



**Special Called Budget Committee Meeting Agenda
Tuesday, April 23, 2024
6:00 p.m. – Special Called Meeting**

Welcome! The public is strongly encouraged to participate remotely but there is seating at Civic Hall for those who are not able to participate remotely. However, if you are not feeling well, please stay home and take care of yourself.

*You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331,
Zipty Fiber 29 or webstream here:
www.mcm11.org/live*

*You may join online via Zoom Meeting:
<https://mcminnvilleoregon.zoom.us/j/82088514011?pwd=2RljJOBTkkCFz0xLc4jNEqglm1qrdq.1>*

Zoom ID: 820 8851 4011

Zoom Password: 275948

*Or you can call in and listen via Zoom: 1-253- 215- 8782
ID: 820 8851 4011*

1. CALL TO ORDER & ROLL CALL
2. BIENNIAL BUDGETING
3. ADJOURNMENT

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice: Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or Claudia.Cisneros@mcminnvilleoregon.gov.

Staff Report

DATE: April 23, 2024
TO: Budget Committee
FROM: Jennifer Cuellar, Finance Director
SUBJECT: Proposal to move to Biennial Budget for City and Urban Renewal



CITY GOVERNMENT CAPACITY

Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.

Report in Brief

The State of Oregon allows local governments to prepare its budgets on either an annual or biennial basis. Staff believe that it would benefit the City to move to a biennial budget process. The following information outlines the reasons for this proposal, research done to date on this change and an implementation outline. As this is a work session and no decisions are made in these meetings, staff is looking for discussion among and feedback from budget committee members on the concept and any additional information should be reviewed or next steps that should be considered as a part of this potential process change.

Biennial Budget

Following the FY2023-24 budget cycle in the summer of 2023, finance staff discussed this possible budgeting change among themselves, with the City Manager (CM) and at the Executive Team. After receiving a positive reaction on the prospect of moving to a biennial budget from staff, the CM discussed it with Council leadership and they also expressed interest in considering this option.

The objectives we want to achieve with a move from annual to biennial budgets include:

1. Because much of the budget process is compliance driven, reducing the administrative burden of this process by half is appealing and we believe would result in reducing 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

If the city were to move to biennial, we want to assure that budget transparency is at least as open as it is now.

What have we done

1. Researched the 12 comparable cities closest to McMinnville in population: 75% annual, 25% biennial
2. Found additional local governments who are biennial and sent external survey on the biennial budget process

3. Sent out an internal survey of McMinnville staffers on budget and related topics
4. Contacted our accounting software provider, New World Systems (NWS), to discuss practicality of biennial budget
5. Met with a water district in California that utilizes biennial budgeting in NWS
6. Met with Tualatin Valley Water District (TVWD), an Oregon biennial budgeter also on NWS
7. Discussed custom reports and other impacts with Information Services Department (IS)
8. Carried out a City Charter and City Code review
9. Reached out to the one local government we found with a biennial cycle that is offset from the State of Oregon's
10. Looked at a single third-party budget platform in context of the biennial budget, and just general efficiency and transparency upgrades we might be able to achieve with a web-based budget application to interface with NWS
11. At the Oregon Government Finance Officer Association (OGFOA) meeting in March 2024 attended a session on local government biennial budgeting

