

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

Wednesday, May 16, 2018 at 6:00 p.m.

Presiding: Kellie Menke, Budget Committee Chair

Recording Secretary: Melissa Grace

Budget Committee Members:

<u>Present</u>	<u>Absent</u>
Adam Garvin	Remy Drabkin
Scott Hill	Peter Hofstetter
Sal Peralta	Kyle Lake
Alan Ruden	Sherry Markwood
Wendy Stassens	Drew Millegan
Jerry Hart	
Brad Lunt	
John Mead	

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, Information Systems Director Scott Burke, and Parks and Recreation Director Susan Muir.

AGENDA ITEM

1. CALL TO ORDER: Mayor Hill called the meeting to order at 6:00 p.m.
2. ROLL CALL: City Recorder Grace called roll. It was noted that Budget Committee Members Drabkin, Hofstetter and Markwood had been excused from the meeting.
3. ELECTION OF BUDGET COMMITTEE CHAIRPERSON: Budget Committee Member Hill MOVED to elect Budget Committee Chair Menke as Budget Committee Chair and further MOVED that the nominations be closed; SECONDED by Budget Committee Member Lunt. Motion PASSED unanimously.
4. PRESENTATION OF BUDGET MESSAGE

City Manager Jeff Towery presented the budget message.

Mr. Towery noted that the City is working to rebuild core services. He shared that this year's budget has quite a few changes and the changes are detailed in the budget message and in the department summaries. He summarized that the budget largely maintains other levels of service, carefully manages expenses to address important projects and deferred maintenance, sets aside limited funds to address emerging needs from the ongoing Strategic Planning effort and there are funds budgeted to conduct a market analysis of wages.

He noted that in Administration, if the budget is approved, a fulltime Human Resources Manager will be hired to focus on a wide variety of Human Resources needs. The position will report directly to the City Manager and receive support and assistance from the Administration, Finance, and Legal groups. It will initially be funded by the insurance reserve fund and eventually be funded by the general fund.

Mr. Towery shared that in Community Development there will be a two year approach. One of the major needs is maintaining the growing parks system. An additional utility worker and supporting materials and services costs are included in the proposed budget. He noted that this will incrementally increase service levels and positively impact park users.

In Fire Services a Support Services position is proposed which will reduce the administrative work load on emergency responders and gain efficiencies in ordering and inventory control. An over-hire Firefighter Paramedic position will be used to fill shifts created by vacancies and is funded by a corresponding reduction in overtime costs.

Mr. Towery shared that in the proposed budget for Parks and Recreation there is a reallocation of staffing resources and one-time costs to address recent spikes in law enforcement activity at the Aquatic, Community and Senior Centers.

In Planning and Building there will be two planning positions and reallocation of a current position to allow the program to better address current development and long range planning projects. A Business License Program subject to City Council direction, could also be started. A transition to electronic building and permitting will drive restructuring in the program. The two budgeted Code Enforcement positions will be transferred from the Police Department to the Planning Department.

Mr. Towery stated that in the Police Department there is a proposal for two additional officers. This will provide an opportunity to increase presence and to expand outreach in areas where previous reductions and work load changes had an impact. A .5 FTE to the Evidence and Property section will help with timely submission of evidence to the Oregon State crime lab, provide crime scene processing assistance, and ensure that property can be readily released to those who wish to claim it.

Mr. Towery stated that maintaining a healthy reserve has allowed the City to weather the last recession without deep cuts. The City has maintained a very favorable bond rating. Mr. Towery shared that the Government Finance Officers Association (GFOA) indicates that a 17 percent reserve level meets best practices. Based on current forecasts, the City should be able to stabilize the reserves by taking a comprehensive approach to managing expenses and increasing revenues over the next several years with a goal of keeping the reserve between 17 percent and 20 percent.

Mr. Towery stated that the strategic planning effort is underway and there are draft vision, mission and values statements. He commented that there is a great amount of consensus around the issues coming out of the strategic plan. He commented that the budget is forecasted to be responsive to not just the needs that are seen but also what is being heard in the strategic planning discussions. Issues will be addressed such as City Capacity, Civic Leadership, Community Safety, Economic Prosperity, Engagement and Inclusion, Growth and Development Character, and Housing Opportunities across the income spectrum.

Committee Budget Member Hill commented on the good progress being made on the Strategic Plan and the work on the Budget.

5. PUBLIC TESTIMONY:

Budget Committee Chair Menke opened the Public Hearing and asked for public testimony.

