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From: [Jennifer Cuellar](#)
To: [EXECUTIVE TEAM](#)
Cc: [Ronda Gretzon](#); [Claudia Cisneros](#)
Subject: FY22 Budget additional information
Date: Tuesday, May 18, 2021 9:59:49 AM
Attachments: [Q+A From Budget Committee 5.18.2021.pdf](#)
[Amer Resc Plan Budget Committee Proposal.pdf](#)
[Fund-Exchange-Overview ODOT.pdf](#)

Hello Budget Committee (by blind copy) and Executive Team,

Attached you will find three documents:

1. Questions from Budget Committee members and Answers on the FY2021-22 budget
2. An Oregon Department of Transportation 2-pager associated with one of the questions
3. A proposed budget adjustment to include American Rescue Plan dollars in the budget

I do not include additional public comments from the web site as we've only received the one that was already sent to you last week by Claudia.

In the end we received questions from five members of the budget committee – thanks SO much for your engagement and close reading of the document.

See everyone Wednesday at 6pm for both the City and Urban Renewal Budget Committee meetings!

Jennifer

Jennifer Cuellar
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FY2021-22 Proposed Budget Questions from Budget Committee Members

Just curious why we are including Safer grants we have not received in the Budget? Also curious as to how many firefighters, 3 or 5. I thought we voted for 5?

The safer grant was budgeted because Council voted on making the application and I was concerned Council or community members might wonder why it was not incorporated into the budget. If the City doesn't receive the grant, the appropriated funds will not be spent. FY22 year 1 SAFER grant estimate amount (\$137,587) is found on page 215 of the Fire Department section.

The clearest presentation regarding the FY22 Full Time Equivalent (FTE) staffing level impact for the SAFER grant is in the Personnel Services section described on page 49 and in the table on page 51. Council did vote for 5 fire fighters. In FY22, the staffers would come on board in Feb 2022 which means a prorated FTE number for this year of 2.1 staff members. The total net change in Fire Department staffing is just under 1.5 FTE compared to the prior year due to the choice to reduce part time, extra help hours. The net change can be seen on page 50 and in the Fire Department section's FTE graph on page 208.

Can you talk me through what makes up the \$18 million in property tax in the Financial Overview section on page 15? That seems higher than what I thought the City's property tax amount is each year.

The city's total property tax includes the permanent rate portion for the City of McMinnville, \$5.02 per \$1,000 assessed property value, plus the taxes collected for voter-approved capital bond measures.

$$\$15,272,000 + \$2,767,000 = \$18,039,000$$

The City includes the \$15 million component noted above in the general fund to support the basic operating expenses of much of the city's public service portfolio including police, fire, parks and recreation programming, parks maintenance, library, municipal court, planning, engineering, city administration and financial services.

The second component are funds restricted to the payment of debt service on bonds that pay for capital investments in transportation/street projects, park infrastructure and the Public Safety/Courtroom/Civic Center buildings.

FY22 includes a milestone for the City: the Parks and Recreation Department's 2011 Refunding bond will be retired. This results in a reduction of property tax rates for McMinnville residents: FY2020-21's rate for bond's was \$1.27 and it is estimated to be \$0.93 in FY2021-22, a decrease of over 25%. In many communities, a replacement bond will be brought before the voters in order to keep up with capital investment needs. The McMinnville Programming Advisory Committee (MacPAC), is examining the future of recreational facilities, library and other programs that serve the community which may ultimately culminate in a new bond measure for the city.

More discussion of property tax can be found in the Financial Overview on pages 23 – 25, 28; in the General -Non-departmental section on pages 337, 339, 342; and in the Debt Service section on pages 433-434, 436.

Note: the Urban Renewal District collects property tax as well but this is not included in the City's budget document. It is described in the separate Urban Renewal Budget document.

