

CITY OF McMINNVILLE
MINUTES OF BUDGET COMMITTEE MEETING
Held at the Civic Hall on Gormley Plaza
McMinnville, Oregon

Wednesday, May 15, 2019 at 6:00 p.m.

Presiding: Scott A. Hill, Mayor

Recording Secretary: Melissa Bisset

Councilors:	<u>Present</u>	<u>Absent</u>
	Adam Garvin	Remy Drabkin
	Kellie Menke	
	Wendy Stassens	
	Sal Peralta	
	Zack Geary	

Budget Committee:	<u>Present</u>	<u>Absent</u>
	Jerry Hart	Peter Hofstetter
	Kyle Lake	Drew Millegan
	John Mead	
	Leanna Gautney	
	Cherry Haas	

Also present were City Manager Jeff Towery, City Attorney David Koch, Community Development Director Mike Bisset, Finance Director Marcia Baragary, Fire Chief Rich Leipfert, Police Chief Matt Scales, Planning Director Heather Richards, Library Director Jenny Berg, Library Services Manager Wendy Whitesitt, Information Systems Director Scott Burke, Parks and Recreation Director Susan Muir, Engineering Services Manager Rich Spofford, Wastewater Services Manager Leland Koester, Youth & Adult Sports Manager Steve Ganzer, Kids on the Block Manager Janet Adams, Community Center Manager Katie Noyd, Senior Center Manager Anne Lane, Aquatic Center Manager Rob Porter, Senior Accountant Ronda Gretzon, Payroll Accountant Chris Secrist, Public Works Superintendent David Renshaw, Library Services Manager Wendy Whitesitt

AGENDA ITEM

1. CALL TO ORDER: Mayor Hill called the meeting to order at 6:02 p.m.

2. ROLL CALL: City Recorder Bisset called roll. It was noted that Councilor Drabkin and Budget Committee Members Hofstetter and Millegan were absent.
3. ELECTION OF BUDGET COMMITTEE CHAIRPERSON: Councilor Garvin MOVED to elect Kellie Menke as Budget Committee Chair and further MOVED that the nominations be closed; SECONDED by Councilor Peralta. Motion PASSED unanimously.
4. & 5. PRESENTATION ON PROPOSED BUDGET FOR 2019-2020 FISCAL YEAR AND BUDGET MESSAGE: City Manager Towery stated that the budget was a level services budget. They had tried to redirect some of their energy and focus on the high priorities in the Strategic Plan. With respect to work force support, they were intending to primarily maintain capacity at current levels of service, manage expenses, and address cost recovery in many instances. They had set aside limited funds to address emerging needs based on the priorities from the adopted Strategic Plan. A classification and compensation study would be initiated soon and be completed early in FY19-20. They were also working to rebuild core services.

Administration: With the announced retirement of the Finance Director and the departure of the Deputy City Attorney, they had started a thoughtful organizational review with the goal of strengthening and supporting efficient and effective services for the City's externally facing departments.

Community Development: In the second step in a two year approach, an additional Utility Worker and supporting materials and services costs were included in the budget. This would incrementally increase service levels and positively impact park users.

Finance: The proposed budget reflected the City's decision to contract with a third party provider for ambulance billing services, resulting in the elimination of 1.8 FTE. This decision addressed two Mac-Town 2032 goals: City Government Capacity and Community Safety & Resiliency.

Fire: This budget would implement an intergovernmental agreement with Amity Fire District that would allow the two departments to fund a new Training Officer while the City provided for Administration and Training for the District. They would also evaluate opportunities for consolidation with other departments, including the concept of creating a new District.

Parks and Recreation: a Recreation Building Master Plan and Feasibility Study began in 2018-19 and would continue in 2019-20. A fee analysis funded in 2018-19 would be implemented in 2019-20.