McMinnville Citizen Mark Davis stated that he is concerned about the drop in reserve percentage. He noted that the lower the percentage goes the higher the chance for problems the next time there is an economic downturn. He also stated that he would like to see the City do more with Affordable Housing and that the City needs to expand the Urban Growth Boundary. Mr. Davis stated he would like to see more incentives for developers to develop and he would like to the City to do more. Mr. Davis feels that the transient lodging tax could and should be used for Affordable Housing. He noted that lower income apartments have gone away for tourist's use. He stated that at least a portion of the 30 percent of the transient lodging tax that goes to the City should go towards Affordable Housing. Mr. Davis shared that a personal concern of his is that the Saturday hours at the Library have not been reinstated. He stated that the Library is an important place in the community and that the City should find a way to get the Saturday hours back.

Budget Committee Chair Menke closed the public testimony portion of the meeting.

Finance Director Marcia Baragary reviewed the opening pages of the Budget document. She directed the Budget Committee to the various charts showing the revenues and expenditures.

She reviewed the big changes in Administration and Planning and Building Departments. Ms. Baragary noted that the General Fund Reserve shows a couple different scenarios depending on forecasted assumptions. She noted that there is margin for error in the forecast. She noted that potential revenues are not reflected. She added that the forecasts are not overly conservative and the goal has been to be realistic. Ms. Baragary noted the transient lodging tax increases as a result of the 8-10% percent rate increase and bringing in the RV parks. She stated that there is a fairly big decrease in transportation. She explained that the decrease has been in spending down the bond proceeds related to the transportation bond projects. Ms. Baragary continued reviewing the proposed budget. She directed the Budget Committee to the financial overview and noted it was another way of showing where the money comes from and how it is spent.

Discussion ensued about the overtime hours that are expected to be reduced for the additional FTE at the Fire Department.

Discussion ensued regarding the marijuana tax revenues.

Budget Committee Member Lunt stated that he was happy to hear a Human Resources Manager position was being hired and asked about the ongoing funding for that position. Mr. Towery explained that there is a risk and insurance fund reserve and that there is a significant amount of money in the reserve. He noted the work of a Human Resources Manager would be providing services related to risk management. Mr. Towery explained that the fund could be spent down to approximately \$1,000,000.

Budget Committee Member Peralta asked about the materials and services estimate in the budget. He noted that there is an increase of about \$800,000 from this year's budget. Finance Director Baragary explained that professional services are included in that number, such as \$75,000 for strategic planning services.

Budget Committee Member Peralta asked about the 25 percent reserve rate versus the 17 percent reserve. He inquired about the reasons for it being drawn down. Mr. Towery explained that the best practice number by GFOA will still allow the City to weather any downturns. He noted that over time the City has been diligent about growing the reserve to a very healthy number.

Budget Committee Member Hill stated that they should look where the money is being spent and he likes how the money is being spent. He noted that the HR Manager position is important for liability and risk management. He stated that the new planning positions will help with economic growth and the urban growth boundary. He feels that this is wise use of money to build the revenue generating activities.

Budget Committee Chair Menke stated that City Management is conservative. She noted that is time to cast off the recession mentality and do some things necessary to provide growth for the City.

Discussion ensued regarding the reserve rate being reduced. It was noted that by approving the budget this evening, it would be approving the reserve rate.

Mr. Towery explained that ongoing costs are built into the forecast. He directed Council to the financial overview showing the reserve rate. Mr. Towery explained that the forecast has not been adjusted presuming significant economic growth.

Budget Committee Member Peralta asked about the licenses and permits. Mr. Towery stated that the bulk is related to franchise fees.

Budget Committee Member Peralta asked about what is the basis for growth in licenses and fees. Ms. Baragary explained that licenses and permits includes transient lodging taxes and that last year's budget compared to the 18-19 budget there is an almost \$300,000 difference in Transient Lodging Tax. Budget Committee Chair Menke added that the revenues are expected to increase by 27 percent and are primarily related to the natural gas franchise fees and garbage franchise fees.

Discussion ensued regarding PERS liability.

Budget Committee Chair Menke noted that there is a statement of bonds and loans outstanding for 2018-2019 included in the proposed budget.