Also in the Financial Overview graph on page 15, I see the beginning balance of \$54,361,000. I compare that to the ending balance (37,515,000) plus contingency (5,682,000) for a total of \$43,197,000. Should I be concerned about our budget plan that will see a decline of \$11,119,000 from the start of FY2021-22 to the end of the year?

The differential you are putting your finger on is an important one. It shows that the city as a whole plans to spend more in the FY2021-22 period than it will bring in during the year. A reduction in year end fund balance is not necessarily a bad thing though. In the case of the City of McMinnville's total budget, the primary driver of this decline is the **intentional** use of funds that have been saved over the last handful of years in the Wastewater Capital Fund. The Wastewater operation has a long-term capital plan that builds future capital construction needs, including repair and replacement of aging sewer lines, into its rate plan, and thus is able to save the rate payers of the system the cost of financing these projects.

The General Fund makes the second most substantial contribution to the decline in city-wide fund balance with negative \$1.86 million in net revenue on a current year basis. This is a negative current net revenue trend that is concerning because it represents a lack of financial sustainability for the fund. An approximate \$2 million gap exists between the city's available resources and the cost of delivering the current suite of services to the community each year. The City has been working to address this imbalance between the services the community needs and expects in a number of ways the last couple of years with the introduction of new franchise fees and identifying city services which should be supported by user-based, cost-recovery mechanisms. Perhaps most notably over the last year, the City embarked on a study and multi-jurisdictional discussion of the re-organization of fire-EMS service delivery across the region, which would ultimately contribute to creating a more sustainable financial footprint for vital city services.

A proposed Council goal for the upcoming year is to review options utilized in other Oregon municipalities to fund city services. Just last month, the City conducted a poll which asked McMinnville voters about two funding options which would raise \$2 million annually; the amount was based on this funding gap for current service levels. As with the recent policy commitment to incremental improvement in the City's reserve levels, combined action by the governing body and staff to make progress on addressing financial sustainability in the General fund will also be seen as a positive indicator for the future health and creditworthiness of the City.

Also of note is the negative \$850,000 current FY2021-22 net revenue seen in the Debt Service Fund which is also of the planned variety. It is due to the timing of the last payment for the Parks and Recreation bond that is being retired. That final payment will be made in August 2021 so it was funded from FY2020-21 property tax collected in November 2020 (waiting until November 2021 would be too late!).

Attached is a summary of current FY2021-22 net revenue for each fund in the City's budget with a separate column for the two funds in the Urban Renewal Agency's budget. This financial data presentation is not available in the budget document elsewhere and may be of interest to the Budget Committee.

Annual Budget by Organization Report

Summary

City Budget	2022 Proposed Budget	Urban Renewal Budget	2022 Proposed Budget
Fund: 01 General		Fund: 68 Urban Renewal	
Revenue Totals	\$30,306,477.00	Revenue Totals	\$238,727.00
Expenditure Totals	\$32,166,421.00	Expenditure Totals	\$386,863.00
Fund Current Net Revenue: General	(1,860,944.00)	Fund Current Net Revenue: Urban Renewal	(128,136.00)
Fund: 06 Special Assessment		Fund: 69 Urban Renewal Debt Service	
Revenue Totals	\$386,250.00	Revenue Totals	\$450,200.00
Expenditure Totals	\$392,702.00	Expenditure Totals	\$414,374.00
Fund Current Net Revenue: Special Assessment	(6,452.00)	Fund Current Net Revenue: Urban Renewal Debt Service	35,826.00
Fund: 07 Transient Lodging Tax		Net Grand Totals:	
Revenue Totals	\$1,199,200.00		286,238.00
Expenditure Totals	\$1,199,200.00		
Fund Current Net Revenue: Transient Lodging Tax	-		
Fund: 10 Telecommunications			
Revenue Totals	\$248,020.00		
Expenditure Totals	\$248,000.00		
Fund Current Net Revenue: Telecommunications	20.00		
Fund: 16 Emergency Communications			
Revenue Totals	\$944,652.00		
Expenditure Totals	\$956,079.00		
Fund Current Net Revenue: Emergency Communications	(11,427.00)		
Fund: 20 Street			
Revenue Totals	\$2,625,827.00		
Expenditure Totals	\$2,634,336.00		
Fund Current Net Revenue: Street	(8,509.00)		
Fund: 26 Airport Maintenance			
Revenue Totals	\$1,923,309.00		
Expenditure Totals	\$1,853,389.00		
Fund Current Net Revenue: Airport Maintenance	69,920.00		
Fund: 46 Transportation			
Revenue Totals	\$835,248.00		
Expenditure Totals	\$1,393,942.00		
Fund Current Net Revenue: Transportation	(558,694.00)		

