



**City of
McMinnville**

FY2024-25 Budget

**Continued
Focus on Fiscal
Sustainability**

May 2024 Budget Committee Meetings

Agenda

- Policy Direction
- Inflation and How Oregon State Measures 5 and 50 Affect Fiscal Sustainability
- Challenges
- Opportunities
- Fiscal Sustainability in Enterprise and Capital Funds

Community Mission and Values

Mission

- The City of McMinnville delivers high-quality services in collaboration with our partners for a prosperous, safe, and livable community.

Values

- Stewardship: We are responsible caretakers of our shared public assets and resources.
- Equity
- Courage: We are future-oriented, proactively embracing and planning for change that is good for our community and consistent with our values.
- Accountability

Council Goals

City Government Capacity

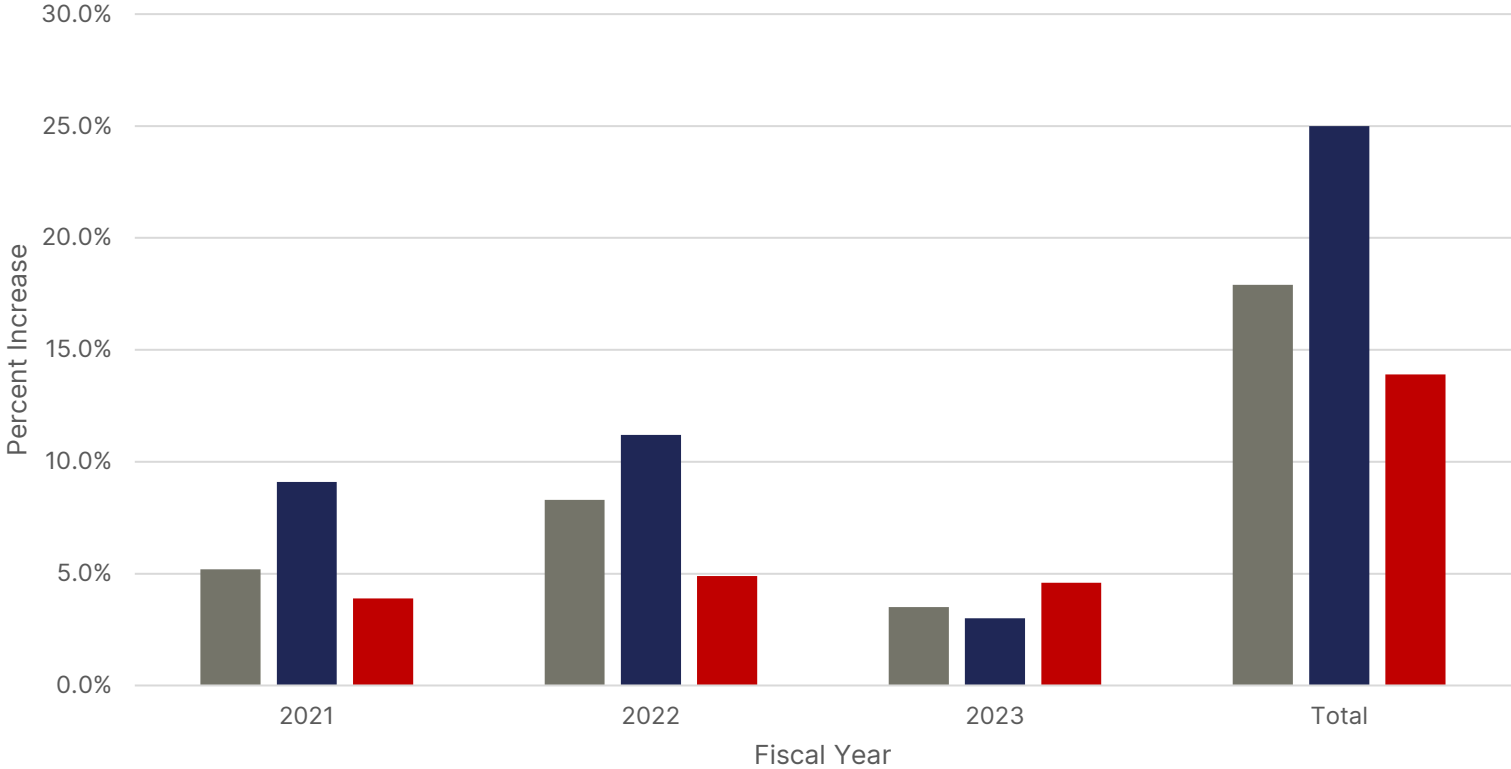
- Strengthen the City's ability to prioritize and deliver municipal services with discipline and focus.
 - Right-Size Services: Address insufficient resources by finding sustainable fundings sources: Looking for ways to bring additional revenue in the City's general fund.

