

MINUTES OF THE BUDGET COMMITTEE OF THE CITY OF REEDSPORT JANUARY 30, 2012, 7:00 P.M. AT CITY HALL.

PRESENT:

Mayor Keith Tymchuk, Councilors Diane Essig, Bill Otis, and Mike Macho, Kathi Wall-Meyer, Bill Walker and Ginger Anderson

Committee Members Aeron Blackman, Jackie Potter, Lee Bridge, Norman Morrison, Judy Macho and Mark Bedard (Committee member Tammy Van Syoc was absent)

City Manager Scott Somers

OTHERS PRESENT:

Floyd Dollar, Diane Novak, Deanna Schafer, Vera Koch, Chief Mark Fandrey, Douglas Buck, Marlene Swift, Roy Swift, Dan Welch, Shirley Welch, Doug Adamson, Gail Adamson, Harold Rose, Tom Anderson and City Attorney Steve Miller

1. CALL TO ORDER

2. CITIZEN COMMENTS

This time is reserved for citizens to comment. Maximum of five minutes per item, please.

There were no citizen comments.

3. APPROVAL OF THE AGENDA

Mayor Keith Tymchuk moved that the Budget Committee approve the agenda.

Committee Member Jacque Potter seconded the motion.

MOTION:

that the Budget Committee approve the agenda.

VOTE:

A vote was taken on the motion with the following results:

AYES 13 NAYS 0

(Mayor Tymchuk, Councilors Anderson, Otis, Essig, Macho, Walker, Wall-Meyer and Committee Members Bedard, Blackman, Bridge, Macho, Morrison and Potter voted in favor of the motion.)

Chair Mark Bedard declared the motion passed unanimously.

4. APPROVAL OF THE MINUTES

A. April 11, 2011 minutes

Mayor Keith Tymchuk moved that the Budget Committee approve the minutes of April 11, 2012.

Councilor Ginger Anderson seconded the motion.

MOTION:

that the Budget Committee approve the Minutes of April 11, 2011.

VOTE:

A vote was taken on the motion with the following results:

AYES 13 NAYS 0

(Mayor Tymchuk, Councilors Anderson, Otis, Essig, Macho, Walker, Wall-Meyer and Committee Members Bedard, Blackman, Bridge, Macho, Morrison and Potter voted in favor of the motion.)

Chair Mark Bedard declared the motion passed unanimously.

B. April 18, 2011 minutes

Mayor Keith Tymchuk moved that the Budget Committee approve the minutes of April 18, 2011.

Committee Member Lee Bridge seconded the motion.

MOTION:

that the Budget Committee approve the minutes April 18, 2011.

VOTE:

A vote was taken on the motion with the following results:

AYES 13 NAYS 0

(Mayor Tymchuk, Councilors Anderson, Otis, Essig, Macho, Walker, Wall-Meyer and Committee Members Bedard, Blackman, Bridge, Macho, Morrison and Potter voted in favor of the motion.)

Chair Mark Bedard declared the motion passed unanimously.

C. April 25, 2011 minutes

Councilor Bill Walker moved that the Budget Committee approve the minutes of April 25, 2011.

Councilor Kathi Wall-Meyer seconded the motion.

MOTION:

that the Budget Committee approve the minutes of April 25, 2011.

VOTE:

A vote was taken on the motion with the following results:

AYES 13 NAYS 0

(Mayor Tymchuk, Councilors Anderson, Otis, Essig, Macho, Walker, Wall-Meyer and Committee Members Bedard, Blackman, Bridge, Macho, Morrison and Potter voted in favor of the motion.)

Chair Mark Bedard declared the motion passed unanimously.

5. GENERAL BUSINESS

A. Election of Budget Committee Chair and Vice Chair for 2012 Calendar Year.

A motion was made to nominate Lee Bridge as Budget Committee Chair for 2012 calendar year.

A motion was made to nominate Mark Bedard as Budget Committee Chair for 2012 calendar year.

MOTION:

that the Budget Committee elect Mark Bedard or Lee Bridge as Chair for 2012 Calendar Year.

VOTE:

A vote was taken on the motion with the following results:

Mark Bedard	AYES <u>9</u>	NAYS <u>1</u>	ABSTAIN <u>1</u>
Lee Bridge	AYES <u>1</u>	NAYS <u>9</u>	ABSTAIN <u>1</u>

(Committee Member Mark Bedard and Lee Bridge abstained from voting)

The motion passed.

