

**CITY COUNCIL MEETING
McMinnville, Oregon**

AGENDA

**McMINNVILLE CIVIC HALL
200 NE SECOND STREET**

**February 9, 2016
6:00 p.m. – Informal Dinner Meeting
7:00 p.m. – Regular Council Meeting**

Welcome! All persons addressing the Council will please use the table at the front of the Board Room. All testimony is electronically recorded. Public participation is encouraged. If you desire to speak on any agenda item, please raise your hand to be recognized after the Mayor calls the item. If you wish to address Council on any item not on the agenda, you may respond as the Mayor calls for "Invitation to Citizens for Public Comment."

NOTE: The Dinner Meeting will be held at the McMinnville Civic Hall and will begin at 6:00 p.m.

CITY MANAGER'S SUMMARY MEMO

- a. City Manager's Summary Memorandum

CALL TO ORDER

PLEDGE OF ALLEGIANCE

INVITATION TO CITIZENS FOR PUBLIC COMMENT – *The Mayor will announce that any interested audience members are invited to provide comments. Anyone may speak on any topic other than:*

- 1) a topic already on the agenda;*
- 2) a matter in litigation,*
- 3) a quasi judicial land use matter; or,*
- 4) a matter scheduled for public hearing at some future date.*

The Mayor may limit the duration of these comments.

CONSIDER MINUTES OF THE NOVEMBER 10, 2016 CITY COUNCIL WORK SESSION AND REGULAR MEETINGS

- a. Consider Minutes of the November 10, 2015 Work Session and Regular Meeting of the City Council
1. NEW BUSINESS
- a. Presentation: Audit for Fiscal Year 2014 - 15 by Tim Gillette, Partner - Talbot, Korvola & Warwick
 - b. Presentation: Mid-Year Budget Review
2. RESOLUTIONS

- a. **Resolution No. 2016 - 7**: Making certain City of McMinnville budgetary transfers for fiscal year 2015 - 2016
 - b. **Resolution No. 2016 - 8**: Approving a loan agreement and promissory note between the City of McMinnville and the McMinnville Urban Renewal Agency
3. ADVICE / INFORMATION ITEMS
- a. Reports from Councilors on Committee and Board Assignments
 - b. Department Head Reports
 - c. Urban Renewal Agency Annual Report for Fiscal Year Ended June 30, 2015
4. ADJOURNMENT



City Council- Regular

TO: Mayor and City Council
FROM: Rose Lorenzen, Administrative Assistant / HR Analyst
DATE: 02/09/2016
SUBJECT: City Manager's Summary Memorandum

SUMMARY:

M E M O R A N D U M

DATE: February 4, 2016
TO: Mayor and City Council
FROM: Martha Meeker, City Manager
SUBJECT: Agenda for the Regular Council Session and the Urban Renewal Agency Session for February 9th, 2016

PRESENTATION: Tim Gillette from the firm of Talbot, Korvola & Warwick will present the Audit of the 2014/15 Fiscal Budget

Talbot, Korvola and Warwick, LLP has completed their audit of the City's budget for the year ended June 30, 2015 and will present their review for the Council's benefit.

PRESENTATION: Finance Director Marcia Baragary will present a Mid-Year Review of the 2015/16 Fiscal Budget

The Mid Year Review is an analysis of General Fund revenues, expenditures and reserves in order to allow the Council and staff to determine whether any operational adjustments are needed due to unanticipated events or expenditures. Also, updating the General Fund Forecast is the first step in the 2015-16 budget process.

Note: With the General Fund Reserve now at 37%, the staff continues to focus on balancing the right level of reserves with appropriate spending. As such, we are continuing the trend started in 2014-15 of spending down reserves in order to recover deferred maintenance and to bring back lost capability from the recent economic downturn. We'll need to watch this carefully in the out years to ensure we right size capability while maintaining a strong financial position. At the Mid-year review last year, the General Fund Reserve stood at 38%.

RESOLUTIONS

Resolution Amending the General Fund Budget to reflect a \$163,000 loan to the Urban Renewal Agency for the Alpine Extension Project

Pursuant to budget law, in order to set the conditions to allow for an inter-agency loan to the Urban Renewal Agency, it is required to amend the City's General Fund to reflect transfer appropriation authority from the Operating Contingency category to the Special Payments category.

Resolution Approving the Terms of a Loan for \$163,000 to the Urban Renewal Agency for the Design Work on the Alpine Extension

Continuing previous work to lay the foundation for an Urban Renewal extension of the Alpine Transportation project, this resolution includes documents supporting a loan between the City and the Urban Renewal Agency to provide for \$163,000 in engineering design work.

URBAN RENEWAL AGENCY AGENDA

PUBLIC HEARING: Regarding a Supplemental Budget Resolution Altering the Urban Renewal Budget by More than 10 Percent

This public hearing is required per state statute as the transfer of \$163,000 in funds from the aforementioned loan from the City into the Urban Renewal budget alters the adopted 2015/16 Urban Renewal budget by more than 10 percent.

RESOLUTIONS

Resolution Amending the Urban Renewal Budget by \$163,000

Pursuant to budget law, a supplemental budget amendment for fiscal year 2015-2016 is necessary to increase the Materials and Services appropriations in the Urban Renewal Fund to provide for engineering services related to the Alpine Extension.

Resolution Accepting the terms from the City of McMinnville for a \$163,000 Loan

On Dec 8th, the Urban Renewal Agency directed the staff to prepare a loan agreement between the City and the Urban Renewal Agency for the amount needed to fund the design work for the Alpine Extension. This resolution is the end result of that work and is the last step to securing the additional funding.

Resolution Approving a Contract with ECONorthwest to Update the Urban Renewal Tax Increment Financing Revenue Projections

This contract is to update the tax increment revenue forecasts provided in the Agency's 2013 adopted Urban Renewal Report and is for a total sum not to exceed \$5,770.



City Council- Regular

Meeting Date: 02/09/2016

Subject:

From: Rose Lorenzen, Administrative
Assistant / HR Analyst

AGENDA ITEM:

Consider Minutes of the November 10, 2015 Work Session and Regular Meeting of the City Council

BACKGROUND:

Please see attached minutes

Attachments

Minutes

CITY OF McMinnville
MINUTES OF WORK SESSION AND REGULAR MEETING of the McMinnville City Council
Held at the Kent L. Taylor Civic Hall on Gormley Plaza
McMinnville, Oregon

Tuesday, November 10, 2015 at 5:30p.m.

