

# FY2024-25 Proposed McMinnville Budget Q&A

Questions from Budget Committee and community members received on or before 5/15/2024 with answers from staff – prepared 5/17/2024

1. Could you tell me what the new \$90K lobbying expense is on the Administration (Mayor) budget is?

In the past year the City recognized that there was an opportunity to access state and federal funds for needed city projects if it invested in a more proactive state and federal lobbying effort. This effort resulted in the following funding grants:

- \$850,000 for the Third Street Improvement Project
- \$2,000,000 for water infrastructure to support workforce housing
- \$195,000 to support infrastructure to build housing for seniors and people with disabilities.

Without the aid of a dedicated lobbyist these efforts would not have been as successful. FY 24 funding for a lobbyist was paid out of the Community Development Department utilizing vacancy savings.

The City would like to build on last year's successes to continue to lobby for federal and state funds in FY 25 to support needed transportation and wastewater projects to support housing in McMinnville as well as to start advocating for funds for park improvements. The \$90,000 will pay for the contracts and associated expenses of a state and federal lobbyist.

2. Why are we anticipating a decrease from 5.47% in 2024 to 3.97% in 2025 [in property tax assessed value]?

Each year the City works with the Yamhill County Assessor's office to project likely new levels of assessed value in the upcoming year for the McMinnville taxing district area. The estimates for next year are based on the average by property class for the last four years and manual adjustments reflecting known differences in actual project completion timing or development trends. This is the best "crystal ball" we have into what the change will be when actual taxes for next year are calculated in a few month's time.

3. P17 why the green spike in the amended 2023-24 transfers in. What was it?

In FY2023-24, the City had a couple of one-time, unique transactions, which required interfund loans, so the loan proceeds and a repayment are contained within the Transfer In categories for the General Fund and Wastewater Capital Fund.

- Purchase of the Alpine Property (formerly RB Rubber) \$4,350,000
- Loan to McM Fire District to cover their operating costs at start-up until they collected property tax revenue. \$4,287,320
- Interfund borrowing from Wastewater Capital fund to finance General Fund capital projects \$1,403,121

- Repayment of interfund loan for McM Fire District start-up \$4,378,426

4. P35 unmet needs – can you explain the PERS lump sum to me?

Employers in the public employee’s retirement system (PERS) can make “lump sum” additional payments to the system. While there is a range of set up options, typically the lump sum will be tracked independently in a “side account” and, over the course of 20 years, this pot of money is utilized to buy down the biennial employer rate paid by the jurisdiction.

These funds are invested with the rest of the PERS contributions so, as such, can have poor years which affects the actual savings achieved each biennium on employer PERS rates. Information pulled from their website, last updated for the 2021 calendar year, shows actual returns for these kinds of accounts in the system.

Total PERS Side Account investment returns, less fees

Calendar year	Average earnings/losses	Calendar year	Average earnings/losses
2007	10.22%	2015	2.25%
2008	-27.83%	2016	7.65%
2009	19.52%	2017	16.71%
2010	13.13%	2018	0.56%
2011	2.96%	2019	13.92%
2012	15.39%	2020	7.18%
2013	16.67%	2021	20.76%
2014	7.79%		

PERS assets are invested for the long term, which makes sense because the purpose of the assets is to cover a long-term liability. Local governments are highly restricted in making long term investments on their own so creating an independent investment strategy as an employer to prudently contain these costs is virtually impossible. Investing available cash in a PERS side account is the available financial planning tool that matches a long-term investment approach to the long-term need and establishing one would return twenty years’ worth of retirement cost savings to the City.

The particular opportunity coming up is a second chance to participate in the Employer Incentive Fund. Under current law, jurisdictions that participate in the EIF receive a 25% match from the state for its side account, an investment return in and of itself that exceeds normal market expectations. Creating a reserve of cash that all city funds with staffing costs would contribute proportionately to is among the most impactful tools available to create a more sustainable financial footprint for the City of McMinnville.