"Current Net Revenue" =
 Current FY2021-22 revenue (all sources except beginning fund balance) minus current FY2021-22 expenses (all outlays except budgeted contingency and/or ending fund balance)

Annual Budget by Organization Report

Summary

Fund: 60 Park Development	
Revenue Totals	\$330,308.00
Expenditure Totals	\$68,735.00
Fund Current Net Revenue: Park Development	<u>261,573.00</u>
Fund: 80 Debt Service	
Revenue Totals	\$2,781,000.00
Expenditure Totals	\$3,634,900.00
Fund Current Net Revenue: Debt Service	<u>(863,900.00)</u>
Fund: 70 Building	
Revenue Totals	\$599,888.00
Expenditure Totals	\$765,630.00
Fund Current Net Revenue: Building	<u>(165,742.00)</u>
Fund: 75 Wastewater Services	
Revenue Totals	\$10,901,770.00
Expenditure Totals	\$11,261,942.00
Fund Current Net Revenue: Wastewater Services	<u>(360,172.00)</u>
Fund: 77 Wastewater Capital	
Revenue Totals	\$6,812,529.00
Expenditure Totals	\$14,219,647.00
Fund Current Net Revenue: Wastewater Capital	<u>(7,407,118.00)</u>
Fund: 80 Information Systems & Services	
Revenue Totals	\$1,296,349.00
Expenditure Totals	\$1,294,349.00
Fund Current Net Revenue: Information Systems & Services	<u>2,000.00</u>
Fund: 85 Insurance Services	
Revenue Totals	\$1,431,191.00
Expenditure Totals	\$1,652,040.00
Fund Current Net Revenue: Insurance Services	<u>(220,849.00)</u>
Net Grand Totals:	<u><u>(11,119,294.00)</u></u>

"Current Net Revenue" =

Current FY2021-22 revenue (all sources except beginning fund balance) minus current FY2021-22 expenses (all outlays except budgeted contingency and/or ending fund balance)

Personnel services are the biggest category of expenditure in the City-wide budget at almost \$28 million and, in the General Fund, personnel make up 73% of that budget. PERS is the highest proportion of those costs after wages and seem to only be going up – is there anything we can do about retirement costs?

Unfortunately, the very short answer is that the City can do very little to influence PERS retirement costs as the rates are set at the state level and are a product of actuarial science, the value of the PERS investment portfolio every other December 31 and a handful of other non-local factors. Near term, there is continued expectation that demographic realities of the current workforce and retired members will mean increases in employer rates over the next several biennia. BUT we are seeing for the first time data that represents the eventual demographic shift which will begin to bring rates down from their highs in the future. On page 46 in the Personnel Services section there is a table comparing the prior 2019-21 biennial rates with the upcoming FY2021-23 rates which go into effect on July 1, 2021. If you look closely, there is one retirement category which has a declining employer rate next biennium: PERS Tier 1/Tier 2 members 27.8% of covered wages down from 28.4%.

Does the city move employees up a step on the grade every annual anniversary based on successful evaluation and is that step 5%? If yes, what would you say is the percentage of employees who don't receive a step increase annually?

