

City of McMinnville and Urban Renewal Budget Committee

# Work Session on Biennial Budgeting

April 23, 2024

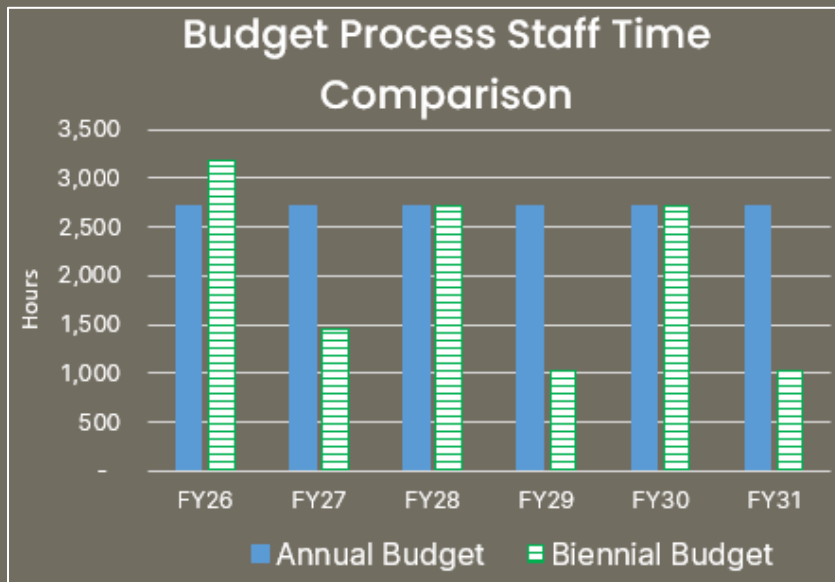
# Biennial Budget Objectives

1. Because much of the budget process is compliance driven, reducing the administrative burden of this process is appealing and will result in less staff and policy maker time required for the statutory budget activity city-wide
2. A longer budgeting time horizon may have benefits in terms being able to see the impact of funding allocation and investment choices farther down the road
3. The “off year” will open up staff time for available for community engagement, financial analysis and moving forward other important projects not just in finance but across the organization
4. Assure budget transparency remains at current level or improves

# Opportunity Cost of Budgeting

Each year, City Staff spends approximately **2,700 hours** on the annual budget process at a cost approaching **\$240,000** in FY2023-24 loaded rates

Moving to a biennial process will require an investment in time in both Year 1 of the first biennium as well as in its second “off year”

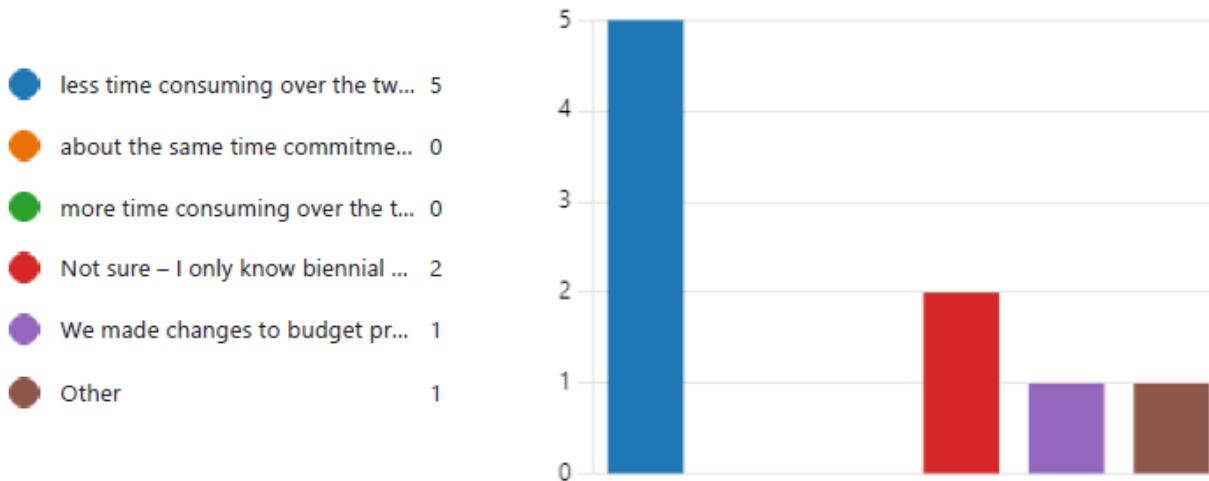


Over six years, we anticipate saving 4,165 hours – over \$500,000 in labor freed up, including the one-time effort to implement in first biennium