What have we learned

1. The survey revealed the following:
 - Strong positive from biennial budget jurisdictions, primarily in terms of saving time in the off year across the organization, representing an “opportunity cost” gain for all staff involved in budget process
 - Almost all organizations that have a biennial budget are on state biennial cycle
 - Biennial budget folks all have some level of workarounds with their accounting systems to accommodate the biennial budget
 - Can expect more supplemental budgets as forecasting revenue and expenses for a longer period means more time for unanticipated impact of business cycles, new opportunities and challenges that require budget amendments to happen
2. A general internet search shows that it appears biennial budgeting is happening more in communities larger than McMinnville with just a handful doing it that are smaller
3. NWS offers a biennium budgeting framework
 - Challenges seem to be related to purchase orders (POs) across the two-year cycle and validation of budget overages. Effectively POs will have to routinely be overridden because the accounting system only recognizes a single year at a time
 - At present don't have reports that could be run for internal or the budget book without extensive formatting issues. IS workload doesn't stretch to reworking all of the custom budget reports, at least not near term.
4. TVWD does their budget almost entirely outside NWS with staff using excel and word in a sharepoint structure. The approach is quite a bit different from how we do it.
5. From the internal survey, reliance on the transaction level detail that is only found in the budget reports – not elsewhere in NWS – is strong across the city organization so need to make sure that any future budget process/system update has that capacity
6. NWS does have a budget upload function we could consider using but it would require a secondary process to also add in transactional level details for each department/fund's budget

7. A number of third-party local government budget applications are available which would aid in the technical move to a biennial budget as well as offer additional efficiencies and public transparency enhancements generally.
 - An annual investment of \$30-40 thousand would likely be required; finance would repurpose funding from the American Rescue Plan Act (ARPA) project earmarked for the ARPA grant manager now available due to the resignation of that limited-duration staffer which could stretch to implementation and approximately three years of carrying cost
 - Functionality options include web-based budget book production that would mean ability to eliminate the custom reports currently used (which require considerable attention each year from IS staff), workflows designed for budget development as well as the creation of narrative components of the budget
 - Year-round budget to actual reporting, adding public transparency that we currently do not have
 - Potential for future additions such as for longer term Capital Investment Plans that integrate into the biennial budget data
8. City Charter: Section 68. Bonded Indebtedness notes annual tax levy. With a biennial budget, the tax levy for both years is included in the motion as independent amounts – City Attorney’s initial review is that a Charter amendment may not be needed but additional research will take place if McMinnville moves forward.
9. City Code: Found mention of annual budget in two places – 2.08.030 in city manager duties to prepare an “annual budget” and 2.28.030 in airport section – commission is to prepare an “annual budget.” City attorney believes these should be updated and should be relatively simple code updates to bring before Council. Additional research regarding airport specific language would also be done.
10. The one city that has an off-cycle biennial period from the state’s was designed that way because the one Finance Director worked in two different cities so the biennial budget set up on different years so could alternately focus on the budget process one city at a time.
11. At the OGFOA conference session on biennial budgets, not a single jurisdiction utilizing biennial budgets said that an annual budget process was preferable. All reflected that it allowed finance departments to do other vital projects in the off years, capacity that would benefit McMinnville as well. They all also reported that all departments are positively impacted with a biennial budget approach because of the time savings accrued, which translates to more time for service delivery to the community. Recommendations from biennial budget jurisdictions are to look for opportunities in the off year to keep the budget committee engaged and to expect that the first cycles will be learning experiences in terms of how the two-year budget span ties out to the annual financial reporting requirements in your particular environment.

Finance Director recommendation

I believe the City of McMinnville would benefit from going to a biennial budget process starting in FY2025-26/FY2026-27 period. This time frame would mean the City of McMinnville is in step with the state’s biennium period.

Next Steps

1. Meet with policy makers in April 2024 to discuss this proposal and get feedback on any considerations or details on this organizational change and its implementation
2. Send out a request for quotes to the vendors of web-based local government budget applications on our use case, the priority functionality McMinnville seeks and pricing information in May 2024
3. Review quotes and hold demonstrations of software applications in June – July 2024 with a group of staff that includes representatives from finance, IS and public-facing departments
4. Implementation and integration – Finance and IS staff focus August – December 2024
5. Staff training December 2024 – January 2025