Growth and Development Character

- Guide growth and development strategically, responsively, and responsibly to enhance our unique character.
 - Fund and Initiate 3 Public Facility Plans: Transportation System Plan, Wastewater Treatment Plan, and Stormwater Master Plan.

Inflation Impacts

Inflation Compared to Revenue Growth



■ West Coast Consumer Price Index (CPI) ■ Northwest Construction Cost Index (CCI) ■ Property Tax Revenue Increase



Measures 5 and 50

- Measure 5: Passed in 1990, Measure 5 sets limits on the amount of tax levied per \$1,000 of a property's real market value (RMV).
- Measure 50: Passed in 1997, Measure 50 gave all existing tax districts a permanent operating rate limit forever set to the 1997 level. In addition, the measure limited the annual growth rate of taxable property value to 3% of assessed value.
- The revenue challenges caused by Measures 5 and 50 are significant. The property tax system changed from one based on market values to one primarily based on the assessed values in 1997-98.
- "Since [1997], inflation, primarily for primary city expenses like employee healthcare and pension costs, has regularly exceeded the 3% rate of growth limit under Measure 50, resulting in the slow but steady strangulation of city finances as costs increase far faster than revenues."
*From the March 2023 League of Oregon Cities FAQ on Measures 5 and 50

Measures 5 and 50

- Change Property Ratio: This is the factor calculated each year in every county assessor's office that new property that has come onto the roles will be applied to real market value. [Yamhill County CPR](#) for residential has been below 50% for the last two years



Change Property Ratio (CPR) History

Property Class	2023/24	2022/23	2021/22	2020/21	2019-20
1 - Residential	0.480	0.494	0.579	0.605	0.629
2 - Commercial	0.568	0.612	0.678	0.694	0.684
3 - Local Industrial	0.568	0.612	0.678	0.694	0.684
4 - Rural Residential	0.441	0.444	0.549	0.619	0.635
5 - Farm	0.564	0.508	0.607	0.692	0.635
6 - Forest	0.544	0.494	0.6	0.688	0.635
7 - MultiFamily (4+ Units)	0.345	0.413	0.539	0.56	0.748
Manufactured Homes**	0.413	0.515	0.595	0.701	0.707
Machinery & Equipment	1.000	1.000	1.000	1.000	1.000
Personal Property	1.000	1.000	1.000	1.000	1.000
Open Space***	0.596	0.639	0.707	0.696	0.683