In an effort to stabilize General Fund reserves, they were trying to maintain a healthy reserve to allow the City to continue to weather the last recession without deep cuts. The City had maintained a very favorable bond rating. This budget would have slightly declining and still adequate reserves. The Government Finance Officers Association indicated that a 17% reserve level met best practices, and the City's reserve would be 12-14%. Based on current forecasts and a continued effort to identify new revenues and alternate service delivery models, the City expected to be able to moderate the decline and stabilize the reserves in future years.

City Manager Towery reviewed the Strategic Plan vision, mission, and values. The following strategic priorities required special focus by the City in the next fifteen years. In order to move McMinnville toward its vision, the City believed it would need to make disproportionate investments in time and financial resources in these areas:

City government capacity – strengthen the City's ability to prioritize and deliver municipal services with discipline and focus

Civic leadership – encourage a variety of leadership development opportunities to foster a culture of civic pride and involvement

Community safety & resiliency – proactively plan for and responsively maintain a safe and resilient community

Economic prosperity – provide economic opportunity for all residents through sustainable growth across a balanced array of traditional and innovative industry sectors

Engagement & inclusion – create a culture of acceptance and mutual respect that acknowledged differences and strives for equity

Growth & development character – guide growth and development strategically, responsively, and responsibly to enhance our unique character

Housing opportunities – create diverse housing opportunities that support great neighborhoods

City Manager Towery said there would be opportunity to take public testimony on the proposed 2019-2020 budget. He shared the possible budget amendments:

Airport/Wastewater Capital Loan:

Airport Fund – Appropriation for transfer out to Wastewater Capital Fund for \$21,680

Wastewater Capital Fund - Transfer in from Airport Fund for \$21,680

Community Development Block Grant (subject to Council and HUD action):

- Special Assessment Fund – Increase intergovernmental revenue by \$500,000 and appropriation in materials and services by \$500,000

Wastewater Franchise Fee (subject to Council action):

- Wastewater Services Fund – Include Licenses & Permits revenue of \$500,000, increase appropriation for transfer out to General Fund by \$500,000
- General Fund – Increase transfers in from the Wastewater Services Fund by \$500,000 and contingency by \$500,000

Specialty Business License – Care Facilities:

- General Fund - Increase revenue in Fire budget by \$100,000 (\$200,000 total) and ending fund balance by \$100,000

Mayor Hill clarified the Wastewater Franchise Fee at \$500,000 would show an implementation of July 1.

6.

PUBLIC TESTIMONY ON PROPOSED 2019-20 BUDGET

Mark Davis, McMinnville resident, stated that budgets were important. In this case they were using a very prescribed form. Last night at the Council meeting Councilor Drabkin stated that the City had not directed any money to affordable housing. However he was not sure if that was an accurate assessment. He looked at the organizational chart, and all departments with the exception of Finance and Information Services had been directly impacted by the issues related to housing. He thought the City was already spending money on these issues. He was a little shocked by the General Fund transfer to the Fire Department for ambulance services that had jumped up to \$1 million. He thought that reflected the ongoing issues they were having. It was time to dedicate some funds to dealing with the homeless crisis and affordable housing so that solutions could be moved forward. His biggest concern was that there were not any social workers working for the City and he stated that there would need to be some cooperation between non-profits, County mental health, and other organizations. The City was simply not going to be able to take care of it with the budget. If there was money available, he suggested taking three approaches. The first was the direct homeless crisis and people living on the street. He expressed concern about the low barrier shelter effort that was discussed at the recent Council meeting, especially the need for onsite supervision. The second was affordable housing, which he considered below 80% of median income. He suggested setting aside some money to

