



Kent Taylor Civic Hall
200 NE Second Street
McMinnville, OR 97128

Special Called Budget Committee Work Session Agenda
Wednesday, November 20, 2024
6:00 p.m. – Work Session

Welcome! The public is strongly encouraged to participate remotely but there is seating at Civic Hall for those who are not able to participate remotely. However, if you are not feeling well, please stay home and take care of yourself.

You can live broadcast the Special Called Budget Committee Work Session Meeting on cable channels Xfinity 11 and 331, Zply Fiber 29 or webstream here:

www.mcm11.org/live

Download the "Cablecast" app on iOS, Android, Roku, Apple TV or Amazon Firestick and watch McMinnville City Council on all your devices.

You may join online via Zoom Meeting:

<https://mcminnvilleoregon.zoom.us/j/81228984445?pwd=s8jmkYTjxjnhpXK5F0m1TyvqWtTmqT.1>

Zoom ID: 812 2898 4445

Zoom Password: 253900

*Or you can call in and listen via Zoom: 1-253- 215- 8782
ID: 812 2898 4445*

1. CALL TO ORDER
2. PERMANENT PROPERTY TAX LEVY GUIDANCE
3. ADJOURNMENT

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice: Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or CityRecorderTeam@mcminnvilleoregon.gov.

Staff Report

DATE: November 20, 2024
TO: Budget Committee
CC: City Manager and Executive Team
FROM: Crystal Wooldridge, Financial Analyst
SUBJECT: Permanent Property Tax Levy Guidance



CITY GOVERNMENT CAPACITY

Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.

Report in Brief

With the May 2022 voter approval and creation of the McMinnville Fire District, City Council has chosen, over the last two years, to under levy McMinnville's permanent property tax levy set at \$5.02 per \$1,000 of assessed taxable valuation. For FY 2023-24, the city under levied at \$3.52 per \$1,000 of taxable value and then in FY 2024-25 under levied at \$4.02 per 1,000 of taxable value. The information in this document is intended to provide information which will help you give direction to staff for the FY 2025-26 budget planning cycle and into the future regarding the property tax levy rate.

The chart below illustrates McMinnville's taxable value, permanent tax levy, calculated taxes, and the unmet tax amount resulting from the under levied rate over two fiscal years.

	Taxable Value	Levy	Calculated Taxes	Under Levy	Unrealized Taxes
2023-24	3,476,522,790	3.52	12,237,360	1.50	5,214,784
2024-25	3,586,719,762	4.02	14,418,613	1.00	3,586,720

Impact on Property Taxpayers

According to property tax estimates for FY 2024-2025 provided by the Yamhill County Assessor's office, the median taxable value of a single-family home in McMinnville is approximately \$228,500. This indicates that half of the 7,890 residential properties have taxable values both above and below this amount. The average taxable value is slightly higher, at approximately \$247,600.

If the Budget Committee opts to revert to the city's permanent property tax rate of \$5.02 per 1,000 of taxable value, and assuming a 3% increase in property taxes from the current year to the next, the result would be an estimated annual increase of \$235 for median single-family homes, or approximately \$255 for properties at the average tax value in FY2025-26.