A motion was made to nominate Lee Bridge as Budget Committee Vice Chair for 2012 calendar year.

A motion was made to nominate Jacque Potter as Budget Committee Vice Chair for 2012 calendar year.

MOTION:

that the Budget Committee elect Lee Bridge or Jacque Potter as Vice Chair for 2012 Calendar Year.

VOTE:

A vote was taken on the motion with the following results:

Lee Bridge	AYES	<u>6</u>	NAYS	<u>3</u>	ABSTAIN	<u>1</u>
Jackie Potter	AYES	<u>3</u>	NAYS	<u>6</u>	ABSTAIN	<u>1</u>

(Committee Member Jacque Potter and Lee Bridge abstained from voting)

The motion passed.

B. FY 2011/012 Budget Update

Finance Director Vera Koch presented the following financial report for Fiscal year 2011-2012.

2011 / 2012 Financial Report
 February 6, 2012
 target % received/spent
 by end of 6th month of budget year **50%**
Second Quarter of fiscal year 2011/2012
For period ending December 2011

General Fund 001

	Budget	Actual	
Beginning Fund Balance	\$650,000	\$669,027	102.93%
Revenue	\$2,304,890	\$1,633,051	70.85% Received
*Expenditures	\$2,522,285	\$1,142,755	45.31% Expended

*(less unappropriated expenditures)

Street Fund 002

	Budget	Actual	
Beginning Fund Balance	\$40,000	\$69,870	174.68%
Revenue	\$230,800	\$133,407	57.80% Received
*Expenditures	\$265,200	\$127,668	48.14% Expended

*(less unappropriated expenditures)

Water Utility Fund 003

	Budget	Actual	
Beginning Fund Balance	\$75,000	\$94,804	126.41%
Revenue	\$842,850	\$427,881	50.77% Received
*Expenditures	\$904,570	\$430,773	47.62% Expended

*(less unappropriated expenditures)

Wastewater Utility 004

	Budget	Actual	
Beginning Fund Balance	\$80,000	\$192,090	240.11%
Revenue	\$1,821,150	\$924,009	50.74% Received
*Expenditures	\$1,852,700	\$902,952	48.74% Expended

*(less unappropriated expenditures)

Stormwater Utility Fund 005

	Budget	Actual	
Beginning Fund Balance	\$120,000	\$112,975	94.15%
Revenue	\$73,980	\$37,293	50.41% Received
*Expenditures	\$192,630	\$80,855	41.97% Expended

*(less unappropriated expenditures)

Bicycle/footpath Fund 007

	Budget	Actual	
Beginning Fund Balance	\$30,400	\$30,513	100.37%
Revenue	\$1,900	\$1,243	65.42% Received
*Expenditures	\$32,300	\$0	0.00% Expended

Fire Equipment Fund 014

	Budget	Actual	
Beginning Fund Balance	\$45,000	\$50,888	113.08%
Revenue	\$30,600	\$14,739	48.17% Received
*Expenditures	\$75,600	\$8,981	11.88% Expended

*(less unappropriated expenditures)

Dunes NRA Fund 016

	Budget	Actual	
Beginning Fund Balance	\$40,000	\$47,115	117.79%
Revenue	\$93,600	\$47,672	50.93% Received

*Expenditures	\$133,600	\$35,941	26.90% Expended
*(less unappropriated expenditures)			

Riverfront Fund 017

	Budget	Actual	
Beginning Fund Balance	\$35,500	\$42,767	120.47%
Revenue	\$137,320	\$77,921	56.74% Received
*Expenditures	\$168,070	\$66,516	39.58% Expended

Library Renovation Fund 018

	Budget	Actual	
Beginning Fund Balance	\$120,000	\$122,604	102.17%
Revenue	\$152,100	\$50,362	33.11% Received
*Expenditures	\$272,100	\$63,285	23.26% Expended

Reedsport Urban Renewal District. Fund 150

	Budget	Actual	
Beginning Fund Balance	\$120,000	\$126,362	105.30%
Revenue	\$73,750	\$72,432	98.21% Received
*Expenditures	\$193,750	\$3,362	1.74% Expended

C. Urban Renewal District Tax Rate

City Manager Scott Somers and Finance Director Vera Koch explained how the Urban Renewal District affects the taxing public. Somers said that at formation of the district the County freezes the tax base. Any tax increases above the frozen base is then directed out of the overlaying tax districts and into a separate pool. This does not affect an individual's total tax collected; it affects the distribution of where the tax dollars go.