When doing the class/comp study, was any consideration given to 2.5% steps and increasing the number of steps from 6 to 9 or 11?

I ask because if employees move each year that would be a very generous progression in just 6 years, adding considerably to personnel costs which are already a big percentage of general fund. I just don't want to assume the annual step. I would consider 5% per year too much especially if COLA is added into the mix.

The City has worked on a classification and compensation study for general service employees to position the organization to be able to recruit and retain talented employees in our various lines of service. One of the realities in the City's current wage structure is that the great majority of non-represented employees are at the top of the scale and do not earn step increases. This was a key factor driving the need to recalibrate our structure using a market-based wage analysis. Increasing the number of steps is also a recommendation that we anticipate will be a feature of the new structure as well.

The implementation of the class and comp study has been delayed over the course of the last year for a number of reasons; predominantly it has fallen victim to the opportunity cost of meeting the unanticipated and unique human resources and support services needs arising during the pandemic year.

The general service wage tables presented in the budget are the old wage scales that had been built over the course of the last several decades; some have consistent distance between steps, others do not. The budget anticipates funding to implement the initial year of the classification and compensation study.

Wage structures for represented staff are evaluated and negotiated frequently and, as such, do not risk becoming untethered to market level wages in the way the balance of the workforce's structure can.

I could see the big storm damage and park clean up came from the divisions currently allocated resources. Where exactly were those funds from and were any services lost as a result? How much did the clean up cost approximately. I can see it is still ongoing in the parks and I worry we will just get finished in time for the next winter and that it is likely we will continue to have more extreme weather. Was any allowance made for clean up in this year's parks budget? I realize the city has contingency funds but they were assumed inaccessible this year so would prefer to see some contingency within parks budget.

Since the proposed budget was balanced, we have gotten word that FEMA public assistance grants will be available to offset a portion of the City's costs of the winter storm (typically they are reimbursed at 75% but we have yet to get all of the contract details). As I understand it, this funding source will help offset costs to date as well as future projects as the clean up has not been completed.

Had these funds not become available, they would have been covered by general fund dollars. The parks maintenance and parks and recreation staff continue to work together to keep balancing the need to clean up and restore parklands damaged by the storm with the limited financial resources available.

P2 Each department was asked to present second round requests that were 10% lower than first round numbers. –what were first round numbers??

The reports the city presents historically doesn't include this round; we could consider adding it in to the custom report that we use for the budget book.

The negative ending fund balance number in the initial budget was what we needed to address to get back to zero and then we targeted funding the reserve (contingency plus ending fund balance (EFB) without the Length of Service Award Program portion in the EFB) at minimum of the FY2020-21 budget level. That's the approximate \$3.5 million budget gap referred to in the Budget Message.



City of McMinnville

Annual Budget by Fund Category Report

Report by: Account Classification

	2022 Department	2022 Proposed Budget
GF - Governmental Funds - General Fund		
Revenue		
BFB - Beginning Fund Balance	\$4,162,560.00	\$4,922,677.00
PT - Property Taxes	\$15,029,000.00	\$15,272,000.00
LP - Licenses and Permits	\$3,879,380.00	\$3,789,670.00
IG - Intergovernmental	\$2,534,128.00	\$3,267,521.00
CS - Charges for Services	\$4,482,605.00	\$4,829,705.00
FF - Fines and Forfeitures	\$420,500.00	\$420,500.00
Misc - Miscellaneous	\$807,578.00	\$800,168.00
TR - Transfers In	\$1,875,631.00	\$1,926,913.00
Revenue Totals	\$33,191,382.00	\$35,229,154.00
Expenditures		
PS - Personnel Services	\$24,405,472.00	\$23,465,378.00
MS - Materials and Services	\$6,058,847.00	\$5,932,003.00
CO - Capital Outlay	\$1,205,619.00	\$503,892.00
SP - Special Payments	\$0.00	\$0.00
DS - Debt Service	\$748,674.00	\$748,674.00
TR - Transfers Out	\$1,564,571.00	\$1,516,474.00
CT - Contingencies	\$1,000,000.00	\$1,000,000.00
EFB - Ending Fund Balance	(\$1,791,801.00)	\$2,062,733.00
Revenue Totals:	\$33,191,382.00	\$35,229,154.00
Expenditure Totals	\$33,191,382.00	\$35,229,154.00
Governmental Funds Totals	\$0.00	\$0.00
Revenue Grand Totals:	\$33,191,382.00	\$35,229,154.00
Expenditure Grand Totals:	\$33,191,382.00	\$35,229,154.00
Net Grand Totals:	\$0.00	\$0.00