Presiding: Rick Olson, Mayor

Recording: Rose A. Lorenzen, Recording Secretary

Councilors: Present
Remy Drabkin (6:00) Kellie Menke
Scott Hill Alan Ruden (5:45)
Kevin Jeffries (6:00) Larry Yoder

Also present were City Manager Martha Meeker, Interim City Attorney Walt Gowell, Planning Director Doug Montgomery, Community Development Director Mike Bisset, Police Chief Matt Scales, Fire Chief Rich Leipfert, Parks and Recreation Director Jay Pearson, Library Director Jenny Berg, and a member of the news media, Don Iler of the *News Register*.

AGENDA ITEM

CALL TO ORDER: Mayor Olson called the meeting to order at 5:35 p.m. and welcomed all in attendance. .

WORK SESSION - Regarding Time, Place, and Manner
Restrictions for Marijuana Operations: Mayor Olson asked City Manager Meeker for a brief staff report.

Ms. Meeker stated that the work session would go into what actions were at the Council's disposal regarding time, place, and manner restrictions for marijuana operations and it would also discuss land use related to this topic. Ms. Meeker reminded the Council that personal use of marijuana was approved by the voters; however, there are six business categories that the City Council may legislate. These six areas include locations for medical and recreational dispensaries, medical and recreational processing of marijuana, and medical and recreational grow areas. The State of Oregon has enacted laws that place a 1,000 foot buffer around schools kindergarten through 12th grade and also buffered each of the medical marijuana outlets to not less than 1,000 feet from each other. She pointed out that there are two medical marijuana dispensaries currently operating within the City's boundaries. The Council has the ability to make any time, place, and manner decisions regarding these two facilities. If no changes are made, they will be "grandfathered" in.

Ms. Meeker advised that voiced concerns regarding the marijuana industry at large include wastewater solid waste for both medical and recreational growing and processing; security and odor of marijuana grows sites; water and electrical use and the varying usage needs for indoor and

outdoor grow areas. Other concerns include hours of business for both medical and recreational use of marijuana. She pointed out that it would be much less confusing if there were to be one set of operating hours established for both medical and recreational marijuana.

Ms. Meeker pointed out that the current draft OLCC rules do not restrict density for recreational dispensaries. Medical dispensaries may not be located within 1000 feet of each other.

Responding to Mayor Olson's inquiry regarding restrictions based on where children congregate, Interim City Attorney Gowell stated that this was not an easy question to answer and that there had been a great deal of discussion on buffers and whether they were considered a land-use restriction. He cautioned that if the City were to decide to adopt restrictions, the best path to do this would be from a land use perspective.

Planning Director Montgomery reviewed the materials that were provided in the City Council packets and described the various maps depicting areas where commercial growers, commercial marijuana processing, medical marijuana dispensaries, medical marijuana growers, recreational marijuana dispensaries, and marijuana warehousing could be located. He also discussed the variety state regulations that pertain to the various categories.

Each of the Council members expressed opinion regarding the buffering of Linfield College and Chemeketa Community College and other aspects concerning the manufacturing, wholesaling, and selling of marijuana within the City of McMinnville.

As a wrap up to the discussion, Mayor Olson noted that the discussion had produced strong opinions on both sides of the issue - whether to ban and or all six of the categories discussed and whether to allow all six of the categories with conditions.

City Manager Meeker noted that the question before the City Council at this meeting was whether to vote for a ban and send all to an election or to allow some or all of the six categories with conditions attached. She advised that she was not sure that a ban would be of any assistance because of the social nature of the issue.

RECESS / RECONVENE: Mayor Olson recessed the meeting at 7:15 p.m. He called the meeting back to order at 7:30 p.m.

REGULAR MEETING

PLEDGE OF ALLEGIANCE: Councilor Jeffries led in the recitation of the Pledge of Allegiance.

INVITATION TO CITIZENS FOR PUBLIC COMMENT: Mayor Olson asked for comments from the audience.

Mercedes Chavez, P O Box 1653, read a letter to the Council regarding a McMinnville Police Department complaint she filed. She advised that she did not agree with the citation she had received from the McMinnville Police Officer and felt that she had met all the criteria for being on the road. She noted that she was not guilty of having violated the law; yet, she could not afford an attorney. She stated that she intended to make as many people as possible aware that police behavior is creating a problem. Mayor Olson and City Manager Meeker suggested that Ms. Chavez contact the Chief of Police to talk through her concerns.

CONSIDER MINUTES: Councilor Hill MOVED to adopt the minutes of the September 8, 2015 Dinner and Regular Meetings; SECONDED by Councilor MENKE. Motion PASSED unanimously.

2

NEW BUSINESS

2 a

PRESENTATION BY THE McMINNVILLE SCHOOL DISTRICT ON ITS LONG-TERM FACILITIES PLAN: Mayor Olson welcomed McMinnville School District Board Members Steve Patterson, Larry Volmer, and Paul Haddeland, McMinnville High School Principal Kris Olson, and School Superintendent Maryalice Russell.

Superintendent Russell advised that the Long Range Facilities Task Force had been convened approximately 30 months ago to examine population studies and to look at various scenarios related to growth within the McMinnville school system.

Dr. Haddeland explained that the Task Force's charge was to review the Facilities Assessment Report and to make recommendations for future actions for the School District. Issues included safety and security, maintenance of current buildings, equitable educational facilities, and the ability to keep pace with technology. He pointed out that one of the Task Force's objectives was to not raise taxes. Additionally, the Task Force looked at building space for vocational training, ensuring student safety, and completing seismic upgrades to the school facilities.

Mr. Patterson stated that the Task Force reached out to the community to find what the citizens wanted to see in its school system. They found that vocational training, building maintenance, building upgrades including safety, hygiene, energy efficiency, and technology all rated high priorities.

Superintendent Russell showed a brief PowerPoint presentation that depicted some of the conceptual designs for a vocational education center.

