

CITY OF McMinnville
2005 – 2006
BUDGET MESSAGE

April 15, 2005

Honorable Edward J. Gormley, Mayor
City Council and Members of the Budget Committee

Song of the Builders

On a summer morning

I sat down

On a hillside

To think about God -

A worthy pastime.

Near me, I saw

A single cricket;

It was moving the grains of the hillside

This way and that way.

How great was its energy,

How humble its effort.

Let us hope

It will always be like this,

Each of us going on

In our inexplicable ways

Building the universe.

--- Mary Oliver

From Why I Wake Early

Keep a few embers

From the fire

That used to burn in your village.

Some day go back

So all can gather again

And rekindle a new flame,

For a new life in a changed world.

--- Chief Dan George

From My Heart Soars

I. INTRODUCTION

It is my pleasure to present the Proposed 2005 – 2006 Budget. The Proposed Budget represents the resources and opportunities for us to continue sustaining and building community, improving our quality of life. In its own way, it represents “building the universe” as described in Mary Oliver’s “Song of the Builders.” And I believe Mary Oliver is correct when she describes this balancing of great energy with humility as a key to effective building. It takes a great deal of positive energy to carry out the programs, services, and projects funded in the Proposed Budget. But the Budget is also presented with a healthy dose of humility as it recognizes resource limitations and the fact that not all needs are met.

In his State of the City address this past winter, Mayor Gormley stated that his focus as Mayor was to build community. He described a community as:

“...a place where there are bonds of trust and understanding; a place that feels like ‘home’; a place that is safe and satisfying; a place that is resilient; a place that is friendly, inclusive, and where connections are made – i.e., social, political, economic, and religious connections; a place that is caring; a place where the economy has vitality; a place where its downtown is strong; a place that is fun; and, a place to grow.”

Mayor Gormley’s point here is an important one and represents excellent criteria for evaluating the Proposed Budget. My objective has been to work with our Management Team to present a balanced mix of services that will support the kind of community described by Mayor Gormley. The art of city budgeting relates directly to the art of building quality of life.

I love Chief George’s image of people gathering together, each carrying a few embers from the old fires in order to “rekindle a new flame.” So too, you as Mayor, City Councilors, and Budget Committee members gather together each with your own unique

“embers.” Your task with the Proposed Budget is to rekindle that “new flame” – a new budget for a new year, in a changing world.

In terms of operations and programs the Proposed 2005 – 2006 Budget is essentially a hold the line budget, although it does provide the resources to act and finally move forward on several critical capital projects.

II. BUDGET ASSUMPTIONS

The Proposed Budget is based upon the following assumptions and criteria:

- A. Taxation and Fiscal Policy.** The Proposed Budget is balanced and stays within all of the statutory property tax limitations. No additional voter approval is required to authorize the proposed tax rate.

Prudent fund balances are maintained in order to fund our current service levels for as long as possible within existing revenue limitations. The total Ending Fund Balance in the property tax funds is estimated to be \$7.0 million on June 30, 2006. This represents an estimated increase of about 13 percent over our projected fund balance as of June 30, 2005.

The proposed tax rate is estimated to drop from the current \$5.98 per \$1,000 of assessed value to \$5.94.

- B. City Council Goals and Objectives.** A copy of the City Council’s 2005 Goals and Objectives directly follows this message. The Proposed Budget provides the resources necessary to address these goals and objectives.

- C. The Economy and the State Fiscal Crisis.** Recent economic indicators suggest that Oregon’s economy continues to rebound. While building activity in McMinnville remained quite steady during the economic downturn, it is estimated that building activity may even increase. And while the State of

Oregon’s fiscal situation has improved some, it remains possible that the 2005 legislature could take action that might reduce cities’ share of state revenues. However, the Proposed Budget assumes no short-term changes in our allocation of state shared revenues – i.e., cigarette, liquor, and gas taxes.

Our estimates of development-related revenues (i.e., building, planning, and engineering fees and system development charges) are conservative. Revenue estimates from building permit fees reflect a planned reduction in permit fees that would reduce total building permit revenues by an estimated 10 percent.

- D. Employee Compensation.** Salaries of all employees reflect a cost-of-living adjustment of 2.7 percent (Portland, Oregon CPI – W increase January 2004 – December 2004) and step increases as warranted. Collective bargaining agreements with the City’s two employee unions (i.e., police and fire employees) expire as of June 30, 2005. Terms of new agreements are currently being negotiated.

