



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

**City Council Work Session Agenda
Wednesday, December 16 2020
6:00 p.m. – Work Session**

*Welcome! The public is welcome to attend, however if you are not feeling well, please stay home and take care of yourself. In accordance with Governor Kate Brown's Executive Order we are limiting the amount of people at Civic Hall and if we meet capacity we may ask you to leave. **With new face covering mandate all who wish to attend public meetings must wear a face mask or some kind of face covering is required.***

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Frontier 29 or webstream here:
www.mcm11.org/live

You may join online via Zoom Meeting:
<https://mcminnvilleoregon.zoom.us/j/97213757847?pwd=ZCtiUE00clA1UzR1TjNOcjM3c5UT09>
Zoom ID: 972-1375-7847
Zoom Password: 975008

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1. CALL TO ORDER
2. PRESENTATION/DISCUSSION – Fiscal Year 2021 Mid-Year Budget Review
3. ADJOURNMENT

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City of McMinnville
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McMinnville, OR 97128
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Staff Report

DATE: December 8, 2020
TO: Mayor and City Councilors
FROM: Jennifer Cuellar, Finance Director
SUBJECT: FY21 Mid-Year Budget Review for Work Session on 12/16/2020

STRATEGIC PRIORITY & GOAL:



CITY GOVERNMENT CAPACITY

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

Report in Brief:

All departments reviewed their FY21 budget data and updated the current year's expected financial activity based on information available to them through mid-November. Staff has separately identified adjustments due to the ongoing COVID emergency from other emerging circumstances. For the General Fund, the net result is a variance of less than 1% of the year end balances included in the adopted FY21 budget.

The Street Fund is the other City operating fund with significant COVID impact on its funding model. While the FY21 year-end balance will be lower than budgeted, the ending fund balance will remain well above the two-month operating reserve standard recently adopted in the City's Reserve and Fund Balance Policy.

Background:

This Staff Report highlights the context within which we are working and staff's proposed course of action regarding its approach to the City of McMinnville's financial operations in the near term. The FY21 Mid-Year Review Report¹ is included as an attachment. It describes in detail the revenue and expense variance findings for all General Fund departments and City funds.

Feedback from this work session is sought to give guidance on our anticipated approach to managing the continuing uncertainty during the remainder of this year and going into the budget process for FY22 that covers the period from July 1, 2021 to June 30, 2022.

Discussion:

FY21 mid-year review general findings

A few themes emerged from the midyear review:

- Revenue impacts are specific to each operation and required different ways to analyze likely fiscal year totals
- Approach to open positions has been intentional, with department heads and the City Manager discussing operational needs and options available under the particular circumstances
- Departments universally anticipate lower travel and education expenses for the remainder of FY21

Uncertainty remains, particularly with the public facing service areas. In the timeframe between doing the analysis and preparing this staff report, the Governor announced a “two-week freeze” and the state will begin assessing future mitigation measures based on county risk. As of early December, Yamhill County is included among those facing “extreme risk” due to COVID case levels.

Staff believes the flexible approach based on each program’s unique circumstances has allowed the City as a whole to safely and creatively continue to meet city needs despite the on-going public health emergency, including its ability to manage and mitigate its financial impact to the organization.

City Funds experiencing most financial impacts due to COVID

In addition to the General Fund, the Street Fund is the programming area of most overall consequence to city operations. Fuel sales are down state wide due to reduced travel and commuting resulting in an anticipated shortfall of \$500,000 relative to budgeted gas tax revenue. Because of strong fund balances, no reduction in programming activities for the year is planned.

The Transient Lodging Tax Fund is also impacted with an anticipated revenue reduction of one-third relative a budget that had already priced in some TLT revenue declines for the year. This decrease will be most deeply felt by our tourism partner, Visit McMinnville, with an anticipated \$250,000 hit to its budgeted disbursement and will result in lower general fund revenues of approximately \$100,000.

CARES Act and other federal funding

The City is on course to fully utilize the \$1.4 million CARES Act funding it was allocated via the State of Oregon’s Coronavirus Relief Fund (CRF). These dollars softened the financial impacts due to the pandemic felt in the prior fiscal year as well as the current year (it expires on Dec 30, 2020). This unbudgeted funding source has been used to leverage FEMA Public Assistance grants (approximately \$160,000) and combines with other smaller budgeted and unbudgeted federal dollars to assist the City in addressing and mitigating the health and financial impacts of the pandemic on our operations and the community at large.

All known funding levels as of mid-November are included in the FY21 midyear projections. While the General Fund programming receives over 50% of these dollars, these dollars will offset unanticipated COVID-related costs incurred by the Information Services Fund, Street Fund, Building Fund and Wastewater Funds as well. Further, McMinnville Water and Light is anticipated to receive a pass-through of approximately \$360,000 from the CRF allocation.

Bottom line, the City of McMinnville has benefitted from the CARES Act funding authorized by Congress and specifically enabled by the State of Oregon’s action to share resources with local communities deemed to be too small to receive direct support by federal actions to date. Should the federal government see fit to allocate further resources that include local governments of our size to mitigate the impacts of COVID-19 on our operations, the City of McMinnville would make very good use of those resources in service of the community.

Proposed near-term budget approach:

This FY21 mid-year review was called out in the FY21 budget document as a needed activity given the uncertainty of the time. Several programmatic expenditures had been pulled from the budget and listed as considerations to add back if circumstances came together to allow it. The mid-year review list also included actions to consider if budget shortfalls were significant.²

Because the General Fund is effectively netting to its projected bottom line, staff believes that none of the potential investments – or corrective actions – should be undertaken in the current year. Instead, we propose to focus on current programming and making any adjustments needed to protect the health and safety of the community and balance delivering critical city services. The most recent example of real-time pandemic adjustments staff are managing is the decision to suspend parks and recreation activities for the remainder of the year given our community’s public health “extreme risk” categorization.

The FY22 budget development period is getting underway and we will bring the mid-year review list forward and analyze it in the context of next year's budget. The FY22 budget will be based on a balance of

- Desired service delivery levels, informed by the City's core services analysis and prioritization work
- Available resources, including the policy directive to begin building back general fund reserve levels
- MacTown 2032 strategic plan and the Council's upcoming goal setting session in February

In the event that additional one-time monies become available (we now are aware of one source of additional funds that will become available to the general fund since the fiscal review was completed), staff proposes that the default action be to save the funds. At a minimum, unanticipated one-time revenues could support next year's needs in a continuing uncertain environment; alternatively, if COVID impacts are mitigated due to a vaccine or some other positive trend, a windfall could drop into the reserve to support longer horizon requirements. Staff does recognize that the default described here may not be the best course of action given the on-going pandemic and will remain flexible with its approach to one-time resources should it become clear that vulnerable members of the community need additional supports in the area of housing or food security and/or that vulnerable businesses and non-profits require bridge funding to remain viable, contributing participants in the local economy.