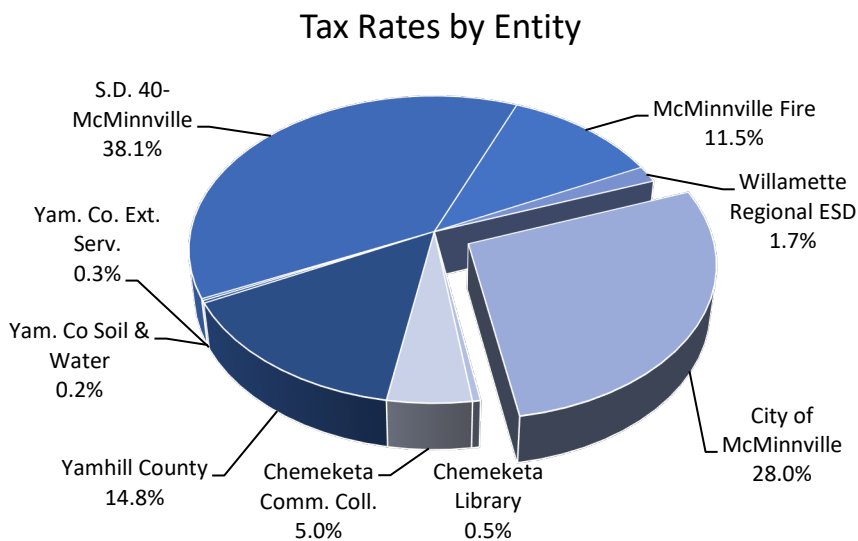
The property tax rates for the City of McMinnville for the 2024-25 tax year is as follows:



YAMHILL COUNTY 2024 -2025 TAX CODE RATES

40.0 City of McMinnville	Total	Education	Government	Non-Limited
Yamhill County	2.5775		2.5775	
Yam. Co. Ext. Serv.	0.0449		0.0449	
Yamhill Soil & Water	0.0354		0.0354	
S.D. 40 - McMinnville	6.6149	4.1494		2.4655
McMinnville Fire	2.0000	0.0000	2.0000	
Willamette Regional ESD	0.2967	0.2967		
City of McMinnville	4.8629		4.0200	0.8429
Chemeketa Library	0.0818		0.0818	
Chemeketa Comm. Coll.	0.8670	0.6259		0.2411
	<u>17.3811</u>	<u>5.0720</u>	<u>8.7596</u>	<u>3.5495</u>

A graphical representation of the allocation of tax dollars toward services benefiting McMinnville residents the current year:



For the current year, the median property tax bill for a single-family home in McMinnville is \$3,972. Of this amount, 28% is allocated to the City of McMinnville, which includes funding for general fund services (\$919) and voter approved bond measures (\$193). If McMinnville were to add back \$1.00 per \$1,000 of taxable value in FY2025-26, it would represent an overall property tax increase of approximately 8.9%. For the median homeowner, this would result in an estimated tax bill of \$4,325 – and increase of \$235, assuming a 3% rise in property taxes from the previous year.