P3 what would trigger the extension of furlough days? What would signify the ability to get rid of furloughs?

How actuals play out through the end of the 2020-21 fiscal year would be primary trigger this summer whether further austerity measures are needed.

P8 “An “estimated not to be received” collection factor of 7.5% has been used to calculate current property tax revenue.” How does that compare to elsewhere? Could we do anything to bring that down?

Every year this factor is calculated by the state for each county based on its collections for the year and is pretty durable over time. It’s based on how quickly people pay their annual property taxes. State law also plays a role as effectively it takes five years for a property to be foreclosed on due to unpaid property tax. I don’t think there is much direct action the City can take to move the needle on this metric.

P105 professional services in 2021 was \$12,000. Budget for 2022 is \$1,230 is that right? Similarly Accounting goes from \$6,800 in 2021 to \$16,200 – big difference

The 7750 line item across the organization holds some allocated services across the organization (as noted: audit fee, section 125 admin fee – a payroll cost – and city-wide trainings) as well as department-specific outlays. For FY2020-21, I was unfamiliar with these practices and included a much higher professional services budget than was needed.

7840-05 holds the items that the Information Services team purchases for each department/fund. In FY2021-22 we are adding a debt tracking software application that the city did not have previously. The 5-year cycle of replacing computers is higher than the prior year for two reasons: more units hit their “birthdays” next year and I requested more computing power and that all replacements be mobile in nature as opposed to the tradition of purchasing desktops.

Balance of Transactions		\$16,200.00		
Description	Number of Units	Amount per Unit	2022 Total Amount	
▼ Contains...	▼ Equals...	▼ Equals...	▼ Equals...	
+ Add new row				
Debt tracking software app	1.0000	\$6,500.00	\$6,500.00	
Lexmark printer maintenance	1.0000	\$300.00	\$300.00	
Mobile computers / docking stations	3.0000	\$2,400.00	\$7,200.00	
Office 365 licensing	5.0000	\$240.00	\$1,200.00	
Scanner	1.0000	\$1,000.00	\$1,000.00	

P113 engineering fees go from \$50,000 to \$100,000 – why?

This is part of the “sharpening the pencils” activity. I advocate that when staffers are budgeting, they look at actuals and trends and, unless they know something specific that would indicate averages of past years actuals are not a good representation, use that information in their budget as opposed to the City’s traditional methodology of budgeting conservative estimates. In this case, the average for past 5 years is \$99,000 so budgeting a round \$100,000 is a reasonable projection to make. In this specific case

as well, the engineering department became aware of more projects that will likely join the queue so budgeting \$100,000 from that perspective as well was comfortable for them.

P121 huge difference in Planning> intergovernmental from 2021 actual to 2022. I assume that was COVID related relief?

In the prior year, planning had a \$225,000 Oregon Department of Land Conservation grant (not covid-related). This year a similar grant is not on the table for the Planning Department. Grant supported activities are often one-time projects that do have the effect of swinging revenue and associated expense lines significantly from one year to the next.