General Fund Costs

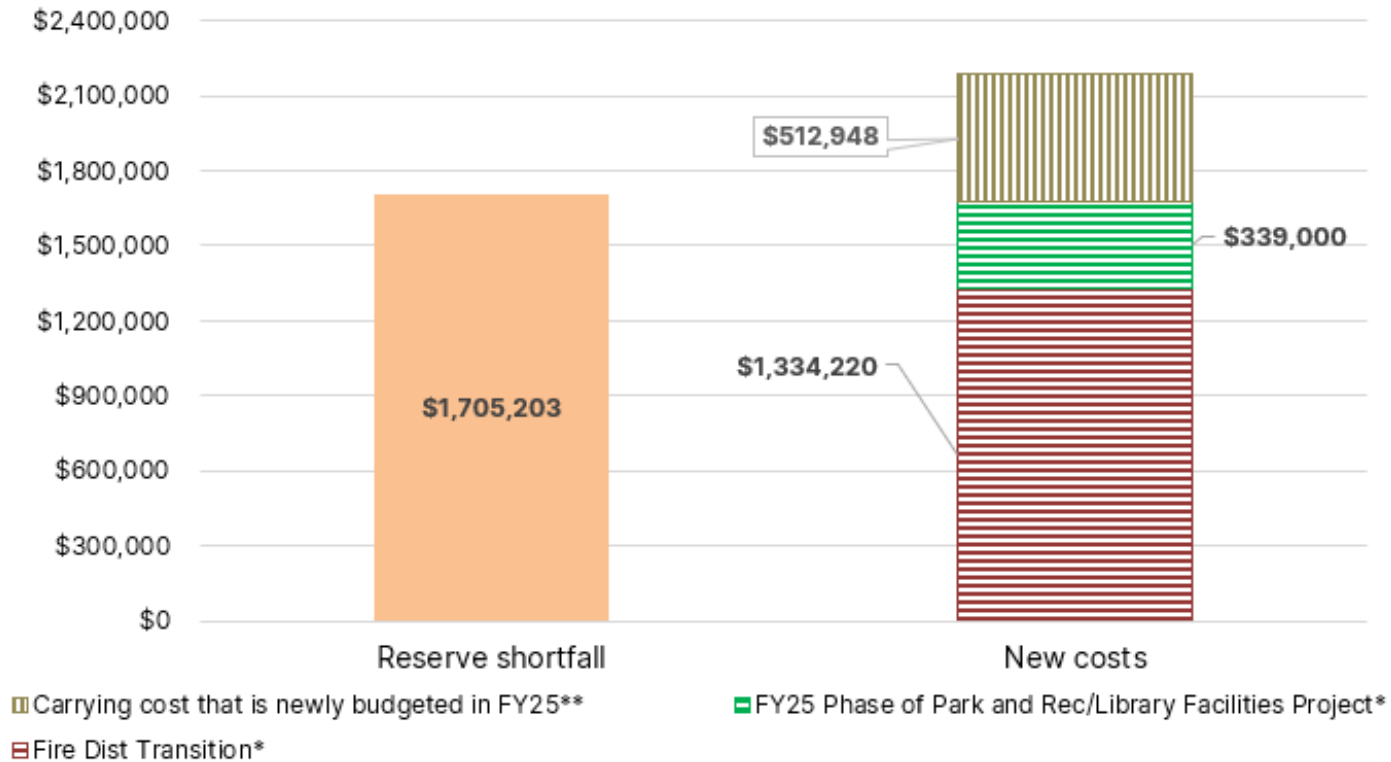
One-time costs affecting this budget year:

- Fire District transition costs \$1.3 million
- Single “add package” to support council goal for updated park and recreation facilities

In addition, we have some emerging new costs not previously budgeted \$510,000

General Fund Reserves

FY2024-25 Reserve Shortfall and its Primary Drivers



*One-time costs (\$1.67 million)

** New carrying costs



Maintaining Service Levels

- Retirements and Succession Planning
- Growing City
- Aging Infrastructure and Facilities
- Changing Regulatory Environment
- Utilizing Funding Sources with Additional Requirements
- Increased Community Demand for Services
- Addressing Community Issues

