

## **CITY OF NEWPORT**

### **MINUTES OF THE BUDGET COMMITTEE MEETING**

**MAY 14, 2009**

**6:00 P.M.**

#### **CALL TO ORDER**

Chair Allen called the May 14, 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, Bill Bain, Terry Obteshka, Richard Kilbride, Patricia Patrick, Jeff Bertuleit, Lon Brusselback, Mark McConnell, Robert Smith and Chuck Forinash. Don Huster and Roger Snelling were excused

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. Also in attendance were: Linda Brown, Dave Teem, Ken Real, Brent Gainer, Jim Rodriguez, and Judy Mayhew.

#### **REVIEW AND DISCUSS CITY BUDGET**

Allen distributed copies of e-mail messages from Don Huster and Vince LaTona regarding support for the airport. Bain distributed a memo regarding thoughts on various components of the budget.

Allen declared a potential conflict of interest regarding city legal services. Shaddox suggested visiting each fund and responding to questions. The Committee concurred with the process.

Allen asked whether there were further comments on the Police Department budget. Bain noted that he believed it would be penny-wise and pound foolish to not purchase the two police vehicles requested. Shaddox noted that one patrol vehicle was not funded, and asked whether \$46,000 was the cost of one or more vehicles. It was noted that this is the cost of one vehicle.

There was no discussion on the Central Dispatch and the Fire Department budgets. Shaddox noted that the Fire Marshall budget had been zeroed out and incorporated into the Fire Department.

Discussion ensued regarding the Library budget. McConnell asked when the last time the walls were painted and the carpets replaced. Smith noted that it was probably in 2000 when the building was renovated. McConnell suggested adding these two requests back into the budget. Kilbride asked whether the grant request for the expansion feasibility has been prepared. Smith noted that it has not been completed. Kilbride suggested that if carpet was important, a request to the Library Foundation might be in order. Wilde suggested the city provide \$3,000-\$4,000 seed money, and ask the Foundation to match that. Robert Smith noted that paint and carpet are necessary, and suggested finding \$16,000 somewhere. Allen asked that this discussion be deferred until later. Kilbride noted that the Library has good community donors.

There was no comment on the Building Maintenance budget.

Discussion ensued regarding the Community Development Department budget. Patrick asked whether the city could tie into the county's GIS system. Bassingthwaite noted that the county system is not designed to provide all the information the city needs. Kilbride noted that the benefit calculations for this department are at 57%. Riessbeck noted that there are several employees who insure their families in this department, and that this year, the benefits are calculated on actual use, rather than applying full family benefits to all city employees. McConnell asked whether the senior planner position is necessary. Bassingthwaite explained that the focus of this employee will be the periodic review among other major projects.

Discussion ensued regarding the Recreation Fund. Protiva reported that this budget is primarily for parks, administration, and the senior center, and that it is anticipated the budget for these functions will be status quo for 2009-2010. Robert Smith asked where the part-time employees are budgeted. Protiva responded that this is on page 74, and that the part-time employee for the Senior Center is not recommended for funding. A discussion ensued regarding Senior Center day trip expenses and off-setting revenues. Brusselback asked whether unfunded pool repairs would jeopardize the operation of the pool. McConnell asked about the increase of \$50,000 for contracted parks staff. Protiva explained that this person dispatches crews, administers the senior center grant, and other construction projects. Obteshka suggested this position could be seasonal dependent on weather.

Discussion ensued regarding Public Works Administration. Bain noted that, in the memo he had distributed earlier, he recommended reinstatement of the assistant public works director position using contingency funding.

Discussion ensued regarding the Engineering budget. Bertuleit asked about engineering for special services. Ritzman reported that engineering for special projects is paid through a retainer and individual project funds.

Discussion ensued regarding the Non-Departmental budget. Forinash asked about the fee study. Riessbeck noted that proposals are being reviewed now. Allen asked about the increased cost of the fee study, and Riessbeck noted that it will include water and wastewater. Kilbride asked about animal control, and what the city will do if the shelter closes. Miranda reported that one-half of the city's expenditure is for animal control officers, and part is for shelter services. McConnell recommended reinstating requested funding for the Lincoln County Land Trust. Patrick noted that Newport is the only city not supporting the Trueman Recovery Center. It was agreed to revisit these requests later. Allen noted that contractual services had been reduced to \$30,000, and asked what services were included. Riessbeck reported that this includes services such as the annual audit, internet services, actuarial services, and this year, included the Georgia-Pacific appraisals. Smith asked about recruitment expenses, and it was noted that these are costs incurred in hiring employees.

