

FY2025-26 Proposed McMinnville Budget Q&A #1

Comments received prior to Noon on Friday, May 9, 2025, will be sent to the Budget Committee in advance of the May 15, 2025, and the May 21 - 23, 2025, Budget Committee Meetings. You can submit comments up until noon on Thursday, May 22nd, but anything after the Friday, May 9th, deadline will likely not receive a response in time for the Budget Committee Meetings

Understanding the Budget

1. What is the difference between the General Fund and other funds in the budget?

The General Fund is the primary operating fund for a government, accounting for most of its day-to-day activities and revenues. Other funds are specifically designated for particular purposes, like special revenue projects, capital projects, or specialized activities. These funds are governed by regulations on what they can be spent on and are typically reserved for supporting the program or project that they were set up for and cannot be used for General Fund activities.

2. It seems like Urban Renewal, Wastewater and other funds have enough money in them to fill the gaps, why can't we just use that?

In the context of city finances, a "fund" is a pool of money that is allocated for a specific purpose. It's like a designated account or "bucket" where funds are set aside and can only be used for the purpose for which they were intended. This helps ensure transparency, compliance with legal requirements, and effective budgeting. So, although it appears that funds such as Urban Renewal or Wastewater have money in them that could help the General Fund deficit, state law does not allow the City to use those funds for purposes other than supporting the Urban Renewal program or the Wastewater program. This is also true for the Building Fund, Affordable Housing Fund, and other dedicated funds in the city's budget that are not the General Fund.

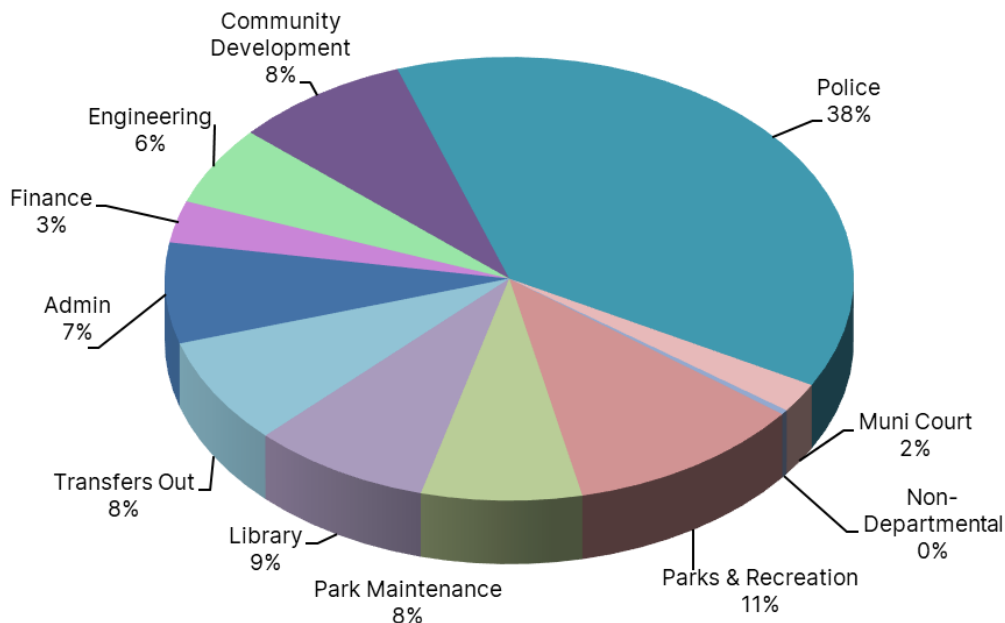
3. Why is the City budget document so complicated?

The City of McMinnville is a \$140 million enterprise that provides hundreds of programs and services through almost a dozen departments to the 34,000 people who live here and the thousands more who work here and visit every year. City budgets are highly complex financial documents due to how they take into account the various revenue sources Cities have – property taxes, state and federal grants, each with their own intricacies and fluctuations, and the City has an equally diverse and complex set of expenses including public safety, infrastructure, recreational facilities, the list goes on and on. Attempting to manage these complexities, along with economic fluctuations and balancing competing priorities and long-term financial goals, make the annual budget process complex and often difficult to understand despite our best efforts.