Attachments

1. External survey responses
2. Internal survey responses

Biennial Budgeting Survey

9 Responses	09:16 Average time to complete	Active Status
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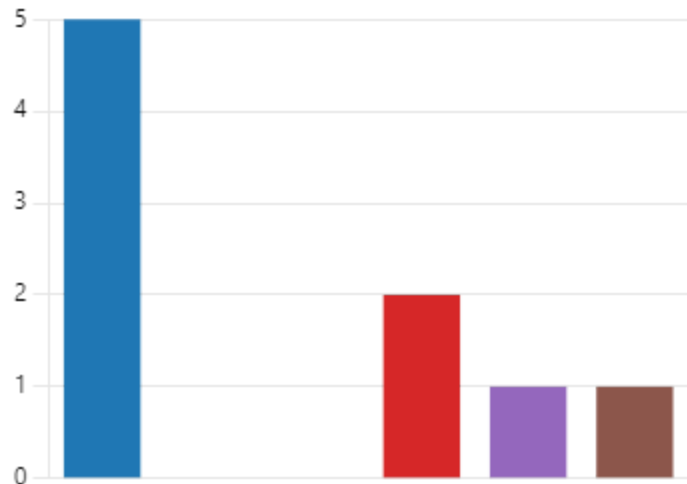
1. How long has your jurisdiction used a biennial budget?

- Just started - one budget cycle 1
- Recently started - two budget c... 1
- We're pros at it - three or more ... 7



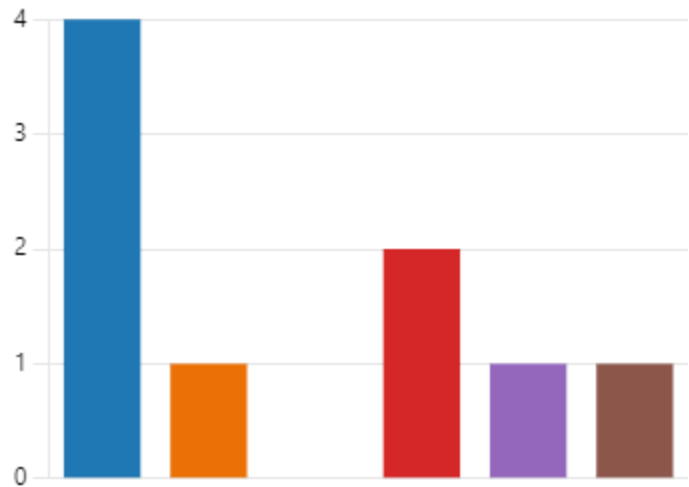
2. Would you say the organization-wide effort on the biennial budget process relative an annual budget process is

- less time consuming over the tw... 5
- about the same time commitme... 0
- more time consuming over the t... 0
- Not sure – I only know biennial ... 2
- We made changes to budget pr... 1
- Other 1



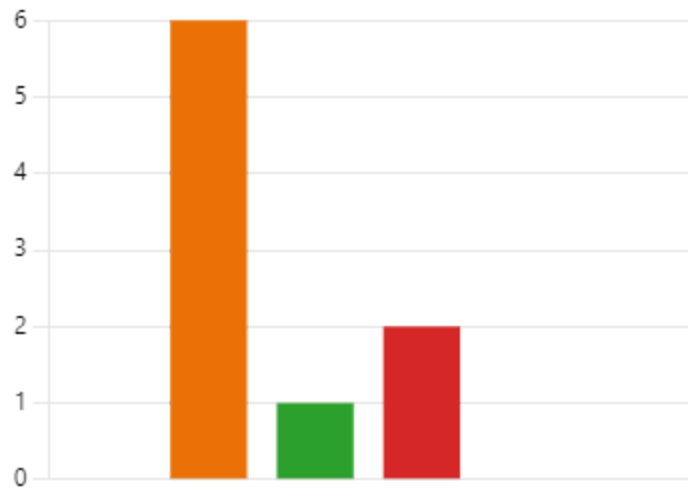
3. Would you say the finance/budget staff effort on the biennial budget process relative an annual budget process is

