

FY2024-25 McMinnville Budget Q&A #3

Questions from Budget Committee during the meeting on 5/23/2024 and budget related questions that have come up from public comment or during regular council meetings through 6/11/2024 – prepared 6/17/2024

With almost a quarter of the city's headcount now transferred to the new McMinnville Fire District, doesn't that mean that there will be a similarly proportionate gain in freeing up support services staff time to serve the smaller City organization?

We know there will be some level of support staff time savings with this significant organizational change. However, it won't be proportional to headcount because there are very few examples of entire business processes being eliminated due to this change. Some support time is driven by the number of people on payroll or checks issued or computers supported, but support time is also expended on the business process itself, no matter how many individual component parts go into it.

In addition, because in McMinnville each department does much of its own administrative support (exs: preparing POs, entering timesheets, writing staff reports and resolutions, conducting purchasing/procurements), the support services savings associated with a department being eliminated is less pronounced than one might imagine it would be.

The year of McMinnville Fire District transition during FY2023-24 meant additional workload for support departments; this is stretching into FY2024-25 as the information services separation is incomplete and ongoing financial services and FY2023-24 specialty fiscal closing work that happens in the new year due to the transition remains.

It merits noting that in the core service analysis, a component of the sustainable resources discussions, shared at a work session with the full budget committee January 11, 2022¹, 44 of the top 50 prioritized core services were operating at a base or below base level. All but one support service activity was evaluated to be at base or below base. The notable exception was information services operations - the mature device management footing, basic software applications and communications infrastructure allowed the City to maintain operations when the pandemic emergency stay at home orders began in March 2020. While some of these support service activities in the interim have received new resources and staff capacity (human resources, community engagement and Council support services), remaining support services deficits are where near-term freed up staff time will be focused.

To get specific, some metrics can be highlighted to give us a sense of the potential staff time that will come on board as the fire district transition support work has wound down fully:

- Payroll maintenance, one component of the payroll process (24 per year) that does have to do with individual employee changes managed by the payroll accountant, averages 10-15 hours per payroll. Over the course of a year, that's

¹ The work session packet can be found on the city's website https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/city_council/meeting/packets/23085/joint_packet_01.11.22.pdf

approximately 14% of a Full Time Equivalent (FTE). Reducing headcount by 22% results in 3% FTE savings.

- With one fewer bargaining unit – perhaps the only business process eliminated with this organizational change - the time every three years that goes into supporting the negotiations process and then implementing any new contract elements will go away but average over a three-year run is also fairly small in terms of support department FTE across a number of support services positions.
- Turning to payments issued, in FY2022-23, the fire department had 977 of the total 5211 payments or 19%. Approximately 15 hours per week is dedicated to the portion of payment processing related to individual transactions; when reduced by the fire department proportion of payments, that’s approximately 7% of an FTE in time saved.
- The metric of ordinances and resolutions that come before Council is known and can be evaluated. Looking back in the pre-fire district consideration days of calendar years 2015 and 2016, one ordinance related to the fire department was considered during that time period. As for resolutions, CY15 had 2 of 61 (3%) and CY16 had 5 of 93 (5%).
- Another time commitment we can consider in the Administration department is City Manager oversight. Every department head meets twice monthly with the City Manager, meaning approximately 24 hours per year in meetings or 1% of an FTE.

Why do some funds have contingency and/or ending fund balance and others don't?

The nature/purpose of how the activities in the City’s funds are carried out is what determines whether they have a contingency or ending fund balance in the budget. The four funds that do not have contingency and/or ending fund balance budgeted include:

Fund	Contingency	Ending Fund Balance
05 Grants and Special Assessments Fund	No	Yes
07 Transient Lodging Tax Fund	No	No
60 Debt Service Fund	No	Yes
99 Fire District Transition Fund	No	No

For Fund 05, because its purpose has been expanded in recent years and now that it holds the opioid settlement funds, it makes sense to start budgeting a portion of the unspent balance in the contingency and add its own designated ending fund balance category going forward.

With Fund 07, 100% of transient lodging tax received is disbursed so there isn’t any excess year to year that needs to be budgeted.

With Fund 60, we know exactly what the debt service payments are for our general obligation debt so no contingency for unknowns is required. This fund does have an ending fund balance though because we need to hold cash from the earlier year for August debt service payments in the upcoming year as that is prior to receiving the property tax funds for voter-approved debt service in the fall.

Fund 99 was created as a short-term fund to track the fire district financial activity that continued to happen within the city's budget; revenue and expense offset with no excess fund balance or need to establish a contingency or ending fund balance.

Parks and Rec – Community Center – pg. 252 and rental fees. These should be higher and hope for new community center that it be part of its operations plans.