4. How big is the City's annual budget?

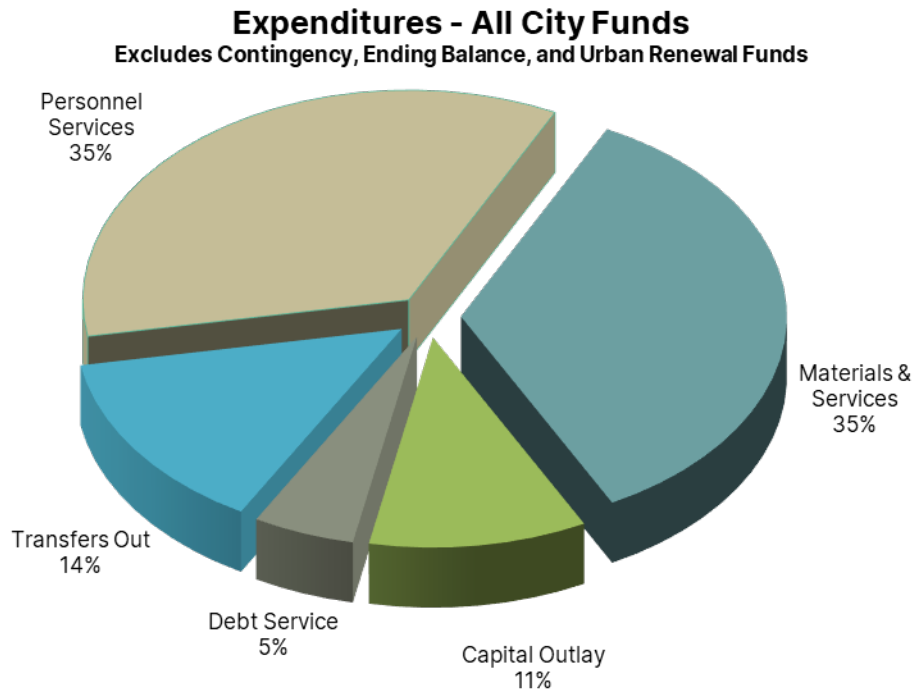
The City's Proposed FY2025-26 General Fund is \$37,957,964. This includes contingency and ending fund balance. The chart below breaks down departments within the General Fund, which equals \$31,415,010.

General Fund Expenditures - By Department
Excludes Contingency and Ending Balance



5. How much is spent on City operations, capital, and other?

The City's Proposed FY2025-26 budget is \$121,128,571. This includes contingency and ending fund balance for all city funds. The chart below breaks down spends by category, which equals \$76,523,458.



6. How many employees does the City have?

Please reference the graphic below for historical and current employee count:

City of McMinnville Full Time Equivalent (FTE) Five-Year Trend						
Department	Adopted 2021-22	Adopted 2022-23	Adopted 2023-24	Adopted 2024-25	Authorized	Budgeted *
					Proposed 2025-26	Proposed 2025-26
Administration	5.13	6.74	8.50	7.50	6.50	6.50
Finance	4.85	5.90	6.95	4.90	4.85	4.85
Engineering	7.08	6.99	6.66	7.16	9.33	9.33
Community Development	7.12	8.08	8.08	8.33	9.08	8.08
Police	52.43	52.27	52.31	52.06	51.03	45.03
Municipal Court	4.15	4.46	4.46	4.36	4.41	3.41
Fire	45.70	51.78	*see below	--	--	--
Parks & Recreation	36.72	24.71	24.11	25.91	26.58	26.58
Park Maintenance	10.49	10.49	12.48	12.42	11.72	11.72
Library	16.56	16.77	16.84	17.31	15.22	15.22
General Fund - Total	190.23	188.19	140.39	139.95	138.72	130.72
Affordable Housing Fund	-	-	1.00	0.75	1.00	1.00
Street Fund	9.79	10.04	9.90	9.97	10.57	10.57
Airport Fund	-	-	0.50	0.50	1.00	1.00
Building Fund	4.38	4.34	4.34	4.34	4.34	4.34
Wastewater Services						
Administration	2.10	2.10	2.85	2.85	2.60	2.60
Plant	9.39	9.39	9.44	9.50	10.50	10.50
Environmental Services	4.38	5.07	5.36	5.35	4.35	4.35
Conveyance Systems	5.40	5.40	5.50	5.40	5.10	5.10
Wastewater Services - Total	21.27	21.96	23.15	23.10	22.55	22.55
Information Systems & Services	4.00	4.00	4.00	4.00	4.00	4.00
Subtotal City Employees - FTE's	229.67	228.53	183.28	182.61	182.18	174.18
Difference from prior year (removing FD transition)					-0.43	-8.0
*Fire District (FD) Transition	-	-	50.94	-	-	-

*Removes unfunded FTE.