I do not understand why Planning Dept has numbers in 2019 and only zeroes in 2021 and 2022

In FY2019-20, the Planning department moved to tracking costs discretely for current and long-range planning programs. Oregon budget law requires that data be available for the prior three years in the budget document so the FY2020-21 budget has these 0's because there still is data in the FY2018-19 period. Next budget cycle this portion of the planning departments account code will be phased completely out of the budget document.

P155 Police – difference in intergovernmental is substantial – why? Is this the grant for body worn cameras?

Yes – the swing in the intergovernmental category is the \$385,000 grant for body and in-car cameras is a one-time grant scheduled for FY2021-22 (p. 156 in the budget book as printed).

P174 Police – mid-valley reserve training. Why this year and not others?

The City of McMinnville just this year began coordinating this multi-jurisdictional program as the prior community which managed these funds is going to a different methodology for reserve training. For this reason, the budget category is appearing for the first time.

P206 why were parking fees so high in 2021 (\$18,000) and anticipated to be so low (\$6,000) in 2022?

This revenue differential is directly linked to Covid-19. Many fees have gone down in this period. While the FY2020-21 budget was \$18,000 the actuals we anticipate for the year are looking to be around \$5,000 and FY2021-22 represents a small uptick relative the current year actuals.

Library - could friends of the library fundraise for Volunteer Recognition and/or new computers?

This is a question that can be asked of the Library Director during the budget meeting. I'll send her the question so she has the information for you.

Library Resources - misc is Huge \$61,000 last year and \$51,000 this year - what is that?

The Miscellaneous Revenue category (p. 325 as printed) is made up of a number of smaller items these are listed on pages 329-330 (as printed) which in the main are fairly stable year over year.

Odd question - How are Friends of the Library and Library Foundation different??

I'll ask Library Director to send this information out to the Budget Committee.

General Fund - Transfers in - insurance company drops from \$599,000 to under \$200,000 = why?

In FY2020-21 (and in the year prior to that), a distribution back to departments from the Insurance Services Fund was made as the fund balance for the Insurance Services Fund well exceeded the amount needed to pay for insurance coverage. Now that the fund balance is at a more reasonable level, there is not excess to distribute back to the funds that originally paid into this internal service cost center. Some additional discussion of this is found on p. 530 (as printed).

P347 Resources St marijuana money drops from \$167,000 to \$56,000. Why? Page 337- The year needs to be changed in a number of places.

This is a direct result of the passage of Ballot Measure 110 in the November elections which uses state recreational marijuana tax to support mental health services. The portion originally allocated to go to cities and counties has been significantly reduced. The FY2021-22 budgeted amount is a projection based on the League of Oregon Cities information on the subject.

Also of note, it appears that the entire narrative section for General Fund-Non-Departmental (p. 337-338 as printed) was not updated relative the prior year data and budget book. This is completely my bad (JCS).

P370 “past sins” balance???? I do not know this term.

It appears that 2001 an agreement was reached with TCI/ATT to allocate a pot of money for the City’s use to make up for some past error or bad business practice of some sort and it was referred to as “past sins.” From the narrative, the settlement appears to have been fully paid out in FY2010-11.

P440 why are property taxes expected to be nearly \$1MM less in 2022???

In FY2021-22, the City will levy \$2,904,650 in property taxes for principal and interest debt service payments on general obligation bonds. This levy will result in an estimated tax rate for debt service of \$0.9301 per \$1,000 of assessed property value. This tax rate is down over one quarter from last year’s rate of \$1.2685 per \$1,000 because the Park Bond will be paid off in August 2021 prior to the November FY2021-22 tax collection cycle. Additional discussion of the retirement of this debt can be found on p. 433 (as printed).

Page 16 - The Transfers In and Transfers Out correspond, but why aren't they equal amounts?