Allen asked for public comment.

Steve Salisbury stated that if the animal shelter goes away, there will be unintended consequences. He added that the police officers should not have to be dog handlers. He recommended issuing tickets for failure to license dogs.

Steve Salisbury reported that he had met with Bill Hall and Clay Martin regarding the Lincoln County Land Trust. He stated that this is very important, and that there are ways to provide landowners a tax credit in lieu of cash.

Ginny Goblirsch congratulated the city for supporting its infrastructure. She stated that because of the airport, fire department and water, the city has a very good chance of successfully recruiting the NOAA research fleet. She noted that the library is also very important to the NOAA effort. She added that NOAA liked the ability to fly in and out of Newport.

Mark Fisher stated that the city is obligated to provide police services, and noted that he hoped the police department is properly taken care of in the budget process.

Ken Real asked the Budget Committee to retain as many police officers and support staff as possible.

Discussion ensued regarding the Water Fund. Bertuleit asked about the cost of water treatment. Ritzman reported that the cost should decrease. He also noted that this would be included in the rate review and cost allocation study. McConnell noted that the contingency of \$206,281 seems small. Shaddox noted that it should be about double what it is. He also noted that when the fee study is completed, the staff can update the rates annually. Bain asked whether the meter reading equipment replacement will be included in the budget. Bertuleit suggested requiring new construction to install radio read systems. Ritzman reported that this is beneficial but only by completing the system in major areas at a time. Allen asked about the transfer of monies from the unappropriated fund balance to the contingency fund. It was noted that staff was asked to make as much

money as possible available to respond to emergencies. Allen asked about the amount of Water Fund monies going to the General Fund and what the two separate allocations were for. Shaddox reported that the amount of \$117,800 is part of the cost allocation study. Riessbeck noted that there is also money being transferred for administrative overhead. McConnell asked about the reduction in services, as noted on page 87, line 11. Ritzman discussed the supplemental environmental project required by DEQ in response to a water discharge into Big Creek. Forinash asked about the water leak rate, and it was noted that there is approximately 15% unaccounted for water.

Discussion ensued regarding the Wastewater Fund. Riessbeck noted that there are replacement pages in this fund. Shaddox noted that the budget does not reflect a large project. Allen asked about the contingency amount of \$92,490. McConnell asked whether the debt service has been refinanced. Bain urged the removal of the funding for an extra Big Creek Station pump. Bertuleit asked whether pumps are interchangeable. Ritzman noted that very few are interchangeable. Wilde asked whether the pumps can be standardized, and Ritzman noted that it is very difficult and impossible in some cases. Ritzman reported that pump repairs at the Nye Beach pump station prompted Council to urge the purchase of an additional pump. He noted that the pump station is scheduled for replacement in three to five years. Shaddox reported that the cost to replace the pump station is \$650,000. Patrick asked what the city does to maintain its current pumps. Ritzman reported that there is preventive maintenance, but the pumps are submerged, and their locations do not allow for other types of maintenance. Allen suggested placing the \$29,000 budgeted for the pump replacement into the contingency fund. McConnell asked about the fees paid in lieu of franchise taxes, and it was noted this is payment for use of the rights-of-way.

Discussion ensued regarding the Street Fund. Wilde asked whether the city would finish the Elizabeth Street project this year. Shaddox noted that phases two and three have been combined with a Fall Street project into one project.

A discussion ensued regarding the Bay Boulevard project. It was noted that the budget is based on the grant approval and award, but the hurdles created by the federal government cause concern that an additional \$400,000 may be needed to comply with the \$593,000 grant. Shaddox noted that there is a potential for a significant budgetary impact.