- less time consuming over the tw... 4
- about the same time commitme... 1
- more time consuming over the t... 0
- Not sure – I only know biennial ... 2
- We made changes to budget pr... 1
- Other 1



4. Biennial budget document quality

- Is more transparent than annual... 0
- Is equally transparent compar... 6
- Is less easily understood than a... 1
- Not sure – I only know biennial ... 2
- We made changes to the docu... 0
- Other 0



5. Does your biennial period correspond to State of Oregon's biennial years?

- yes 8
- no 1



6. What is the biggest positive aspect to working in a biennial budget framework?

9
Responses

Responses at end of report

7. What is the biggest drawback to working in a biennial budget framework?

9
Responses

Responses at end of report

8. How often does your entity provide budget to actual reports and/or analysis to your governing body or budget committee?

- Monthly 2
- Quarterly 4
- Annual 1
- Ad hoc basis 3
- Other 1



9. If your entity prepares a financial forecast, how often do you update your financial forecast?

- Monthly 0
- Quarterly 0
- Annual 5
- Ad hoc basis 4
- Other 1



10. Is there anything else you'd like to share about your approach to biennial budget process or lessons learned moving to a biennial budget framework that you'd like to share?

6
Responses

[Responses at end of report](#)

11. Please provide your name, jurisdiction and contact information

8
Responses

12. Would you be willing for us to follow up with you to discuss your entity's budget process and lessons learned when transitioning to a biennial process? We're thinking a 15 minute or so conversation.

● yes	7
● no	1



13. Would you be willing to share your interim budgetary reporting package and/or financial forecast output with us? Feel free to send documents to jennifer.cuellar@mcminnvilleoregon.gov

● yes	5
● no	0



Response Details

6. What is the biggest positive aspect to working in a biennial budget framework?

It allows you time on the off years for other projects or strategic planning. Less budget adjustments due to the timing on project completions.

Flexibility to plan and execute different actions with a two-year budget timeframe instead of uncertainties that come with a 12-month cutoff. Also, less budget season process to start the second year of the biennium.

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!!

The "off" year allows for other project work, like refining the five year financial forecast, etc.

Less time for departments to prepare their budget. Better alignment with longer term strategic plans. Better for longer term CIP projects with less carryover year-over-year.

we aren't already talking about the next budget :)

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.

We believe it is probably less time commitment over a two year period to budgeting vs. annual and encourages more accurate longer term projections

The County's department heads love only having to deal with budget every other year.

There is increased flexibility when we are appropriating budget for both years of the biennium. We are able to move budget between years which provides flexibility on timing.

The budget process can be very time consuming, so being able to do it at a more intense level every 2 years rather than every year saves time. We are only producing documents and holding budget committee meetings every two years rather than having to do so every year.

More financial stability over two years, less time spent in two years than two one-year cycles. Frees up all the other departments in the off year. Much less time intensive over two years for them.

7. What is the biggest drawback to working in a biennial budget framework?

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

Forecasting revenues and inflation for two years. Inherent risk of lacking information pushed out for an extra 12 months.

Initially it was the accuracy of our projections/forecasts but it is the one thing that I, as Finance Director, have worked the hardest on to minimize the budget adjustments that are needed during the budget period.

Looking ahead for two years is often difficult because there is quite a bit of unknowns.

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.

have not found one yet, but we just started our first year

Our ERP, New World Systems ERP (which I understand McMinville also uses) does not really support a biennial budget. We have several work-arounds to make it work. But it's a pain.

Having reliable reporting software - it is surprisingly difficult to have a biennial budget in most accounting software and requires a lot of workarounds.

The biggest drawback lies in the fact that software platforms are built for annual budgets. On more than one occasion the County has implemented a software program, and then not renewed a contract because the Company could not make it work for biennial budgets or it became cumbersome to attempt to fit to County's model.

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.

