

CITY OF McMinnville
MINUTES OF BUDGET COMMITTEE MEETING
Held via Zoom Video Conference and at the Civic Hall on Gormley Plaza
McMinnville, Oregon

Wednesday, May 19, 2021 at 6:00 p.m.

Presiding: Kellie Menke, Budget Committee Chair

Recording Secretary: Claudia Cisneros

Councilors: Present Absent

Adam Garvin
Kellie Menke
Chris Chenoweth
Sal Peralta
Zack Geary
Remy Drabkin
Scott A. Hill, Mayor

Budget Committee: Present Absent

Jerry Hart
Alison Seiler
Debbie Harmon Ferry
Peter Hofstetter
Cherry Haas
Wendy Phoenix
Meredith Maxfield

Also present were City Manager Jeff Towery, City Recorder Claudia Cisneros, City Attorney Amanda Guile-Hinman, Community Development Director Mike Bisset, Finance Director Jennifer Cuellar, Payroll Accountant Chris Secrist, Fire Chief Rich Leipfert, Police Chief Matt Scales, Planning Director Heather Richards, Library Director Jenny Berg, Information Systems Director Scott Burke, Parks and Recreation Director Susan Muir, Aquatic Center Manager Rob Porter, Wastewater Services Manager Leland Koester, Youth & Adult Sports Manager Steve Ganzer, Community Center Manager Katie Noyd, Senior Accountant Ronda Gretzon, Public Works Superintendent David Renshaw, Human Resources Manager Kylie Bayer, Engineering Technician and Inspector Larry Sherwood, and Assistant Chief/Fire Marshal Debbie McDermott

AGENDA ITEMS

1. CALL TO ORDER: Chair Menke called the meeting to order at 6:06 p.m.

2. ROLL CALL: City Recorder Cisneros called roll.

3. ELECTION OF BUDGET COMMITTEE CHAIR:

Mayor Hill nominated Kellie Menke as Budget Committee Chair. The nomination PASSED unanimously.

4. APPROVAL OF MAY 18, 2020 BUDGET COMMITTEE MEETING MINUTES:

Councilor Peralta MOVED to approve the May 18, 2020 Budget Committee meeting minutes; SECONDED by Budget Committee Member Haas. Motion PASSED unanimously.

5. PRESENTATION ON PROPOSED BUDGET FOR 2021-2022 FISCAL YEAR AND BUDGET MESSAGE:

City Manager Towery stated the social and economic impacts of the pandemic had created hardships for the City and forced creative and innovative approaches to service delivery. The initial gap to balance the General Fund and start FY21-22 with about one month reserve was approximately \$3.5 million. However, using historic spending levels they were able to close the gap to \$2 million. Revenues and expenses were incrementally higher than the current year (3% and 6.4% respectively). There were many actions used to close the General Fund budget gap. The initial capital requests of \$1.3 million (about two times recent amount) were reduced. Vacancies in police, fire, parks and recreation, park maintenance, and administration were held open (all vacancies were reviewed for budget and service impact prior to filling). Essential expenses only for balance of FY20-21 were implemented in some departments. A furlough program for non-union positions was implemented the week of April 5. Nearly 80 employees, including the City Manager, the entire Executive Team, and most other non-union employees would take approximately 23 unpaid days (about one per week). This equated to 20% fewer days worked by these employees which had a service impact, mostly in terms of limited access and delays in response and delivery of some programs and services. Most General Fund work groups, street, and building funds had furloughed employees. The Wastewater Utility did not furlough. Police and fire unions declined to consider furloughs for 40 hours per week members. The action would run into September and would generate about \$650,000 in savings.