Following the presentation, there was a brief question and answer period. Upon conclusion, Mayor Olson and each of the Councilors thanked the group for their presentation and for the excellent education the District provides the City's children.

Ms. Russell thanked the Mayor and the Council for their kind attention to the serious matter before the community.

2 B

ALPINE AVENUE / 5TH STREET TRANSPORTATION BOND PROJECTS
PRESENTATION: Community Development Director Bisset introduced consultants from HDR Engineering and SERA Architects who provided the Council with an update on the 5th Street / Alpine Avenue Transportation Bond project.

The consultants provided a PowerPoint presentation that gave an overview of the entire project. They noted that Alpine Avenue has been identified as a main component of the NE Gateway Plan. This is a unique street, patterned after the pedestrian friendly Grandville Island in Vancouver, British Columbia, and will be designed to complement the craft industry. They walked the Council through the design principles which tend toward the eclectic, unique, organic, and memorable principles. Alpine Street has been broken into three sub-districts which include the Festival District, Craft District, and the Future District. They showed design and lighting ideas and discussed how the storm water would be directed via shallow gutters.

The consultants reviewed the design of 5th Street - from Adams Street to Lafayette Avenue and explained that the design includes removal of the traffic signal at 4th and Adams Streets and the installation of a traffic signal at 5th and Adams Streets. They discussed the bulbouts planned for 5th and Davis Streets and 5th and Evans Street. New paving will occur on 5th Street from Evans Street east to the railroad tracks. The curb return will be widened at Irvine Street which will help tie it into the entrance to the Granary District. This will make the Granary District more pedestrian friendly and will provide easier access from 3rd Street. Additionally, they discussed the possibility of a round-about at 5th Street and Lafayette Avenue.

Council discussion revolved about the various aspects of the design plan. General Council support for the round-about was expressed. They did note that additional discussion should follow regarding cost of the round-about and access associated with it.

Following the presentation, Mayor Olson thanked the consultants for the design preview.

RECESS / RECONVENE

Mayor Olson called for a brief recess at 9:27 p.m. He reconvened the meeting at 9:34 p.m.

2 c

COUNCIL REVIEW AND APPROVAL OF THE FIXED BASE OPERATOR (FBO) REQUEST FOR PROPOSALS (RFP) PROCESS: Community Development Director Bisset related that staff had issued an RFP for a new FBO. The current operator's (Cirrus Aviation) contract will end on June 30, 2016. Staff received two proposals which the review committee ranked. Both companies were interviewed and following the interview process consensus was that Konect Aviation's proposal was ranked as the highest and best received. At the Airport Commission's November meeting, the proposal received unanimous support and it was recommended that the Council approve the results.

The possibility of a new FBO building was discussed. Mr. Bisset advised that Konect Aviation representatives had included some plans for a new FBO facility in the RFP. Councilor Ruden pointed out that the Airport Commission had been very impressed with the RFP and was optimistic and excited in giving their approval.

Mayor Olson thanked Mr. Bisset for the presentation and advised that by consensus the Council approved the results of the FBO RFP process and they directed staff to enter into lease negotiations with Konect Aviation Oregon LLC for providing FBO services effective July 1, 2016.

3

ORDINANCES

3 a

BANNING ANY OR ALL OF THE SIX CATEGORIES OF THE MARIJUANA INDUSTRY AS ALLOWED BY HOUSE BILL 3400: Mayor Olson explained that the proposed ordinance was the next step in the medical and recreational marijuana process. He asked if there were members of the audience who wished to comment.

Jennifer Sanders, 140 Highway 99, Oakland, Oregon, spoke in support of not placing any of the six potential bans on marijuana. She advised that she was new to the community and was with a company partner to open a medical dispensary and at the former Jake's Deli site and was here as an intermediary to support the community and reintroduce it to marijuana.

Wayne Stocks, 435 NE Johnson spoke in support of not placing any of the six potential bans on marijuana. He advised that if bans were enacted, no one would be able to use any of the processes that are known to help thousands of people in the community. He pointed out that a well-educated community had voted in support of the use of marijuana, both medically and recreationally.

Mercedes Chavez, P O Box 1653, spoke in support of marijuana's use and stated that adults should be allowed to

have a choice. She noted that personally, she had experienced the healing properties of marijuana.

Jim Galba, spoke in support of no bans on the six categories of marijuana industry. He pointed out that if the categories being discussed are banned, it will not stop marijuana from coming into the community.

Adam Garvin, 2940 Lafayette Avenue, stated that the security features built into the marijuana laws will keep access to facilities very limited. He stated that the idea of children walking into a marijuana establishment is built upon fear. He suggested that the Council let the marijuana economy, along with supply and demand principles, take care of itself. He pointed out that many substances are abused, including food, wine, and other alcoholic beverages.

Steve Allen, 835 SW Hilary Street, spoke in support of the marijuana industry.

Marvin Horton, 3599 NE Spring Meadow Drive, encouraged the Council to ban big marijuana operations, particularly related to recreational use. He pointed out the negative aspects of marijuana use as it related to the user's ability to care for children and reach rational decisions.

Anthony Taylor, 1510 SW Friendly Court, encouraged the Council to place no bans on the marijuana industry. He advised that he sat as a member of the OLCC subcommittee and the OLCC is taking great pains to assure safety, as will the Oregon Health Authority. He reviewed rules that will be in place related to access to wholesale and retail locations and the production of cannabis. He pointed out that everyone is nervous about the new laws related to the industry; however, the state is very much aware of the need for public safety and limited access. He urged a "no" vote on the ordinance.

Responding to an inquiry from Councilor Jeffries, Mr. Taylor stated that the OLCC receives complaints regarding alcohol "all the time" and he expects the OLCC to be even more stringent on the rules related to the marijuana industry. He said that he understood Councilor Jeffries concerns; however, 90 percent of the adults in our community follow the law and act responsibly.

Greg Bogh, 2389 Nut tree Lane, advised that if the Council placed a ban on marijuana, it would be inviting the black market into the community. He urged a "no" vote on the ordinance.

Mayor Olson brought the discussion back to the Council.