Finance Director Vera Koch provided a sample of City of Reedsport Taxing Rates without the Urban Renewal District (URD) and with an URD on real home values. This exercise was done to further educate the Budget Committee in applying and explaining the effect that the URD has on property taxes. It is a common misconception that the creation of the URD created more tax liability when in fact it did not.

Budget Committee Member Aaron Blackman confirmed that a new taxing district was created but it did not increase an individual's taxing rate.

Mayor Keith Tymchuk said that his conclusion is correct and further more when the Urban Renewal District went into affect there was a buy in of all of the overlaying taxing districts. None of the districts were opposed.

D. Proposed Library District

Finance Director Vera Koch said that the City has received the following notice from the Library Futures Committee:

On January 8, 2012, eight of the Library Futures Committee attended a Douglas County Commissioners weekly meeting. Jim Williams addressed the Commissioners and reported on what the Library Futures Committee and the Save Our Libraries PAC had accomplished up to this time with approximately 940 hours volunteered. The Committee had:

- Outlined a course of action that would define a solution.
- Sought and obtained grants to support our efforts.
- Implemented an awareness campaign for each of the Library Advisory Committees.
- Conducted an information meeting with decision makers seeking advice regarding mounting a campaign.
- Conducted information meetings in key locations around the County.
- Met with mayors, and city councils in all 12 cities.
- Created a model resolution for the city councils to use.
- Figured out a rate of taxation which would provide continuing funding for the library system at \$.50 per \$1,000.
- Decided that a Service District was better than a Special District for administration of the library System.
- Persuaded seven cities councils to allow its citizens to vote on a tax measure as opposed to 5 which opted out.
- Conducted 2 Polls. The second poll the committee conducted had the following key results:
 - § 48% would vote for a Library Taxing District
 - § 76% think the Library System is important
 - § 82% believe libraries promote literacy
 - § 50% knew about our campaign
 - § 75% own property in Douglas County
 - § 35% have some college education
 - § 61% have lived here more than 20 years.

In view of the Douglas County Library Foundation's role as stewards of the library system, the committee reluctantly decided that a vote on a Tax Measure on May 15, 2012 would not preserve the system as it is now and that all eleven libraries should remain open, not just the seven who opted in. Therefore they asked the Douglas County Commissioners for their financial support of the library system.

At the meeting, all three Commissioners mentioned how much the library system means to them. They said that they would endeavor to keep the libraries open and the system functioning. The commissioner's statements that they are committed to keeping the libraries open recognized the importance of the library system to the county. However, they did mention that troubled economic times could affect how much support is given.

It might be necessary to revive a movement to form a taxing district in the future depending upon how much support the commissioners can give. According to the analysis of the latest poll by the committee and the number of people in the cities who could vote, a positive outcome to a future measure is very possible.

Reedsport Library Advisory Member Jacque Potter said that Douglas County Commissioners are not saying what they will fund for Library's at the County level. The budget is very tight and they have cut services everywhere.

Budget Committee Member Norman Morrison asked if volunteers could be utilized to work there.

Finance Director Vera Koch said that there are approximately 20 volunteers that work there now.

Budget Committee Member Lee Bridge, also a Library Advisory Member, said that the library only supports 1.2 FTE. That includes a librarian and two assistants maintaining 24 open hours a week.

Koch said that the Reedsport Library is the next most utilized library next to the main library in Roseburg.

E. Property Tax Compression

Finance Director Vera Koch explained property tax compression which was created by Measures 5 and 50.

Koch referenced the following information sheet that came from Douglas County Tax Rate and Valuation Summary Statement:

The tax rates are expressed in dollars per thousand dollars of assessed valuation.

The tax is determined by multiplying the M50 Taxable Assessed Value of the property by the M50 billing rate.

Compression will occur when the M-5 Rate multiplied by the Taxable Real Market Value produces a tax less than the tax amount produced by the Taxable Assessed Value multiplied by the M50 Billing Rate.

M50= Property Taxable Assessed Value multiplied by actual aggregate tax rate for Government and School.

M5= Property Taxable Real Market Value multiplied by tax limitation.