They also worked to stabilize General Fund reserves. This budget would have reserves that compared favorably to the FY20-21 adopted budget, equal to almost one month of operating expenses vs. 0.80-month last year. A new policy was adopted by the Council in 2020 and set a General Fund target of two months of operating expenses held in reserve. The policy set a three to five year build back period to allow the City time to make the resource and spending adjustments needed to reach the target. There was a Strategic Plan that was used as guidance for the budget. He discussed the core values and strategic priorities from the plan. They also included the American Rescue Plan Act of 2021 in the budget planning. The City expected to receive approximately \$7 million in federal funds to help address the negative impacts of the pandemic. The funds could be used to support general operations, stabilize reserves, and initiate or complete key projects. They were one-time dollars and they should be both strategic and prudent about how they were spent. In 2019, the Council added an action priority to the Strategic Plan to right-size services, address insufficient resources by finding new sustainable funding sources, and to look for ways to bring additional revenue into the City's General Fund. That was outside, but concurrent with this budget process. Some revenue initiatives would be evaluated and presented to the City Council and Budget Committee for consideration. Staff encouraged a thoughtful policy approach, including research, analysis, and public engagement prior to implementing any new revenue or significantly expanding existing revenue streams. This balanced budget was presented without recommendations for new revenue sources.

Chair Menke asked if any Committee member needed to declare a potential conflict of interest.

Councilor Geary stated he was married to a staff member at the Library.

6. PUBLIC TESTIMONY ON PROPOSED 2021-22 BUDGET

Mark Davis, McMinnville resident, said last year there was a lot of uncertainty with the pandemic and there was a list of initiatives they were going to look at in December. At the Work Session in December, staff said the General Fund was netting to its projected bottom line and they did not recommend proceeding with any of those initiatives. He was puzzled that now they were going into a furlough program. There was a new reserve policy of two months, which was about 16.67%. The 2021 reserve was .80 which was 6% and the 2022 estimated reserve was .97 months, which was 8%. Reserves had never been so low. He thought the Council should review the financial statements on a regular basis.

Gretchen Freeman, McMinnville resident, was concerned about reducing staffing, especially for parks and recreation and the aquatic center. Due to the furlough program, residents had lost access to facilities and services due to inadequate staffing. She thought they should pause the reserve fund policy instead of banking reserve in the middle of forced closures. She asked what was causing the City’s budget shortfall, especially with new homes bringing in property taxes and ARPA funding on the way. ARPA funds were intended to stabilize operations and return people to work during the pandemic, not to build up reserve funds while City facilities were throttled.

7. PUBLIC HEARING ON POSSIBLE USES OF STATE REVENUE SHARING

Chair Menke opened the public hearing and read the hearing statement.

Finance Director Cuellar presented the staff report. She explained where the funds came from and the proposed distribution of these funds as follows:

**City of McMinnville
City's Possible Uses of State Revenue Sharing
2021 - 2022 Proposed Budget**

<u>Revenue</u> - State Revenue Sharing	\$ 456,000
<u>Expenditures</u> - State Revenue Sharing	
Administration and Finance	\$20,000
Engineering	\$6,000
Planning	\$50,000
Police	\$115,000
Fire	\$115,000
Parks & Recreation	\$50,000
Parks Maintenance	\$50,000
Library	\$50,000
Total Proposed Expenditures	\$ 456,000

Mark Davis, McMinnville resident, noted in the past the revenue sharing had gone to capital projects. He hoped that the ARPA funds would be used for the items that used to be covered by the revenue sharing.

Budget Committee Chair Menke closed the public hearing.

Finance Director Cuellar agreed in the past these revenues had been linked to particular projects and one-time costs, but given the circumstances of the budget gap, the distribution now was not associated with any particular project. It was to support the general efforts of the various departments.

8. REVIEW AND DISCUSSION OF PROPOSED 2021-2022 BUDGET

Councilor Peralta suggested starting the budget process earlier and allowing the Committee to be more involved early in the process with the departments.

Mayor Hill said the budget had been delivered a month early this year. He thought the budget incorporated the Council goals which would now run with the fiscal year and had Council input. He agreed having quarterly financial statements brought to Council would be a good policy.

Councilor Geary thought the process should be started earlier and there should be more Budget Committee meetings spread out over a longer time period.

City Manager Towery thought redesigning the budget process should be discussed at a future date.