In summary, staff proposes:

1. Continue managing FY21 budget using program-specific decision-making strategy and financial monitoring program
2. Take no action on mid-year review list items in current fiscal year
3. Bring mid-year review list forward for consideration as part of FY22 budget process
4. Save one-time monies as default position
5. Remain responsive to acute community and organizational needs in fluid and unprecedented public health emergency environment

Attachments:

1. FY21 Mid-Year Review Report
2. FY21 Budget Mid-Year Review List

Fiscal Impact:

Mid-year review proposal is budget neutral relative the FY21 financial plan.

Default to save one-time monies will have a positive impact on the city's FY22 budgeting and reserve building efforts.

Funding acute needs or strategic investments with one-time dollars in the current year would be carefully balanced against longer term objectives.

Program and financial management under these conditions represents an opportunity cost to the city in that the time and energy required by staff to stay on top of the evolving landscape and its financial fallout reduces their availability to carry out planned programming.

Recommendation:

Work session discussions do not result in specific action for the meeting.

FY21 Mid-Year Review Report – City of McMinnville

December 3, 2020

This Report is based on the notes from all City of McMinnville Department Heads regarding any COVID-19 related FY21 budget to actuals variances they can see in their operations with data available to them through mid-November 2020. Revenue and expense data was also reviewed to identify any other updates that have emerged to date due to other circumstances.

The information is organized in the order of the general ledger, starting with the General Fund to make references back to the original budget document, presented in the same order, as easy as possible.

Information regarding the Coronavirus Relief Fund (CRF), which has an impact on several funds, is included at the end of the report.

General Fund

Beginning unrestricted fund balance came in \$510,000 over budget estimate of \$4.36M. The positive start does include approximately \$50,000 in items that were anticipated to be completed in FY20 that have carried over to FY21. It also is worth noting the FY21 \$4.88M beginning balance is \$1 million less than the prior year's beginning unrestricted balance.

Administration Department

- COVID Impact: net budget reduction of \$53,000 due to
 - eliminating \$100,000 general fund match for small business grant program because it will be funded by the CRF
 - increasing the budget for homeless housing support outlays to \$50,000 (will be offset by CRF funding)
 - small net savings in travel/education budget relative increased needs for cleaning and social distancing measures
- Other adjustments: net budget increase of \$40,000 due to
 - delay with completion of class and comp study moving from FY20 to FY21 (10,000)
 - personnel estimate for legal team was under-budgeted, driven principally by bringing on staffers earlier than anticipated (25,000) and adding low-cost/highly productive interns (5,000)

Finance Department

- COVID Impact: budget reduction of \$4,000 due to reduced travel to trainings
- Other adjustments: budget reduction of \$7,500 in payroll cost due to updated estimate of overtime and health insurance elections

Engineering Department

- COVID impact on programs and finances:
 - Travel will be reduced by \$4,000 due to travel restrictions
 - Janitorial will increase by \$1,000 due to increased need for specialty cleaning services
- Other mid-year items:
 - Engineering fees revenue will be increased by \$100,000 for the year due to projects we now know to be in the pipeline

Planning Department

- COVID impact on programs and finances:
 - Long Range Planning, Expense and Revenue - \$80,000 reduction in grant award from DLCDD due to state budget cuts. Work still exists, puts more pressure on local match to get it accomplished
 - Reduced travel and training budget by 35 – 50%. Many conferences in the Fall went to virtual environments which required less travel expenditures. Most conferences are in the Spring.
 - Building Repairs Fund overage as installed new keyless entry system, security cameras and front door bell system to accommodate building closure and customer service for COVID
- Other mid-year items:
 - Building and Planning Revenue – Appears to be tracking per projections. Projected very conservatively for planning due to land supply constraints – which appears to be the right call. Building appears to be on track for a moderate year. Same issue as planning but not as pronounced. Still have inventory of lots to build.

Police Department

- COVID Impact on revenues:

Revenue impact for SRO's due to COVID. Currently McMinnville School District (MSD) is requesting 30% of what they would normally have for SRO work/duties due to Comprehensive Distance Learning (CDL). A 70% reduction in revenue for both positions would be \$39,200 and \$39,900 respectively with a total reduction of \$79,100. This is assuming MSD continues to require a 70% reduction in what they normally contract with the City for. That number could go up or down based on the continuance of CDL or if the model switches to an in-person or hybrid option. As of right now, the MSD anticipates using CDL into February 2021.

01-11-046-574-5020-05 and 5020-10

- Other mid-year FY21 budget impacts:

- **01-11-0146-550-8710**

A large expense that wasn't planned for during the current fiscal year was the upgrade of equipment to the Emergency Operations Center/PD Training Room Audio/Video equipment. Total cost for installation of the upgraded equipment was \$26,747.53. Of note finance recently recorded the loan from WWS for the EOC AV project into the emergency operations center.

- **01-11-046-559-7750**

RV Towing costs expense. The PD budgeted \$6,500 for these tows and to date we've towed 3 RV's at \$1,000 apiece through the Dawkins. Since they most likely won't be an option for an unknown period of time and the Hwy 34 towing company has indicated it will cost \$2,500 per RV for dismantling we it is reasonable to estimate we could far exceed that amount depending on how many RV's we ultimately tow. Not sure that it'll get to the \$10,000 over area but very well could depending on what the remainder of the fiscal year turns out to be. This is purely speculative at this point.

- **01-11-046-568-7300-15**

PERS membership expense for PD employee who was moved to Tier 2 from OPSRP retroactive to July 2008. This adjustment was made in the November payroll after PERS was notified that they had incorrectly categorized the employee; at this stage, the cost appears that it will exceed \$100,000.