Councilor Hill clarified that the City currently has two medical marijuana outlets within its borders and that there may be more if a ban was not in place. He agreed that the

Council had heard great things about the two dispensaries that are currently in place.

Following a brief discussion, Mayor Olson asked Interim City Attorney Gowell to read the title of the ordinance.

Interim City Attorney Gowell read by title only Ordinance No. 4995 banning any or all of the six categories of the marijuana industry as allowed by House Bill 3400. (No Councilor present asked that the ordinance be read in full.) The title of the ordinance was read for the second time.

Ordinance No. 4995 TIED in the roll-call vote. (AYE: Hill, Jeffries, Yoder - NAY: Drabkin, Menke, Ruden.) Mayor Olson advised that because the vote was tied, he would vote NAY to break the tie.

Ordinance No. 4995 FAILED.

3 b

AN ORDINANCE GRANTING A NON-EXCLUSIVE TELECOMMUNICATIONS FRANCHISE TO COASTCOM, INC.: City Manager Meeker advised that Coastcom, a telecommunications provider, wished to transit some of the City's right-of-way with its T-1 cable. The Franchise agreement calls for a \$2,500 fee to be paid to the City each year and an additional 5 percent would be charged if Coastcom provides service to the area.

The Coastcom representative in attendance added that 80 percent of the organization's sales are wholesale and there are not a lot of services to be provided to small business owners. The company's goal is to run fiber through the community on its way from the Oregon Coast to Portland.

Interim City Attorney Gowell read by title only Ordinance No. 4996 granting a non-exclusive telecommunications franchise to Coastcom, Inc. (No Councilor present requested that the ordinance be read in full.) The title of the ordinance was read for a second time.

Ordinance No. 4996 PASSED by a unanimous roll-call vote.

3 c

AMENDING Chapter 13.12.070 OF THE McMinnville MUNICIPAL CODE (ORDINANCE NO. 4987) REGARDING SEWER USER CHARGES FOR MONITORED INDUSTRIAL/COMMERCIAL USERS: Community Development Director Bisset reminded the Council that at the Council's last Regular Meeting, the Sewer Rate Equity Report had been considered and approved.

Interim City Attorney Gowell read by title only Ordinance No. 4997 amending Chapter 13.12.070 of the McMinnville Municipal Code (Ordinance 4987) regarding sewer user charges for monitored industrial/commercial users. (No Councilor present requested that the ordinance be read in full.) The title of the ordinance was read for the second time.

Ordinance No. 4997 PASSED by a majority roll-call vote. (NAY: Drabkin.) Mayor Olson advised that a second vote on the ordinance would be required at the Council's next meeting.

4 RESOLUTIONS

4 a ESTABLISHING REVISED SANITARY SEWER USER FEES; AND REPEALING RESOLUTION NO.2012-4: Mayor Olson advised that because Ordinance No. 4997 required a second reading, the vote on this resolution would be postponed.

4 b AUTHORIZING THE CITY MANAGER TO ENTER INTO A LEASE AGREEMENT BETWEEN THE CITY OF McMinnville AND THE FEDERAL AVIATION ADMINISTRATION (FAA): Community Development Director Bisset advised that the ten-year FAA lease expired in September of the current year. The proposed lease was reviewed by the Airport Commission and it received unanimous recommendation for approval.

Councilor Menke MOVED to approve Resolution No. 2015-52 authorizing the City Manager to enter into a Lease Agreement between the City of McMinnville and the Federal Aviation Administration (FAA); SECONDED by Councilor Ruden. Motion PASSED unanimously.

4 c AWARDING THE CONTRACT FOR THE DESIGN OF THE THREE MILE LANE #3 PUMP STATION: Community Development Director Bisset advised that the Three Mile Lane #3 pump station was constructed and has been in service since 1973. It is at the end of its service life and needs to be replaced to increase its capacity and to update its technology.

The Engineering Department issued a Request for Proposals (RFP) for design and engineering services related to the Three Mile Lane Pump Station #3 replacement. Three responses were received. The responders were GHD (Portland), Keller Associates (Salem), and CH2M Hill (Portland).

Following a review by the Review Committee, which evaluated the proposals per the criteria outlined in the RFP, the highest ranked proposer was determined to be GHD.

Mr. Bisset stated that staff recommended the City Council adopt the resolution awarding the contract for the design of the Three Mile Lane Pump Station #3 Replacement to GHD in the amount of \$110,151.00.

Councilor Hill MOVED to adopt Resolution No. 2015-53 awarding the contract for the design of the Three Mile Lane #3 pump station; SECONDED by Councilor Yoder. Motion PASSED unanimously.

4 d AWARDING THE CONTRACT FOR THE DESIGN OF THE NE 2ND STREET (ADAMS STREET - COWLS STREET) TRANSPORTATION BOND MEASURE PROJECT: Community Development Director Bisset stated that

this project would address traffic congestion, including the installation of an additional left turn lane and a westbound right turn lane, upgraded traffic signals (funded by ODOT), pedestrian improvements, and sanitary sewer upgrades (funded by wastewater capital funds). He stated that as part of the voter approved 2014 Transportation Bond measure, the City Council established a list of firms qualified to provide consulting services related to the design and construction of the street improvement and repair bond projects. Murray, Smith & Associates, Inc. was selected from the qualified list to provide design services on the NE 2nd Street project. The summer of 2017 is targeted for the improvements.

Councilor Ruden MOVED to approve Resolution No. 2015-54 awarding the contract for the design of the NE 2nd Street (Adams Street - Cowls Street) Transportation Bond Measure Project; SECONDED by Councilor Drabkin. Motion PASSED unanimously.

4 e AWARDING THE CONTRACT FOR THE DESIGN OF THE NW HILL ROAD (2ND - BAKER CREEK ROAD) TRANSPORTATION BOND MEASURE PROJECT: Community Development Director Bisset referred to his brief memorandum in the Council packet and advised that CH2M Hill had been chosen to provide design services for this project from the established list of firms qualified to provide consulting services related to the design and construction of the street improvement and repair bond projects.

Councilor Menke MOVED to adopt Resolution No. 2015-55 awarding the contract for the design of the NW Hill Road (2nd Street - Baker Creek Road) transportation bond measure project; SECONDED by Councilor Ruden. Motion PASSED unanimously.

