note it for the record, but we don't really want to get into that discussion at this point because it isn't pertinent to this Task Force. Jebousek said that she was just explaining what she thinks accountability means. Allen thought that was good to note for the record. Allen thanked Jebousek for the public comment and for being at every one of these meetings. He noted that she is the only one of the public along with Bristow that has ever made an effort to be here. He said there will be more to come at the Council meetings once the Task Force has made their recommendations.

**VI. Adjournment.** Allen noted that the next meeting is going to be November 21<sup>st</sup>. He said hopefully Gazewood would be well and could be here. He asked Smith to keep the Task Force updated on that. Having no further business to discuss, the meeting adjourned at 4:25 p.m.

Respectfully submitted,



Wanda Haney  
Executive Assistant