Municipal Court

- Court fine revenue updates:

- Court fines trended lower than anticipated in the last quarter of FY20 and while they are trending up from their lows this summer, an additional court fine reduction of 20% the budgeted level is merited (\$100,000) as is a reduction in anticipated parking fine revenue (\$11,000)
- The legislature has enacted new laws restricting the ability of the court to eliminate driving privileges for failing to pay court fines or fees, which has a negative impact on fine revenue trends
- In addition, the Court is reviewing its fines and fees level generally as awareness has been raised regarding the disproportionate impact that fines have on people with lower incomes (fines are not progressive based on income). The diversity, equity and inclusion activities the City is undertaking comes at a perfect moment for a discussion regarding this issue and proposals which will come from the court regarding our approach to fines and de-linking fine/fee revenue from the cost of providing vital municipal court services

- Court COVID cost impacts:

- The Municipal Court has worked completely remotely for FY21 to date and anticipates the remote court operations to remain steady through the remainder of the year. In one area, staffing savings are being accrued as the bailiff is not required. On the other hand,

OT costs have risen and the remote model has meant an increased need for the Judge's time during this year. The most significant budget impact is the need to pay into PERS for the Judge. The net budget impact of these unanticipated personnel costs totals approximately \$40,000

- Materials and services costs net savings of \$6,500 with higher postage, phone and cleaning supplies needs offset by lower credit card fees and travel expenses
- Other mid-year updates:
 - The Municipal Court staff has also experienced turnover during FY21, which includes staffing cost increases due to payouts and health insurance election changes as well as staffing cost savings due to open positions, hiring temporary staff for an extended period and new staff starting work at lower levels of the position ranges. Current estimates calculate a need for a total of \$8,000 more required this year compared to the original budget for four full-time court staff.

Fire Department

- COVID Impact on general revenues:
 - Licenses and Permits (\$13,000) Event permits and mass gatherings canceled
 - Code Enforcement (\$5,000) Inspections reduced due to COVID restricted access
 - Airshow (\$22,000) Mass Gatherings prohibited by COVID restrictions
 - GEMT (\$38,500) Call Volume down due to COVID
- COVID and Transport fees

No COVID reduction to the \$3.48 million in revenue budgeted in FY2020-21 is anticipated at this stage. The significant call reduction due to COVID last FY in the spring has not appeared this FY as of this time. Comparing to last year's revenues is complicated further because of the FY2019-20 move from an enterprise fund to including ambulance services within the Fire Department in the General Fund and a significant amount a write offs from the AR were recorded last year due to the change to contract for billing services and a focused effort by FD staff to reduce AR and clean up outdated balances.

- COVID Impact on expenses:
 - Overtime: \$61,000 Increase Staffing additional Ambulance
 - Buildings Maintenance/ Repairs: \$44,605 increase for disinfecting services and UV lights installed in Air Handling Systems
 - M&S Medical Supplies Equipment: \$31,478 increase Purchase of PPE
 - M&S Equipment: \$5,000 increase Purchase of Decontamination equipment

Note: Direct expenses through Dec 30, 2020 will largely be offset by CRF funding and/or FEMA public assistance grants

- Other revenue and expense variances:
 - Conflagration Reimbursement: \$101,191 Increase from Conflagration Responses
 - Amity Fire District: \$5,606 increase due to CPI increase not in budget
 - Building Improvements: (\$52,140) Mold remediation and remodel costs under estimates
 - M&S Equipment: \$15,000 increase for purchase of new Video laryngoscopes 3 failed
 - Equipment EMS Defibrillators: (\$57,560.11) – savings from group purchasing and trade-ins brought us in under budget
 - Transport Fees: (\$200,000) Reduced to accommodate write offs not listed in new accounting method

Parks and Recreation Department

- COVID impact on programs and finances:

Parks and Recreation has traditionally been approximately 50% cost recovery through fees and other revenue. Due to COVID closures and restrictions, additional projections and forecasts are being done through this fiscal year to track reduced revenues and increased costs to mitigate COVID while still providing services to our community safely. Our facilities remain closed to walk-in or drop-in use and private rentals but all 3 are open for scheduled activities, by appointment or reservation only

Aquatic Center – the pool reopened on July 6th with a modified program. Additional programs have been added over time while following Oregon Health Authority (OHA) guidance. The initial COVID budget estimate was ~25% overall cost recovery for the entire fiscal year. Q1 actuals are closer to 10—15%. The primary assumption is that we may approach 25% as the fiscal year continues and program attendance and revenues begin to stabilize

Community Center –Estimates for Q1 were determined based on the assumption of these limited programs moving indoors and limited participation from the public based on the personal risk patrons were willing to take, guidelines and interest. The CC will continue adding programs based on level of interest and safety precautions. For comparison, pre-COVID we would offer 27 gymnastic classes a week with 240 participants and with COVID limitations, we are holding five in-person classes with 29 students and three Zoom classes with 13 students

Kids on the Block – KOB is not operating out of schools due to COVID. Q1 estimates were built on assuming this program would be back in the schools in January 2021 and bringing in about 50% of the overall budgeted revenue while spending about 66% of the budgeted expenditures

Rec Sports – The program has been largely curtailed. Even if schools do open in January, the modified High School sports schedule could mean limited access for Parks and Recreation. Therefore, we are not planning for any indoor sports (adult or youth) at school district facilities until March 2021. Budget estimates at this point assume that outdoor medium- and minimal-contact sports will take place with some modifications in the spring. We plan to run youth soccer and youth baseball/softball spring 2021, but will likely have lower than usual turnout as the public determines

their tolerance for COVID associated risk. At this time, the Recreation Sports draw on the general fund is slightly lower than in the Adopted Budget due to a large decrease in temporary staff expenditures from either not running programs or running at a much smaller scale

Senior Center – has remained closed for Q1 with a small number of recreation programs outdoors on the patio and/or under the covered drive thru area. As weather changed these programs have been moved into the dining room with controlled access/reservations. Q1 estimates were determined based on the assumption that the senior center would begin regularly scheduled hours of operation and increased recreational programming beginning April 2021 and bringing in about 17% of the overall budgeted revenue while spending approximately 70% of the budgeted expenditures. The assumption was also made that although recreational programs would increase, participation would be much lower than pre-COVID attendance due to the vulnerable population typically served through this facility

Note: this analysis was done prior to the mid-November closures for pools called out in the governor’s order and the announcement on December 2 of the Parks and Recreation Director that programming for the year will be suspended.

Parks Maintenance

- COVID impact on programs and finances:
 - The already reduced budget for shelter revenue in FY21 will be zero’ed out for the year given COVID restrictions, a reduction of \$5,200
 - Travel will be reduced by \$2,000 due to travel restrictions
 - Janitorial will increase by \$500 and \$15,000 in additional sanitation costs for portable toilets will be added to the budget
- Other mid-year items:
 - The repairs for vandalism line will be increased by \$5,000 due to removal of large encampment on undeveloped parkland

McMinnville Library

- COVID impact on programs and finances:
 - At the onset of the pandemic the library stopped charging overdue fines on library materials as library patrons were staying home and staying safe. This has greatly reduced the revenue line 01-21.6160.
 - Dollar donations to the Library have decreased as many people and organizations who previously donated to specific library programs for children did not do so this year as we have not held many programs. This reduced revenue lines 01-21.6440-25 and 01-21.6600-98.
 - Travel & Education has not occurred as expected due to COVID-19, which has reduced the expense line 01-21.7550.