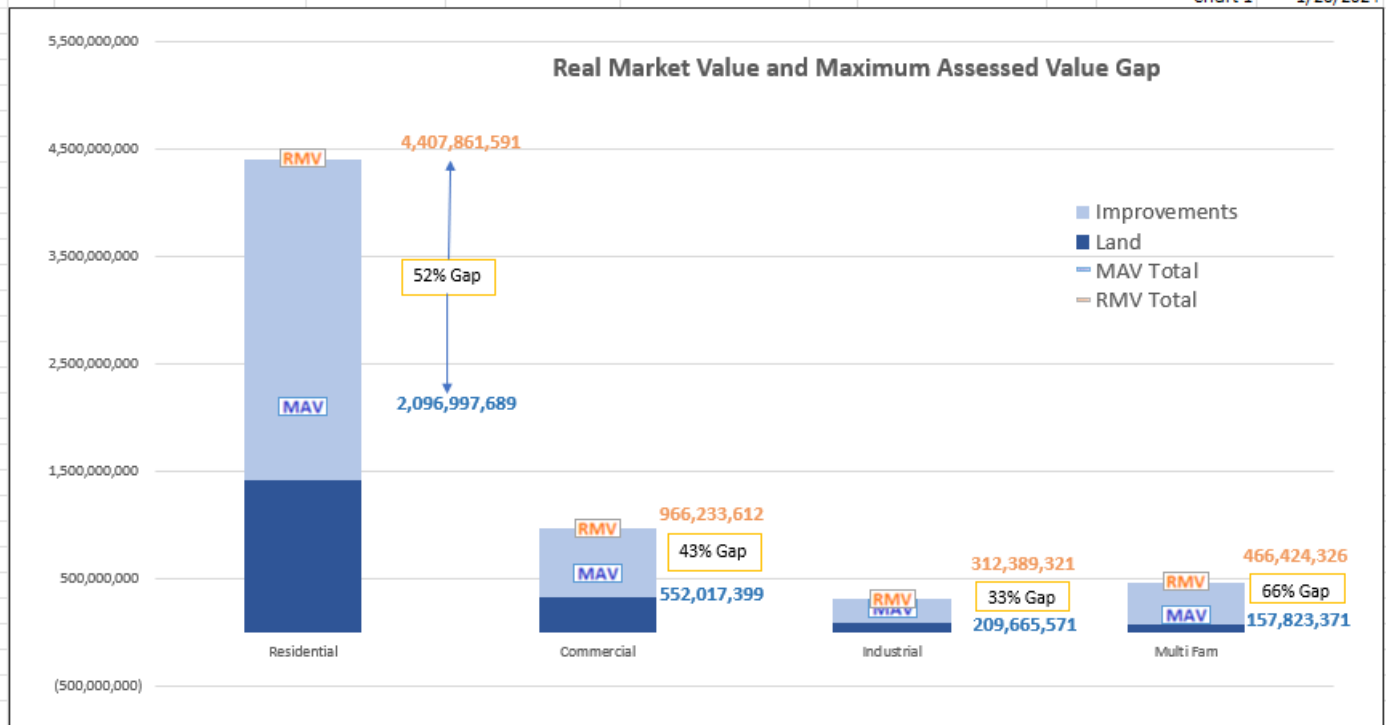
On a monthly basis, the additional \$1.00 per \$1,000 of taxable value would cost the median single-family residential homeowner approximately \$19.58 for city services in FY 2025-26.

Under Measure 50, approved by Oregon voters in 1997, assessed property values are capped at a 3% annual growth and are not directly tied to real market value. Over time, this has resulted in a growing disparity between McMinnville’s Real Market Value (RMV) and its Maximum Assessed Value (MAV).

The following visual, provided by the Yamhill County Assessor’s Office in January 2024, illustrates the variations between McMinnville’s RMV and MAV across four property categories:

- Real Market Value (RMV) represents the estimated selling price, as determined by the assessor’s office.
- Maximum Assessed Value (MAV) is the taxable valuation limit established for each property.

Chart 1 1/26/2024



Comments

Accounts with a gap of more than three percent between total RMV over MAV will in most cases increase their taxable value by three percent. Accounts with MAV greater than RMV will be subject to the increase in market trends up to but not exceeding an increase greater than three percent of the MAV.