support people who were willing to build that kind of housing. The money needed to be used as leverage for projects. In order for public and private developers to get money from the State and Federal government, the City had to show a serious commitment to the projects. He thought that the addition of staff to the Planning Department had been good and helped them move forward with the UGB expansion process. He didn't want to see the momentum go away and wanted to keep the process moving. He was in favor of the Franchise Fee to provide funds for affordable housing. Regarding the Transient Lodging Tax, the money they were spending to bring visitors to town had taken away affordable housing. He noted that the franchise fee with McMinnville Water & Light did not match with what Water & Light had in their budget. Also in the description it said that most users were paying a 6% franchise fee, but there was a special class of heavy industrial that only paid 3%. He had a problem with granting large corporations a break. Several years ago Cascade Steel asked for a break from the Council on the franchise and it was granted. The numbers from February 2019 showed that Cascade Steel made \$220 million in revenue and their operating income was \$17.7 million. In August 2018 their revenue was \$481 million and the operating income was \$38 million. He didn't think it made sense to give this company a break. He looked at the current McMinnville Water & Light budget for industrial customers, and if they charged 6% for all users it would generate \$2.5 million, which was a \$475,000 difference and was what was being foregone by the 3%. He thought everyone should be paying the 6%.

7. PUBLIC HEARING ON POSSIBLE USES OF STATE REVENUE SHARING

Budget Committee Chair Menke opened the public hearing.

Finance Director Baragary presented the staff report. She explained the state revenue sharing came from liquor tax that was collected by the state and distributed to the cities based on a formula. The money was discretionary in how the City elected to spend it. It was typically used for capital improvements and anything left over went to the General Fund reserve. The following was the list of possible uses of these funds:

**City of McMinnville
City's Possible Uses of State Revenue Sharing
2019 - 2020 Proposed Budget**

<u>Revenue - State Revenue Sharing</u>	<u>\$ 481,000</u>
<u>Expenditures - State Revenue Sharing</u>	
Administration	
• General Fund Building master plan	50,000
• General Fund classification/compensation analysis	25,000
Engineering	
• Vehicle	13,000
Planning	
• Equal Opportunities Analysis update	40,000
Police	
• MDT's for patrol cars	36,900
• Annual payment for patrol car lease	56,100
Fire	
• Districting consultant	45,000
• Brush rig vehicle (\$130,000 total, McMinnville Rural Fire District contributing 50% of cost)	65,000
Parks & Recreation	
• Recreation buildings master plan	100,000
Library	
• Smoke alarm system upgrade	50,000
Total Proposed Expenditures	<u>\$ 481,000</u>

There were no public comments.

Budget Committee Chair Menke closed the public hearing.

8. **REVIEW AND DISCUSSION OF PROPOSED 2019-2020 BUDGET**

City Manager Towery asked if any Committee member needed to declare a potential conflict of interest.

Budget Committee Member Mead stated he was married to the Library Director.

Councilor Geary stated he was married to a City staff member of the Library.

Councilor Peralta commented on Page VII of the Financial Overview. There was a deficit between the General Fund expenditures and revenues of \$3,097,387. He was concerned that last year the strategic reserve was drawn down to increase capacity of some departments and it looked like next year the City was planning to draw down more reserves to maintain the staffing level. The data he had showed the City's PERS cost increase in the current biennium at \$1.3 million, but in the next biennium it would go up to \$2.4 million. He questioned whether in the absence of making some fairly substantial changes that they would be able to replenish the strategic reserve over the next decade. He thought they needed to look at reducing expenditures, such as changes to benefits. He would like to protect staffing levels but questioned the budget trajectory they had been on for the last few years that would get them there.

City Manager Towery stated that staff and Council shared the concerns and all the points made were supported by the initiatives that they had been working on. The move to rigorously explore cost recovery had generated additional revenue and more of those efforts were underway. There was the opportunity to consolidate and potentially spin off Fire and EMS into a separate Fire District which would help create sustainable Fire and EMS service for a larger region and longer term financial stability for the City. That was a 3-5 year effort and they were one year into the process. He thought this budget moved the City in the right direction and was a reasonable and responsive budget to meet the expectations for service. Last year's effort was to rebuild some of the services that had been lost or had held steady during the recession. He was comfortable with the budget and shared the same concerns as Councilor Peralta mentioned. The state legislature was beginning to discuss a revenue imbalance and eventually local governments would be recognized through that effort.