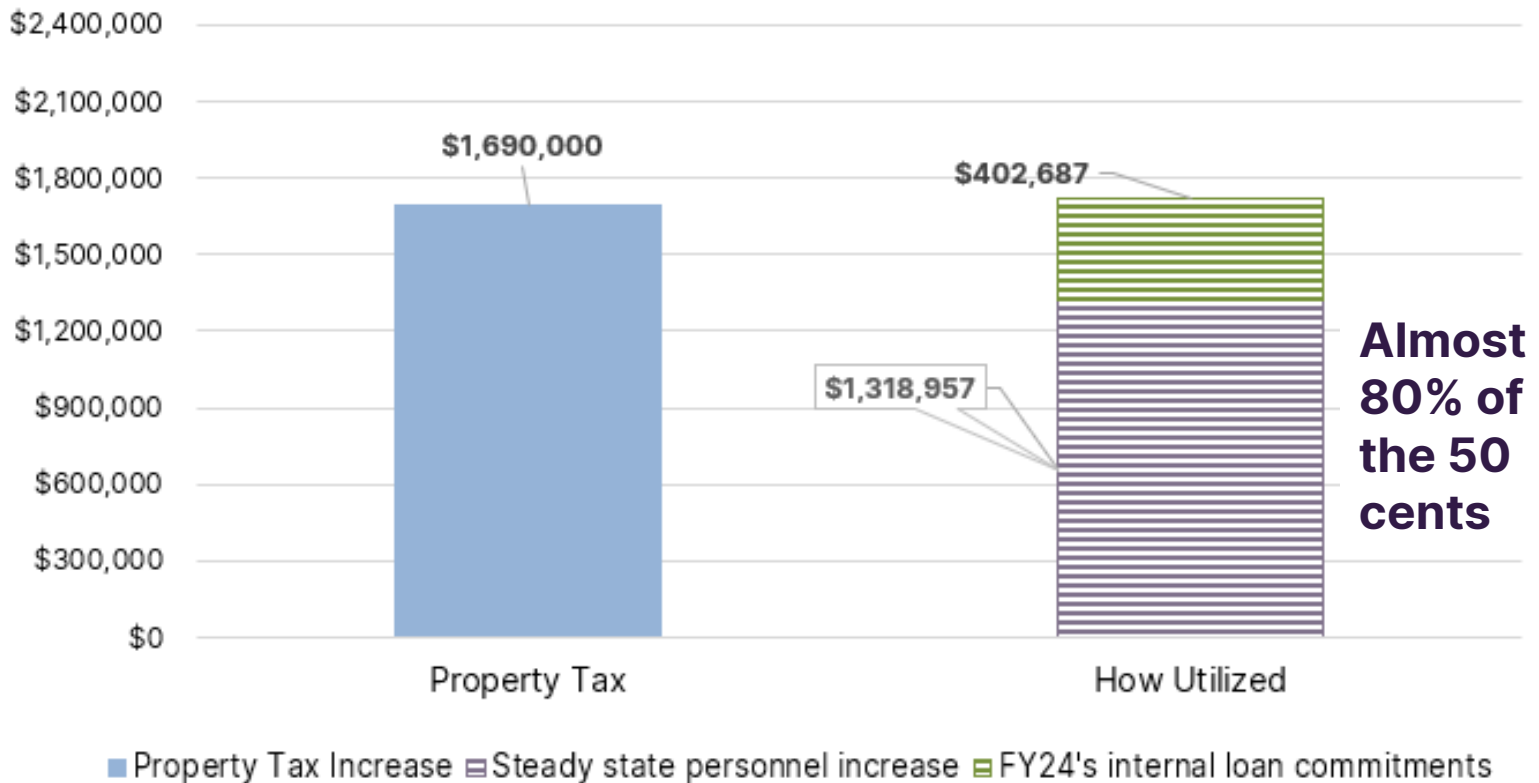
Personnel Costs

- Personnel Costs are the single largest expenditure classification in the organization.
- 6.2% city-wide increase in personnel costs with 0.67 less FTE relative to last budget*
- Cost of Living Adjustment (CoLA) of 3.17% this year (compared to 4% in the previous two years), while the West Coast CPI was 3.17%, 7.91% and 6.67% in the previous three years respectively

*Note: Considers adjustments for the transition of fire and emergency medical services.

