

City of McMinnville

Report on FY2020-21 General Fund Budget Gap Closing Actions

In order to be able to present the Budget Committee a balanced budget for FY2020-21, a budget gap of over \$3.5M needed to be addressed. The imbalance between available revenue and planned activities existed before the covid-19 emergency but covid-19 did add to the challenge of proposing a budget this year for the City.

The actions taken have an impact on the City's ability to successfully move forward the Mac-Town 2032 strategic plan, as described below.



CITY GOVERNMENT CAPACITY

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

Long-term Financial Planning Objective

The FY2020-21 budget does not include funding for the PERS Employers Incentive Fund program. Making a one-time \$1.29M contribution to PERS and leverage a 25 cents on the dollar match from the state would have had a projected impact of reducing the City's overall PERS costs by saving the City \$2.79M over the 20 year period of the side account. The general fund's share of \$1M, even spread across two years, was sacrificed to maximize near-term operational capacity given this moment of great uncertainty.

The reserve in the FY2020-21 budget for the general fund is roughly equivalent to the reserve in the FY2019-20 budget (\$2.52M vs \$2.60M). Because the total proposed budget for next year is higher than the current year adopted budget, the ending fund balance reserve percentage is lower than it was last year - 11% to 13% of FY2020-21 expenditures vs 12% to 14% of FY2019-20 expenditures. For FY 2020-21 a one-time revenue was part of the budget gap closing effort: a \$500,000 distribution from the Insurance Services Fund made proportionally to all departments according to salary allocation (\$428,000 for the general fund). Further drawing down on the insurance reserves will be more difficult to do in future budget cycles as its excess ending fund balance is diminishing.

Invest in the City's Workforce

A CoLA of 2.5% was originally budgeted; when the actual CPI data came in at 1.75%, we planned to maintain the original COLA projection as a way to fund any salary adjustments coming out of the classification and compensation study. In the budget balancing process, this buffer was eliminated.

Recommendations from the organizational review of administrative services are being deferred to future years. Adding an Assistant City Manager to the team was included in the initial budget but was withdrawn.



CIVIC LEADERSHIP

Encourage a variety of leadership development opportunities to foster a culture of civic pride and involvement

Leadership Recognition Program

This project is slated for development in the FY2020-21 year under the responsibility of the Executive Team (ET). While the Executive Team is actively working with a staff committee to find creative new ways to foster employee engagement, the urgent concerns of supporting the community as well as the workforce in this period of covid-19 response and recovery may very well crowd out the ability of the ET to make progress on this strategic action item. This impact is not financial but represents an example of an opportunity cost being paid by the city due to the demands of the public health emergency.



COMMUNITY SAFETY & RESILIENCY

Proactively plan for and responsively maintain a safe and resilient community

Addressing Deferred Maintenance and Capital Investments from the City Facilities Assessment

The initial budget included \$1.65M in spending based on recommendations from the facilities assessment. The proposed budget deferred action on over \$700,000 of those proposed investments.

An ad hoc committee was working on a recommendation to more effectively manage the facilities maintenance needs of the City, a deficit that was identified in the central services review. This work has been paused as the covid-19 emergency required staffers to focus on more immediate needs.

Public Safety Program Revenue Loss

The FY2020-21 budget does incorporate just under \$100,000 in revenue losses anticipated this year and next in the municipal court due to covid-19 impacts. However, funding of school resource officer will come in lower than anticipated in FY2019-20 and next year's program is uncertain at this time. For the fire/ambulance program, the nature of the call outs and transports has changed during covid-19. An initial estimate of over \$100,000 in transport revenue losses for the last quarter of FY2019-20 is due to the decline of elective medical procedures, a reliable source of insurance covered ambulance runs. Neither the MPD nor MFD revenue losses are currently included in the FY2020-21 budget projections.

Planning and Building Department Impacts

Resource constraints meant crime prevention through environmental design (review, evaluate, adopt) for public spaces (C-1d) and evaluating the built environment downtown (C-2d) were not included in the FY2020-21 proposed budget.



ECONOMIC PROSPERITY

Provide economic opportunity for all residents through sustainable growth across a balanced array of traditional and innovative industry sectors

Pivot to Economic Support

The impact of the public health crisis on the economic vitality of the City is evolving and we are in the early stages of understanding the full extent of this crisis on citizen prosperity metrics. Actions have been taken by staff to support local businesses that impact revenues (suspending late charges on city revenues including the Transient Lodging Tax (TLT) through June 30) as well as redirect staffing resources to unplanned activities including facilitating grant opportunities to benefit different industry sectors.

Tourism Revenue Loss

The City did project a decline in TLT in both this year and next; current thinking indicates that the duration of the impact on the hospitality industry is likely to extend so it is likely additional revenue loss will be seen in the FY2020-21 year.

Unfunded Economic Development Activity

The following actions were identified for FY 2020-21 work plans in the strategic plan were not included due to resource constraints: design and install noticeable welcome and wayfinding signage at the Three Mile Lane bridge, as well as at key entrances to the downtown area and other economically significant areas (D-1h) and assess the sufficiency of McMinnville's existing design guidelines to protect and enhance valued aspects of the City's building stock and built form (D-1k).

Business License Program on Hold

The anticipated implementation of a business license program has been put on hold. This revenue source would have funded a planning department staffer to provide several business support items (resources and technical assistance) in the strategic plan (D-1a, D-1b, D-1c, D-1d, D-1e, D-1f). The choice to remove this resource neutral activity is due to the current covid-19 emergency and its resulting negative economic impact on the local business community.



ENGAGEMENT & INCLUSION

Create a culture of acceptance and mutual respect that acknowledges differences and strives for equity

Equity and Inclusion Project for Fee Setting in Parks and Recreation

This activity has been put on hold until the overall impact of covid-19 can be better understood for the Parks and Recreation System both in terms of lost revenues and resulting negative impact on staffing levels.

Parks and Recreation Revenue Loss

The FY2020-21 budget is impacted by a projected \$450,000 revenue loss from the fourth quarter of FY2019-20 due to program closures throughout the park and rec system. These losses reduce the beginning fund balance for next year. This loss of vital programming and services has a negative impact for the community, for the part time workers laid off last month and for the fiscal health of the general

fund. When estimating the revenue losses, we were optimistic that parks and rec would be open by the summer and next year's budget does not contemplate further revenue loss. However it now seems highly unlikely that the City will be able to operate its parks and recreation facilities in the same way as it has in the past so additional financial impacts will need to be factored into our plans for FY2020-21.



GROWTH & DEVELOPMENT CHARACTER

Guide growth and development strategically, responsibly, and responsibly to enhance our unique character

Guide Growth and Development Strategically

An add package in the Planning Department to hire an Associate Planner in order to complete key activities in the strategic plan including community visioning (F-3a) and updating the comprehensive plan (F-1c) was not possible to incorporate into the FY2020-21 budget.



HOUSING OPPORTUNITIES (ACROSS THE INCOME SPECTRUM)

Create diverse housing opportunities that support great neighborhoods

Affordable Housing – 50% of the 30% of Transient Lodging Tax Program

The balance of the unspent funds in FY2019-20 as well as the FY2020-21 contribution was eliminated in the proposed budget (\$301,700). Since balancing the budget, \$30,000 of current year funds have been directed toward housing and food bank support, reducing the total savings achieved from this action.