Finance Director Baragary stated that the City had used conservative budgeting and forecasting practices and typically the ending fund balance was better than what was anticipated. By the end of August they would have a better idea of what the ending reserve looked like and that would be carried over to 2019-20.

Mayor Hill appreciated the graph under General Fund Ending Balance. He noted that if revenues were increased by 2% and expenditures were decreased by 2% then it leveled out and if they went to 3% it would bring them back up closer to a 20% reserve. They needed to be cognizant of what it would take to get there.

Councilor Peralta did not think they were in as good a position as he had hoped. The City was not seeing the balance that had been discussed. In order to maintain the strategic balance at close to 20%, it would take a 6% swing. He thought there should be a conversation about adjustments, such as the COLA increases and if there were other non-financial compensation concessions that could be made for employees.

Budget Committee Chair Menke reviewed the budget page by page. She read through the debt overview and noted under personnel services that wages and salaries were 61% and PERS was 19%, but was due to go up again next year. There were increases and decreases in several departments, 1.8 FTE decrease in Finance, 1.5% increase in Fire, and increase of 1 FTE in Community Center Rec Programs which was a 2.35% increase.

Mayor Hill stated there were 231.67 FTEs, however he highlighted that there were 1,399 volunteers with the City.

Budget Committee Chair Menke continued to review the department funds. She noted the projects in the Engineering and Planning budgets. The Police Department was going to add the rank of Corporal to provide leadership opportunities and increased direct supervision of officers.

Councilor Garvin asked if there had been Police Corporals in the past. Police Chief Matt Scales replied yes, but the positions were changed to Sergeants.

Councilor Peralta stated that there had been discussion about expanding the scope of the Department's mission to include towing and impounding. Police Chief Scales stated that if the Council adopted a more robust ordinance, he thought there would be a shortfall in the need for towing and disposal of RVs and a professionally kept storage shed.

Mayor Hill stated he had talked to the Police Department about that concern. As they moved forward with the ordinance, they needed to be able to execute that. As additional new revenues came in, they could be used to help with the homelessness issues. The first six months would be critical that they had the resources and manpower to be able to do this effectively. It was an area where the City should keep its eye on.

Councilor Peralta stated that as the Police interacted with the homeless, there might be redirection to services which would probably entail some additional costs down the road. He would like to see some movement in that direction. Police Chief Scales stated that about half of all Police staff had the CIT training that dealt with mental health and de-escalation

techniques. He agreed they needed more training in the future and active outreach.

Budget Committee Member Gautney asked if they utilized a reserve force. Police Chief Scales stated that there were three to four reserves currently and they were constantly recruiting reserve officers. The recruitment and training of reserves was in the budget.

Councilor Stassens asked about the STOP program. Police Chief Scales explained it was a statewide initiative for agencies to report their STOP data which was related to traffic stops and officer initiated engagements and getting out in front of the profiling piece and demographics. They were looking for any sort of anomalies. The data was transmitted to a state database and a statewide report would be generated. It did not add to any administrative costs.

Councilor Peralta asked about the Fire Department exploring additional funding strategies and what the timeline was for bringing those forward. Fire Chief Leipfert stated one of the funding strategies was lobbying for legislative support to increase Medicaid and Medicare reimbursement rates for ambulances. Another was creation of a district which would include a tax rate and larger service area. The timeline for districting typically was 3-5 years, but it was dependent on the political groups.

Councilor Peralta asked about the increase in staffing from 16.8 to 18.38 and how much of that was related to the Amity agreement. Fire Chief Leipfert explained that they were actually only adding 1 FTE, the Training Chief position, which was fully funded by the contract with Amity. The rest of it was staffing adjustments. There was no increase of service to Amity; they were administratively supervising Amity and coordinating their training.