Out year biennium periods will save an est. 1,600 staff hours at over \$230,000 across the two-year cycle (in FY2029-30 loaded rates)

# External Biennial Survey

Would you say the organization-wide effort on the biennial budget process relative an annual budget process is

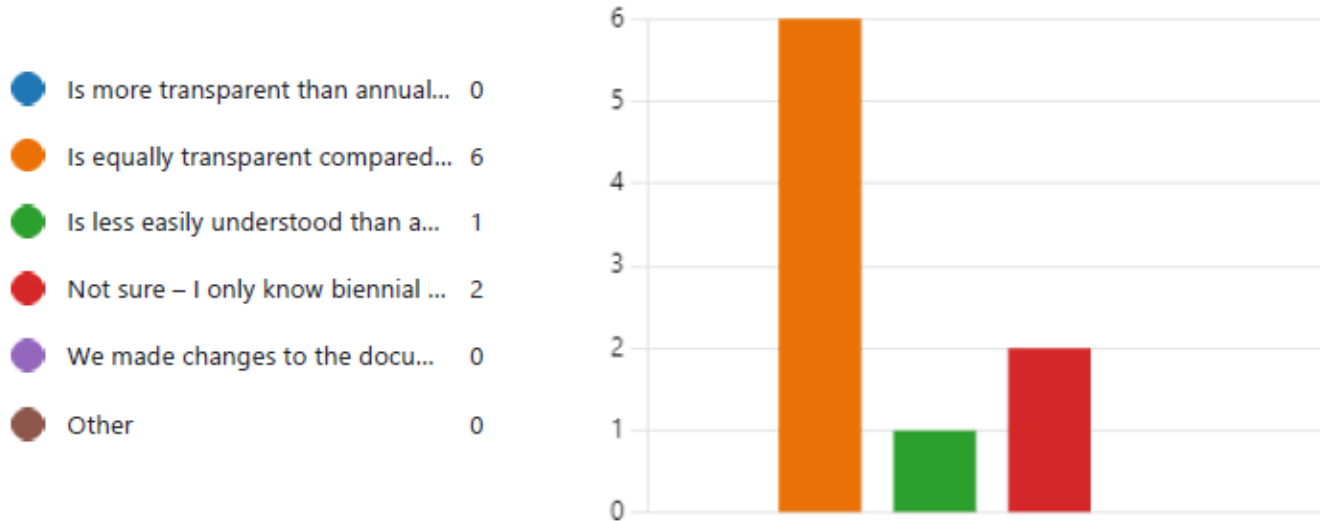


Most jurisdictions have seen time savings with biennium budgets

Note: of the nine responses, two organizations had only 1 or 2 budget cycles doing biennium budgets; they may be the two “not sure” responses

# External Biennial Survey

## Biennial budget document quality



Most jurisdictions believe the budget information presented to the community and Budget Committee is equally transparent

# External Biennial Survey

## Comments regarding the positives

It allows us to undertake projects in the off year during what would be our normal budget cycle. It also allows us to execute a two-year strategy more fully. Many efforts included in the budget take more than 12 months to complete. Having that extra time is also helpful.

The Department Directors work more closely with the supervisors within their department as well as Finance staff and City Manager not only in the development of the biennial budget but during those two years for any amendments that need to be made. Better communication!!

# External Biennial Survey

## Comments regarding the drawbacks

Well, this last biennium we had a lot of supplemental budgets due to prices skyrocketing for everything.

Most financial systems (budget, GL, etc.) are set up for 12 month fiscal years and not a biennial budget. Make sure that reports will work. With longer horizon between budget cycles where it is easy to make corrections, it become more important for the finance department to monitor revenues to ensure there is not a downturn.

The drawback is that there is significant time between budget development processes so staff, Council, and Budget Committee could become less engaged or familiar with the process because of the gap between iterations.

# External Biennial Survey

## Other tips or implementation lessons learned

It might also be a bit of a culture shift to rely on supplemental budgets more with biennial budgets. Sometimes annual budget jurisdictions are surprised that we entertain supplemental budgets at all and we actually schedule our supplemental budgets for at least twice per year knowing that they will be needed.

Have great IT staff that are willing to create reports and update reports as needed especially if your ERP platform is annual.