7. Who is the budget officer and what is their role?

The City charter designates the City Manager as the budget officer. The budget officer is responsible for preparing the proposed budget and supervising its preparation. The budget officer must prepare the proposed budget in a format that meets the requirements set out in state statutes.

8. The Budget Committee is a seven-member City Council appointed body which takes action and makes recommendations to the City Council on the City's Budget. The Committee is established pursuant to ORS 294. City Budget Committee members also serve on the McMinnville Urban Renewal Agency Budget Committee. **The Budget Committee consists of the members of the City Council and an equal number of citizens at large.** The citizens are appointed by the City Council and serve terms of three years. Terms are staggered so that about one-third of the appointed terms end each year.

Budget Committee Members	Role	Term Expires
Kim Morris	Mayor	12/31/2028
Sal Peralta	City Councilor – Ward 1	12/31/2026
Chris Chenoweth	City Councilor – Ward 1	12/31/2028
Dan Tucholsky	City Councilor – Ward 2	12/31/2028
Zack Geary	City Councilor – Ward 2	12/31/2026
Jessica Payne	City Councilor – Ward 3	12/31/2026
Scott Cunningham	City Councilor – Ward 3	12/31/2028
Steffanie Frost	Budget Committee Member	12/31/2027
Victoria Ernst	Budget Committee Member	12/31/2027
Debbie Harmon Ferry	Budget Committee Member	12/31/2026
Meredith Maxfield	Budget Committee Member	12/31/2026
Jerry Mason	Budget Committee Member	12/31/2025
Lonny Watne	Budget Committee Member	12/31/2025
Kellye Bouldin	Budget Committee Member	12/31/2025

For further information, please visit: <https://www.mcminnvilleoregon.gov/budget>

9. Who is ultimately responsible for approving, maintaining, and reviewing the City's budget?

The Budget Committee is ultimately responsible for approving the proposed budget which is later adopted by the City Council. Many stakeholders are a part of its annual review and maintenance including the Budget Officer (City Manager), Department Directors and assigned Managers/Supervisors, and members of the Finance team

10. Why hasn't the City Council discussed the budget shortfall yet?

Under State law, the budget process must follow a fairly specific format (ORS 294.305 - .565). That includes publication of a budget document and corresponding explanation. Those publications have specific notice requirements that are designed to make the public very aware of the budget, its discussion and adoption, and to ensure that public participation is available to all who wish. Accordingly, the law also prevents discussion of specific budget components prior to that publication. The City can (and has) discuss(ed) the shortfall in general terms (*see* City Council Work Session, 3/25/25), and the Council has, permissibly, provided general vision and goals, spending priorities, and philosophy on how to allocate scarce resources or make trade-off decisions as to which programs get funded and which don't.

The financial background of how we got here was discussed in the 3/25/2025 City Council work session. The topic of financial sustainability has been part of public dialogue as far back as 2012, and efficiencies, reductions and new revenues have all been considered and implemented at different times over those years.

Revenues & Property Taxes

11. How much of the \$1.50 per \$1,000 assessment is in the proposed budget?

The FY2025-26 Proposed Budget has \$1.00 of the McMinnville Fire District's "hold back" \$1.50 per \$1,000 of assessed value built into the budget. Thus, this budget is developed with a \$4.52 per assessed value and includes an underlevy of \$0.50 of the City's permanent tax rate of \$5.02/per assessed value.

12. How much revenue does each \$0.50 per \$1,000 of assessed value generate for the City of McMinnville's General Fund?

Based on the City's projected FY 2025-26 assessed valuation, \$0.50 per \$1,000 of assessed value is anticipated to generate about \$1.8 million.