Councilor Peralta asked if there was anything else that could be done to increase staffing levels. Fire Chief Leipfert stated he was waiting for the Strategic Plan process to be completed to find out what the goals and priorities were before making any recommendations for more funding.

Mayor Hill asked if compression was something that the City was concerned about. Fire Chief Leipfert explained the Fire District's tax base would overlap the City's tax base. Most places that had moved into districts, the cities had a ballot measure on at the same time as the district vote to balance the compression issues.

Budget Committee Member Hart asked what the long term budget effects for the City of McMinnville would be if they moved to a Fire District.

City Manager Towery stated that they had been trying to mitigate workload impacts by reducing the workload, working on recruiting and retaining efforts, fewer service calls, and not responding to requests for resources to major conflagrations in the fire season. The City could reduce their taxing authority equal to or greater than the amount of the tax base for the new Fire District or they could continue to levy the full amount that they could levy under the law or somewhere in between. They needed to make sure that they could responsibly maintain City services. Until they knew what the boundary might be and the staffing level and costs, they could only talk hypothetically about the options.

Budget Committee Member Hart asked about the transfer out to support the EMS. City Manager Towery stated it was about \$1.1 million. That cost would be built into the tax base for the new Fire District. Ideally it would be designed in a way that the tax base was sustainable.

Councilor Stassens asked about the drop in EMS service calls and if it was attributed to the new fees to senior care facilities. Fire Chief Leipfert stated that there had been a 27% reduction in care home calls since the ordinance was passed six months ago, which equated to 40 calls per month. He noted this was the second year in a row that there was a reduction in the overall call volume and he was still researching why.

Councilor Peralta complimented Parks and Recreation for hiring more bilingual staff and for the Master Planning efforts that were included in the budget.

Councilor Stassens asked about the increase to miscellaneous recreation program expenses. Parks and Recreation Director Muir said that was the budget to operate the Kids on the Block program. The fees had been increased for the program and she would be coming back to the Council with a report on long term goals to further solidify the financial plan while still looking at the core services and who they wanted to serve with their scholarships.

Budget Committee Member Gautney asked about the Library funding for a City this size and if it was more or less than a typical municipality this size. Library Director Berg was not sure how they compared to other cities this size. She looked at how library services compared to other services in the City and with that comparison, she thought it was a balanced approach. There were state library statistics that they could look at, however certain libraries reported their services differently and it might not be the full picture. When she looked at the City as a whole and the services they provided, she thought the Library was reasonably represented.

Budget Committee Member Gautney had heard conversations about the importance of continuing library services as more people were turning to online services. She saw the positive changes that had been made at the library and making it more of an attraction. She wanted to make sure they were funding the library properly.

Councilor Peralta said last year they increased library hours from 45 to 50 and they had 31,328 more patron visits. He asked about the impacts of the homeless on the library and the staffing level needed for safety. Library Director Berg said given the way the building was on two floors, in order to remain safe they had to have four people staffing the library at all times. That was the level of safety she could provide. It did take a toll on morale. Staff had expressed frustration, but they received good support when there was a concern for safety.

Mayor Hill stated that it was important to let library staff know that they were appreciated.

Councilor Peralta stated given the budget situation, he had concerns about putting over \$800,000 into marketing for Visit McMinnville. He noted that the City of Keizer used some of their Transient Lodging Tax funds for their Community Center. They needed to think strategically about other ways to spend those funds.

Mayor Hill stated that Visit McMinnville would be coming before Council with their annual report and these concerns could be raised at that time.

Councilor Geary agreed with Councilor Peralta.

City Manager Towery stated that the budget was being presented as it was agreed upon in the contract with Visit McMinnville. If the City wanted to explore other options, the forum to do that was with the City Council and Visit McMinnville, not with the Budget Committee.