5. P37 court system needs an upgrade – can/should this be moved up in priorities?

All of the unmet core services proposed add packages have merit and would contribute to providing a higher level of service to the community in different ways. The top 10 are presented as the Budget Officer’s priority recommendation (with the rest presented in no particular order) and certainly there are arguments for moving items up or down on the list. If the budget committee has interest in looking at ways to shift spending and/or secure resources to fund particular items on the unmet needs list, that is certainly discussion and direction that can take place during the budget committee meetings.

6. P62 Parks & Rec – the FTE # is missing from graph

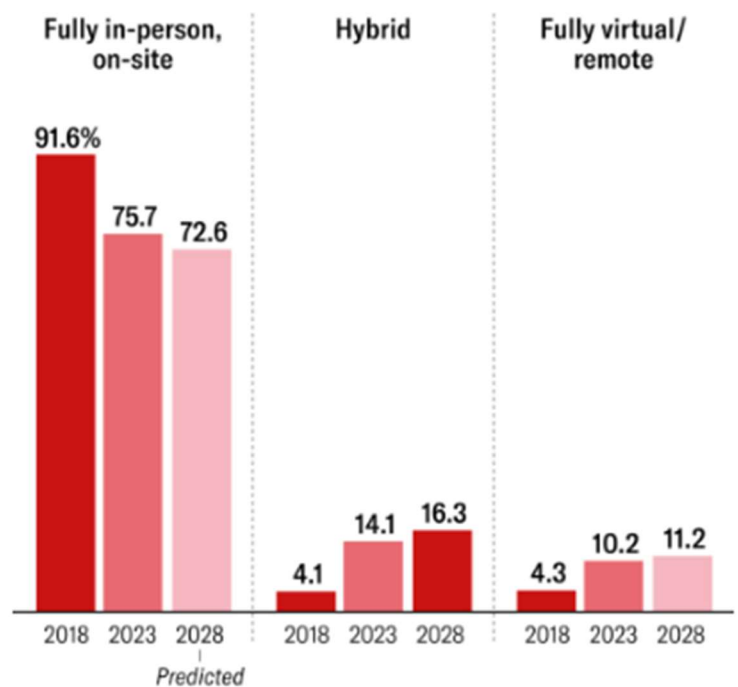
The graphic is cutting off the FTE #. The Parks & Rec FTE # is 25.9

7. P79 Administration – why are we still working hybrid vs. in-person? What are the pros to that? Why not go back to in-person?

The City takes a department by department approach to staff scheduling given the different nature of the service delivery mission of each. For desk-based personnel, the ability exists to take advantage of the upsides of flexible scheduling and hybrid work arrangements. Obviously there are many City services which are best served by in-person interactions but the pandemic taught us that there are alternative ways to doing things and we’re continuing to lean into those lessons learned where it makes sense.

A Harvard Business Review study looked at workplace trends. Included in their findings is the technology has improved, making remote work productivity increase. They end by concluding that remote work will likely grow in the future because “employees like it.” The research available at the time of the Aug 2023 article indicates that productivity difference between hybrid and on-site only work seems to be either none or that productivity may actually be increased. The trends and upsides the City has experienced are similar to those noted in the article.

What share of your firm’s full-time employees are in each category?



Source: Survey of Business Uncertainty



- 8. P90 line 7610-05 went from \$1,200 to \$5,161 – why?, also line 7610-10 went from \$15,460 to \$23, 694. Seems a big difference. Why?

Starting in FY2023-24, the annual property and general liability insurance invoice is being processed in a different way so that actual costs for insured items are reflected. Previously the approach was to use allocation percentages across the organization without trueing it up to the assets held by or risks specific to each department and/or fund. The FY2024-25 budget for insurance across the city calculates the anticipated increases on FY2023-24 actual costs as opposed to the budget for the current year. The FY2023-24 actual costs for these line items is \$4,666 and \$19,765 respectively.

- 9. Does everyone write their own section? Seems like there is a lot of redundancy! And we mention the underlevying about 50 times.

Upwards of 20 staffers contribute to the narrative information presented in the document. Redundancy can be an issue as users of the budget document include those who read it cover to cover and those who search for specific sections of interest. Striking the balance for providing adequate context in specific sections and avoiding repetition across the document as a whole can be challenging.