4 f AWARDING THE CONTRACT FOR THE DESIGN OF THE 2015 STREET REPAIR AND REPAVING TRANSPORTATION BOND MEASURE PROJECT: Community Development Director Bisset referred to his brief memorandum in the Council packet and advised that David Evans and Associates, Inc. had been chosen to provide design services for this project from the established list of firms qualified to provide consulting services related to the design and construction of the street improvement and repair bond projects.

Councilor Jeffries MOVED to adopt Resolution No. 2015-56 awarding the contract for the design of the 2016 Street Repair and Repaving transportation bond measure project; SECONDED by Councilor Yoder. Motion PASSED unanimously.

5 ADVICE / INFORMATION ITEMS

5 a and b COUNCIL AND DEPARTMENT REPORTS: Because of the lateness of the hour, the Council and Department Head Reports were omitted.

6

ADJOURNMENT: Mayor Olson adjourned the meeting at 10:57
p.m.

Rose A. Lorenzen, Recording Secretary



City Council- Regular

Meeting Date: 02/09/2016

Subject:

From: Rose Lorenzen, Administrative
Assistant / HR Analyst

AGENDA ITEM:

Presentation: Audit for Fiscal Year 2014 - 15 by Tim Gillette, Partner - Talbot, Korvola & Warwick

BACKGROUND:



City Council- Regular

Meeting Date: 02/09/2016

Subject:

From: Rose Lorenzen, Administrative
Assistant / HR Analyst

AGENDA ITEM:

Presentation: Mid-Year Budget Review

BACKGROUND:

Please see the attached Mid-Year Financial Review from Finance Director Marcia Baragary

Attachments

Mid Year Review

Report to City Manager Martha Meeker and McMinnville City Council
Mid-Year General Fund Financial Review for Fiscal Year 2015-16

The following report provides an overview of the fiscal year 2015-16 (FY2016) General Fund budget at mid-year (December 31, 2015.) This financial summary is an important step in the development of both the three-year forecast and the upcoming General Fund budget for fiscal year 2016-17 (FY2017). The analysis of budget and actual information is used to trend year-end revenues and expenditures, and also serves to estimate the beginning fund balance for the FY2017 Budget. Please keep in mind that the FY2016 numbers in this report are estimates only.

General Fund overview at mid-year FY2016

Beginning fund balance – For FY2016, the beginning fund balance was \$8.6 million. The beginning fund balance for the prior year was also \$8.6 million, indicating that actual revenues and expenditures for FY2015 were nearly equal. Actual financial results for FY2015 were substantially more favorable than the FY2015 Adopted Budget, which provided for expenditures to exceed revenues by \$1.8 million. The large variance between actual financial results and budgeted projections was primarily due to our conservative budgeting and forecasting practices. For example, actual personal services and materials & services expenditures for FY2015 were \$825,000 less than budgeted, contributing to a higher than anticipated beginning fund balance for FY2016.

Revenues – Based on actual collections at mid-year, General Fund property tax revenues for FY2016 are expected to exceed prior year revenues by \$500,000. The gain in tax revenue is due to a 4.0% increase in assessed property values, compared to 2.9% and 2.3% in 2015 and 2014, respectively. In addition, current year tax collection rates are strong and past due taxes from Evergreen properties are being paid. Property tax revenues account for 60% of total General Fund revenues.

Licenses and permits (including franchise fees) make up 13% of General Fund revenues. FY2016 franchise fees are expected to exceed FY2015 revenue by \$75,000, due to a 3.5% increase in payments-in-lieu-of-taxes (PILOT) received from McMinnville Water & Light (W&L). Projections provided by W&L predict a 25% increase in PILOT revenue from FY2016 to FY2021, primarily due to BPA power supply cost increases. Other revenues, including charges for services, fines and forfeitures, and intergovernmental revenues are expected to remain consistent with the prior year.

Expenditures – Due to favorable economic conditions, the FY2016 Budget adopted by the City Council reflected a “cautiously optimistic” strategy, providing for strategic increases in spending. The FY2016 Adopted Budget includes salary adjustments for general service employees (which will be phased in over the next three years) and additional staffing equivalent to 1.0 FTE in the Fire, Planning, and Engineering Departments (to “buy back” previous staff reductions). These expenditures, along with cost of living adjustments for all employees, higher health insurance premium costs, rising PERS employer contribution rates, and the terms of the new collective bargaining agreement with the Fire Union are projected to result in an 8% increase in General Fund personnel services expenditures compared to the prior year.

Ending Fund Balance – Based on mid-year estimates, the General Fund reserve at FY2016 year end is estimated to be approximately 37% of total expenditures. The FY2016 Adopted Budget projected a

reserve of 33% of expenditures at year end. This estimated reserve level remains well above the 25% threshold recommended by the Council's General Fund reserve policy.

Challenges in FY2017 and beyond

PERS employer contribution rates – In 2015, an Oregon Supreme Court decision overturned legislation that would have significantly lowered the cost of the PERS employee pension plan. As a result, the City's employer contribution rates for the 2015 through 2017 were substantially higher than rates for the previous biennium. (For example, rates for Tier 1/Tier2 employees increased from 18.28% to 21.24% of subject wages.) To provide perspective, the General Fund paid nearly \$2.0 million to PERS in FY2015; therefore, a 10% increase in rates impacts the General Fund by approximately \$200,000. Escalating rates are a result of the methodology used for calculating retiree benefits and lower than anticipated earnings on PERS investments. Fortunately, policies adopted by the PERS Board limit the volatility of employer contribution rates; however, this limitation (i.e., the rate "collar") may be expanded if the PERS liability is funded at less than 70%. To address this issue, the Oregon legislature is currently considering changes to PERS pension benefits, such as capping the OPSRP final average salary.

Health insurance premium costs – For the health insurance plan year beginning January 2016, premiums for general service employees were slated to increase by 12%, having a significant impact on both the City's and employees' budgets. In response, general service employees transitioned to a higher deductible copay plan combined with a health savings account, which should be beneficial to the City and employees in the future. Fire Union members converted to a higher deductible copay plan and health savings account in 2013. Members of the Police Association, per terms of the contractual bargaining agreement, continue on a high premium, low deductible plan that could be subject to the Affordable Care Act "Cadillac tax" in 2020. The estimated increase to the City for health insurance costs for all General Fund employees, comparing FY2015 to FY2016, is approximately 12%.