Mayor Hill commented on the classification of the airport as a Class 2 Urban General Aviation Airport. He noted that the airport might be used for emergency services in the event of a natural disaster.

Budget Committee Chair Menke stated that in fiscal year 2019-2020, the City would levy \$3,716,108 in property taxes for principal and interest debt service payments on general obligation bonds. This levy would result in an estimated tax rate for debt service of \$1.3075 per \$1,000 of assessed property values. This tax rate compared to the actual debt service tax rate of \$1.4565 in 2018-2019.

Councilor Peralta asked about the ambulance fund and reimbursement money from the federal government. Fire Chief Leipfert said the state

legislature approved it in 2016 for a July 2017 start date, but a director was not hired to manage the program until April of this year. The reimbursements they anticipated were coming, but the delay in hiring caused a delay in creating the rules to let the providers apply for the reimbursements. They would be getting reimbursements back through July of 2017. Billing would start July 1, 2019 of this year for reimbursements.

Mayor Hill asked how much effort was being focused on cyber security. IS Director Burke stated that it was becoming the most important piece of what they did. He had seen other cities fall victim to attacks and had invested substantially in a top-of-the-line firewall. They had money in the budget to conduct some counter measure campaigns. In the last few years they had invested in a mobile device management system and implemented a two-factor verification for all devices.

Mayor Hill would like to have an Executive Session quarterly regarding cyber security and the City's effectiveness.

Budget Committee Member Gautney asked about a back-up plan for failure. IS Director Burke stated everything was backed up every night and information was stored off-site. It was a piece of disaster recovery planning.

Budget Committee Member Gautney wanted to make sure they had a way to recover from back-up failure and proper training for the systems.

Councilor Garvin asked about redundancy given the lack of seismic buildings in the City. IS Director Burke explained that there were two local data centers that they used to replicate all of the data and it was shipped off-site on a regular basis.

Councilor Geary asked how they would go from 1 gigabyte to 10 gigabytes, such as the timeline and budget for the change. IS Director Burke stated that they were planning to not have a data center on site in about 10-15 years, and that meant everything on site would be on something like Cloud and that was where they would jump from a 1GB network to 10 GB. He explained the process for making that switch.

Budget Committee Chair Menke asked for comments or concerns on the ending fund balance.

Budget Committee Member Hart stated regarding the reserve balance, he remembered times when there were hard decisions made to cut expenditures in order to keep the reserve higher than the level being contemplated in this budget. It seemed that the Councils in the past had a more conservative approach to the reserve. There had been discussions that if they did not use the money and deferred costs, those costs would be

higher in the future as things would not be maintained at the level they should be maintained. He noted that although they could increase the reserve, it would be done at a cost. It was a balancing act. Homelessness was a major issue in McMinnville and in all cities on the west coast. He was intrigued by Mr. Davis's proposal of looking for potential resources. Homelessness was an issue that the City Council was going to need to deal with and they would need to look at resources to address the issue. He noted that if an ordinance like Police Chief Scales's proposal was approved, they would be putting more pressure on Parks and Recreation. It would cause additional expenses and problems and would require some targeted money. They needed to pinpoint where there were pointed solutions and allocate resources to those solutions. There needed to be more discussion on pointed financial resources towards homelessness. He was in favor of the proposed budget, but with a cringe regarding the reserves because he thought another recession was coming in the future.

Councilor Geary stated that the current hot button issues were heavy on his mind especially in how they could be managed with the past decisions that were squeezing them. He too was uncomfortable with the reserves going down. He was not sure where he was at with the budget approval.

Budget Committee Member Mead thought that City governance in these times was not for the light of heart. These were tough financial times. The City of Newberg's reserve was down to 0 and the City of Corvallis's budget was massive cuts with a levy to fund staffing. He was concerned about McMinnville's reserve and how the graph showed a red line and in two years their reserves would be 0 if no cuts or revenue increases were made. He thought they were a couple years away from financial crisis and he would have a hard time voting yes on the budget.