This issue is addressed in the FY2024-25 Proposed Budget. Of the 35 general programs and services offered by the Parks and Recreation Department, the two lowest core services in the portfolio of activities were short-term and long-term facility rentals.

In the new building community meeting spaces will be more manageable and we'll have a greater opportunity to generate revenue with newer, modern spaces. Following the pandemic, we have chosen to prioritize P&R program use of spaces over rentals. (p. 229)

Can we have an adopt a tree program at the City of McMinnville?

McMinnville has been designated a "Tree City USA" community for 26 years. Volunteer groups do partner with Park Maintenance in a number of areas as described in the FY2024-25 proposed budget document:

Typical examples are landscape bed maintenance at Discovery Meadows (church groups), trail maintenance (Youth Conservation Corps, local school teams, local service clubs), soccer goal area restoration (McMinnville Youth Soccer), dog park maintenance projects (Duniway Middle School) and riparian area vegetation management (Greater Yamhill Watershed Council). Materials, staff support, and supervisory oversight for these projects are typically provided by the City in cooperative efforts with these groups. Resource constraints limit the Division's ability to support these groups.

Because scarcity of resources is a feature of City operations, developing new programming can be a challenge. That said, emerging needs and opportunities to improve our work are always a part of each department's approach to allocating those resources. Examples of new work undertaken over the last year in the public works department led by parks maintenance staff includes initiating a new approach to parks security, standing up a centralized facilities maintenance effort (an FY2023-24 add package) and establishing a more formal emergency response program (funded by American Rescue Plan Act dollars).

Property tax – pg. 340 of proposed budget document – why is it down for FY25 relative prior years?

Prior period property taxes are typically volatile as this is the revenue line where multi-year property tax dispute settlements are disbursed to taxing districts. In McMinnville recent significant property tax cases were resolved for a state-wide Comcast settlement and for the local Evergreen property, both of which caused year to year volatility in this revenue account.

The more predictable base for the prior period property tax line item is related to delinquent property tax paid after the May 15 annual property tax payment deadline each year by individual tax payers of all sizes. The majority of delinquent property tax received in any given year is for the year immediately prior the new year. As is typical with most accounts receivable categories, the balance of outstanding funds due from 2+ years out tends to diminish as does the actual amount of money collected. In FY2023-24, McMinnville general fund property tax support dropped by 30% (from 5.02 to 3.52 cents per \$1,000 assessed value) and FY2024-25 will be the first year these delinquent taxes will begin coming in. For this reason, we anticipate lower than typical prior period taxes to come in this year.

How are we getting less assessment (p. 357) budgeted vs. prior year actuals?

The total Downtown Economic Improvement District assessment charged out each year to property owners in the downtown area remains stable for each three-year assessment period. This assessment period's total is just under \$62,000. These funds are invoiced and collected by the City and, each month, all funds that come in the door are sent to the McMinnville Downtown Association with no hold back for administrative costs of the city to manage this program.

Prior period actuals have been higher because the City records revenue on modified accrual, not full accrual, basis. That means revenue is accounted for not when the invoices are sent out (which is typical in a for-profit business environment) but when the receipts are received. For a number of years, finance did not focus on accounts receivable collections and this meant a handful of property owners racked up multiple years of non-payment of their annual assessment. In FY2021-22 staff put time into reaching out to those delinquent payers and getting their accounts brought up to date, explaining why FY2021-22 had \$73,818 and FY2022-23 had \$64,200 in actual revenues relative the annual expectation of \$62,000. Currently four accounts are outstanding for this year's assessment for a total of \$1,300 and we hope to have those delinquent payments cleared before FY2023-24 revenue is closed for the year.

Staffing cost increases are significant while the increase in actual headcount was not big. For the Library staffing cost increase is higher than others on a percentage basis despite only having a small increase in full-time equivalents (FTEs).

On March 8, 2022, the City Council approved the Classification and Compensation Project to be implemented retroactively to July 1, 2021. The Library was the City Department most significantly affected by the implementation as the Classification and Compensation study found the library staff to be underpaid in comparison to other cities and comparable classifications. There was a an almost 20% increase in FY2022 personnel costs due to this implementation.

In FY2022-23 a number of library staff members who had been working at just under full time were moved to full time after years of service to the City. This increased full-time wages and benefits. Making the decision to move some staff members who had been working just below full time to full time was in keeping with the Mac Town 2032 Strategic Plan vision as a collaborative and caring city inspiring an exceptional quality of life and the value of equity.

In addition, six library staffers receive bilingual pay, the largest number in any city department. Bilingual pay for non-represented staff was changed to become consistent with bargaining unit approach and went from a \$30 flat payment to a range of 3% to 5% of wages based on proficiency level during the FY2023-24 year so its budget impact is showing up for the first time in the FY2024-25 year and affects the library department more than any other staffing group.