- 10. P160 how many of our police officers are bilingual?

Current staffing includes two bilingual credentialed sworn officers. During a previous negotiation session with the MPA, the collective idea was approved to add the 10% “court-certified” bilingual incentive (higher than just the previous “street-level fluency” 5%) to try and attract more bilingual officers.

For a more complete view across the city’s workforce, the table reflects bilingual capacity currently on staff.

<b>Department</b>	<b>Bilingual Credential Employees</b>
Administration	2
Municipal Court	2
Library	5
Aquatic Center	3
Community Center	2
Police – Sworn Officers	2

- 11. P161 transfers out went to \$594,197 from a previous \$0.

Beginning in FY2024-25, police support for YCOM dispatching services is reporting within the Police Dept org set, rather than General Fund, Non-Departmental. This change allows

us to better reflect the city's investment in public safety by including this over half-million dollar expenditure in the police department's budget.

12. P179 indicates a big increase in police reserve salaries.

In about October 2023, the PD started paying our only "solo" Reserve Officer an hourly rate when he comes out and works Patrol because he helps to supplement our limited officers on Patrol. So, largely, this is an accounting change for where this \$17,100 in temporary wages will be categorized next year.

13. P237 clearly states ADD PACKAGE – does that mean it is something we are able to include because we brought the .50 back online?

We used the term "add package" to describe scopes of new work, particularly in the General Fund that are proposed for the year. The unmet needs list (starting pg 35) are examples of add packages. We hoped that the additional 50 cents would allow us to fund multiple add packages but the normal inflationary increase on steady-state staffing level cost as well as the commitments associated with repaying internal borrowing loans from prior years on capital investments effectively utilized those funds in full.

14. P297 states the inmate crew is no longer available for projects. Why not?

The County cancelled our inmate work crew contract during the pandemic since they did not have the capacity to service it (i.e. not enough people in jail).

15. P308 park rentals anticipated to decrease by 50%. Why?

We don't have a good sense of why these revenues have decreased. We clearly saw a decline during the pandemic and, to some extent, those revenues have not recovered. Because FY2023-24's actuals were trending lower than its \$10,000 budget, a \$5,000 projection for FY2024-25 seemed reasonable. YTD as of mid-May has actual revenues coming in at less than \$2,500.

16. How much is the city budgeting for management of the homeless/camping crisis? What is this costing us - the tax payers - annually in total? Are there grants to offset this growing expenditure?

The effects of homelessness are widespread and touch multiple departments. It is very difficult to quantify a dollar amount that would accurately reflect the time and resources McMinnville spends addressing it. In addition, the direct spending varies significantly year to year as one-time capital grant dollars are utilized.

On grants specifically, over \$3 million has been received over the last three years to support the building of AnyDoor Place, a new low-barrier shelter for people experiencing homelessness with on-site support services that will open this summer. The City also provided \$300,000 of its American Rescue Plan Act (ARPA) funding to support Stratus Village, a 175 unit apartment complex supporting households making 60% AMI or less.

A community learning work session was held on 2/21/2024 discussing these impacts. The recording of the public meeting is available as well as staff presentation documents on the City's website.

<https://www.mcminnvilleoregon.gov/citycouncil/page/city-council-work-session-600-pm-2>

17. What is the city doing to reduce carbon pollution? This was once a priority. Are we buying electric vehicles? Has the city conducted energy audits of our buildings?

As stewards of McMinnville's future, we prioritize environmental sustainability. Examples include:

- Our Haskins and McGuire Reservoirs provide 3.5 billion gallons of drinking water capacity, with the ability to treat 22 million gallons per day.
- Our Wastewater Treatment Plant removed 1,691,225 pounds of Carbonaceous Biochemical Oxygen Demand and 2,273,422 pounds of Total Suspended Solids in the past twelve months. To put this into perspective, that's equivalent to 1,880 wine barrels and about 9 Spruce Gooses' of pollutants respectively!
- City teams are developing the Total Maximum Daily Load (TMDL) Plan to identify and reduce mercury levels in our waterways, supporting the restoration of beneficial fish consumption and protecting aquatic species and wildlife.
- McMinnville Water and Light has replaced approximately 75 transmission and distribution poles and rebuilt 1 mile of 115v transmission line, enhancing the safety and resilience of our electric system.
- The Mayor's office, in collaboration with McMinnville Economic Development Partnership and other key stakeholders, is working on creating a Mayor's Sustainability Summit to highlight and support environmental sustainability initiatives across our economic sector.