Transfers are flows of money from one fund to another, including from/to the Urban Renewal Agency (URA) to the City. The difference between City Transfer in and out is a positive \$233,410 and for the URA it is a negative 233,410. Most of that (\$187,000 – p. 345 as printed) is for the debt service; the URA uses tax increment financing dollars (the property tax it collects) to reimburse the City for a loan it took out to pay for Alpine Avenue street improvements within the URA’s boundaries. The balance is the budget estimate for reimbursing the cost of administering the URA by city staff.

Page 29- The page seems to begin mid sentence? I just wanted to double check it wasn't missing information.

It appears the construction value graph on the prior page somehow was placed on top of some narrative information - I've never seen that happen before! The language missing is:

General Fund Expenditures – With Personnel Services making up 73% of all General Fund expenditures, economic trends which

influence wages and fringe benefits can have a considerable impact of the City's cost of delivering services to the public.

Page 35- What are federal exchange dollars and Oregon federal exchange dollars?

This is a program where the state and local jurisdictions (cities and counties) partner to maximize the positive impact of federal transportation block grants allocated to smaller communities and rural, unincorporated areas of the state. Attached is a 2-page summary of the program produced by the Oregon Department of Transportation.

Pages 37-39 is a duplication of pages 34-36

You are right! I completely missed that we inserted the dupe when making the final review of the document. My apologies.

Page 40 - I wanted to double check that I understood correctly that the Wastewater Capital Fund is a Capital Fund Project and should be put in orange on the diagram.

It's actually both, a capital fund within an enterprise fund. But that isn't spelled out clearly. We'll look at this section and see how to better present the information regarding the dual nature of this fund. Thanks for pointing out the inconsistency of the categorization narratively with how it is presented graphically.

Page 42- Interest rates are at a historic low right now. Can we issue "refunding bonds" again? Or is there other debt that we can refinance to take advantage of current interest rates?

Federal and state laws as well as the tax code govern municipal bond refinancing activities – as well as other debt instruments used to finance capital projects. Typically a bond issue can only go through a refunding process a single time. Two of the cities current bond issues are refinances – the Parks Bond and the Public Safety/Civic Center Buildings.

We are looking at alternatives for restructuring one of the full faith and credit obligation loans (fire truck loan from 2014) in our portfolio as May 2021 is the first month we can consider new financing without incurring a penalty.

In the last two fiscal years, the City has pursued internal borrowing options for some capital equipment purchases as the most economical form of borrowing both in terms of transaction cost and interest rates the City has at its disposal. The proposal to pursue a more consistent program of internal borrowing and the trade-offs that involves is on Finance's list to bring to the Council in an upcoming

worksession; it is my hope that we will be able to make time for that topic within the next six months, potentially as a part of the resources discussions that are getting underway.

Page 70- How does "A small investment in affordable housing expenses" fall under Administration in the General Fund? Is it like a discretionary fund for the city council?

Because the city doesn't have a housing department, the choice was made in FY2019-20 to budget Affordable Housing dollars in this category. As I understand it, this line item didn't exist prior to two years ago. Depending on how the City's affordable housing program evolves, it may make sense to move it to another general fund department or potentially to a grant fund if restricted monies become available to support the work.

Page 199- How come the Credit Card fees under Materials and Services goes from averaging \$10,000 to \$0 in the proposed budget?

The Municipal Court is moving to a new merchant services vendor which offers online payments and a more affordable fee structure. Under some circumstances, municipal organizations that accept credit cards have the option to pass on a "convenience fee" to the payer as opposed to absorbing the fees. We plan to switch over to the convenience fee model when our new service line is implemented.

Surface Transportation Block Grant (STBG)



Fund Exchange Program

Fund Exchange

- Exchange rate: 94 cents per 1 dollar
- Applies to Cities with 5,000 –200,000 population, and all Counties.
- Does not apply to CMAQ, Local Bridge, TAP, or other federal funds

Types of Projects

- Paving roads
- Equipment purchase
- ADA (Sidewalks)
- Project planning
- Safety
- Transit
- Material purchase

Federal Policy on Fund Exchange

- Flexible local project funding
- Reduces oversight costs
- More cost-effective for small projects

Source: Government Accountability Office. 2014. Federal Highway Administration could further mitigate locally administered project risks (GAO-14-113).