Steadily increasing costs of fringe benefits negatively impact the City's ability to "right size" General Fund staffing levels, and in turn, to provide a higher level of services to McMinnville citizens.

Repairs and maintenance of City facilities – Maintenance projects for certain City facilities, including the Fire Station, Aquatic Center, Senior Center, and Community Center, are paid for with General Fund dollars. In recent years, much of this maintenance has been deferred. City staff will be working to create a long range capital maintenance and improvement plan that will prioritize these projects.

Opportunities in FY2017 and beyond

Favorable economic indicators – Oregon's economic environment continues to slowly but steadily improve, providing a certain degree of stability to the local economy. The information in the table below illustrates encouraging trends for the City of McMinnville.

City of McMinnville	2016	2015	2014
Real Market Value	9.0% increase	4.1% increase	0.7% decrease
Maximum Assessed Value	4.0% increase	2.9% increase	2.3% increase
Valuation of construction permits	73% increase	37% increase	39% decrease

Several factors are contributing to these favorable signs in McMinnville’s economy, including a relatively low inflation rate, primarily due to the low price of energy commodities; lower interest rates that are favorable to the construction industry; and unemployment rates that continue to trend downward.

Also certain Evergreen holdings which were included in bankruptcy proceedings have recently been purchased. Transient lodging taxes implemented in 2014 are funding tourism promotion and marketing of McMinnville, benefiting local businesses, restaurants, and lodging providers. The table below shows transient lodging taxes revenues and expenditures.

Description/Fiscal Year	2013-14 Actual	2014-15 Actual	2015-16 Budget
Transient Lodging Tax collected	\$235,874	574,911	\$590,000
Spent on Tourism Promotion & Programs	-	136,940	810,344
Transferred to General Fund	\$70,762	172,473	\$182,900

General Fund Financial Status Indicators

There are two major key indicators that the City uses to measure the financial health of the General Fund. These indicators include 1) whether revenues exceed expenditures and 2) funding of the General Fund reserve.

1. Revenues compared to expenditures: The table below compares the City’s actual General Fund revenues and expenditures for the past five years.

Fiscal year	Revenues more than (less than) expenditures
2010-11 Actual	\$615,000
2011-12 Actual	146,000
2012-13 Actual	615,000
2013-14 Actual	332,000
2014-15 Actual	(143,000)
2015-16 Estimated	(950,000)

In response to the prior economic recession, the City adhered to a fairly conservative fiscal strategy. General Fund resources and expenditures were carefully managed, and actual revenues exceeded, or nearly exceeded, expenditures from FY2011 through FY2015. As a result, the General Fund reserve remained relatively consistent. However, estimates for FY2016 reflect that expenditures will exceed revenues by \$950,000, resulting in the reserve decreasing to 37%, as shown in the table below.

2. Funding of General Fund reserve: The table below shows the General Fund reserve as a percentage of expenditures.

Fiscal Year	Reserve percentage
2010-11 Actual	45%
2011-12 Actual	44%
2012-13 Actual	48%
2013-14 Actual	49%

2014-15 Actual	46%
2015-16 Estimated	37%

Throughout the past economic recession, the City maintained a healthy reserve, providing stability and, to some extent, reducing the impact on services provided to citizens. Our estimates for FY2016 reflect a less conservative fiscal strategy and a reduction of the General Fund reserve. For estimated FY2016, several factors are contributing to the projected \$950,000 excess of expenditures over revenues. Personnel services (wages and fringe benefits) account for the majority of the increase. As mentioned on page 1 of this memo, cost of living increases, salary adjustments, higher health insurance premiums, and staffing changes contributed to the increase. In addition, the transfer out to the Ambulance Fund was increased by \$400,000 in the FY2016 estimate, primarily due to higher costs for Ambulance personnel services.

While the FY2016 estimated reserve for the General Fund is well above the 25% recommended in the fund balance policy, caution should be exercised when adopting future budgets. In the FY2016 Adopted Budget, personnel services costs are \$14.5 million and constitute 70% of General Fund expenditures. Therefore, any significant changes to salaries, health insurance premiums, and PERS employer contribution rates have a substantial compounding effect on expenditures in future budgets. In addition, PERS rates and, to some extent, health insurance premium costs are difficult to manage because they are not under the City's control.

Increases to staffing levels should be carefully considered and evaluated to determine whether those increases are sustainable. For perspective, the addition of a mid-range employee (approximately \$100,000 in wages and fringe benefits) reduces the General Fund reserve in the third year of the forecast by approximately 1.5 percentage points. The City's policy is to refrain from adding staff if the position cannot be continued.

To enhance financial planning for the General Fund, City staff is working toward refining our budgeting and forecasting techniques to produce more "realistic" budgets. In the past, annual "savings" (variances between actual and budgeted revenues and expenditures) has consistently been \$1.8 million or more. This substantial variance has inflated forecasted expenditures and resulted in the forecasted reserve being understated. Budgeting and forecasting techniques that are better predictors of actual outcomes will be crucial in creating and monitoring future General Fund budgets.

The FY2017 Proposed Budget, which will be presented to the Budget Committee in May 2016, will continue to balance responsible stewardship of the public's funds and the goal of providing excellent services to our citizens. Staff will work with the City Council to understand and prioritize the needs of McMinnville's citizens. Strategic budgeting and spending, long-term planning, and a healthy General Fund reserve will enable the City to manage the challenges ahead.

Please let me know if you have any questions.

Marcia Baragary
Finance Director, City of McMinnville



City Council- Regular

Meeting Date: 02/09/2016

Subject:

From: Rose Lorenzen, Administrative
Assistant / HR Analyst

AGENDA ITEM:

Resolution No. 2016 - 7: Making certain City of McMinnville budgetary transfers for fiscal year 2015 - 2016

BACKGROUND:

Please see attached resolution

Attachments

Resolution

RESOLUTION NO. 2016 - 7

A Resolution making certain City of McMinnville budgetary transfers for fiscal year 2015-2016.