In addition, McMinnville is exploring how to leverage new resources available for clean energy projects available through the Inflation Reduction Act for electric vehicles, energy efficiency projects and other similar investments put into service starting in 2023.

One electric vehicle for the library delivery service was purchased in 2022. Hybrid police patrol vehicles were planned for the current year but acquiring them in a timely manner has proved difficult; balancing the desire to replenish our fleet with more energy efficient units while getting caught up with years of being unable to fund replacement vehicles has been challenging as a practical matter.

18. What is the professional project 7770-59 Projects - Admin Building. Design Services for Admin Building Project? Are we looking at a possible new Admin building or a redesign of an old building? Will any timeframe be discussed? \$1.2Million is a lot of design??

The account 77.7770-59 is for the design of an upgrade to our existing Wastewater Administration building and needed replacement facilities for operations and park maintenance that will place our Public Works teams at a single location. This next year we will begin Phase 2 of the design work that includes preliminary design of our preferred alternative. Once a decision about the preferred alternative is confirmed we will be

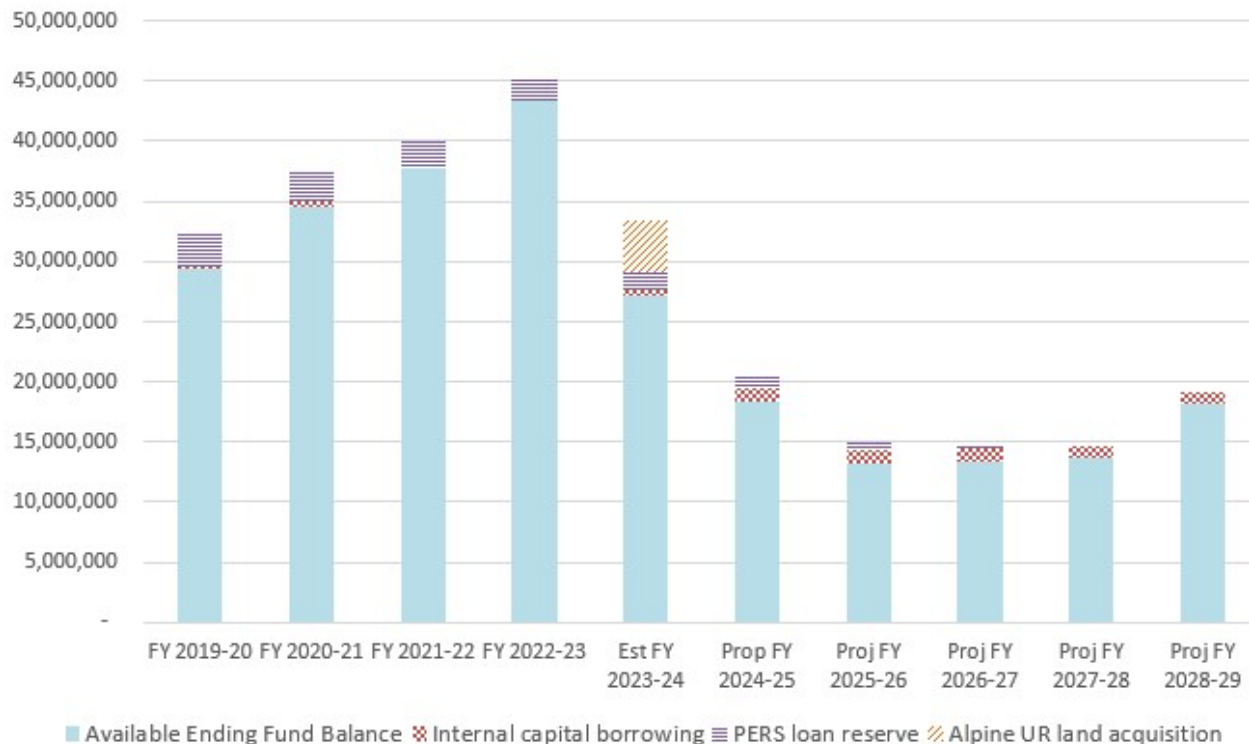
working on a contract with our design consultant to begin this work. A final construction schedule has not yet been determined. Preliminary estimates indicate a project cost range of \$17M - \$36M which would require \$1M to \$3M in design costs assuming the industry standard for design fees at 10% of construction costs.