Personnel Costs

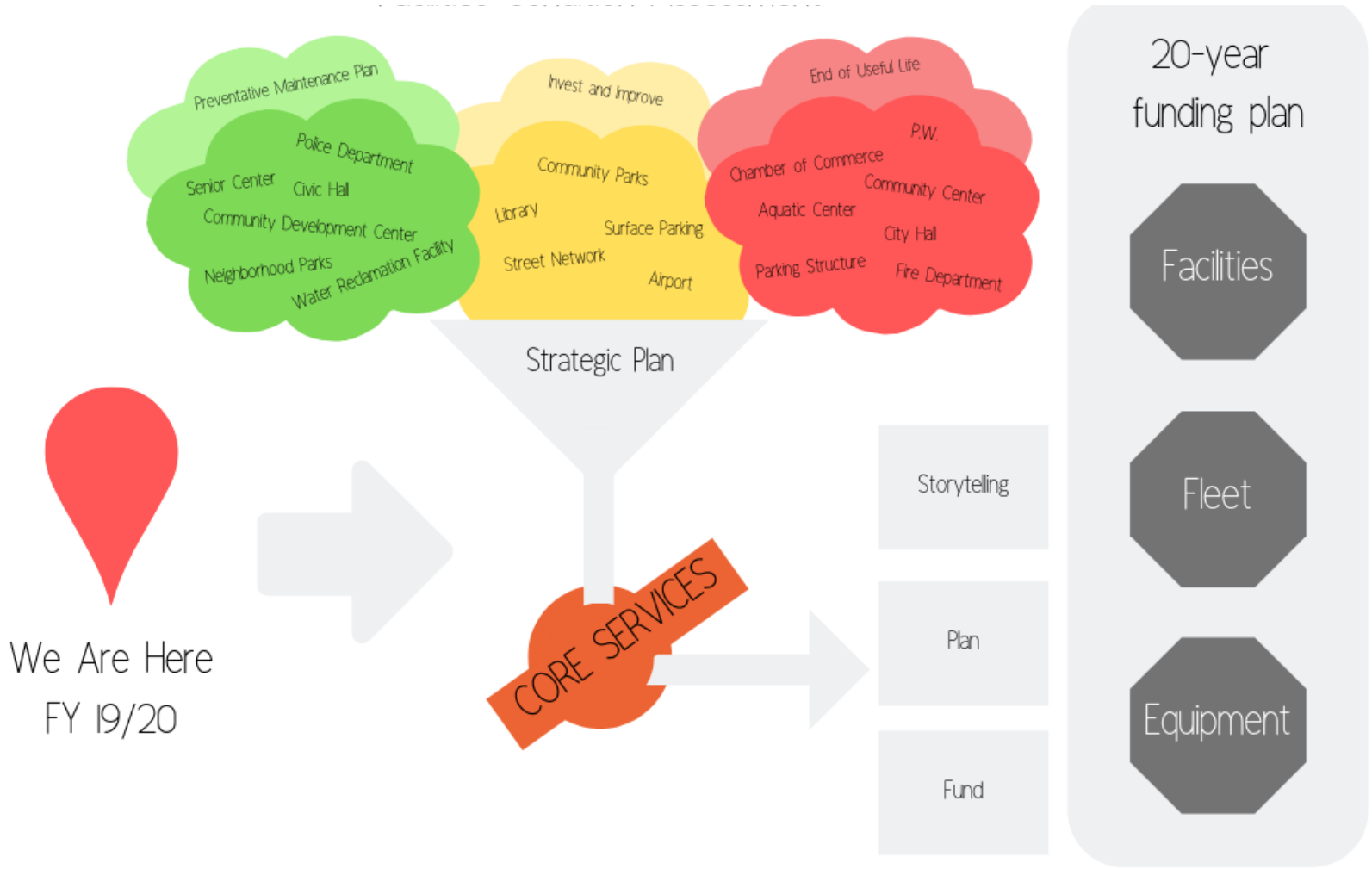
Use of 50 cents property tax levy



Aging Facilities

- A 2018 Facilities Assessment identified a short terms repairs (12-18 month) estimate of \$4,600,000
- The 10-year repair needs estimate was \$31,000,000, of which \$22,600,000 was lifecycle/renewal repairs due to aging facilities
- **\$2.1 million** dollars have been spent on facility maintenance and improvements in the last 5 years city wide with \$1.3 million of that in the General Fund
- A centralized facilities program has started and is focusing on interdepartmental support and facility maintenance plans.
- Potential future work could include a Facilities Master Plan.

Facilities Condition Assessment



Sustainable Funding Opportunities

- Efficiency Improvements:
 - Technology Investment