13. How much have we collected from the City Services Charge and why isn't it going away?

The City Services Charge was instituted as an effort to address the ongoing budget deficit and increase the City's ability to replenish its reserves. The City Services Charge generates approximately \$2.2 million per year and in its absence the City would be facing a proportional increase to service cuts.

14. There is so much new development (by Baker Creek and Hill Road and Highway 18 etc.) how is that new construction not adding to City revenue?

While new construction adds new property revenue to the City, it does not add to revenues at the rate that it used to. For two reasons: 1) McMinnville is not growing at the same rate that it has historically (growth is much slower both in terms of population growth and building permits issued); and 2) Due to housing supply not keeping up with demand, the value of new housing is not being assessed at the same proportionality as it was historically.

Growth in McMinnville is Slower Than Historical Growth: Although it may seem like McMinnville has experienced significant growth in the past decade, the City is actually experiencing some of its slowest growth in the past 50 years. With limited developable land available, new development is occurring in concentrated areas, *e.g. Baker Creek, Hill Road, and Highway 18 by the hospital*, so while it *appears* like there is an explosion of new development, this is just a perception based on it being highly concentrated. The chart below shows population growth in the past five years (Annual Pct Change). This is provided by the Population Research Center at Portland State University. **From 2020 to 2024, we grew by the following percentages respectively (0.4%, -1.5%, 0.5%, 1.9% and**

0.1%).

Date:	Total Population	Pct. Change	Population in Group quarters	Housing Units	Vacancy Rate	Household size
4/1/2020	34,319	-	1,846	13,257	5.8%	2.60
7/1/2020	34,447	0.4%	2,145	13,303	5.8%	2.58
7/1/2021	33,946	-1.5%	1,396	13,413	5.8%	2.58
7/1/2022	34,099	0.5%	1,532	13,536	5.9%	2.56
7/1/2023	34,734	1.9%	2,173	13,658	5.9%	2.53
7/1/2024	34,774	0.1%	2,142	13,783	6.0%	2.52

Source: Population Research Center, Portland State University

From 2014 to 2019, we grew by the following percentages respectively (1.1%, 0.9%, 0.7%, 0.4% and 0.3%). **That equates to an average annual growth rate in the past ten years of 0.5%. To put it in perspective, the average annual growth rate for the city from 2000 – 2010 was 2.0%, three times greater than the past decade.** This reduction in growth means that less homes were being built in McMinnville (see next question) which means less new property tax revenue from new construction annually.

New Construction is Assessed Less Proportionally: **At the same time that we have been building less housing than in previous decades, the demand to live in McMinnville has escalated which has caused a significant increase in the cost of housing here due to lower supply and higher demand. This means that the Change Property Ratio (CPR) for how new construction is assessed is significantly lower than the real market value of the new construction.** Essentially the CPR reduces the assessed value of new construction by a certain percentage to reflect the difference between average countywide assessed value and market value. Since assessed values are capped at a 3 percent annual increase in Oregon due to Measure 50 (1997), this calculation is intended to adjust the tax burden of new construction to more closely match that of existing development. Below is a chart that shows how the CPR has changed over the past six years for housing and commercial and industrial construction in Yamhill County.

Property Class	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20
Residential	0.504	0.480	0.494	0.579	0.605	0.629
MultiFamily (4+ Units)	0.356	0.345	0.413	0.539	0.560	0.748
Commercial	0.593	0.568	0.612	0.678	0.694	0.684
Industrial	0.593	0.568	0.612	0.678	0.694	0.684