NO COMPRESSION

Reedsport #1					TAX IMPOSED	
	SCHOOL	GOVERNMENT	EXEMPT	TOTAL	TAV	
M 50	5.4245	11.9835	1.3523	18.7603	\$60,004	\$1,125.69
					TRMV	
M-5	5.00	10.00		15.00	\$129,485	\$1,942.28

**No compression because:
M50 tax is less than M-5 Tax
\$1,125 is less than \$1,942**

**COMPRESSION
EXISTS**

Reedsport #2					TAX IMPOSED	
	SCHOOL	GOVERNMENT	EXEMPT	TOTAL	TAV	
M 50	5.4245	11.9835	1.3523	18.7603	\$19,200	\$360.20
					TRMV	
M-5	5	10		15	\$19,200	\$288.00

Compression occurs when
M-50 tax is greater than
M-5 rate
\$360 is greater than \$288

The closer the difference between the Taxable assessed value total to the Real Market Value, the more compression.
The greater the spread between taxable assessed value and Real Market Value the further from compression

City Manager Scott Somers cited that all Cities and County show converging real market value (M5V) and tax assessed value. The bottom line is that if property values continue to decline, cities appear to be 2 to 5 years from experiencing declining property tax revenues, regardless of compression. For cities in compression, the districts would proportionally share the \$10 per \$1000 available to general government.

City Councilor Bill Otis asked how the current housing market will affect the City budget. He said that houses are being sold at 50 percent of the Real Market Value.

City Manager Scott Somers said that the total affect of compression this year was approximately \$68,000. That is money lost due to compression. The next years budget will be estimated at around \$80,000, historically a loss of an additional \$25,000 each year.

Budget Committee Member Norman Morrison said that his homes assessed value raised \$4000 this year but his real market value dropped \$20,000. He said that his tax liability keeps going up even though his market value is dropping. He said that is why these measures were put in place.

City Manager Scott Somers said that it true, however what a person needs to realize is that a home used to be assessed taxes based on your real market value but due to these measure an artificially low assessed value was set. The rate was based on 95% of the 1995-1996 tax years and has increased a maximum of 3% each year. What this has done is created a gap between the Real Market Value and the Assessed Value. Now that the market conditions have dropped and more and more homes are going into foreclosure the gap in narrowing and that creates compression. The City government does not see the full 3% increase each year.

F. Preliminary Discussion of FY 2012/013 Budget

City Manager Scott Somers said that this year's budget will be a difficult one to prepare. He said that last year staff started out the budget season with a \$75,000 hole. He said that is one reason

that the police officer position was not filled. This year the deficit is even larger. He said that people look at the budget document and see that there is money in different capital improvement funds and think that the money should be taken from those. He said that is fine for one year but ongoing expenditures should not be funded this way, there needs to be a dedicated revenue stream.

Finance Director Vera Koch said that if capital money is used than it is not available for needed or emergency repair.

Somers said that this year he is looking at having the Budget Committee participate in a workshop exercise that will allow the Committee to recommend areas to reduce spending and perhaps fill that deficit.

Committee Member Lee Bridge said that he would try to come up with a list of grants that the City could utilize such as he has done in the past.

G. Review FY 2012/013 Budget Preparation Calendar

Finance Director Vera Koch presented the Budget Preparation Calendar, for the fiscal year 2012-013. The first Budget Committee meeting will be Monday, April 9th, 2012 beginning at 6:30 with the Urban Renewal District Agency meeting followed by the regular Budget Committee meeting at 7:00pm.

City Manager Scott Somers said that if a Library District had been formed it would cost the City of Reedsport an additional \$25,000 in lost revenue from property taxes.

6. MISCELANEOUS

Budget Committee Member Norman Morrison asked about the Police Department, he noted that 99% of the activity at the Police Department is drug and alcohol related. He asked when that does happen; do the police need more officers on at 2:00am and not during the day? He said that it looks like there could be a savings of \$32,000 for one officer.

City Manager Somers said that it is actually closer to \$75,000.

Chief Mark Fandrey says that he does adjust man power to crime patterns. He said that they do not publicize when the forces are more active but it definitely happens. He said that they mix that up so that people don't know, for officer safety purposes.

Morrison also commented on the amount of increase in the City Managers salary in 2011/2012 budget.

City Manager Scott Somers said that in light of the current economic situation he will offer to waive any increase in his salary for the next fiscal year.

7. ADJOURN

Mark Bedard, Chair

ATTEST:

Deanna Schafer, City Recorder