RECITALS:

WHEREAS, Local Budget Law provides that a local government may amend a budget adopted by the governing body by passing a resolution to transfer appropriation authority between categories in a fund (ORS 294.463); and

WHEREAS, the McMinnville Urban Renewal Agency recently identified an opportunity to advance a street improvement project in the Urban Renewal District; and

WHEREAS, the Urban Renewal Agency does not currently have sufficient funding to pay for capital construction design services related to the street improvement project; and

WHEREAS, on April 14, 2015, the City and Urban Renewal Agency entered into an intergovernmental agreement that authorizes an inter-agency loan between the City and Urban Renewal Agency, and

WHEREAS, the City and Urban Renewal Agency desire to execute a loan agreement and promissory note, which will allow the Urban Renewal Agency to proceed with capital construction design services related to the street improvement project; and

WHEREAS, the opportunity to complete the design phase of the Urban Renewal project was not anticipated and the City's General Fund budget as adopted by the City Council does not include sufficient inter-agency loan appropriations to allow the City to make the inter-agency loan; and

WHEREAS, it is necessary in the City's General Fund to transfer appropriation authority from the operating contingency to increase Special Payments appropriations, thereby allowing the inter-agency loan to the Urban Renewal Agency, with loan proceeds designated to pay for design services costs related to the urban renewal street improvement project, as follows;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF McMINNVILLE, as follows:

The following emergency need exists in the City of McMinnville's General Fund, Non-Departmental Department:

In the **Special Payments** category, appropriations are increased to allow the inter-agency loan from the City of McMinnville to the Urban Renewal Agency, as provided for in the loan agreement and promissory note dated February 9, 2016.

<u>General Fund:</u>	<u>Adopted Budget</u>	<u>Budget Adjustment</u>	<u>Amended Budget</u>
Administration	\$ 885,311		\$ 885,311
Finance	724,344		724,344
Engineering	906,281		906,281
Planning	470,479		470,479
Police	7,438,263		7,438,263
Municipal Court	466,731		466,731
Fire	2,815,570		2,815,570
Parks & Recreation	2,450,159		2,450,159
Park Maintenance	1,015,615		1,015,615
Library	1,456,116		1,456,116
Special Payments	61,100	163,000	224,100
Transfers Out to Other Funds	2,126,202		2,126,202
Operating Contingencies	750,000	(163,000)	587,000
Total Requirements	<u>\$21,566,171</u>	<u>-----</u>	<u>\$21,566,171</u>

This resolution shall take effect immediately upon passage and shall continue in full force and effect until revoked or replaced.

Adopted by the City Council of the City of McMinnville at a regular meeting held the 9th day of February 2016 by the following votes:

Ayes: _____

Nays: _____

Approved this 9th day of February 2016.

MAYOR

Approved as to form:

CITY ATTORNEY



City Council- Regular

Meeting Date: 02/09/2016

Subject:

From: Rose Lorenzen, Administrative
Assistant / HR Analyst

AGENDA ITEM:

Resolution No. 2016 - 8: Approving a loan agreement and promissory note between the City of McMinnville and the McMinnville Urban Renewal Agency

BACKGROUND:

Please see attached resolution

Attachments

Resolution

**A RESOLUTION APPROVING A LOAN AGREEMENT AND PROMISSORY NOTE
BETWEEN THE CITY OF McMinnville AND THE McMinnville Urban
Renewal Agency**

WHEREAS, on April 14, 2015, the City of McMinnville (the “City”) and the McMinnville Urban Renewal Agency (the “Agency”) entered into an intergovernmental agreement (the “IGA”) authorizing the City to assist the Agency in the planning and carrying out of the Urban Renewal Plan (the “Plan”) by providing all administrative and development services necessary and proper for carrying out the Agency’s functions and the Plan, pursuant to ORS 457.320; and

WHEREAS, the IGA provides that the City may loan money and provide other forms of financial assistance to the Agency in order to assist in carrying out the Plan; and

WHEREAS, the McMinnville Urban Renewal Agency recently identified an opportunity to advance a street improvement project along Alpine Avenue in the Urban Renewal District (the “Project”); and

WHEREAS, the Urban Renewal Agency does not currently have sufficient funding to pay for capital construction design services related to the Project; and

WHEREAS, the City and Urban Renewal Agency desire to execute a loan agreement and promissory note, which will allow the Urban Renewal Agency to proceed with capital construction design services related to the Project;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCMINNVILLE, OREGON AS FOLLOWS:

1. The Loan Agreement and Promissory Note (the “Note”), attached hereto as Exhibit A, is entered into by and between the City and the Agency (the “Parties”) for the purpose of financing the capital construction design services related to the Project.
2. The City Manager is hereby authorized and directed to execute the Note in duplicate and to deliver one executed copy thereof to the Agency and to retain one executed copy thereof to be kept on file in the office of the City Recorder.
3. This Resolution shall take effect immediately upon passage and shall continue in full force and effect until revoked or replaced.

ADOPTED by the City Council this 9th day of February, 2016.

AYES: _____

NAYS: _____

Approved this 9th day of February 2016.

MAYOR

Approved as to form:

CITY ATTORNEY



City Council- Regular

Meeting Date: 02/09/2016

Subject: Urban Renewal Agency Annual
Report for Fiscal Year Ended June
30, 2015

From: Marcia Baragary, Finance Director

AGENDA ITEM:

Urban Renewal Agency Annual Report for Fiscal Year Ended June 30, 2015

BACKGROUND:

Please see attached Urban Renewal Annual Report

Attachments

URA Annual Report

ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30TH, 2015



McMinnville Urban Renewal Agency

2014 - 2015

This report fulfills the requirements, prescribed in ORS.457.460, for the filing of an annual report detailing the financial activity of an urban renewal area established in Oregon.

Annual Report for Fiscal Year Ended June 30th, 2015

MCMINNVILLE URBAN RENEWAL AGENCY

MCMINNVILLE URBAN RENEWAL AREA HISTORY

The City of McMinnville created an Urban Renewal Area (URA) in its downtown core and NE Gateway area in 2013. The purpose of this plan was to assist in implementing the goals of the McMinnville Comprehensive Plan, the Third Street Streetscape Plan, and other planning documents, to help stimulate the economy, create a unique identity and sense of place, and to support local downtown businesses and the development of the NE Gateway area. Urban renewal provides a method to fund projects and tools to help achieve these recommendations and goals.