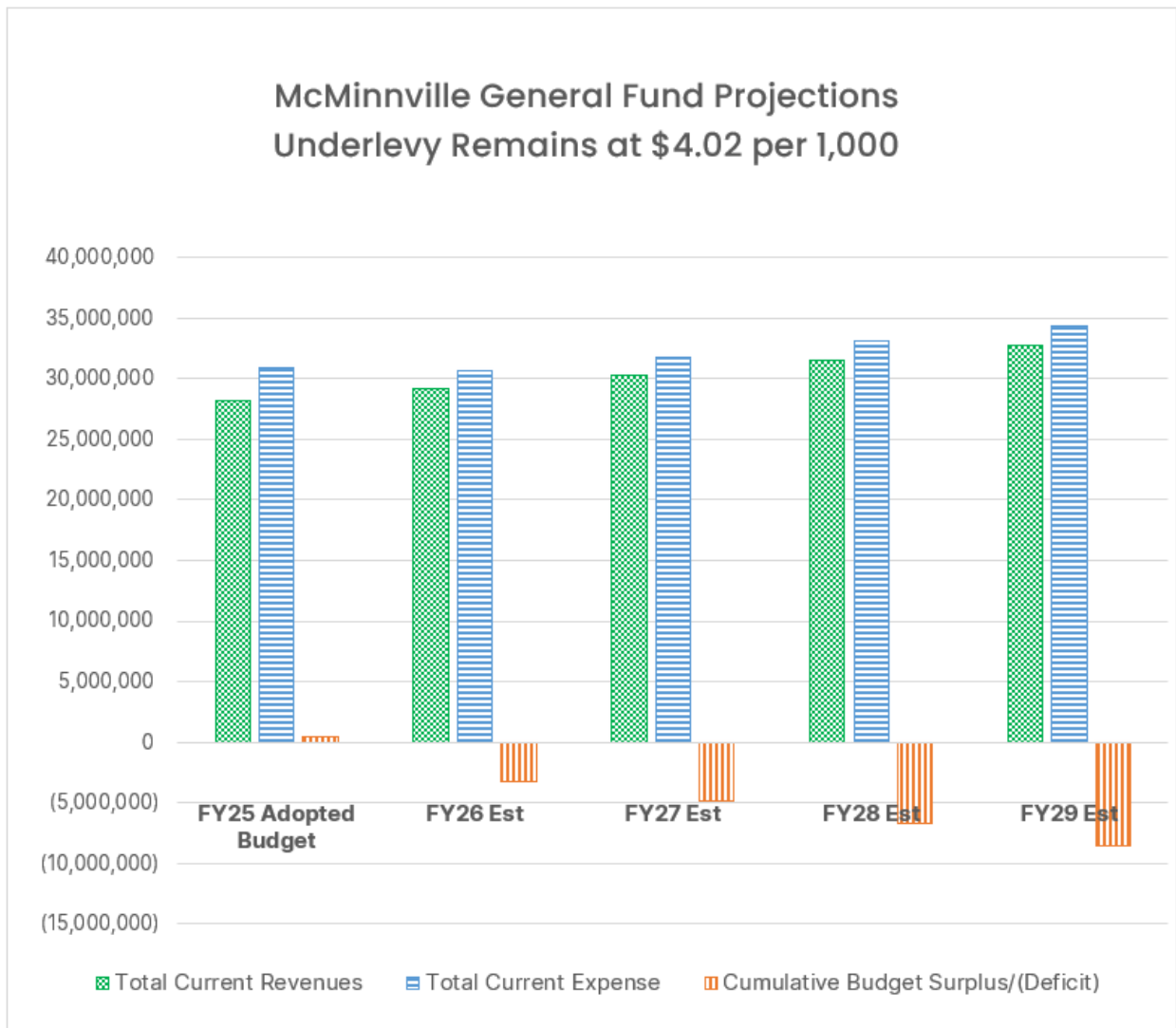
Steady State General Fund Budget: A Glance into the Future

Three forecasting visuals are provided, starting with the current fiscal year 2024-25 and projecting through to FY 2028-29, to support the Budget Committee in evaluating permanent rate tax levy options.

The graphics illustrate the impact of three property tax levy options on the McMinnville General Fund budget:

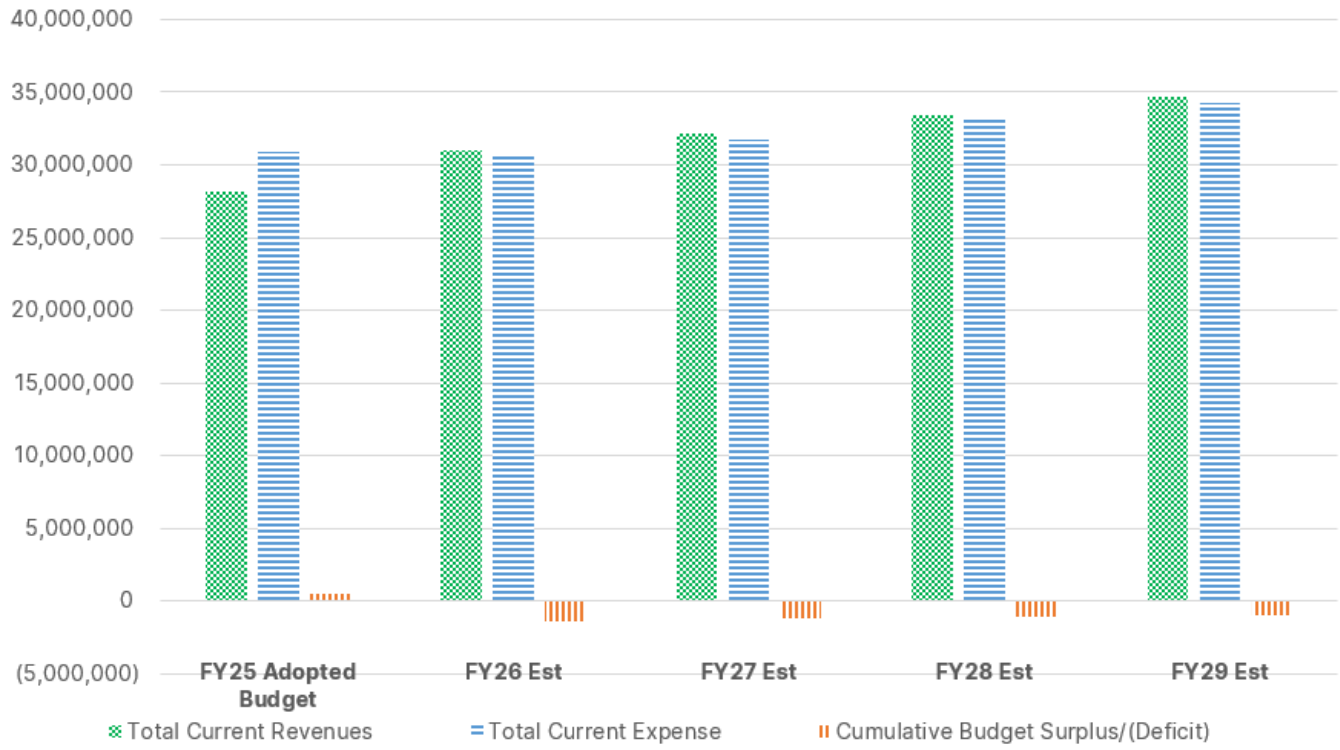
1. Maintaining the \$4.02 under levy FY 2025 to FY 2029 (\$1.00 under levy)
2. Bringing the tax levy to \$4.52 from FY 2026 to FY 2029 (\$0.50 under levy)
3. Reverting to the fully permanent rate levy of \$5.02 from FY 2026 to FY 2029