Source: Yamhill County Assessor

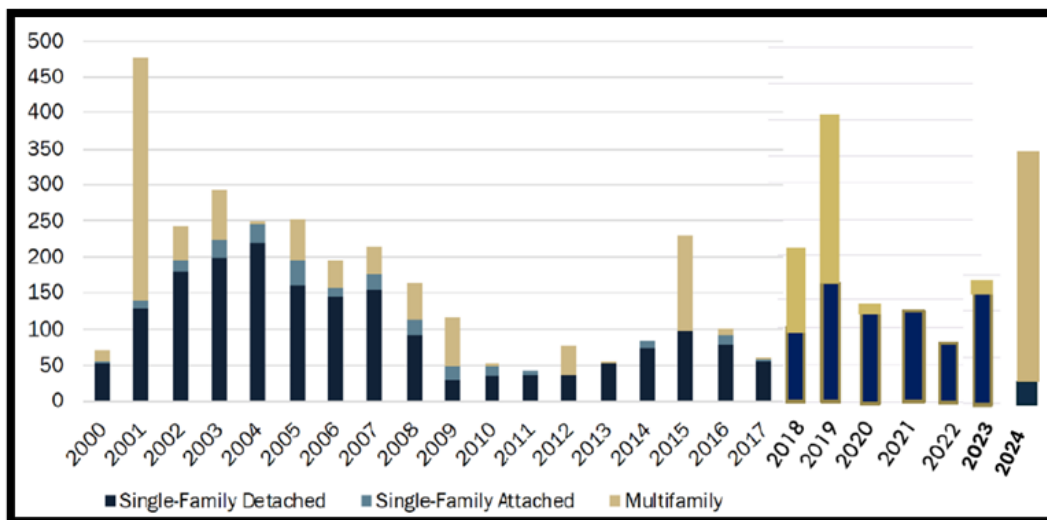
The significant reduction in residential CPR from .629 to .504 means that new homes in 2019-20 were assessed for property taxes at 63% of their real market value. In 2024-25, new homes were assessed at 50% of their real market value. New multi family projects were assessed in 2019-20 at 75% of their real market value and in 2024-25, new multi family projects were assessed at 35% of their real market value. **This is lower than many other counties in Oregon.**

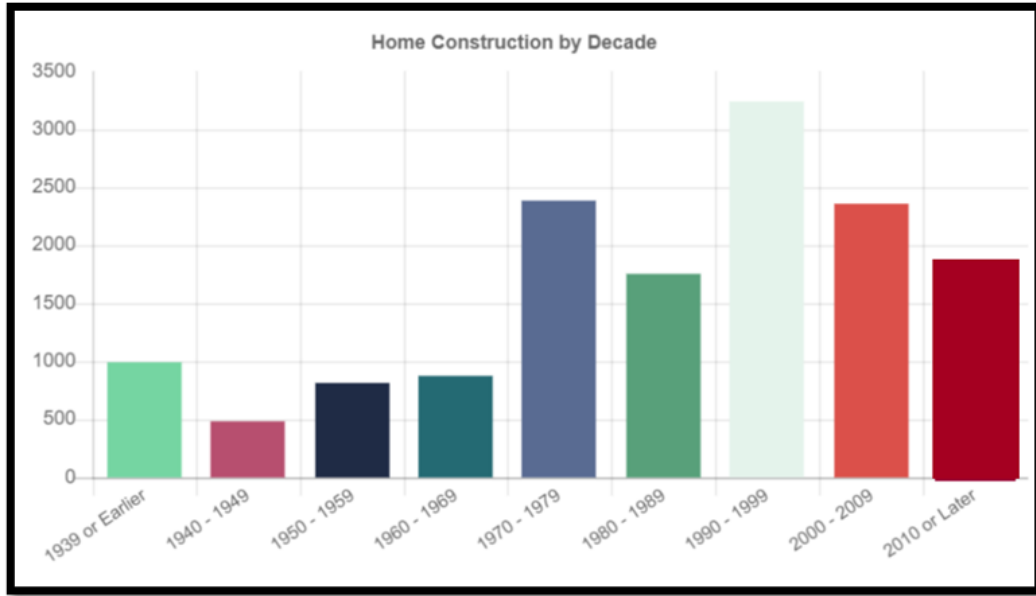
15. What is the building permit trend for the last 15 years of new development?

As a whole building permit trends for the past 15 years have been less than in previous decades. Please see charts below.

McMinnville should issue approximately 250 housing permits per year to maintain adequate supply and demand and manage escalating housing costs.

Per the two following charts it is clear that McMinnville has only done that a couple of years in the past 15 years, and that was when significant multifamily (apartment) projects were developed such as Evans Crossing and Fircrest in 2019, and Stratus Village and Norton's Landing in 2024.