- Fuel- Vehicle & Equipment expenses have gone up due to the COVID inspired Library home delivery program, effecting line 01-21.7590.
- Janitorial services have been reduced due to the library closing for 3 months and currently being open fewer days. This reduced the expense line 01-21.7650
- Other mid-year items:
 - The cost for the smoke detection system replacement was less than expected, so line 01-21.8800 was reduced

General Fund-Non-departmental

- COVID related updates
 - LGIP interest rates are substantially lower than last year and look to be holding steady at the lower levels due to the negative economic impacts of COVID. Will reduce the FY21 interest budget by a third, which reduces general fund unrestricted revenues by approximately \$50,000
 - Because of the CARES Act revenues, the city will go over \$750,000 in federal awards, thus necessitating a federal single audit in FY20 and FY21, at an increased cost of \$10k each year
 - An outlay to Mac W&L for its portion of the CRF funds (est. \$300,000) will be added to general fund costs. This expense is fully reimbursed by the federal dollars
 - Transient Lodging tax has been reforecast based on two more quarters of actual revenues received, causing the city to bring down the FY21 estimate by one third, reducing general fund revenue by \$108,000
- Mid-year budget updates:
 - The FY21 property tax estimate appears too high – the \$14.5M budget will be brought down by \$300,000 to \$14.2M. The county year over year increase is slightly less than the 4% that was budgeted. In FY20, \$13.7M in current year property tax revenues were collected
 - Franchise fees collectively are anticipated to come in \$125,000 less than budgeted, the most significant change is with McMinnville Water and Light. Additional research is underway to identify how much of these revenue trends is due to COVID and, thus, may be one-time/short term issues and how much is due to larger downward trends generally
 - Sin taxes are trending \$150,000 higher than budgeted, with the strongest increase being seen in the local 3% marijuana tax collection rate. Cigarette tax is trending down and liquor taxes have bumped up. Evidence does suggest that limited recreation options and staying closer to home during COVID are responsible for at least some of these increased tax dollars

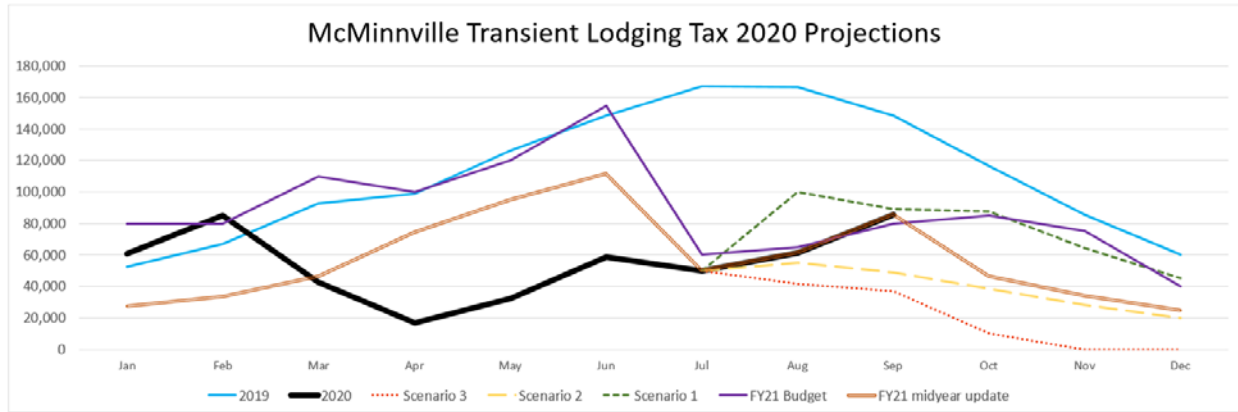
- The LOSAP ending fund balance is anticipated to be \$280,000 higher than budgeted; this is funded by a beginning balance \$130,000 higher than budgeted and actual activity already seen year to date in the annuity fund

Special Assessments Fund

- COVID impacts:
 - The grant program to support small businesses was only able to disburse \$57,000 in awards of the \$200,000 budgeted due to tight qualification restrictions on the program by state regulators and federal rules, reducing the revenues and expenses by an equivalent \$143,000
 - Lower LGIP interest rates due to the impacts of COVID on the larger economy lead us to drop interest earnings by an estimated \$1,500
- Other mid-year updates:
 - The CDBG housing rehabilitation grant revenues and expenses will increase \$35,000 because the grant spent less in the prior year than anticipated
 - The DEID annual assessment issued this fall was \$55,000; this amount is \$5,000 less than budgeted, reducing revenue and the offsetting expense passing those funds through to the McMinnville Downtown Association

Transient Lodging Tax Fund

- COVID impacts:
 - The FY21 TLT revenue estimate was \$1,050,000, anticipating short term impacts of COVID when the budget was put together last spring. The city also anticipated McMinnville being a local travel destination for Portland metro area residents who would likely stay closer to home during the pandemic, mitigating the generalized losses in the travel sector
 - Two more quarters of actual data is now available. The period ending June 30, 2020, was just under 30% the TLT revenue level for the same quarter in 2019. The period ending September 30 (Q1-FY21) is off 40% of 2019 receipts
 - Additionally, western states are issuing travel advisories for the first time in November 2020, indicating a longer term and more severe impact to come
 - The re-forecast the FY21 budget anticipates Q2, Q3 and Q4 revenues at 40%, 50% and 75% of pre-COVID 2019 calendar year levels respectively for a total fiscal year revenue estimate of \$690,000
 - The updated revenue estimate brings down revenues by a third, or \$360,000. This reduces the anticipated payment to Visit McMinnville by \$252,000 and the transfer to the General Fund by \$108,000



11.18.2020

Assumptions

- Scenario 1 Starting in June, 50% of 2019 levels rising to 75% in Q4
- Scenario 2 Starting in June, 33% of 2019 levels
- Scenario 3 Starting in June, 25% of 2019 levels + Nov and Dec stay at home

2020 TLT totals x scenario Percent 2019 level

Scenario 1	928,977	69.8%
Scenario 2	733,707	55.1%
Scenario 3	631,892	47.5%
FY21 revenue re-forecast for midyear update	690,000	51.8%