Committee Member Hart agreed there should be more than one Budget Committee meeting, but no more than three meetings. He asked for an explanation of the budget shortfall from the December Work Session to the furlough program going into effect.

City Manager Towery said the mid-year check in was a point in time check in. They had just adopted the new reserve policy and the trajectory of the current fiscal year's budget was in the wrong direction in the context of the Council's plan for the reserve policy. At that time they should have talked more about how that point in time fit with the larger budget trajectory. Also after that time there was a significant increase in the pandemic which affected City services.

Finance Director Cuellar said it wasn't that they were in a good position mid-year, it was that they were hitting what the budget plan said they wanted to do for the current fiscal year. That was why no action was contemplated. There was a budget gap that had existed for years and that was the sustainability issue they would be working through. She would

have to build the system for quarterly financial statements and she hoped to use some ARPA funds to do so.

Committee Member Maxfield asked what triggered the furlough program. Finance Director Cuellar said when they looked at the revenues in February for the upcoming fiscal year, it became clear that if they continued with the current services into the next year, they would be underwater. She thought furloughs were short term solutions.

City Manager Towery said 70% of the General Fund was people and any meaningful redirection of resources would impact staff. This was a short term hole and he thought furloughs were the least damaging option. In February they did not know what the trajectory of the pandemic would look like and had little information about the ARPA funds. Things had changed enough since December that they thought the furlough was the appropriate and prudent thing to do. They also thought enacting it before the end of the fiscal year would help them get additional savings in the current fiscal year that would soften the landing of next fiscal year.

Financial Overview Discussion:

Finance Director Cuellar explained the difference between the other funds and the General Fund.

Councilor Peralta noted the budget included a retirement of debt service that reflected a \$945,000 reduction in annual taxes paid by McMinnville residents. He asked about a future parks bond. Parks and Recreation Director Muir said the current bond was retiring. The update to the Parks Master Plan would be done in 2022-23 along with Mac Pac's work on indoor facility needs. This was no money earmarked in next year's budget for a bond.

Fund Definitions Discussion:

There was discussion regarding where the franchise fees were located in the budget.

Debt Overview Discussion:

None

Personnel Services Discussion:

Chair Menke pointed out that next year there would be a drop in retirement funding. There would be fewer FTEs in next year's budget as well.

There was discussion regarding how the Planning Director was under-compensated and that all departments should include training in their

compensation and in the Police Department particularly they should include mental health certifications and training provided.

Councilor Geary asked how they would be implementing the recent classification and compensation survey. City Manager Towery said there were a handful of employees who were below the range where they should be and in the budget they planned to move those employees into the correct ranges. Human Resources Manager Bayer said it would be a multi-year project to make sure they could afford the increases in salary. For the next fiscal year they had budgeted \$45,000 to get the some employees in the correct salary range for the year. She explained how these salaries were determined. The following years there would likely be increases for other employees to get them to the appropriate step in the new salary range associated with the number of years they had been in the position.

General Fund Beginning Fund Balance Discussion:

None.

General Fund Administration Discussion:

Councilor Peralta noted an Executive Assistant was being hired in legal.

Mayor Hill noted the organizations the City was a part of that gave them assistance.

Councilor Geary asked about rent from the Chamber of Commerce and how the building needed to be renovated. City Manager Towery said they started that conversation with the Chamber.

General Fund Finance Discussion:

None

General Fund Engineering Discussion:

Councilor Geary asked about the signal at Michelbook and Baker Creek. Was there a plan to assess the organization of the department now that Community Development Director Bisset had retired? City Manager Towery said they were planning to begin recruitment for the position. He did not think there would be any organizational changes, except that the title would be Public Works Director to reflect the actual duties of the position. Retired Community Development Director Bisset said he was working part time to get the department through the budget process. There would be a RFQ for an analysis of the Michelbook and Baker Creek intersection to determine if the signal was warranted. If it was warranted, there was funding proposed for construction of the signal in next fiscal

year's budget. He thought it was feasible to have the design done by the end of the calendar year and construction in the spring.