Costs, Spending & Financial Strategy

16. Did we anticipate a budget shortfall? Why or why not?

Yes and no. While we've been watching inflation affect the daily cost of living for all residents (and the City is no exception) an unexpected increase to personnel costs – particularly salaries and benefits, have been much more than originally anticipated.

Conversations to address the City's declining reserves have been taking place for nearly six years, and although the City has made numerous efforts to address the deficit *e.g. the City Services Charge and supporting the creation of McMinnville Fire District*, the reality is that these efforts have not been enough, and revenues just can't keep up with the rising costs of services.

17. Did all departments make a % cut to their budget to address the shortfall?

No, the City considered many aspects to the proposed budget cuts, including looking at potential actions mainly in terms of services and programs.

18. How much is the City spending on DEI?

The only DEI related spending that has occurred is in direct relation to the Council approved 225k ARPA funds allocated for "DEI Implementation." You can review past council decisions related to ARPA spending by reviewing the City Council's list of approved ARPA projects here:

<https://www.mcminnvilleoregon.gov/finance/page/american-rescue-plan-act>

19. How much does the City spend on contract services? Why don't we use our city employees for contract services?

Many of the services provided by contract services are specialty services that are not available in the City's employee pool and are only required on a limited basis – either to implement a project or to provide a service intermittently throughout the year. It is actually cheaper to contract short-time with a third-party provider to provide those services than to hire an employee, pay their salary and benefits, and sustain their job over many years.

20. How much does the City spend on consultants? Why don't we use our city employees instead of consultants? (Most consultant services are specialized and one and done – meaning that we do not have employees with the specialized skillsets and hiring employees to do the work is not sustainable).

Consultants fill the gap for knowledge and capacity that is not within the City's employee pool, and may only be required on a limited basis. It is oftentimes cheaper to hire a consultant to draft a Transportation System Plan over the course of two years than it is to hire a Transportation Planner, a Transportation Engineer, and a public engagement/graphics team with full-time salaries and benefits over the same two years.

21. Does remote work really cost more?

Remote work is not more expensive for organizations—in fact, in many cases, it results in significant cost savings.

A comprehensive 2022 study by Global Workplace Analytics estimates that employers save an average of \$11,000 per year per employee who works remotely half the time. These savings come from reduced expenses related to office space, utilities, maintenance, and overhead. Fewer people in the office also means lower costs of supplies, furniture, parking, and even janitorial services.

Additionally, remote work has been shown to reduce employee turnover, which is one of the most expensive aspects of workforce management. Gallup reports that flexible work options are a top factor in job satisfaction and retention, which lowers recruiting and onboarding costs—often estimated at up to 150% of an employee's annual salary for replacement.

While remote work does involve modest investments in technology and cybersecurity, these are typically one-time or scaled expenses that pay off over time through increased productivity and continuity. In fact, a 2023 Owl Labs survey found that 62% of remote workers report being more productive when working from home, and organizations benefit from this higher output without incurring additional costs.

Lastly, in 2021 House Bill 2560 passed "Requires governing body of public body, to extent reasonably possible, to make all meetings accessible remotely through technological means and provide opportunity for members of general public to remotely submit oral and written testimony during meetings to extent in-person oral and written testimony is allowed. Imposes same requirements on hearings under ORS chapters 197 and 215." The City was able to upgrade several conference rooms and the Council Chambers to meet this new requirement by utilizing ARPA funds. While some of the associated costs were one-time expenses, there are still ongoing costs of software subscriptions (i.e. Zoom), which continue

to rise. Continuing to provide this service is essential in order to maintain accessibility and participation for the public, staff, and members of the public body.

22. Have we considered cutting employee benefits? Why or why not?

Employee benefits are a critical component of total compensation and play a vital role in attracting and retaining skilled employees, especially in public service roles where salaries are not always competitive with the private sector. Cutting benefits would lead to decreased employee engagement, increased turnover, lower morale, and reduced productivity. These outcomes would ultimately increase costs over time through higher recruitment and training expenses.

Data from the International City/County Management Association (ICMA) shows that nearly 70% of municipal employees view benefits as a primary reason for staying in their roles, especially when compared to private sector opportunities. A separate National League of Cities (NLC) survey found that municipalities that cut employee benefits during fiscal downturns experienced up to 18% turnover rate increase.