Councilor Stassens wanted to look at the Transient Lodging Tax as stated previously and she would like to have something in the budget to reflect funding for homelessness, such as through the Wastewater franchise fee. She also wanted to hear more about an increase in the Water & Light franchise fee for heavy industrial. She had reservations about the reserves as well.

Budget Committee Member Lake stated that he typically was conservative when it came to budgets. The two options were they could spend or save and drawing down on reserves in a time of growth brought some concern. If they approved the budget tonight as proposed, it would make next year's budget much harder.

Budget Committee Member Gautney asked if the City was building cash reserves at a sufficient rate to match growth. Did spending money on

salaries and compensation achieve their staffing objectives? Were they confident in the probability of projected revenues enough to approve the requested level of expenditures? Some of the increases, such as COLA, could either cripple the budget or add to it. She wanted to be supportive of where they were going as a City, but at the same time the questions still needed to be asked.

Councilor Garvin had concerns about spending down the reserves and he would like to see the reserves at about 20%. They had spent down reserves for a number of years and were not creating any savings. There should be some expenditure cuts. The elephant in the room was PERS, but at the City level he was not sure that they could do anything about that. He would like staff to look into the Water & Light franchise fee. The Wastewater Fee should either be put in the General Fund or dedicated to some use. Housing should be funded out of the TLT. He would reluctantly vote yes to pass the budget tonight, but next year he would be a no vote if the same budget came back.

Councilor Peralta thought that as many staff member positions as they could should be protected this year and in future years. He noted that health care and PERS expenses were going up. His tension level for this budget was dependent on what happened with the legislature in respect to PERS. He was interested in Mr. Davis's suggestion to modify the Water & Light franchise fee and also what it would look like if all users were charged 5%. He would like to hear how the TLT could be used differently to support tourism related City services. They also needed to give serious consideration to a levy for staffing at the Fire Department. He was not comfortable waiting 3-5 years for a Fire District to address the staffing needs. They should consider whether there was any cost savings that could be achieved through changes to staff benefits rather than COLA increases.

Budget Committee Member Haas thought that it would be helpful to have guidance from City staff on what life would be like over the next two years rather than just this year. It was hard to make an informed decision if they thought they would make it through this year, but not the next. They needed to come up with some kind of funding mechanism to address the affordable housing and homelessness situation. They needed to look at it over a 2-3 year period, not just a band aid fix for this year.

Mayor Hill stated that it was his 25th year on the Budget Committee. He recognized Department Heads for working together and understanding the resources and future challenges and opportunities. It was a critical time. He suggested directing staff to come up with a plan and timeline of how they would get back to where they wanted to be with the reserve. He thought they could raise the reserves a percent per year. He could support

the budget as proposed. He noted that the Planning Department was doing critical work in providing growth for the future. He agreed homelessness and affordable housing needed to be addressed. They needed to be focused on the Strategic Plan and the budget needed to reflect those items. He thought they would be able to address a recession and bring the Budget Committee back together to make changes if needed.

Budget Committee Chair Menke stated that City staff had given the budget careful consideration. She was concerned about the reserves, but with the direction that the City Manager was presenting she could approve the budget.

9. BUDGET COMMITTEE RECOMMENDATION TO APPROVE THE 2019-2020 BUDGET AS PROPOSED OR AMENDED AND TAX RATE

It was moved by Budget Committee Member Hart and seconded by Budget Committee Member Haas that the Budget Committee of the City of McMinnville reviewed and hereby approved the budget for the 2019-2020 fiscal year in the amount of \$110,959,326; with the following amendments:

- 1. The General Fund Fire Department budget is amended to increase the Specialty Business License – Care Facilities revenue by \$100,000 and increase the General Fund ending fund balance by \$100,000*
- 2. The Specialty Assessment Fund budget is amended to increase intergovernmental revenue by \$500,000 and the appropriation for Materials & Services by \$500,000*
- 3. The Airport Maintenance Fund budget is amended to include an appropriation of \$21,680 for Transfers Out to the Wastewater Services Fund. The Wastewater Capital Fund budget is amended to include a Transfer in from the Airport Fund of \$21,680*
- 4. The Wastewater Services Fund budget is amended to include Licenses & Permits revenue of \$500,000 and increase the Transfers Out to the General Fund appropriation by \$500,000. The General Fund budget is amended to increase Transfers in from the Wastewater Services Fund by \$500,000 and increase the General Fund contingency appropriation by \$500,000*

The Committee also approved taxes for the 2019-2020 fiscal year, at the rate of \$5.02 per \$1,000 of assessed value for operating purposes and \$3,716,108 for the general obligation bond levy in the Debt Service Fund for principal and interest.

The motion failed with Members Peralta, Haas, Geary, Garvin, and Gautney opposed.

Budget Committee Member Haas asked where the delineation of funds were for affordable housing and homelessness. City Manager Towery said the Wastewater Franchise Fee and Transient Lodging Tax could be used for affordable housing and homelessness, however they had to have more discussions about reallocating funds out of the General Fund to a fund that was dedicated specifically to affordable housing and homelessness. There would be at least \$500,000 in that fund.

Councilor Peralta asked about possible changes to the Transient Lodging Tax and Water & Light franchise fee and possible fire levy.

Budget Committee Member Hart did not think the Budget Committee could address the Water & Light franchise or the Transient Lodging Tax. He thought that it was for the Council to decide upon.

Budget Committee Chair Menke said even if they passed the budget tonight, amendments could be made at a later time.

Budget Committee Members Gautney and Haas asked that their votes be changed to a yes.

City Manager Towery explained the process for the budget approval. Council could make any reductions in the budget that was approved by the Budget Committee, but they could not increase the tax levy and they were limited to making any changes that resulted in a 10% increase in the budget. The budget was a spending plan.

There was discussion regarding the process for changing the Water & Light franchise fee and use of TLT funds.

Mr. Towery clarified the direction of the Committee was for staff to present a three year plan to rebuild General Fund reserves with a goal of 17% to 20%, explore increasing the Water & Light franchise fee and lawful uses of the Transient Lodging Tax, create a detailed spending plan for the Wastewater franchise fee, specific funding strategy and timeline for Fire and EMS services, and a strategy to increase revenues and/or decrease expenditures of up to 3% for each.

It was moved by Budget Committee Member Hart and seconded by Councilor Peralta to approve the budget as stated in the previous motion.

Councilor Peralta thought 17% to 20% reserves in three years might not be realistic and he wanted to make sure they were protecting staffing levels.

Budget Committee Member Lake said the greater goal was to return to the 17% to 20% reserves and that would take concessions in both revenues and expenditures.

Councilor Geary agreed they needed to find ways to lower expenses and bring in revenues while not adding more services onto staff.

Councilor Stassens thought she could approve the budget with the caveats stated by City Manager Towery.

Councilor Peralta stated that the budget process was frustrating last year and was thankful for the full discussion this year.

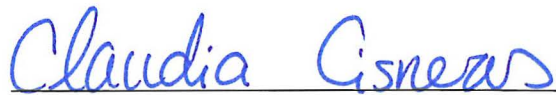
Budget Committee Member Gautney thought a good conversation was to ask what level of risk they were willing to bet on the revenues and what they were looking for in the future to meet the expectations.

Motion to approve the budget passed unanimously by a roll call vote.

It was moved by Councilor Geary and seconded by Councilor Stassens to direct staff as proposed by City Manager Towery. Motion passed by a unanimous roll call vote.

10.

ADJOURNMENT: Budget Committee Chair Menke adjourned the Budget Committee meeting at 9:11 p.m.



Claudia Cisneros, City Recorder