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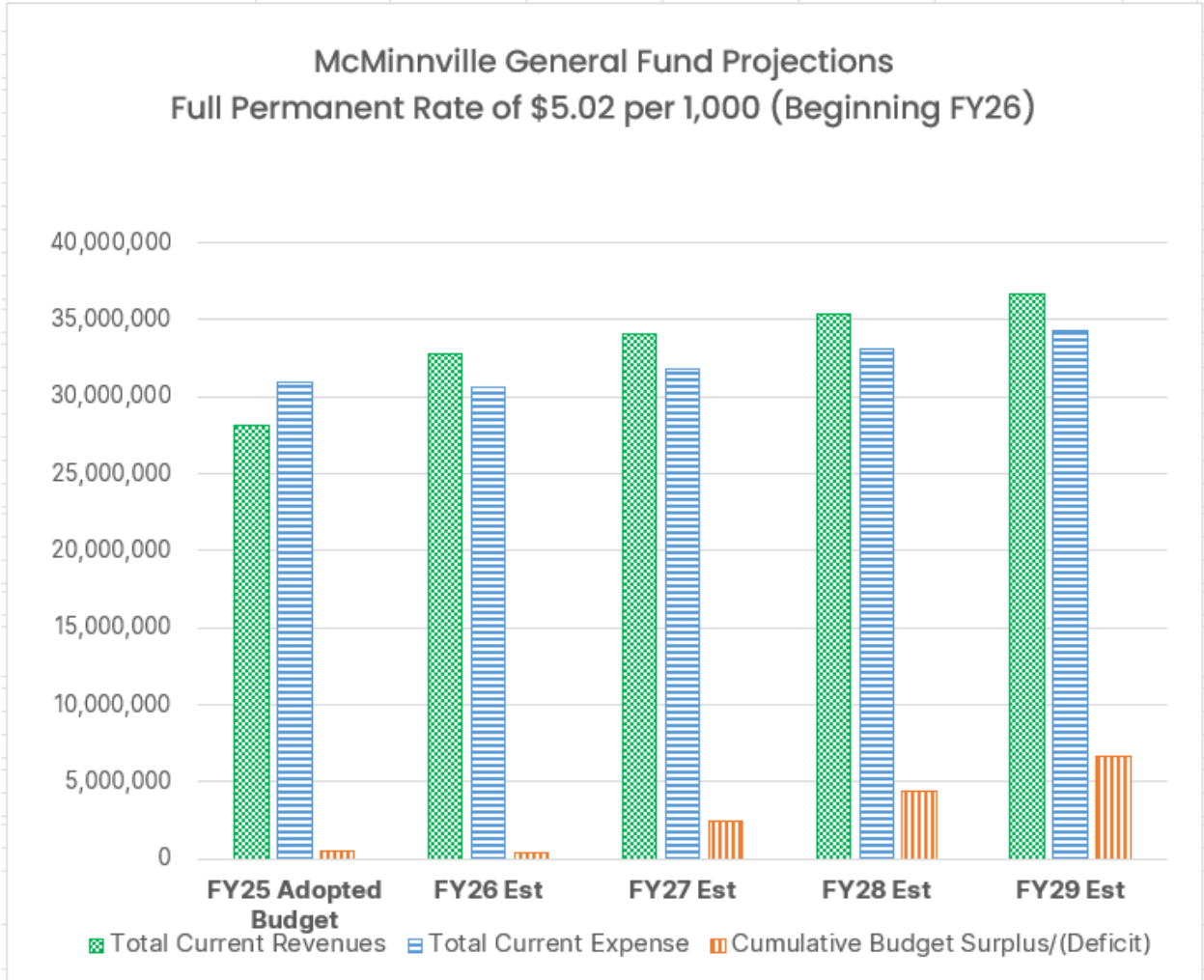
Continuing to under levy by \$1.00 per 1,000 of assessed taxable valuation will result in the re-emergence of a budget deficit beginning in FY 2025-26. Maintaining the current under levy level does not support a sustainable General Fund and would lead to budget cycles similar to those of the past several years, potentially undermining current service levels.

McMinnville General Fund Projections Rate of \$4.52 per 1,000 (Beginning FY26)



Beginning FY 2025-26 at a tax rate of \$4.52 per thousand, would keep current revenues and current expenses close to level with each other, at about a net revenue for FY 2025-26 of about \$400,000. However, a cumulative budget deficit develops that same year.

Should significant capital investments or maintenance activities occur during any year within this forecast or the forecast demonstrating a tax rate of \$4.02, the budget deficit would become more pronounced without additional funding capacity.



Conversely, if McMinnville were to return to the full permanent rate levy in FY 2025-26, the net revenue for FY2025-26 would approach \$2 million, increasing to approximately \$2.4 million by FY 2028-29. However, it is important to note that this forecast assumes very minimal capital replacement and no funding allocated for facilities maintenance capital.

In accordance with the City’s Reserve and Fund Balance Policy, Resolution No. 2020-62, all scenarios reflect the policy guidance, ensuring the General Fund maintains an unassigned fund balance equivalent to two months of operating expense, which is made up of personnel and materials and services.

As the development phase for the FY 2025-26 Proposed Budget approaches, staff is seeking guidance and individual input on the appropriate tax levy rate to incorporate.