Finally, In FY2023-24 grant funding enabled the library to hire temporary staff to implement the Summer Fun Library program in Upper City Park. Grant funding covered \$18,900 of personnel costs that year and additional staffing in FY2024-25 is covered by grant funding at a \$20,200 level.

Is it possible to apply for grants and/or utilize opioid settlement dollars to support a new software system for municipal court since it wasn't originally included in this budget?

City staff are preparing a community courts grant proposal that includes implementing a new court management system which would be integral to success with institutionalizing a community court as part of our portfolio of routine activities in Municipal Court. This grant revenue and expenses have been added to the budget which will come before the Council for adoption on June 25, 2024.

In addition, staff has secured free grant supported consultant services through a national opioid addiction support network that will enable us to better understand what programming – existing, planned or potential – is eligible to be supported by the opioid settlement dollars received directly by the City of McMinnville. This is a development from just last week and more information will be coming on this initiative.

Could you provide more information about the Length of Service Award Program (LOSAP) and how this affected our budget for the coming year. I am unsure about what happened - was this an accounting entry you were not anticipating or did we actually have to come up with more money?

The Length of Service Award Program (LOSAP) is designed to support volunteer fire fighters upon retirement and its investment level has been slowly but surely increasing since the inception of the program. These funds have been held in a separate investment account designed for this purpose. The City's annual contributions – and the modest monthly payments out to retired volunteer fire fighters – have been historically included in our budget and financial transactions as general fund/fire department expenses, its earned interest as revenue, and the total investment account value as designated beginning and ending fund balances in the General Fund.

In FY2023-24 the beginning fund balance for LOSAP was \$883,782 (budget estimate had been \$847,233). The FY2023-24 designated ending fund balance for LOSAP was budgeted for \$0 because we knew that during the course of the fiscal year, this asset account would be signed over to the new McMinnville Fire District (MFD) as part of the transition of fire and emergency medical services out of the City organization the new taxing district.

What was missed at the time the budget was put together last year was the fact that in order to transfer the asset to the MFD, the value of the LOSAP asset also needed to be recorded as an expense to the General Fund. From an accounting perspective this

expense was not a program expense to the City but an elimination of asset category, new to us for this specific purpose. On December 31, 2023, the value of the LOSAP account grew to \$930,614.88. A supplemental budget for FY2023-24 was adopted in order to establish the budget authority to record this expense, coming from the contingency category. This, in turn, meant that this one-time cost reduced the FY2024-25 General Fund beginning balance.

So, from a budget perspective, yes – the City had to come up with more money to be able to close out the LOSAP ending fund balance. From a cash perspective, the City signed over ownership of the LOSAP investment account to the MFD starting January 1, 2024; no other cash from city bank or investment accounts were passed on to MFD for this purpose.

Finally, when the FY2023-24 financial statements are produced, we anticipate that this budgeted expense will be recorded in our Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance in the “Other Financing Sources/Uses” category where transfers in and out as well as proceeds on the sale of capital assets are reported each year.

How the City is handling the administrative staff time previously dedicated to fire department needs that has opened up has not received much attention including City Manager oversight, City Recorder support for council agenda items, HR for hiring and employee benefits, Finance for accounting, budget and payroll, IS for support with technology. Can this time potentially be deployed to unfunded Council priorities? If support staff is not reduced, shouldn't the Budget Committee and the public have a chance to weigh in on the priorities for the freed up time? For FY 2020-21 three departments (Admin, Finance, Info services) had 13.16 FTE to support a total workforce of 233.24 FTE, or approximately one administrative staff for every 18 employees. The proposed FY 2024-25 budget has 16.45 FTE to support a total workforce of 182.61 FTE, or about one administrative staff member for every 11 employees. I'm sure there is a case to be made that we need to retain all of the 16.45 FTE. I just don't feel that it has been made.

The City is aware that changes in its organizational footprint means support services levels needed to support its activities evolves as well. During the FY2023-24 fiscal year, a significant change was made when the fire department exited the city organization mid-year.

Because of the significant unknowns associated with the transition year of FY2023-24, a choice was made not to have an in-depth discussion of the impacts of spreading the existing support services group over a smaller organization. When it came to budgeting for FY2024-25, from a timing perspective the impact of not having the fire department was still largely speculative so, again, it didn't make sense to propose reductions in our core support staffing levels this budget cycle, particularly given the fact that core services analysis from the last couple of years has identified that support services are largely operating at below base or base levels.

Please see the answer to a similar question at the beginning of this document. It gives more details on core service levels in administrative support departments as well as examples of some of the metrics to consider when we do have a more meaningful discussion about support services. Ongoing support service staffing levels will be looked

at in the context of the City's overall staffing level trends, emerging programmatic needs for the next five to ten years as well as targets for core service delivery level quality and risk management going forward.