Goals

To effectively support the McMinnville Comprehensive Plan and other planning documents, the City of McMinnville formulated a series of Goals and Objectives to guide activities funded by, or related to the URA. The Goals and Objectives are listed in the Plan, and the goals are reiterated here:

Goal 1. Maintain a citizen involvement program that ensures the opportunity for citizens to be involved in all phases of the urban renewal implementation process.

Goal 2. Encourage the economic growth of the Area as the commercial, cultural, civic, and craft industry center for McMinnville.

Goal 3. Enhance the physical appearance of the district, create a pedestrian environment that encourages the development and redevelopment of active uses such as shopping and entertainment, and support commercial, civic, and craft industrial business activity.

DOWNTOWN COMMERCIAL CORE

The downtown commercial core should be a regional destination as well as the commercial center for the citizens of McMinnville. Its identity should enhance and preserve the qualities of the downtown, including its historic heritage, that make it an economically healthy, attractive, and unique environment for people to live, work, shop, and socialize.

NORTHEAST GATEWAY

The Northeast Gateway area should be a unique destination that reflects the authenticity of historic and current uses within the area – a place where things are crafted, experienced, and enjoyed, and a place for people to live, work, and play.

Goal 4. Encourage development of a transportation network that provides for safe and efficient multi-modal transportation for vehicles, pedestrians, and bicyclists, and encourages the redevelopment and development of parcels within the Area.

Goal 5. Provide necessary public and private facilities and utilities at levels commensurate with urban development. Public utilities should be extended in a phased manner, and planned and provided in advance of, or concurrent with, development.

Goal 6. Promote development of affordable, quality housing in the Area. Promote a residential development pattern that is compact and energy efficient, provides for an urban level of public and private services, and allows unique and innovative development techniques to be employed in residential designs.

Goal 7. Enhance sites and structures of historical, cultural, and/or architectural significance.

Goal 8. Pursue development and redevelopment opportunities that will add economic, civic, educational, craft industry, and cultural opportunities for the citizens of McMinnville, economically strengthen the Area, and attract visitors to the Area.

A full copy of the McMinnville Urban Renewal Plan and Report can be found on the City of McMinnville website at www.ci.mcminnville.or.us

FINANCIAL REPORTING

Money Received

ORS 457.460 (a)

	Urban Renewal	Debt Service Fund	Total
Resources			
Property Taxes	\$ -	\$ 82,030	\$ 82,030
Bond/Loan Proceeds	-	-	-
Interest Income	-	183	183
Total Resources	\$ -	\$ 82,213	\$ 82,213

Money Expended

ORS 457.460 (b)

	Urban Renewal	Debt Service Fund	Total
Expenditures			
Facade Rehabilitation Program	\$ -	\$ -	\$ -
Reimbursement of UR Planning*	-	-	-
Inter-Agency Loan Repayment	-	5,000	5,000
Total Expenditures	\$ -	\$ 5,000	\$ 5,000

Long-term obligations

*The Agency and the City entered into an intergovernmental agreement that requires the Agency to repay the City for all contract expenses related to the completion of the Urban Renewal Feasibility Study and the Urban Renewal Plan and Report. The agreement provides for a five-year repayment schedule. Interest accrues at the rate earned by the Local Government Investment Pool plus one percent. The Agency paid principal of \$5,000 during the year ended June 30, 2015. The remaining balance is being repaid over four years as follows:

June 30	Principal	Interest	Total
2016	\$ 5,000	\$ -	\$ 5,000
2017	5,000	-	5,000
2018	10,000	-	10,000
2019	10,000	-	10,000
	\$ 30,000	\$ -	\$ 30,000

Estimated Revenues

ORS 457.460 (c)

The estimated revenues for fiscal year 2015-2016 are \$ 178,550.

Proposed Budget for Current Fiscal Year

ORS 457.460 (d)

Proposed Budget for fiscal year 2015-2016

	Urban Renewal	Debt Service Fund	Total
Resources			
Beginning Fund Balance	\$ -	\$ 75,750	\$ 75,750
Property Taxes	-	117,200	117,200
Bond/Loan Proceeds	61,100	-	61,100
Interest Income	-	250	250
Total Resources	\$ 61,100	\$ 193,200	\$ 254,300
Expenditures			
Façade Rehabilitation Program	\$ 10,000	\$ -	\$ 10,000
Reimbursement of UR Planning*	-	5,000	5,000
Materials and Services	46,100	-	46,100
Land Improvements	5,000	-	5,000
Inter-Agency Loan Repayment	-	61,500	61,500
Total Expenditures	\$ 61,100	\$ 66,500	\$ 127,600
Ending Fund Balance	\$ -	\$ 126,700	\$ 126,700

Impact on Taxing Districts

ORS 457.460 (e)

Taxing District	Revenue Forgone Permanent Rate
Yamhill County	\$ 16,572.98
Yamhill County Extension Service	230.45
Yamhill County Soil & Water	-
McMinnville School District 40	26,732.36
Willamette Regional ESD	1,843.61
City of McMinnville	37,794.03
Chemeketa Library	460.90
Chemeketa Community College Before Bonds	3,917.67
	\$ 87,552.00

Impacts on school districts

When considering the impact on taxes imposed by overlapping taxing districts, it should be noted that school districts are affected differently than other types of taxing districts. Property taxes were once the primary funding source for K-12 schools, and tax rates varied by district. Today, the State “equalizes” school funding, using a formula that takes into account property tax revenue generated at the school district level and revenue from the State’s coffers generated by the statewide income tax, Oregon Lottery, and intergovernmental revenues. Allocation of State revenues to local school districts comes in the form of “general purpose grants.” The primary driver of the State allocation is the number of students in each district. This means that local property taxes generated by a school district have no direct impact on school funding in that district. Thus, any impacts that an URA might have on local school district property tax revenues would have no direct impact on school funding in that district.

(Source: *Best Practices for Urban Renewal Agencies in Oregon*)