General Fund Planning Discussion:

Councilor Peralta asked about adequate staffing in the Planning Department. Planning Director Richards said the temporary hire in last fiscal year's budget was to help with the UGB remand response. They were doing their best to meet the state mandate deadlines with the staff they had and other upcoming projects.

Councilor Geary asked about consultants needed for the upcoming long range plans. Planning Director Richards explained the projects as well as legal and consultant services needed for the work. The plans included the Transportation System Plan, Wastewater Reclamation Facility, Wastewater Conveyance System Plan, and McMinnville Water & Light's update to the Water Master Plan. The Parks Master Plan and Stormwater Plan would be done in 2022-23.

General Fund Police Discussion:

Councilor Peralta asked about funding for the School Resource Officers and the decriminalization of possession of drugs. Police Chief Scales clarified the School District paid 50% for the SROs, however negotiations were ongoing. He said possession of controlled substances was still criminal, just at a certain level. There was an increase in mental health calls and the City of Eugene was coming in June to discuss their model. A majority of officers were CIT trained to deal with mental health.

Councilor Peralta asked about additional incentives for staff to get training regarding addictions and homelessness. Police Chief Scales said CIT training was the important one. Any monetary incentive would be negotiated through the bargaining unit.

Councilor Drabkin noted there was a greater community question about the School District funding the SROs. She discussed the need for careful consideration about the appropriate method to respond to mental health issues and the ultimate goals and outcomes. She asked about Spanish speaking staff and the Unidos Alert Team.

Police Chief Scales said there were three Spanish speaking staff members currently. The partnership with Unidos was critical to their work. They could do a better job by creating an advisory committee to share ideas and thoughts.

Committee Member Harmon Ferry asked about the grant for body cameras and updated in-car cameras. Police Chief Scales said the grant had not

been submitted yet. The consultant was working on putting together the application. He was optimistic that the City would be awarded some of the funds.

Committee Member Hart asked about retention of officers. Police Chief Scales said there was one vacancy currently. He did not think it would be hard to fill. They typically had 1-2 leave per year. It was not due to salary, but for family purposes. Officer wellness was a priority.

Committee Member Phoenix asked about an education reimbursement program for learning Spanish or providing training for current officers. Police Chief Scales said there was an incentive for bilingual officers. Human Resources Manager Bayer said to receive the bilingual incentive, they had to be at a high proficiency level. It was unlikely that someone could take a few courses and get to that level.

Municipal Court Discussion:

Councilor Peralta suggested removing misdemeanor offences from court and giving those cases to the County. Finance Director Cueller said they planned to have that conversation in the next year.

Fire Department Discussion:

None.

Parks and Recreation Discussion:

Parks and Recreation Director Muir discussed the impacts of Covid and furlough program on the aquatic center, not only in closures but also having enough staffing.

Councilor Geary thought they should review the core services and programs offered to make sure they had the right priorities. Parks and Recreation Director Muir said staff would be bringing those back to Council for a future discussion.

Councilor Geary thought there should be a discussion regarding Parks Maintenance and getting the service level back up and that it should be handled by the Parks and Recreation Department. City Manager Towery said Parks Maintenance had received cuts over the years and it had been difficult to build it back. It was not about what department it was under, but how it competed for discretionary and limited General Fund dollars. They were not contemplating any structural change, but looking for ways to be better coordinated and collaborative in how services were provided.

Councilor Geary asked if in the next fiscal year the aquatic center would return to full normal schedule. Parks and Recreation Director Muir

explained how these were estimates and would most likely need to be adjusted.

Councilor Geary asked about a School District grant for KOB. Parks and Recreation Director Muir said it was put in the budget as a placeholder because they did not know how much it would be. The budget had been built assuming they could operate KOB at full capacity. They were also working on finding another provider who could be on site for after school care. The funds in the budget would be used to contract with that provider. The fees had been increased and were reflected in the budget and scholarships were available. The work study program had dropped due to Linfield College class schedules.

