

DALLAS CITY COUNCIL
Monday, November 5, 2012
Council Chambers

The Dallas City Council met in regular session on Monday, November 5, 2012, at 7:00 p.m. in the Council Chambers of City Hall with Mayor Brian Dalton presiding.

ROLL CALL AND PLEDGE OF ALLEGIANCE

Council members present: Council President Wes Scroggin, Councilor Jim Brown, Councilor Jim Fairchild, Councilor Beth Jones, Councilor Jackie Lawson, Councilor Kevin Marshall, Councilor Murray Stewart, Councilor LaVonne Wilson, and Councilor Ken Woods, Jr.

Also present were: Interim City Manager Jon Nelson, City Attorney Lane Shetterly, Chief of Police John Teague, Assistant Chief of Police Tom Simpson, Fire Chief Bill Hahn, Community Development/Operations Director Jason Locke, Engineering Director Fred Braun, Finance Director Cecilia Ward, Director of Administrative Services Robert Spivey, and Recording Secretary Emily Gagner.

Mayor Dalton led the Pledge of Allegiance.

Mayor Dalton quoted Dolly Parton, stating “The sun has a sinking spell every night, but it comes back up every morning.” He indicated the presumption was that Dallas governed itself conservatively and that was the operating principal as far back as he could recall. He related that in his mind, the City remained true to that nature through thick and thin, noting things were currently a bit thin. He explained the Council and audience would later be briefed on issues and opportunities that could be transformative for the City, adding some were corrections of past discrepancies and some were forward-looking in their breadth and scope, challenging the Council to excel in ever more demanding ways. He commented the City was gifted to have Jon Nelson’s outsider’s analysis of the budget and management systems. He explained Mr. Nelson agreed to come on board to keep the ship upright for a few months but he had done much more for the City than simply keeping the boat afloat. Mayor Dalton indicated for the Council’s part, it was to their credit that when they saw a problem they fixed it, when they were presented with the high road and low road, they always headed up, and when they saw clear opportunities to improve the community, they acted. He stated the Council was collaborative, cohesive, visionary, and not paid. Mayor Dalton advised that was what a conservative and good Council meant in this city.

COMMENTS FROM THE AUDIENCE

Mayor Dalton asked the audience members to limit their speeches to five minutes.

Chelsea Pope, Executive Director of the Dallas Area Chamber of Commerce and Visitors Center, 119 SE Court Street, Dallas, Oregon, reported their Halloween event the previous week was spectacular with over 800 trick-or-treaters in attendance. She introduced Corey Bradshaw, Morrison Administrator, and Kaitlyn Tom and Jessica Hansen, students from Morrison, who helped with the event. Ms. Pope stated she appreciated the support of the Council and staff.

Steve Pickering, 1895 S Church Street, Dallas, Oregon, stated he was speaking about the upcoming discussion regarding the budget issues caused by using some funds from the sewer development inappropriately according to state law. He indicated repayment would be detrimental for some time to the way the city operated. Mr. Pickering indicated that in some meetings he had attended recently, there was discussion about the budget issue with some finger pointing. He stated the bottom line was that the Council approved it, adding who did it wasn’t the issue. He advised the issue was that sometimes the Council needed to look closer at what the staff brought to them. Mr. Pickering commented that the Council should consider local people for consultant contracts, noting too often bodies didn’t make use of local experts. He asked why the Council would go to another state or city when there were people right here who could potentially fill a position. Mr. Pickering closed by telling the Council to pay closer attention and be cautious in the future.

PUBLIC HEARING

There were no public hearings.

CONSENT AGENDA

Councilor Wilson asked to remove items d (the approval of ODOT Enhance Grant projects for FY2015-18) and e (approval of 2011 ODOT Fund Exchange Agreement) from the Consent Agenda.

It was moved by Councilor Marshall and seconded by Councilor Wilson *to approve the Consent Agenda as presented with items d and e removed.* The motion carried unanimously.

Items approved by the Consent Agenda: a) the October 15, 2012, City Council meeting minutes; b) ratification of temporary new-hire; c) Chamber request for Winterfest support; f) report of October 22 Public Safety Committee meeting; g) report of October 22 Public Works Committee Meeting; and h) report of October 25 Street CAC meeting.