 - New Processes
 - Note: These often come with Opportunity Costs
- Additional Revenues:
 - Service Fees for Cost Recovery
 - Franchise Fees
 - Business Licensing
 - Property Tax Levy Authority
 - Investment Programs
 - Transfers

Capital and Enterprise Funds

OAR 150-294-0420

c) Capital Projects Funds – To account for financial resources to be used for the acquisition or construction of major capital facilities

f) Enterprise Funds – To account for operations:

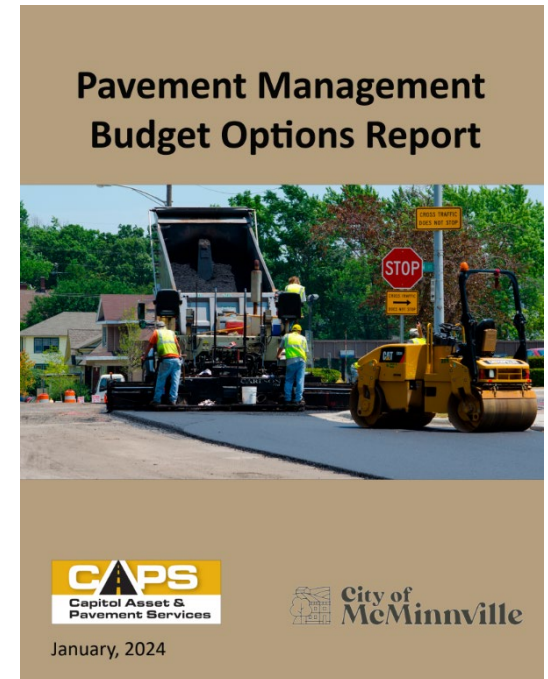
(A) That are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges

Fiscal Sustainability within Enterprise and Capital Funds

- Asset Management and Infrastructure/Facility Planning
- Rates and User Charges
- System Development Charges
- Other Revenue Sources
- Capital Improvement Planning and Prioritizing