Discussion ensued regarding the Recreation Fund. Protiva distributed a memorandum regarding service levels that could be accomplished at different funding levels. It contained information on the pool, recreation center, and recreation programs. Protiva stated that there is no way to keep the facilities at their current schedules and levels with the proposed budget. McConnell asked the responsibilities of specific positions. Kilbride asked about statistics. Protiva noted that he did not account for lost revenue in the memorandum. McConnell asked about fee increases, and whether fees pay for programs. Protiva noted that there is an approximate 78% recovery by program fees. McConnell noted that there are seven administrative positions to run programs. Kilbride asked when the pool is least busy, and Protiva noted that it is between noon and the time school gets out. Smith asked Protiva what he would like to see happen, and Protiva noted that he

would like to hold the line. He said that if the Committee wants cuts, to tell him where they should be made. Allen asked whether Protiva has looked at reorganization to find the best mix of full-time and part-time employees, and whether there is a better way of using administrative staff in the supervision of part-time staff. Allen noted that the recreation fund subsidy started at \$350,000, and that \$230,000 was added last year. He asked what Protiva can do to create more efficiency and increase revenues. Brusselback asked Protiva if he had any idea of the impact on users. Kilbride noted that it would take a rate increase of four times, and not lose any customers, to break even. He asked whether enough money would be saved to save the rec center if the pool closed. Wilde noted that the rate studies should not apply to the pool as it provides a service to citizens and is a quality of life issue. He suggested it would be better not to pave streets and use the monies saved to keep the rec center open. Smith noted that not that many people use the pool daily, and that the city should consider closing the pool a few days a week. He added that this operation lacks a business plan. Allen noted that he cannot see the Budget Committee making policy decisions tonight, and that the fund may have to remain as presented. It was requested that Shaddox and Protiva develop a short- and long-term plan for recreation services. McConnell asked whether there were volunteers in the sports programs, and Protiva noted that there are many volunteers. Bertuleit suggested placing \$90,000 in contingency, and if no business plan develops, the money does not become available for recreations purposes. Shaddox noted that this money would have to be taken from the General Fund contingency. McConnell noted that as a balanced budget is pursued, the closing of the recreation center or pool needs to be discussed. Allen noted that once the business plan is developed, the City Council can make these decisions. Bertuleit asked Protiva how much money is spent for advertising, and Protiva noted that the \$7,000 appropriation was already spent for this year. Shaddox noted that the business plan cannot be developed in 30 days, and that the fee study will not be completed until late summer. The fee study is needed before the business plan can be written. He added that if the budget is adopted, as presented, a commitment will be made to summer programming. A discussion ensued regarding rate studies. Bertuleit asked whether it would be better to increase the rates now. Shaddox noted that it would be better, and that staff should be assigned to develop a rate increase at this time. He noted that the fees received in the rec fund were a negative three percent, while the operation costs had increased by 37%.

A discussion ensued regarding Airport Operations and the FBO. Stave Salisbury asked whether the city had a COLA process for revenues, and if not why. Shaddox noted that fee increases are tied to the CPI or construction cost index. Salisbury asked how much the rec center fees have been increased over the last three years. Protiva noted that the fees had not been increased in more than six years. Salisbury asked why the city would pay for a rate study when the information is readily available via the internet.

Reno reported that the airport has had a Part 139 certification for at least six years, and the airport's only source of revenue was transient room tax. He stated that he has two major concerns: the reduction in transient room taxes, and the underestimation of fuel sales in the budget document. He noted that the airport has lost two full-time employees, and several part-time summer employees, plus a 40% reduction in most line items. He