Financial reporting take a bit of custom work unless your ERP handles biennial budgeting well. Most don't

Software really isn't designed for two year budgets. A lot of time spent on figuring out how to put a two year budget into software designed for annual time frames. Then a lot of time explaining to the departments on how to run reports and stuff. So, it's about the same amount of work for finance over the two year period, just spending a lot of it on helping the departments and not on preparing budgets every year.

10. Is there anything else you'd like to share about your approach to biennial budget process or lessons learned moving to a biennial budget framework that you'd like to share?

On balance, it's been a winner for us. We really like the off-year period where we can take on other projects in Finance.

Gather as much information as you can from experts on your software (not sales people). We chose our software we are currently on about 8 years ago because we were assured the biennial budget creation and reporting would be easy and it turned in to major workaround after major workaround during implementation because the software is really only designed for annual budgeting and reporting. So now we have a very custom software setup that only 1 or 2 people fully understand between IT and Finance.

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.

We have been doing a biennial budget for a while and that is what I am familiar with. To reiterate, we appreciate the flexibility that we have to budget over two years. We take budget adjustments as needed in the 2-year cycle. We typically consolidate changes and only take budget adjustments every 6 months or so.

Do it, and follow the state for PERS purposes

Just know the limitations of your software.

Department Budget and Financial Data Usage

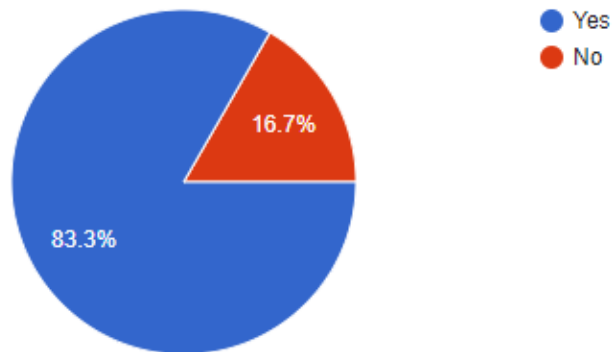
18 responses

Survey responses: 8/24-9/11/2023 18 out of 50 – 36% response rate

Do you use the adopted, published Budget Document as a financial resource throughout the year?

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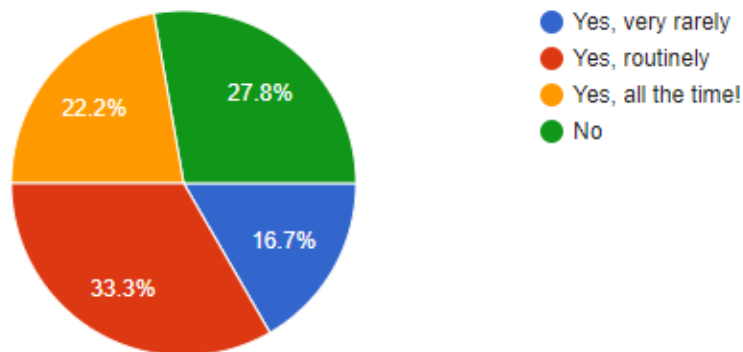
18 responses



Do you reference the account line-item detail that is added as comments and transactions within the Budget Document?

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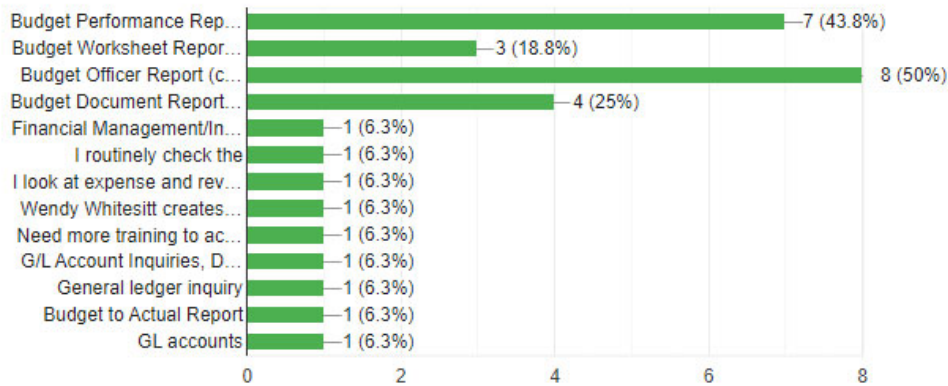
18 responses