Councilor Drabkin asked about the populations being served in KOB. Parks and Recreation Director Muir said the analysis showed that some people were being left out. That's when they started distributing scholarships to the schools that had the most economic need. They did not track demographic information in the registration, but some economic and financial information would be collected.

Councilor Drabkin asked if the Senior Center Manager position was being held open. Parks and Recreation Director Muir said yes, it would remain vacant as part of the savings exercise since the Senior Center was still closed due to Covid.

Park Maintenance Discussion:

Councilor Geary asked about tree removal and replanting. Public Works Superintendent Renshaw said they would be getting FEMA funds that could be used for replanting which would be done over a series of years.

Councilor Geary asked about where they were now as far as service level and how they could get back to an adequate level. Public Works Superintendent Renshaw thought that could be analyzed, especially what was an affordable level. They had to try to balance the impact of the ice storm, spring and summer maintenance, and the furlough program.

Retired Community Development Director Bisset said it was a matter of resources. The resources had not grown to maintain the parks that had been added over time. He thought the team was doing high level work.

Councilor Drabkin asked if there had been any discussion about letting some of the parks brown over the summer. Public Works Superintendent Renshaw said letting parks go brown was one of the results of the furlough program.

Mayor Hill said there had been community groups helping with the parks.

Councilor Peralta noted the partnership with the Watershed Council for help as well. He thought they should try to find \$5,000 to put towards a match for OWEB. They had been in a drought regionally and maintenance of the parks might become more important due to fire hazards. He thought it would be worth investing money into clearing some of the tall grass in the outlying parks.

General Fund Library Discussion:

Committee Member Harmon Ferry asked about the difference between the Friends of the Library and Library Foundation and if any of the projects that were not being funded could go to those groups. Library Director Berg explained the difference. Both groups funded the library in various ways, including keeping up with the borrowing collection. They might be able to put some money towards a project like volunteer appreciation but those funds were being used for basic services that served the community.

Councilor Geary asked about the cuts to the book budget and how they could get back to the previous level. Library Director Berg said at the time of the cuts, the Friends and Foundation agreed to provide \$17,000 for the borrowing collection. There had been an increase in the City budget for collections and the \$17,000 had also been consistent. The new trend was not only to buy a book, but also the different formats of the book. What was available at a library had grown exponentially. The Friends contributed even more funds to other library programs.

General Fund Non-Departmental:

Councilor Garvin asked about the fluctuation in the numbers.

Finance Director Cuellar explained the different factors, such as actual vs. budgeted and instability of the trends. Measure 110 affected the City's share of state recreational marijuana tax, but did not affect the local tax collection. The local tax was going up, but they the state was reduced and it was still somewhat guesswork in terms of what the impacts would be.

Special Assessment Fund:

Finance Director Cuellar proposed to put the ARPA funds in this fund.

Transient Lodging Tax Fund:

Councilor Garvin said they were budgeting 96% of what they had in 2019. He thought that was aggressive when they were still dealing with Covid and reduced tourism.

City Manager Towery said Visit McMinnville would be making a presentation at the next Budget Committee meeting on their Work Plan

and budget. Finance Director Cuellar explained how last quarter the booking levels were higher than the forecasts and she had to adjust the numbers.

Councilor Drabkin noted the difficulty in hiring employees for the service industry, which was affecting the ability for businesses to be open every day. Even though the demand was there, there was a limited ability to meet it.

It was moved by Councilor Chenoweth and seconded by Mayor Hill to continue the meeting to May 24, 2021. The motion passed unanimously.

9. BUDGET COMMITTEE RECOMMENDATION TO APPROVE THE 2020-2021 BUDGET AS PROPOSED OR AMENDED AND TAX RATE

This item was postponed.

10. ADJOURNMENT:

Budget Committee Chair Menke adjourned the Budget Committee meeting at 9:58 p.m.

Claudia Cisneros

Claudia Cisneros, City Recorder