ITEMS REMOVED FROM CONSENT AGENDA

APPROVE ODOT ENHANCE GRANT PROJECTS FOR FY2015-18

Mr. Braun reviewed his staff report. He explained the grant applications were for the next cycle of the Statewide Transportation Improvement Program, which was in fiscal year 2015-18. He indicated staff had identified three good projects for which to apply.

Mr. Braun reported the first project, which was the second phase of the Main Street enhancement, would require a local match of \$92,000. He indicated the second project, for bike lanes and sidewalks along Godsey Road, would provide the multi-family housing in the area much safer access to the schools. Mr. Braun stated the third project, the next phase of the Rickreall Creek Trail System from the dog park to the shops, would require a \$30,000 match.

Mr. Braun advised applications were due on November 27 and required a local match of just over 10%. He noted the fiscal impact was a one-time expenditure, depending on which grants were awarded, up to \$172,000. He added the revenue from the grants could range from \$0 to \$1.5 million.

Council President Scroggin asked about the required match for the Godsey Road project. Mr. Braun stated the cost would be \$21,000 for Phase 1 and \$25,000 for Phase 2, adding the grant amount would be over \$400,000.

Mr. Nelson clarified the match funds on the Main Street project were from the Urban Renewal budget and the match on the Godsey Road project would be from the street fund not the general fund.

APPROVE 2011 ODOT FUND EXCHANGE AGREEMENT

Mr. Braun explained the fund exchange money was used for the City's annual overlays. He advised those overlays were completed and the budgeted revenue from the fund exchange was \$150,000. He noted the actual revenue was more than anticipated at over \$168,000. Mr. Braun indicated the fund exchange washed federal dollars through the state, which reduced paperwork and testing requirements and allowed the City to save a minimum of \$25,000 per project. He reported the exchange rate was ninety-four cents on the dollar for federal funds, which was more than worth it. He advised the Council needed to authorize the City Manager to execute the agreement so staff could invoice the state and receive the funds.

Mr. Shetterly explained the agreement had been provided to him and he had reviewed and approved it for legal sufficiency.

Councilor Lawson declared a potential conflict of interest.

It was moved by Councilor Wilson and seconded by Councilor Brown to *approve the ODOT Enhance Grant projects for FY2015-18 and the 2011 ODOT Fund Exchange Agreement*. The motion carried unanimously.

Councilor Wilson requested a staff report for any agenda item that had a fiscal impact. She thanked Mr. Braun for his reports.

REPORTS OR COMMENTS FROM COUNCIL

McKenzie Darr, Student Body Liaison, reported that the Associated Student Body (ASB) members went to the Oregon Association of Student Councils meeting the previous day. She indicated the school's canned food drive would be the following week with all proceeds benefitting Christmas Cheer. Ms. Darr congratulated Mary Kate McGuire, who placed second at State for cross-country.

REPORTS FROM CITY MANAGER AND STAFF

FARMHOUSE REPAIRS AND SALE

Mr. Nelson stated staff was available to answer questions. There were none.

It was moved by Councilor Fairchild and seconded by Councilor Marshall to *direct staff to have the repairs done per the attached memo and begin the process to sell the property*. The motion carried unanimously.

BUDGET UPDATE

Mr. Nelson thanked Mayor Dalton for his prefacing comments. He acknowledged the budget issue was a difficult topic. He noted the department heads were involved in coming up with the recommendations.

Mr. Nelson reported expenditures were outpacing revenues by about a half million dollars per year, adding that was an issue that needed to be addressed and corrected. He noted the balance of his report was the phased approach to accomplish that. Mr. Nelson explained Phase I included immediate reductions to balance revenues and expenditures and begin to build back the fund balance. He noted the fund balance, once the \$583,000 was paid back from the general fund to the sewer SDC fund, would be close to \$600,000. He explained between now and the end of the fiscal year (FY), there might be a change in revenues to drop that figure lower. Mr. Nelson advised that if the Council wanted to get the fund balance back up above 10%, per their adopted fiscal policy, the Phase 1 changes needed to occur sooner rather than later.

Mr. Nelson explained that if the \$583,000 was paid back quickly, it would give a clearer picture of the resources available in the SDC fund for the study that would be completed after the first of the year. He noted it was a good message to send that it was done as soon as possible after the Council was aware of the need to do it.