What resources do you use to review financial status? (Choose as many as apply)

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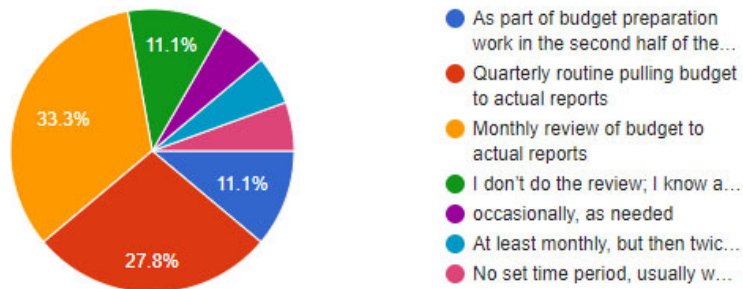
16 responses



How frequently do you review budget to actual information?

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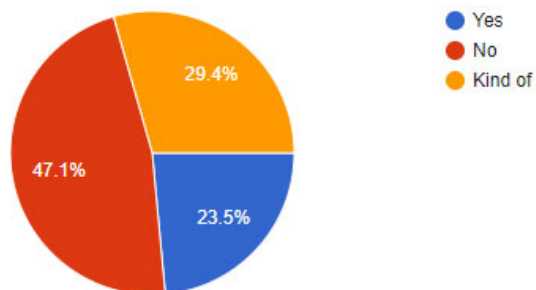
18 responses



Do you have a department capital vehicle/equipment replacement plan and/or capital project plan you use during the budget process?

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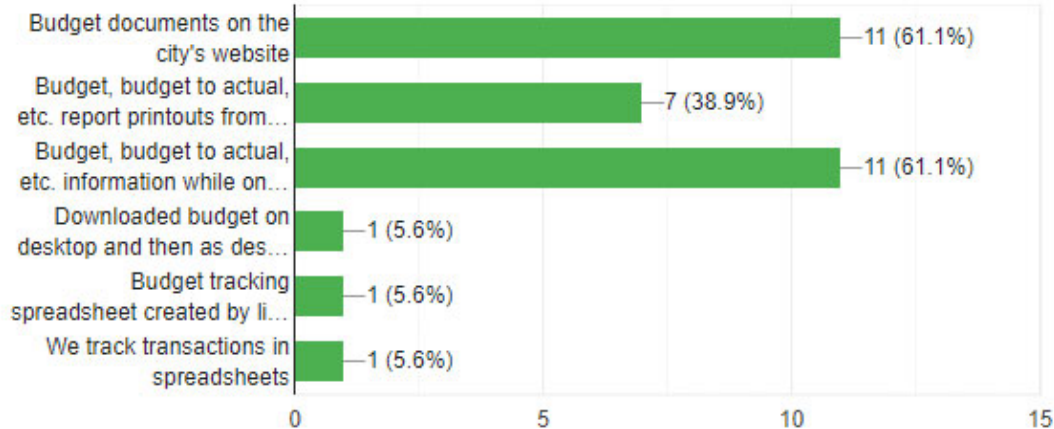
17 responses