19. Could you schedule out the loans from Wastewater to the general fund since 2020 and show the payments made with balances still due? Also let us know how much if any we can still internally borrow from the wastewater fund?

Looking at the latest Wastewater Capital Fund financial projections updated in March of 2024, ending fund balance through FY2028-29 has a low water mark of \$13.25 million in FY2025-26. The graph below shows the net impact of internal borrowing through the proposed FY2024-25 budget and a scenario projecting \$1 million in internal capital borrowing in each future year with 5-year repayment terms.

In this scenario, the largest percentage of capital borrowing relative ending fund balance is also in FY2025-26 of 7%. The proportional range is from 1.5% in FY2023-24 with all future years between 5.2% and 7.0%.

### Wastewater Capital Ending Fund Balance



Given this data, a regular program of internal borrowing is a low-risk activity to that fund's financial health. In fact, it contributes to its fiscal health because the earnings on the loan payments exceed what this available cash would otherwise receive in interest.

# Internal Loan Schedule

Dept	Description	Budget	Res.	Actual	Loan Amount FY24 Est	FY25 Est	Payment Amounts									
		Year					FY24 Est	FY25 Est	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est	FY30 Est	
Police	Pursuit Vehicles (3 Ford Explorer)	FY19-20	2020-22	174,600	8,635,466	1,047,010	4,151,528	469,855	675,837	555,521	555,521	4,828,118	243,294			
Police	Audio Visual Equipment:	FY20-21	2020-22	26,748			5,716	5,716	5,716							
Police	Pursuit Vehicles (3)	FY20-21	2020-34	178,728			37,699	37,699	37,699							
Fire	Defibrillators (prints thru FY26)	FY20-21	2020-34	252,440			53,247	53,247	53,247							
Fire	Veh - Air Compressor (prints thru FY23)	FY20-21	2020-34	112,146			23,655	23,655	23,655							
Police	Hybrid Vehicle (replace 2014 Dodge #834)	FY23-24	2023-39		68,000			15,511	15,511	15,511	15,511	15,511	15,511			
Police	Hybrid Vehicle (replace 2014 Dodge #837)	FY23-24	2023-39		68,000				15,511	15,511	15,511	15,511	15,511	15,511		
Police	MOT equipment in cars	FY23-24	2023-39		50,000			11,405	11,405	11,405	11,405	11,405	11,405			
P&R-Community Center	Resurface playing courts	FY23-24	2023-39		50,000			11,405	11,405	11,405	11,405	11,405	11,405	11,405		
P&R-Community Center	Replace carpeting	FY23-24	2023-39		92,000			20,386	20,386	20,386	20,386	20,386	20,386	20,386		
P&R-Senior Center	Exterior lit. event signage at main entrance	FY23-24	2023-39		delayed FY23			2,851	2,851	2,851	2,851	2,851	2,851	2,851		
P&R-Senior Center	Bathroom remodel	FY23-24	2023-39		delayed FY23 (in proposed)	200,000		45,322	45,622	45,622	45,622	45,622	45,622	45,622		
Admin-City Hall	CI insulation & window restoration	FY23-24	2023-39		delayed FY23 (in proposed)	24,000		5,475	5,475	5,475	5,475	5,475	5,475	5,475		
CDC	Secure building entry way	FY23-24	2023-39		45,000			10,265	10,265	10,265	10,265	10,265	10,265	10,265		
CDC	Replace FTU #1-HVAC unit	FY23-24	2023-39		delayed FY23	26,250		5,388	5,388	5,388	5,388	5,388	5,388	5,388		
Library	Security system cameras	FY23-24	2023-39		20,000			4,562	4,562	4,562	4,562	4,562	4,562	4,562		
Info Sys	Shared VM Servers, Domain, Storage	FY23-24	2023-39		91,871			20,957	20,957	20,957	20,957	20,957	20,957	20,957		
Info Sys	Asset Mgmt system	FY23-24	2023-39		55,000			12,546	12,546	12,546	12,546	12,546	12,546	12,546		
Park Maintenance	Replace various restroom partitions w/o Thompson	FY23-24	2023-39		43,000			9,809	9,309	9,809	9,809	9,809	9,809	9,809		
Park Maintenance	Replace various restroom partitions Thompson only	FY23-24	2023-39		delayed FY23	17,500		3,992	3,992	3,992	3,992	3,992	3,992	3,992		