Monthly Tax

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	total
2018	42,133	50,071	66,948	76,642	100,524	118,693	143,469	154,054	129,366	112,951	80,554	56,923	1,132,329
2019	52,340	66,914	92,612	99,136	126,557	148,529	167,314	166,525	148,372	116,549	85,713	60,232	1,330,794
2020	60,980	84,868	42,516	16,845	32,314	58,782	49,967	61,373	85,555				493,201

Telecommunications Fund

No variances relative budget due to COVID or otherwise are apparent at this time beyond smaller annual interest earnings

Emergency Communications Fund

Budget update needs due to COVID or for other reasons are not anticipated other than for reduced interest earnings

Street Fund

- COVID impact on programs and finances:
 - Gas tax revenues have been significantly impacted by COVID, as vehicle travel/fuel sales are down statewide. An estimated \$500,000 reduction to the \$2.65M gas tax revenue is anticipated
 - Travel expense will be reduced by \$2,000 due to COVID travel restrictions and janitorial will be increased by \$500
 - Budgeted purchase of the mower (\$55,000) may be deferred if gas tax declines even further
- Other mid-year items:
 - The beginning balance for the year came higher than budgeted by \$254,000
 - The sweeping contract will need to be rebid and it is anticipated that it will come in \$50,000 higher than prior year contract costs based on what we are seeing in other communities

- Some wage savings is anticipated due to a Utility Worker II vacancy for 2.5 months

Airport Fund

- COVID impact on programs and finances:
 - A one-time CARES act grant \$69,000 has been added to the FY21 budget
 - Aviation fuel sales are down due to COVID, \$6,500 estimated decline Gas tax revenues have been significantly impacted by COVID, as vehicle travel/fuel sales are down statewide. An estimated \$500,000 reduction to the \$2.65M gas tax revenue is anticipated
- Other mid-year items:
 - The budgeted interfund loan for building the fuel storage tank (\$155,000) may not be required, further financial review will be done to determine whether to move forward with the authorized loan

Transportation Fund

At this stage, no significant budget adjustments due to COVID, or any other factors, is anticipated. It is worth noting that the beginning balance for the year exceeded budget by \$280,000 while interest earnings will be brought down by \$25,000

Park Development Fund

The fund's beginning balance level is \$225,000 higher than projected. However, no significant budget adjustment due to COVID or for other reasons is expected beyond an interest earnings allocation anticipated to be \$8,000 less than budget

Debt Service Fund

The Debt Service fund began the year \$65,000 ahead of projections and interest earnings are expected to come in \$25,000 below budget levels. No other adjustments of significance look to be necessary at this stage though the City will be monitoring tax receipts as they continue to come in

Building Fund

- COVID impact on programs and finances:
 - Reduced travel and training budget by 35 – 50%. Many conferences in the Fall went to virtual environments which required less travel expenditures. Most conferences are in the Spring.
 - Building Repairs Fund overage as installed new keyless entry system, security cameras and front door bell system to accommodate building closure and customer service for COVID
- Other mid-year items:

- Building revenue appears to be tracking per projections. Projected very conservatively for planning due to land supply constraints – which appears to be the right call. Building appears to be on track for a moderate year. Still have inventory of lots to build.

Wastewater Fund

- COVID impact on programs and finances:
 - At this time, revenues appear to be tracking to estimates and no revenue reduction has been projected.
 - Travel expense will be reduced by \$6,000 due to COVID travel restrictions
 - The Customers Helping Customers program is new as of this spring as part of our efforts to support folks struggling to make basic monthly utility bill payments and was not budgeted for FY21. We will add the full program cap of \$20,000 to the WW budget

Information Services Fund

- Court COVID cost impacts:
 - Materials and Services savings due to COVID total approximately \$20,000 and are driven by lower travel and education costs as well as fewer months of Office365 subscriptions because the rollout across the agency has been slower due to staffing attention required to support work from home efforts
 - Outlays in November and December to support remote work not previously budgeted are looking to total \$75,000. These costs will be reimbursed by the Coronavirus Relief Fund
 - While the activities for staff have changed somewhat during the year to meet the needs of this unique moment, the total cost for staffing is anticipated to come in as budgeted

Insurance Services Fund

The beginning balance of this fund came in \$63,000 less than anticipated and interest earnings are anticipated to come down another \$12,000. The updated ending fund balance for the year is approximately \$950,000, over seven times the reserve policy target minimum level of 10% of expenditures which, in FY21, is estimated at \$125,000

Urban Renewal District

- UR Budget – Taxes higher than projected. Due to COVID, MURAC launched a Business Recovery Façade Improvement Program that was very successful. Would be good to amend budget to add more funds to Property Assistance Project – expenditure.

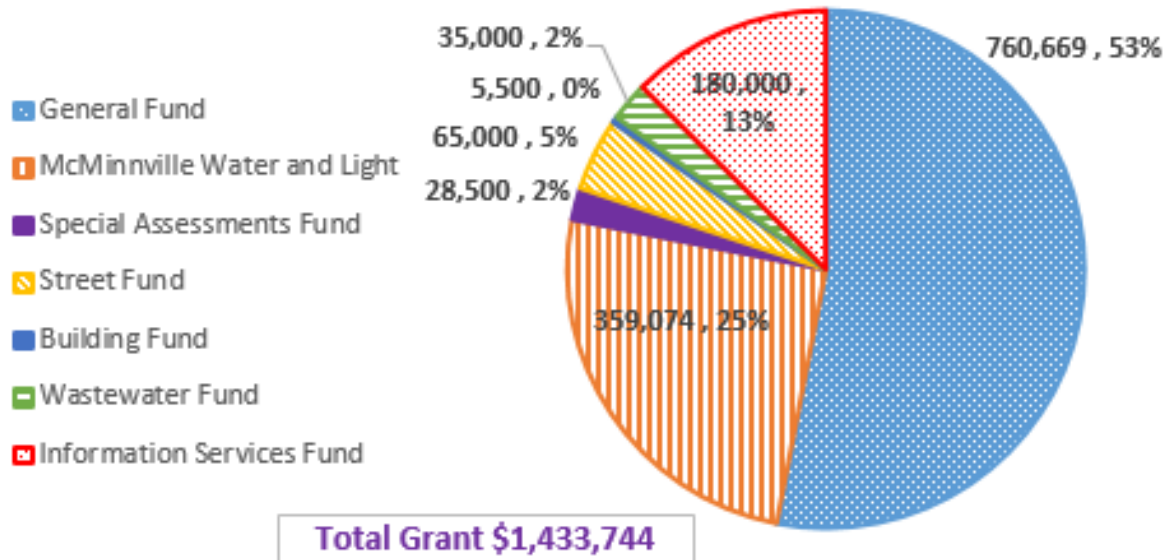
Coronavirus Relief Fund

- The CRF grant program is the State of Oregon’s CARES Act dollars that it is sharing with local jurisdictions. McMinnville’s allocation is \$1.43 million