Mr. Nelson pointed out the third through fifth pages of his report contained order-of-magnitude information. He noted often when an organization had budget problems, advocates would call for across-the-board cuts to be fair. He explained that wasn't fair to the departments that brought in revenues to support their operations. He added there were other factors that needed to be considered, including whether there were other revenue options to pursue, or retirements, vacancies, and reorganization that could occur.

Mr. Nelson reviewed his Phase I recommendations. He noted the proposed reorganization would make up \$50,000. He suggested reducing the contingency because the City could, and by reducing the contingency, the Council would have to find \$100,000 less of reductions in the operating budget. He noted departmental service reductions would total \$343,000.

Mr. Nelson advised that the FY2013-14 budget was coming up for discussion in the spring and it was a good opportunity for the Council to see how the reductions helped the budget situation, if revenues were matching up with expenditures, and if the fund balance was starting to climb back.

Mr. Nelson stated that there were a lot of "ifs" for FY2013-14, adding even with the current reductions there may be more reductions required starting July 1. He explained the legislature historically looked at city-based revenue as a source of income to balance its own budget in tough economic times. Mr. Nelson advised that even with the half million dollars in reductions, the Council may find they needed more reductions to produce a balanced budget. He noted the systems development review was also coming up, providing the Council an opportunity to see the impact of the SDC waiver and interest transfer.

Mr. Nelson recommended if the Council wanted to look at reductions other than those in the staff report, they needed to do it from a long-term perspective, not short-term thinking that the budget situation would turn around quickly. He also suggested if they did make adjustments, they state where the reduction should come from.

Mr. Nelson commented that he was really impressed with the organization, all the department directors and how they interacted on the pressing problem.

Councilor Fairchild advised he had discussed the recommendations with Mr. Nelson, adding Mr. Nelson had provided a great deal of thought and looked at keeping services levels as high as possible without crippling anything. He noted the City was facing a situation that many thought they never would. He recommended the Council give budget discussions more examination and forethought in the future.

Councilor Woods asked what the carry-over balance was currently. Mr. Nelson explained it was budgeted at \$1.45 million but it increased by about \$230,000. He explained that was the number from which they started subtracting the \$100,000 that wouldn't be transferred from the SDC fund,

the \$583,000 that would be paid back to the SDC fund, the Carnegie building repairs, and other budget transfers that brought that number down to \$600,000. Councilor Woods asked how much the City needed to carry it from July 1 to the middle of November when taxes started coming in. Ms. Ward explained the \$1.1 million in unappropriated funds covered that. Mr. Nelson explained if the City didn't have the appropriation total needed, they could secure a short-term loan to provide that operating fund until the tax turnover occurred.

Council President Scroggin asked if the \$1.1 million budgeted took into account uncollected taxes. Ms. Ward explained a percentage was figured into that amount for uncollected taxes.

Councilor Brown asked if the \$8.5 million expense figure included the reserves for equipment replacement. Ms. Ward explained that money was in the Fleet Management fund. Mr. Nelson explained larger equipment purchases were a looming expenditure that needed to be addressed by Council policy.

Councilor Wilson thanked Mr. Nelson for a thorough and excellent look at the situation. She stated the Council needed to realize they were in serious trouble, noting having as much done as possible up front would help heading into the next budget year.

It was moved by Councilor Marshall and seconded by Councilor Wilson *to approve the recommendations included in the November 1, 2012 staff report and directs staff to 1) prepare necessary budget actions to transfer \$583,000 from the GF fund balance to the Sewer SDC fund; 2) implement the Phase I recommendations and associated personnel changes including reorganization, contingency funding, and departmental reductions; and 3) bring forward appropriate Dallas City Code 2.200 changes regarding the Administrative Services Department.* The motion carried unanimously.

OTHER

FIRST READING OF ORDINANCE

Ordinance No. 1750 – An Ordinance amending Dallas City Code Section 5.228, relating to truancy.

Mayor Dalton declared Ordinance No. 1750 to have passed its first reading.

SECOND READING OF ORDINANCE

OTHER BUSINESS

There being no further business, the meeting adjourned at 7:43 p.m.

Read and approved this _____ day of _____ 2012.

Mayor

ATTEST:

Interim City Manager