Dept	Description	Budget Year	Hes.	Actual	Loan Amount		Payment Amounts							
					FY24 Est	FY25 Est	FY24 Est	FY25 Est	FY26 Est	FY27 Est	FY28 Est	FY29 Est	FY30 Est	
Admin-City Hall	Replace fire alarm panels & annunciator	FY24-25 proposed				30,000			7,064	7,064	7,064	7,064	7,064	7,064
Admin-Nelson House	Replace frontage sidewalk	FY24-25 proposed				60,000			14,128	14,128	14,128	14,128	14,128	14,128
Engineering	Sealed replace's 2007 unit w/ compact 4x4 truck	FY24-25 proposed				45,000			10,596	10,596	10,596	10,596	10,596	10,596
Community Dev	Planning Inspections Vehicle	FY24-25 proposed				25,000			5,887	5,887	5,887	5,887	5,887	5,887
CDC	Repair Wood Rot around CDC windows	FY24-25 proposed							3,090	3,090	3,090	3,090	3,090	3,090
CDC	CDC Capital - HVAC II	FY24-25 proposed				13,125			3,090	3,090	3,090	3,090	3,090	3,090
Police	Replaces 2017 Ford 839 (but keep as spare K9)	FY24-25 proposed				84,335			19,858	19,858	19,858	19,858	19,858	19,858
Police	Replaces 2017 Dodge 801 (Move to SUV-Tahoe)	FY24-25 proposed				79,300			18,672	18,672	18,672	18,672	18,672	18,672
P&R-Community Center	C.C. - Fire Panel Replacement	FY24-25 proposed				10,000			2,355	2,355	2,355	2,355	2,355	2,355
P&R-Senior Center	SC - Replace vinyl flooring	FY24-25 proposed				11,700			2,755	2,755	2,755	2,755	2,755	2,755
P&R-Senior Center	SC - Carpet replacement	FY24-25 proposed				54,700			12,880	12,880	12,880	12,880	12,880	12,880
Park Maintenance	11' Rotary large area mower - replace 2013	FY24-25 proposed				90,000			21,192	21,192	21,192	21,192	21,192	21,192
Park Maintenance	Thompson Park ADA ramp with tactile warning	FY24-25 proposed				15,000			3,532	3,532	3,532	3,532	3,532	3,532
Library	Sprinkler/Riser Deficiency Repairs	FY24-25 proposed				25,000			5,887	5,887	5,887	5,887	5,887	5,887
Info Sys - 7148 N	Network Switches, Host Servers, WiFi upgrade	FY24-25 proposed				51,600			12,150	12,150	12,150	12,150	12,150	12,150
Info Sys	MDTs for replacement patrol vehicles (PD)	FY24-25 proposed				12,000			2,826	2,826	2,826	2,826	2,826	2,826
Fire District	Fire / EMS Operating Costs	FY23-24	2023-40			3,940,000			215,766	215,766	215,766	215,766	215,766	215,766
Admin / Urban Renewal	Alpine Dist property purchase	FY23-24	2023-58			4,272,595			215,766	215,766	215,766	215,766	215,766	215,766
									3,993,900	3,993,900	3,993,900	3,993,900	3,993,900	3,993,900
									4,489,361	4,489,361	4,489,361	4,489,361	4,489,361	4,489,361