6. PUBLIC HEARING – ON POSSIBLE USES OF STATE REVENUE SHARING: Budget Committee Chair Menke opened the public hearing on the possible uses of state revenue sharing at 7:05 p.m. She advised that the State Revenue Sharing Law, ORS 221.770, requires cities to annually pass an ordinance or resolution requesting state revenue sharing money. In order to receive state revenue sharing in 2018 – 2019, a city must have levied property taxes in the preceding year and must hold a public hearing before the Budget Committee to discuss possible uses of the funds and hold a hearing before the City Council on the proposed uses of funds in relation to the entire budget. She stated that the \$429,000 of state revenue sharing available to the City is proposed to be spent in the following manner:

Ms. Baragary noted that \$357,000 is from the liquor tax and the remaining portion is from the marijuana tax. She displayed a use of proposed uses:

Administration

- | | |
|--|----------|
| • General Fund facilities assessment | \$75,000 |
| • General Fund strategic planning Consultant | \$75,000 |

- Civic Hall audio system upgrade \$20,000

Fire

- Command vehicle \$43,000
- Mold remediation plumbing repair 75% (cost shared) \$75,000

Parks & Recreation

- Recreation buildings master plan \$75,000
- Senior Center roof repair/ replacement (city share) \$20,000

Parks Maintenance

- 11 foot rotary mower \$46,000

Total Proposed Expenditures \$429,000

Budget Committee Member Lunt asked about under the General Fund there is a the Facilities Assessment and under Parks and Recreation there is a Building Master Plan. Mr. Towery explained that they are separate but related issues. He stated that the City is planning to conduct a Facilities Assessment to identify a range of costs in order to get a handle on what the liability is. He stated that the information from the assessment is needed to help inform the second study.

Discussion ensued regarding the Facilities Assessment.

Budget Committee Chair Menke closed the public hearing at 7:10 p.m.

Budget Committee Chair Menke thanked the Finance Department and City Staff for their excellent work on the budget.

Budget Committee Chair Menke stated that the budget is a response to the request of the City Council for a Strategic Plan. It entails several years of information at many levels including staff and committee work. She noted that the Strategic Plan is not complete but that there is reason for great optimism as reflected in the Budget. In order for the City of McMinnville to provide the wonderful livability that the citizens love and maintain the high standards everyone is used to it is necessary to cast of the extremely conservative recession mode. She stated that although it served the City well compared to other cities, it is being recommended to adopt the GFOA best practices standard of 17 percent. She noted that property tax revenues have not increased more than three to four percent in the last several years although staffing costs have outpaced the percentage. Many years of operating in recession mode has increased the need for maintenance and repairs of facilities. Budget Committee Chair Menke added

that this budget is a step in the right direction to invest in these needs. She commented on many of the new revenue sources in the budget and the work of the Strategic Plan noting the ambulance and fire department. She stated that we want McMinnville to be a City where growth is planned, livability keeps pace with that growth, where there are living wages and affordable housing and a place for Children to come back to and raise their families. She stated that in order to do this McMinnville must be competitive with other cities.

Budget Committee Chair Menke pointed out that the total personnel services costs for all funds is \$25.8 million. She commented on the five-year trend of FTE in the proposed budget. She highlighted the tremendous amount of volunteers.

Budget Committee Chair Menke reviewed the budget highlights for each department.

Budget Committee Member Hill asked about growth management. He noted that there is \$60,000 budgeted to look at community planning. Planning Director Richards explained that the funds are to help facilitate the dialogue, bring data to the table and provide education. It is about finding out what growth looks like in this community. She stated that there will be an important community discussion about what growth will look like in McMinnville. This will be a precursor to Urban Growth Boundary discussion.

Budget Committee Member Peralta noted that the changes in the Planning Department is essentially doubling the department. He stated that it is a large number and he would normally be skeptical of it. He noted that because of the Planning Director's work ethic and the amount of effort the Planning Director puts in makes him less skeptical about this type of expenditure. Planning Director Richards noted that it was a fairly small budget to begin with and that some of the funds are related to grant funds. In addition there is a proposed contract neutral position for business licensing based on the generation of revenue if City Council gives the direction. She mentioned that there are some creative resources in the budget.

Budget Committee Member Hill asked about the consulting services fund. Planning Director Richards noted that with the assumption of the building program and more effort into the urban renewal program her position is being allocated half time into those two programs bringing additional funds for more consulting services. The intent is to start getting caught up on some of the deferred long range planning. She explained that there is a grant coming up for an additional housing study that she would like to propose. She noted that having funds to be competitive in the grant process is critical. Ms. Richards stated that there are also some mandates coming from the State related to wetlands that will need to be addressed. Budget Committee Member Hill noted that he is optimistic where things are headed.

Budget Committee Chair Menke read the Police Chief's budget summary related to additional staffing. Police Chief Scales explained that with the additional officers it will help with the Police Department being able to be more responsive. Budget Committee Member Hill noted that one of the critical things the City is charged with is providing public safety. Budget Committee Member Peralta asked doing more to expand animal control services. Police Chief Scales explained that the entire patrol staff handling the code compliance piece of this. Police Chief Scales stated that there will be revenue coming in related to dog license fees.