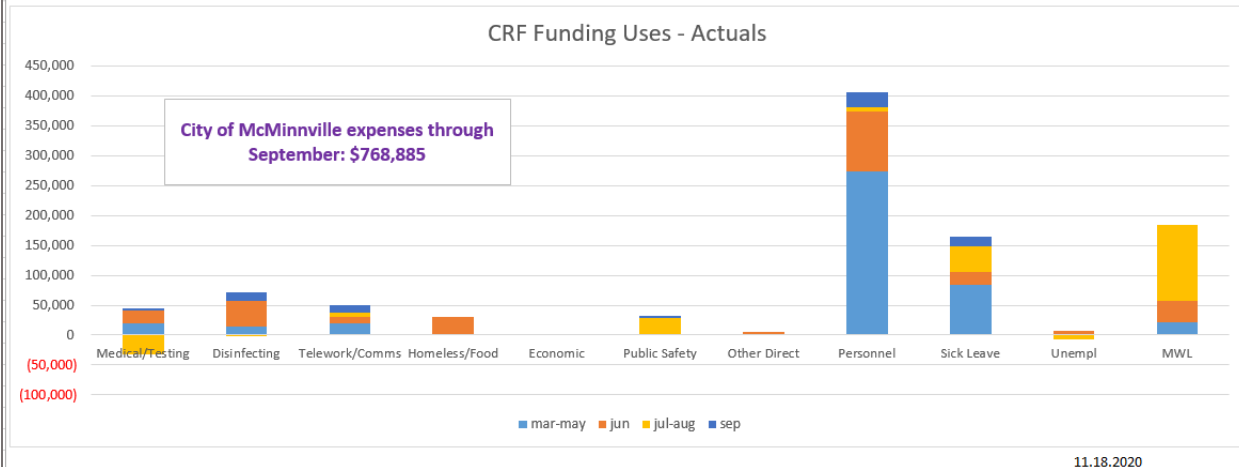
The FY20 total received was \$707,000. FY21 will see \$726,000; estimates by fund for this fiscal year:

- General Fund \$542,500
with \$300,000 earmarked for MWL and \$50,000 for additional homeless support
- Special Assessments Fund \$27,500
- Street Fund \$25,000
- Building Fund \$4,000
- Wastewater Fund \$1,500
- Information Services Fund \$124,000

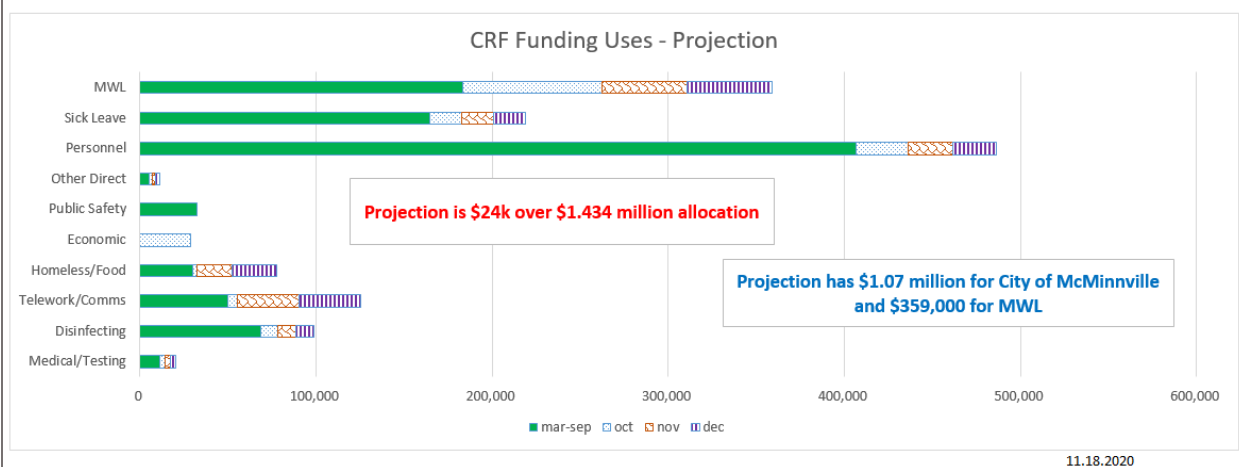
CRF Reimbursement Estimate by Fund



Coronavirus Relief Fund



Coronavirus Relief Fund





FY2020-21 Budget Mid-Year Review List

Initial list of expenditures to consider should beginning balance come in higher than budgeted and actual property tax levels can be evaluated relative FY21 revenue projections. Due to nature of current circumstances with public health emergency and unknown impacts on revenue as well as potential for extraordinary outlays over the next year, it is possible priorities will change even if the City's financial condition permit adding costs to next year's activities.

<u>Items</u>	<u>Amount</u>	<u>Adjustment</u>
Affordable Housing projects	301,700	
Assistant City Manager	205,000	
NEOGOV Module, performance management	9,000	(9,000) no capacity in FY21
Planner, funded by Business Licenses	125,000	
Planning Add package: Associate Planner	99,000	(99,000) UGB option not taken
Planning Add package: Community Visioning 50k #3, Update Comp Plan 50k #1, Way finding 15k #4, Reevaluate design standards 10k #2	125,000	all items on FY21 strategic plan
Engineering Tech (in budget for 1/1 hire date)	55,500	
Park Maint 5' Zero Turn rotary mower - replaces 2006 unit	16,000	
Park Maint 3/4 ton pickup - replaces 1991 unit	33,000	
Playground - renovate Discovery Meadows playground-phase 1	129,000	
City Park - Restrooms - partition replacements	5,000	
Park Signage Upgrade - System wide	12,000	
City Hall Restore windows, south side, 2nd level	10,000	
Parking Structure - Elevator room wall repairs and roof painting	10,000	
Parking Structure -Install drainage at 2nd floor elevator landing	5,000	
MPD Air Compressor	35,000	
Library Security Cameras	30,000	
Municipal Court remodel to improve security and compliance	15,000	

In addition, the City needs to consider the possibility that revenue losses and/or extraordinary costs exceed anticipated levels requiring budget reductions for FY2020-21 from the appropriated levels. Further, the City has been utilizing its reserve to fund current year expenses for the last decade of general fund budget proposals, including for FY2020-21. Options to address near term budget shortfalls are listed below. Advancing the discussion into City's core services will also be key in decision-making.