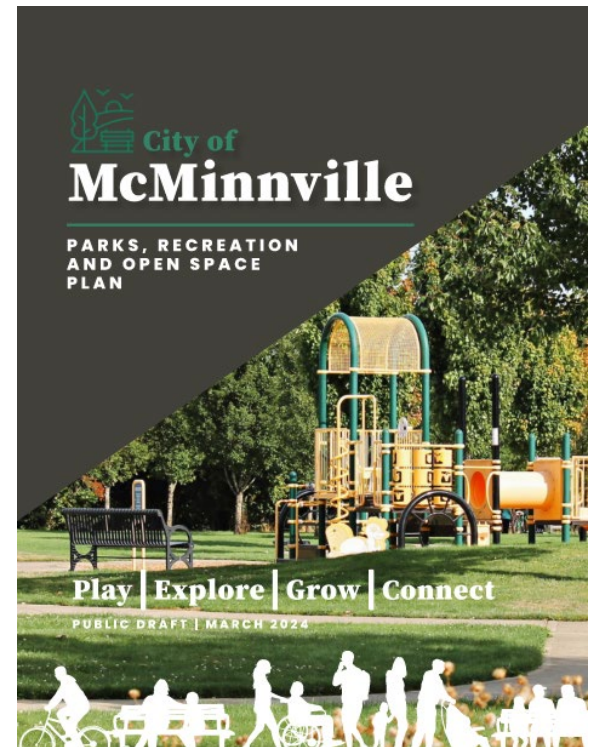
Asset Management Plans

- Example: Pavement Management Budget Options Report
- Existing Condition Analysis
- Management Strategy Alternatives
- Replacement and Rehabilitation Estimates
- Budgeting Scenarios
- Used for Future Rate Setting



Infrastructure Planning

- Example: Parks, Recreation, and Open Space Plan
- Visioning, Goals, and Objectives
- Existing System Analysis
- Community Involvement
- Future Needs Forecasting
- 20-year Capital Improvement Plan
- Used for Future SDC and Rate Setting



Rates and User Fees

- Rate Setting is authorized by the McMinnville Municipal Code and shall be just and equitable.
- Rate studies typically done every two years
- Rate changes should be considered annually to account for changing operation and maintenance expenses of the system.
- Rate studies consider findings in Asset Management and Infrastructure Plans.

System Development Charges

ORS 223.299

- “System development charge” means a reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement or issuance of a development permit, building permit or connection to the capital improvement.

ORS 223.309

- Prior to the establishment of a system development charge by ordinance or resolution, a local government shall prepare a capital improvement plan, public facilities plan, master plan or comparable plan that includes a list of the capital improvements that the local government intends to fund, in whole or in part, with revenues from an improvement fee and the estimated cost, timing and percentage of costs eligible to be funded with revenues from the improvement fee for each improvement.

Other Revenue Sources

- Intergovernmental Revenues (ex. State Gas Tax)
- Grants (ex. Safe Routes to School)
- American Rescue Plan Act funding
- Financing through Bonds and Loans (ex. 2014 Transportation Bond Program)
- Clean energy tax credits starting in 2023

Capital Improvement Plan and Prioritization Process

- Dozens of needed capital projects are identified in transportation, utility, area, and civic plans.
- A 5-year Capital Improvement Plan (CIP) is a document developed annually by staff that serves as the road map for capital projects that will be planned, designed, and constructed over the next half decade.
- The CIP considers fiscal and staffing resources needed to execute the plan as proposed.
- A CIP Prioritization Process is an objective means of prioritizing projects through a weighted scoring system developed to represent the City's goals and priorities.

Financial Policy Decisions Timeline

Financial Policy Decisions Timeline - DRAFT																		
Policy	Impact	Lead Department	2024				2025				2026				2027			
			Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec
Wastewater Rates	R	Public Works																
Planning Fees	D	Community Dev																
Building Fees	D	Community Dev																
Park SDC	D	Parks and Rec	PROS Plan															
Engineering Fees	D	Public Works	Fee Development															
Annual Budget	C	City Admin	Budget			Budget				Budget				Budget				
Stormwater Utility	R	Public Works	Utility Ordinance Development															
Wastewater SDC	D	Public Works	Master Plan															
DEI Org Assessment	C	City Admin/Finance	Assessment															
Parks Bond	R	Parks and Rec			Outreach													
Airport Economic Policy	O	Public Works	Master and Economic Plans															
CIP Prioritization	O	Public Works	Process Development				CIP Prioritization											
Stormwater SDC	D	Public Works	Master Plan															
Stormwater Rates	R	Public Works	Rate Study															
Transportation SDC	D	Public Works	Transportation System Plan															
Transportation Utility	R	Public Works	Utility Ordinance Development															
Impact Key			Timeline Key															
Local Residents	R		Development, Education, and Public Involvement															
Development	D		Council Decision															
Core Services	C		Public Vote															
Other	O		Implementation															





**City of
McMinnville**

FY2024-25 Budget Questions?

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