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



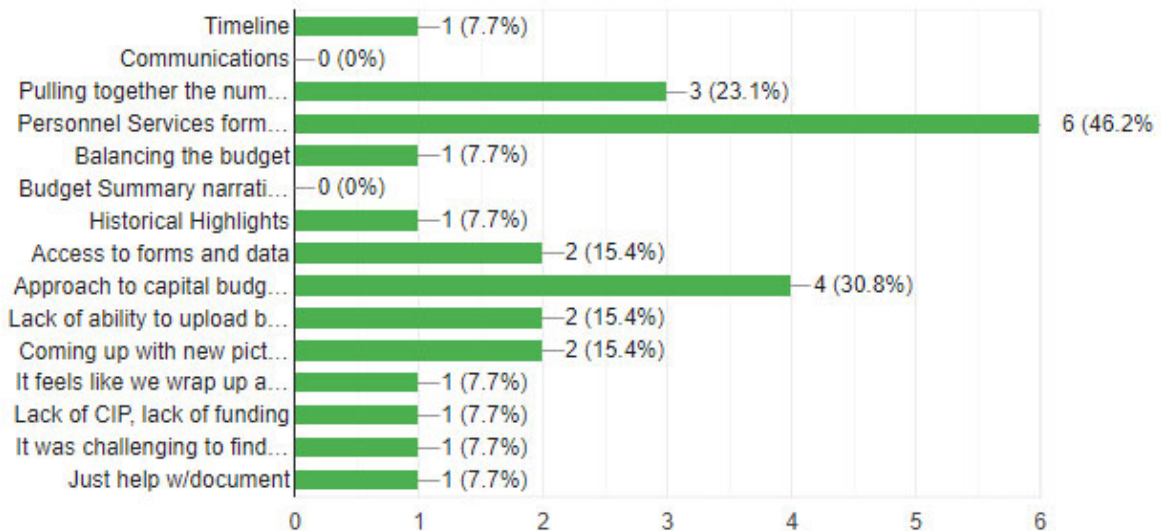
18 responses



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



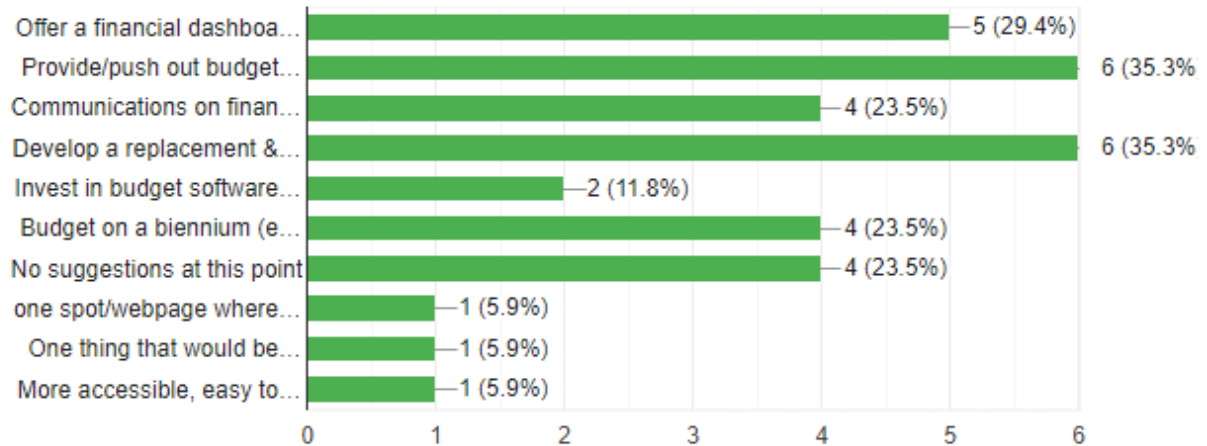
13 responses



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



17 responses



What are your suggestions on how to improve the budget development process?

6 responses

I love the thought of entertaining a biennium budget!

Finance does a great job communicating and offering assistance, thank you!

Greatest challenge isn't the budget process. It is the great uncertainty of my building condition and anticipating what resources may be needed for each fiscal year. I really don't like asking for contingency funds.

I have seen continued improvement in the budget and budget process in the last 4 years. I trust the work of the Finance Department and Executive Team in continuing to improve the process.

Love the biannual budget idea

Consistent policies year to year about process.