What is Fund Exchange?

The Fund Exchange program provides local agencies a flexible funding option for delivering transportation improvements without being constrained by federal requirements. Funding may be used for projects to preserve and improve conditions on and performance of any federal-aid highway, bridge or tunnel project on any public road, or pedestrian and bicycle infrastructure within drivable right of way.

What authorizes Fund Exchange?

The Oregon Department of Transportation has an agreement, located [here](#) with the Association of Oregon Counties (AOC) and League of Oregon Cities (LOC) which provides Federal Surface Transportation Block Grant (STBG) funds to cities, counties, and non-Transportation Management Area (TMA) Metropolitan Planning Organizations. Fund Exchange provides an opportunity for local cities and counties to exchange their Federal STBG dollars for State Highway Fund dollars.

How does the Fund Exchange process work?

Fund Exchange provides an opportunity for local cities and counties to exchange their Federal STBG dollars for State Highway Fund dollars. Local agencies may exchange Federal STBG funds for state dollars at a rate of 94 cents in state funds for every 1 dollar of federal funds. Agencies may request funds on eligible projects through a reimbursement process.

What projects are eligible?

Projects which develop, improve and/or preserve existing transportation system, and be state gas tax eligible. Types of projects include, road paving and chip seal, ADA required improvements, transportation planning, or the purchase of equipment to maintain eligible roads.

How do I apply for Fund Exchange?

Submit application letter to your Region contact. Application letters should be on agency letterhead and include the following information:

- Name and location of project
- Type of project (roadway, equipment, material, etc.)
- Name of all roads/sidewalks on which agency will perform work
- Location of roads (must be within the city or county requesting funding)
- Jurisdiction authority of roadways included in project
- Does the project area cross, abut, or in any way intersect a state highway?

Note: Funding must be available in the year the project will be delivered. Agencies are not allowed to borrow from future allocations. No project work may begin and reimbursement will not be made without an executed Inter-

Surface Transportation Block Grant (STBG) Fund Exchange Program



STP FUND EXCHANGE PROGRAM REGION CONTACTS

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REGION 5

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American Rescue Plan – Proposed Budget Adjustment

Staff is recommending that the funds for the American Rescue Plan (ARP) be added to the city's FY2021-22 budget. While there are still many unknowns associated with the funds, we do know that significant one-time funds will be coming so believe it is the most transparent and prudent course to include with the Budget Committee's adopted budget.

Staff proposes that the amount estimated by the Congressional Research Service for the City of McMinnville's share of the ARP of \$7,081,800 is added to the FY2021-22 budget as a single revenue and offsetting expense line. If we have the true number from the Treasury department in time, staff will update the number for the appropriated budget passed in June by the City Council. We further propose that the grant appear in Fund 05 (where Community Development Block Grant dollars are budgeted) so these funds are clearly identifiable in the city's overall budget.

The City must pursue a number of different tracks concurrently to assure that we make the best ultimate use of these one-time funds for the benefit of the community including:

- Establish the City's principles for selecting ARP investments. Inputs for drafting principles may include
 - MacTown 2032 priorities and values
 - State of Oregon Principles
 - Clarification on ARPA rules and eligible uses
- Identify and begin talking with community partners
- City Council briefing and discussion regarding
 - details known about grant program
 - finalizing principles for funding projects and investments
 - community engagement plan
 - timeline/process for gathering proposed uses
- Establish administrative framework for proposing, evaluating and reporting on funded activities

Further budget action during FY2021-22 is likely once choices have been made as to how to utilize these funds to add more detail to the City's budget.

Note – many communities are finding that their allocation from the Treasury Department has been considerably different from the original published amount. As of 5/18/2021 we do not have the official McMinnville award amount.