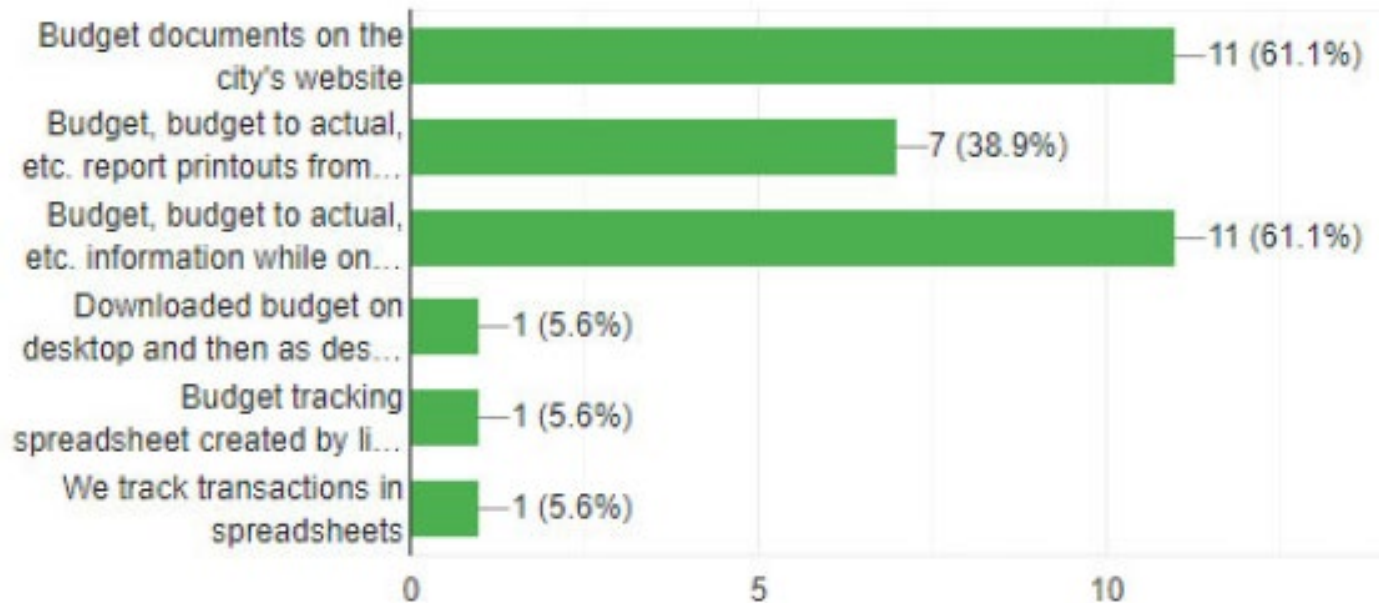
Gather as much information as you can from experts on your software (not sales people). We ... were assured the biennial budget creation and reporting would be easy and it turned into major workaround after major workaround during implementation... So now we have a very custom software setup that only 1 or 2 people fully understand between IT and Finance.



# Internal Budget Survey

How do you access McMinnville budget information? (Choose as many as apply)