Budget Committee Member Hill pointed out the diverse activities happening in Municipal Court.

Budget Committee Chair Menke noted that there is discussion about possible consolidation with various other local fire departments in various forms and intergovernmental agreements. Fire Chief Leipfert explained across the state more and more fire departments are seeing fiscal challenges with providing services that are effective. He explained that there are a large number of consolidations of small jurisdictions and new districts being created to establish long term viability. Fire Chief Leipfert noted that there have been conversations with jurisdictions in Yamhill County about creating a district or a merger or other partnerships. Budget Committee Chair Menke commented on workload issues at the Fire Department and she commented on the high turnover. The Budget contains an additional firefighter/ paramedic to cover vacancies and it also contains an administrative position. Health and wellness issues have been on the rise so there are items in the budget to address sleep deprivation issues. She added that there are funds allocated for mold remediation. She noted that there are increasing call rates particularly in EMS. She stated that there are charges proposed related to care facilities calls. Budget Committee Member Garvin asked about recapturing money related to ambulance services and care facilities. Budget Committee Member Peralta asked about unreimbursed costs from Medicare/ Medicaid being reimbursed through the state. He asked which funds the money goes into. Mr. Towery stated that it would be split between the general fund and the ambulance fund. He shared that the \$800,000 transferred from the general fund is the amount of money to keep the ambulance service going. Fire Chief Leipfert noted that there is \$200,000 needed to purchase an ambulance this year.

Parks and Recreation Director Muir explained that the Community Center building is very large with many doors. She shared that there are security issues with only one employee being in some of the buildings and that these security issues are addressed in the budget by adding an employee and adding security measures such as cameras and improvements to the doors.

Budget Committee Member Hill noted that over 2,000 showers were provided at the Community Center.

Budget Committee Chair Menke stated that the Kids on the Block program has been self-supporting. Since the Mayor's Ball is no longer taking place and funds have declined. She stated they will be looking at a strategy on the future of the Kids on the Block program. Parks and Recreation Director Muir shared that there will be a study and the long term funding strategy will be come from the study. Parks and Recreation Director Muir stated that there will be a fee analysis that will account for indirect costs and a cost recovery model and policy will be determined.

There was a short recess from 8:10 p.m. – 8:20 p.m.

Budget Committee Chair Menke highlighted that the Library is open 45 hours per week which is below essential level standards. Essential levels are 50 hours. Budget Committee Member Peralta suggested bringing the level to 50 hours per week which is considered an essential services level. Mr. Towery stated that options could be pulled together. Budget Committee Chair Menke noted that there be options for the City Council to look at bringing the hours from 45 to 50.

Discussion ensued regarding gas tax revenues.

Budget Committee Member Peralta MOVED to have Staff bring options to the City Council on bringing the library hours up to 50 hours per week; SECONDED by Budget Committee Member Stassens. Motion PASSED unanimously.

7. **BUDGET COMMITTEE RECOMMENDATION TO APPROVE THE 2018 – 2019 BUDGET AS PROPOSED OR AMENDED AND TAX RATE**

Budget Committee Chair Menke asked for a motion to approve the Proposed Budget as presented and to approve the permanent tax rate of \$5.02 and the debt service property tax levy of \$3,980,326.

Budget Committee Member Hill MOVED to approve the Proposed Budget as presented and to approve permanent tax rate of \$5.02 and the debt service property tax levy of \$3,980,326; SECONDED by Budget Committee Member Stassens. Motion PASSED unanimously.

Budget Committee Member Garvin asked that next year there be two Budget Committee meetings so that it does not seem so rushed. Budget Committee Chair noted that there were two weeks to study the budget and typically there is one meeting. Budget Committee Member Peralta agreed that it would be helpful to have more time at meetings to discuss the budget.

Budget Committee Member Hart shared that more information up front and information about what the Council has prioritized throughout the year would be useful. He stated that as a Budget Committee Member you do not have that background. He stated that having a narrative about these priorities would be helpful. Discussion ensued regarding the role of the Budget Committee.

Mr. Towery noted that this is the 35th municipal budget he has worked on and McMinnville is the only place he has seen budgets be approved by the Budget Committee at the first meeting. He stated that this is a testament to the quality of work that policy makers, staff and volunteers do. He thanked the Budget Committee for their work and trust.

8. ADJOURNMENT: Budget Committee Chair Menke adjourned the Budget Committee Meeting at 8:52 p.m.

City Recorder