stated that he needs actual costs for analysis. He stated that the proposed budget will compromise the FBO and the Part 139 certificate, noting that it is not the time to start cutting corners at the airport. Riessbeck stated that the percentage of transient room tax is exactly the same as last year, but that all room tax revenues are projected lower. She noted that the transient room taxes are distributed by percentages. Shaddox noted the budget includes all full-time, occupied positions, but he has not recommended filling vacant positions, adding that the FBO manager and administrative assistant positions are vacant. He noted that the administrative responsibilities are largely performed by other departments, particularly the finance department. He also noted that Hawker is conducting a management audit of files, structure, and organization at the airport. Shaddox noted that the city should not have purchased the FBO without a business plan and profit and loss information. He added that in the absence of a business plan, Council can look at other cuts or use contingency monies to fund additional positions. Kilbride expressed concern that the city can operate the airport with four full-time employees. He added that if the city is committed to bringing air service to Newport, there must be adequate staff to handle the service. He added that Newport's airport is an emergency lifeline in a catastrophic event. He suggested the Committee find funds to add one FTE at the airport. Patrick asked how the city bought the FBO, and what the annual debt service was. Riessbeck noted that the city's debt service on the FBO is \$54,000 annually. She asked Reno what he needs to retain the air service and the Part 139 certificate. Reno noted that he needs the same staffing level that has been approved since the city purchased the FBO. Patrick asked whether a finance department employee could be transferred to the airport. Shaddox noted that a business plan should resolve some of these issues. Obteshka agreed with the comments from Patrick and Kilbride, and suggested transferring adequate monies from the event center monies. McConnell asked whether there were ways to rearrange staff to have someone front and center at the airport. Bertuleit stated that the city was breaking even on the FBO. Riessbeck reported that the Airport Fund has a negative \$250,000 cash flow. Allen noted that under ORS, the Budget Committee has the ability to get as much information as it wants. Brusselback agreed with Kilbride, noting that the city cannot risk losing the Part 139 certificate, and adding that the city must make it work by putting enough money into it. Allen asked Reno about the benefits of the Part 139 certificate; the amount of grant monies received during Reno's tenure; whether Reno can run the airport and FBO, and maintain the Part 139 certificate, with the four allocated employees; and whether the administrative support from the finance department is giving the airport/FBO adequate services. Wilde asked whether the city would lose the air service if it lost its Part 139 certificate. Reno noted that would not happen immediately. Walter Sherman noted that the loss of the Part 139 certificate would result in a loss of FAA funding. Patrick asked whether loss of the Part 139 certificate would be a problem for FedEx. Wilde asked how many employees it would take to keep the Part 139 certificate, and Reno noted that it would take two more, plus administrative support. Wilde asked whether there is a risk of losing NOAA. It was noted that the city would have to return grant monies if the Part 139 certificate was lost. Shaddox noted that the city is not even close to losing the Part 139 certificate. He added that this is a management issue, not a budget issue. He noted that the FBO manager has nothing to do with a Part 139 certificate. Mark Fisher stated that airport staff has to be specifically trained. Steve Salisbury added that airport staff is working with multi-million

dollar aircraft, and noted that since last November to approximately a month ago, the airport was left in the ditch. Joan Stanton reiterated the importance of the airport for disaster preparedness. Jim Rodriguez said his top priorities, as an airport employee, are top line fuel and customer service. It was noted that the fee study will include airport fees. Bertuleit noted that it will be difficult to raise airport revenue under the proposed budget. Patrick agreed this is very important and the city needs to find a way to fund Reno's request. McConnell suggested that since the FBO director position is funded this year, it should be filled now for up to three months. Shaddox noted that the funding could come from the General Fund contingency or the Transient Room Tax Fund – tourism side – contingency. Kilbride suggested Reno could be the FBO manager and airport director. It was suggested that the FBO manager could generate the business plan. Allen read the related information from Bain's memo. Shaddox noted that lay-offs would occur if handled as Bain suggested. Shaddox suggested a total of \$50,000, which includes \$25,000 from the General Fund, and \$25,000 from the Transient Room Tax Fund (tourist side) be authorized for wages for up to one full-time employee at the FBO, until the business plan can be developed in the fall. Bertuleit suggested that money is also needed for part-time seasonal positions. Reno suggested that mixing the two positions does not do justice to either. He stated that the airport has received a warning from the FAA regarding the lack of staffing.

Allen called for public comment.

Lorna Davis, executive director of the Greater Newport Chamber of Commerce, stated that she is attending as an observer and resource for the Destination Newport Committee funding.

Catherine Rickbone, executive director of the Oregon Coast Council for the Arts stated that she is attending as a resource regarding the proposed funding for OCCA. Patrick asked for attendance statistics from the PAC.

Shaddox reported that the city is entering year three of a three-year contract with Grady-Britton for advertising. He noted that \$300,000 has been budgeted for next year, with a \$50,000 contingency for the DNC to use for other marketing purposes.

MOTION was made by Smith, seconded by McConnell, to accept the recommended budget regarding recreation funding, and make contingency monies available on the acceptance of a form business plan to be completed in the fall of 2009. The motion carried unanimously in a voice vote.

MOTION was made by Kilbride, seconded by Brusselback, to allocate \$25,000 from General Fund contingency, and \$25,000 from the Transient Room Tax Fund (tourism) contingency, to fund staffing for the airport, with ½ going to airport operations, and ½ going to the FBO operations, and to instruct the airport director to spend this money in the best interest of the airport, and to complete a business plan by the fall of 2009. The motion carried unanimously in a voice vote.

Wilde asked what support Reno and Protiva will have in the development of the business plans. Shaddox noted that there are many resources available.

**SET NEXT MEETING**

The next meeting will be held on May 19, 2009, at 6:00 P.M.

**ADJOURNMENT**

Having no further business, the meeting adjourned at 10:52 P.M.

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David N. Allen, Chair