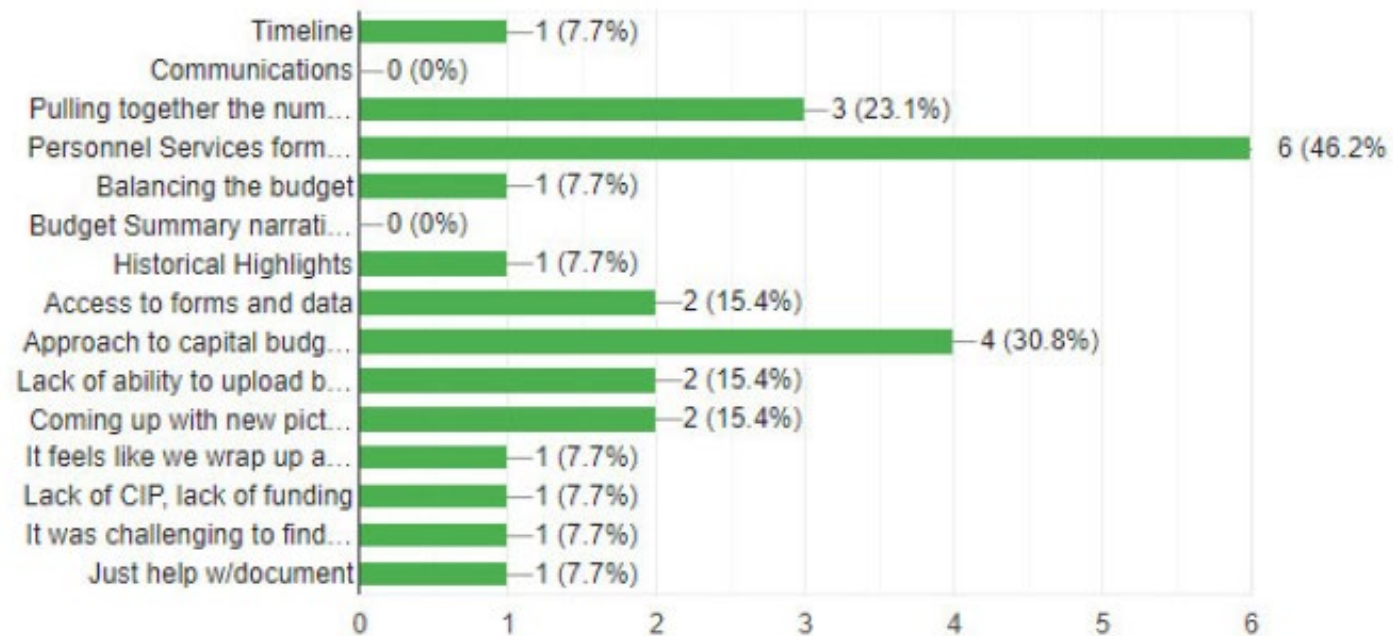
18 responses



# Internal Budget Survey

What do you find is the most frustrating aspect of the current budget development cycle? (Choose as many as apply)

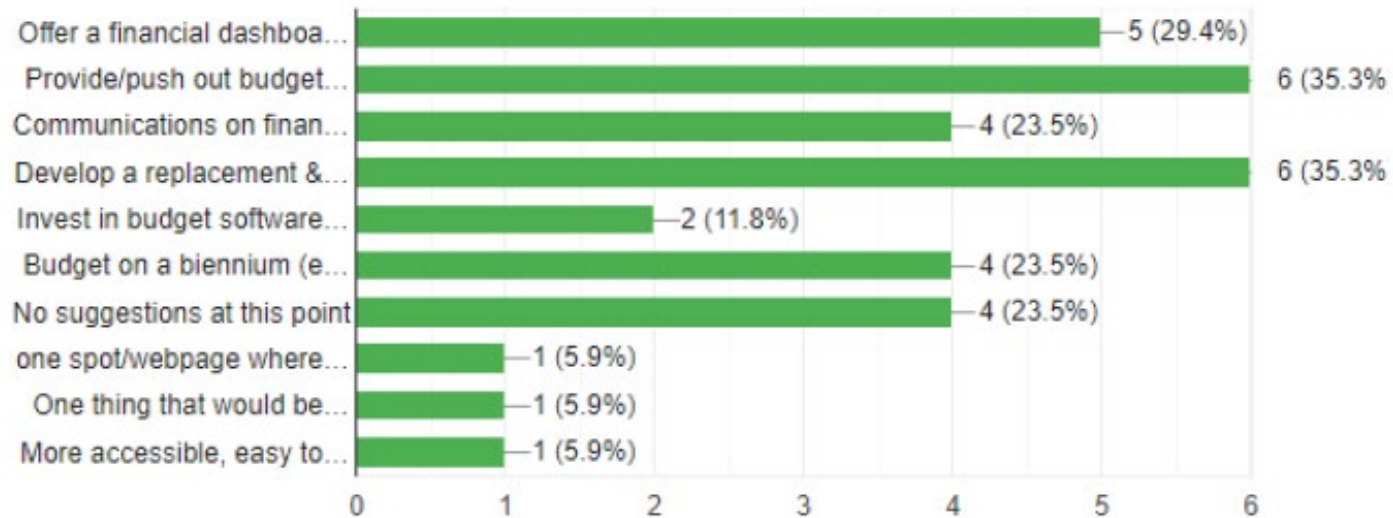
13 responses



# Internal Budget Survey

What do you think we could do to improve our financial planning and communications? (Choose as many as apply)

17 responses



# Staff proposal:

Move to biennial budget for FY2025-27

and

Evaluate web-based budget application to

- ease technical requirements
- maximize opportunity cost savings for process improvements
- enhance transparency
- fund estimated three years of carrying cost with repurposed ARPA funds for grant position

# Proposed next steps and timeline

1. Request for Quotes web-based budget applications in May 2024
2. Evaluate quotes and hold demonstrations in June – July 2024
3. Propose an update to code to Council in summer of 2024
4. Implement and integrate (finance and IS staff focus) in August – December 2024
5. Staff training in December 2024 – January 2025
6. Prepare updated budget document for public and Budget Committee May 2025 for FY2025-27 biennium

# Biennium Budgeting Proposal

Questions

Discussion

Suggestions