<u>Items</u>	
Furlough program	Job-share program
Freeze open positions	



MID-YEAR FY2020-21 BUDGET REVIEW

CITY OF MCMINNVILLE CITY COUNCIL WORK SESSION, DECEMBER 16, 2020



GENERAL FUND

General Fund's net variance for FY21 re-projection is less than 1%

FY21 Midyear Budget Review

	FY21 Adopted Budget	Covid Impact (lower)/higher	Other Update (lower)/higher	FY21 Updated Estimate	Amt Change (lower)/higher	% Change
General Fund Revenues	35,747,934	(858,350)	424,793	35,314,377	(433,557)	-1.21%
General Fund Expenses	35,747,934	(414,371)	328,960	35,662,523	(85,411)	-0.24%
Difference	0	(443,979)	95,832	(348,146)	(348,146)	-0.97%

GENERAL FUND – REVENUES

FY21 Midyear Budget Review

	FY21 Budgeted Revenue	Covid Impact (lower)/higher	Other Update (lower)/higher	FY21 Updated Estimate	Amt Change (lower)/higher	% Change
General Fund						
Beginning Balance - Unrest	4,357,412	0	518,795	4,876,207	518,795	11.91%
Beginning Balance - LOSAP	581,306	0	130,577	711,883	130,577	22.46%
Administration	22,708	0	1,680	24,388	1,680	7.40%
Finance	24,100	0	0	24,100	0	0.00%
Engineering	50,500	0	104,000	154,500	104,000	205.94%
Planning	308,700	(80,000)	232	228,932	(79,768)	-25.84%
Police	276,647	(79,100)	0	197,547	(79,100)	-28.59%
Muni Court	522,500	(113,500)	0	409,000	(113,500)	-21.72%
Fire + Ambulance	4,650,894	(78,500)	(86,642)	4,485,752	(165,142)	-3.55%
Park + Recreation	1,724,312	(987,402)	2,150	739,060	(985,252)	-57.14%
Park Maint	5,300	(5,200)	0	100	(5,200)	-98.11%
Library	264,230	(12,000)	500	252,730	(11,500)	-4.35%
Non-departmental	22,959,325	497,352	(246,500)	23,210,177	250,852	1.09%
Total	35,747,934	(858,350)	424,793	35,314,377	(433,557)	-1.21%

GENERAL FUND – EXPENDITURES

FY21 Midyear Budget Review

	FY21 Budgeted Expense	Covid Impact (lower)/higher	Other Update (lower)/higher	FY21 Updated Estimate	Amt Change (lower)/higher	% Change
General Fund						
Administration	1,507,822	(53,000)	39,820	1,494,642	(13,180)	-0.87%
Finance	690,802	(4,000)	(6,608)	680,194	(10,608)	-1.54%
Engineering	1,098,237	(3,000)	0	1,095,237	(3,000)	-0.27%
Planning	1,728,500	(92,750)	488	1,636,238	(92,262)	-5.34%
Police	9,394,484	0	110,535	9,505,019	110,535	1.18%
Muni Court	551,885	33,700	8,600	594,185	42,300	7.66%
Fire + Ambulance	9,401,603	136,396	(104,400)	9,433,599	31,996	0.34%
Park + Recreation	3,563,021	(740,517)	0	2,822,504	(740,517)	-20.78%
Park Maint	1,405,652	13,500	5,000	1,424,152	18,500	1.32%
Library	1,922,396	(6,700)	(4,475)	1,911,221	(11,175)	-0.58%
Non-departmental	1,964,162	302,000	0	2,266,162	302,000	15.38%
Conting+Unrestr Reserve	2,011,112	0	0	2,011,112	0	0.00%
LOSAP Reserve	508,258	0	280,000	788,258	280,000	55.09%
Total	35,747,934	(414,371)	328,960	35,662,523	(85,411)	-0.24%

FY21 MID-YEAR REVIEW THEMES

- Revenue impacts are program-specific, requiring different approaches to analyzing likely year end totals
- When open positions have arisen, department heads and City Manager are intentional about whether to fill positions based on operational needs and available options
- Generally, departments anticipate lower travel and education expenses for the balance of the year

FY21 MID-YEAR REVIEW THEMES

- Uncertainty remains, particularly with public facing departments
- “Extreme risk” designation means impacts could worsen
- Flexible approach based on each program’s unique circumstances is allowing the City as a whole to safely and creatively continue to meet community needs during the public health emergency, including ability to manage and mitigate its financial impact to the organization

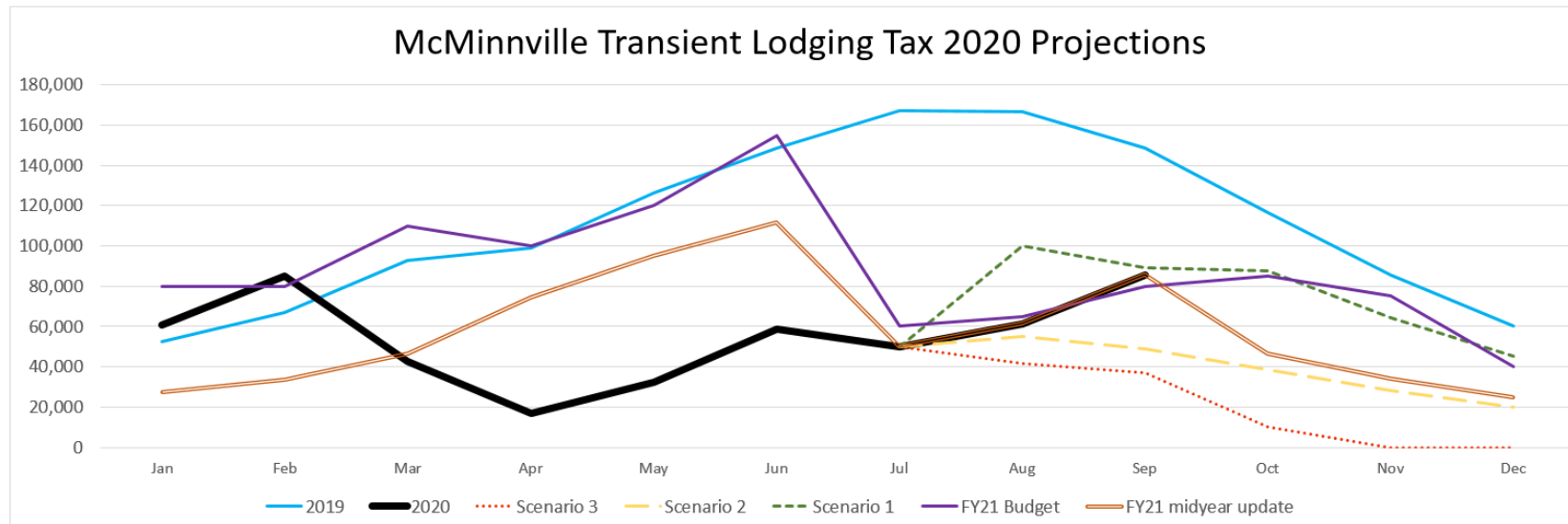
STREET FUND

In addition to the General Fund, two other funds are strongly impacted by COVID-19:

- Street Fund
 - Gas tax down an anticipated \$500,000
 - Stronger beginning fund balance than budgeted allows annual programming to continue as planned

TRANSIENT LODGING TAX FUND

Transient Lodging Taxes are anticipated to come in down one-third of anticipated budget



11.18.2020

Assumptions

- Scenario 1 Starting in June, 50% of 2019 levels rising to 75% in Q4
- Scenario 2 Starting in June, 33% of 2019 levels
- Scenario 3 Starting in June, 25% of 2019 levels + Nov and Dec stay at home

2020 TLT totals x scenario

Scenario 1	928,977	69.8%
Scenario 2	733,707	55.1%
Scenario 3	631,892	47.5%

FY21 revenue re-forecast for midyear update

690,000 **51.8%**

Monthly Tax

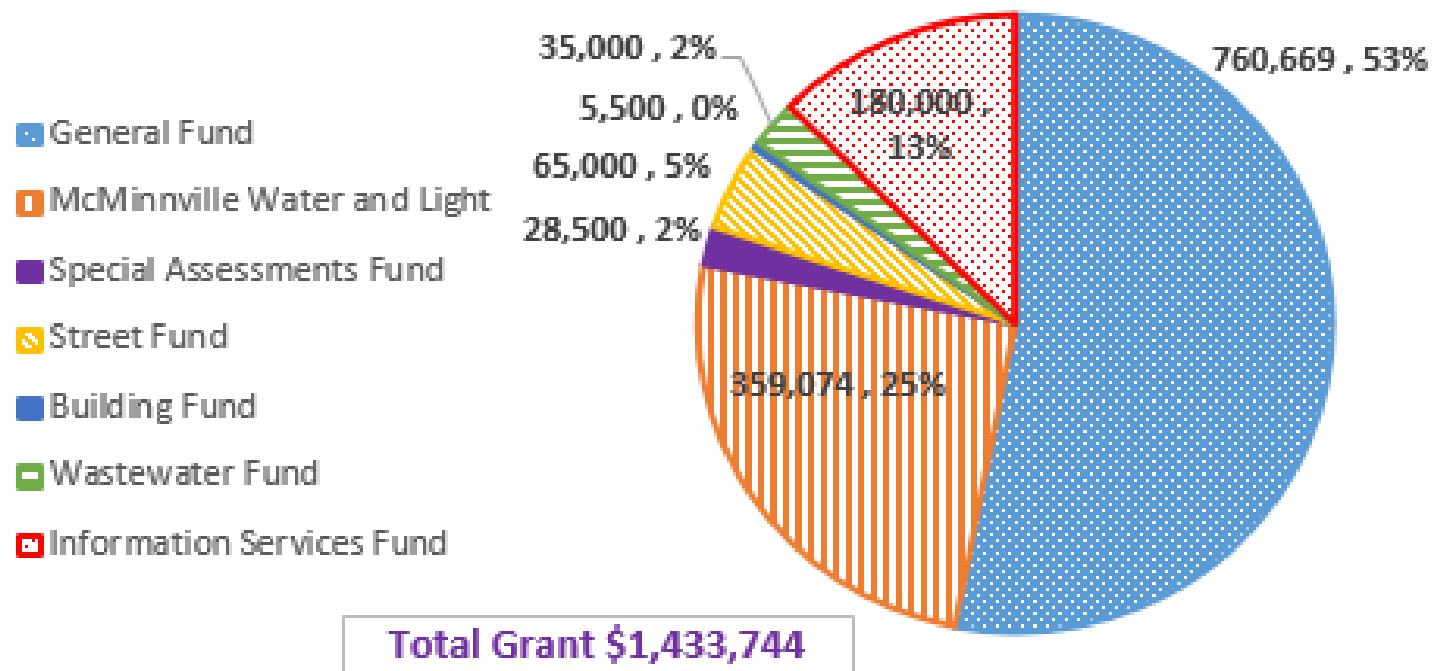
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	total
2018	42,133	50,071	66,948	76,642	100,524	118,693	143,469	154,054	129,366	112,951	80,554	56,923	1,132,329
2019	52,340	66,914	92,612	99,136	126,557	148,529	167,314	166,525	148,372	116,549	85,713	60,232	1,330,794
2020	60,980	84,868	42,516	16,845	32,314	58,782	49,967	61,373	85,555				493,201

CORONAVIRUS RELIEF FUND AND OTHER FEDERAL AWARDS

- Federal awards have been a crucial source of funding in allowing the City to continue operations and mitigate severe financial fall out since the spring
- Coronavirus relief Fund (CRF)
 - the City's allocation is \$1.43 million
 - a little more than half, \$726,000 will be received in FY21 across six funds
- FEMA public assistance grant program will likely total \$160,000
- Also receiving CARES Act funding via the FAA, HHS and Bureau of Justice Assistance

CORONAVIRUS RELIEF FUND

CRF Reimbursement Estimate by Fund



STAFF PROPOSAL

Staff proposal for near term budget approach:

- Continue managing FY21 budget using program-specific decision-making strategy and financial monitoring
- Take no action on mid-year review list items in FY21 but bring it forward for consideration in FY22 budget process
- Save one-time revenues as default position
- Remain responsive to acute community and organizational needs given public health emergency, including option to program one-time revenues should conditions merit

FY22 BUDGET APPROACH

During FY22 budget process, staff will weigh the following as it puts together a balanced, proposed budget:

- Desired service delivery levels, informed by the City's core services analysis and prioritization work
- Available resources, including the policy directive to begin building back general fund reserve levels
- MacTown 2032 strategic plan and the Council's upcoming goal setting session in February