Medical insurance premiums reflect an increase of 10 percent. This represents positive news after several years of premium percentage increases in the mid to high teens. As part of a continuing effort to achieve more parity between union and non-union employees, the Proposed Budget has the City assuming the cost of any premium increase for all non-union employees. Currently non-union employees pay 30 percent of the total health premium for their coverage. With the city budgeting for the entire non-union employee increase, the employees’ share will drop to 28 percent. Fire union members pay 10 percent, and police union members pay 5 percent of the total.

- E. Other Insurance Coverages.** The City is a member of the City County Insurance Services Trust – a pool of member Oregon cities and counties. There is more good premium news regarding our other insurance coverages (i.e., general and auto liability, property, and workers compensation).

While we have conservatively budgeted for a small increase, our total cost for all of these coverages next year may well remain the same as the current year.

- F. Funding for ‘Outside Agencies.’** Funding for outside agencies is budgeted at current year levels. Those agencies are: the McMinnville Downtown Association (MDA), Your Community Mediators of Yamhill County, YCAP transportation program. \$2,000 is budgeted for the City’s share of the Holiday Lights program coordinated by the Chamber of Commerce, and the Jaycee’s 4th of July fireworks.

III. BUDGET HIGHLIGHTS

While this is essentially a “hold the line” budget, it does budget for a number of significant projects. It also continues to maintain reserves at fiscally prudent levels. The following are a number of notable budget items:

- A. Public Safety. Police:** A second Lieutenant’s position is reinstated to provide a more effective command structure. In addition to purchasing three new replacement patrol vehicles, the Police Department budget funds to replace all full-time officers’ handguns. The Capital Improvement Fund (39) budgets for the architectural services needed to help develop plans and cost estimates for a proposed new Public Safety Building. The current plan is to go to the voters in 2006 for approval of a general obligation bond to finance the building. This will coincide with the retiring of two other general obligation bond issues – the fire station construction and the transportation improvement bonds.

Fire and Ambulance: The Capital Improvement Fund (39) budgets for the purchase of a new ambulance to replace an existing one. The Proposed Budget reflects the continuing statewide and national trend of a reduced level of reimbursement by Medicaid and Medicare for services rendered. This is the second year that the Ambulance Fund

(70) will require a property tax subsidy in order to balance. A transfer of \$100,000 is made from the General Fund (01) to the Ambulance Fund (70).

- B. Finance and Administration.** A designated reserve of \$225,000 is budgeted within the Information Systems and Services Fund (62) to fund the purchase of a new financial accounting system for the City. The current systems are dated and as of December 31, 2007 will no longer be supported by the “Group 4” consortium, as it is dissolving. Funds are budgeted in the General Fund (01) to assist with a community outreach and public information effort. This work is a piece of a broader 2005 City Council goal to “plan and implement a public process for discussion of service levels and local option levy alternatives.” This “community choices” effort will include neighborhood meetings, written informational materials, community surveys and related communications, and public outreach work. The project will involve the participation of the Mayor and City Council, and the Budget Committee, with staff support.

- C. Park Development and Maintenance.** In the Park Development Fund (91) we budget to continue construction of projects funded by voter approval in 2001 of park improvement bonds. In the coming year we shall complete the BPA Easement Pedestrian and Bikeway Project and budget funds to acquire future park sites in the northwest and northeast areas of the City. As this is written, we are finishing up major renovations in City and Wortman Parks. Our new Southwest Community Park will be dedicated in late May or early June of 2005. In order to continue maintenance of our parks and open spaces at the level expected by the public, the Parks and Recreation Fund (30) budgets one additional Utility Worker and significantly increases our use of out-sourcing (i.e., use of private contractors). With the new position, the number of full-time workers on the parks maintenance crew will be back at the 1994 level (5).

D. Meeting Facility / Space Needs. One of the City Council's annual goals for at least the past seven years has been to address space needs. This is the year for action! In addition to the definitive steps being taken toward constructing a new Public Safety Building (see "A" above), there is also an effort underway to develop a Community Development Center that would be a one-stop permit center housing engineering, building, and planning services. The City is working with Oregon Mutual Insurance on the potential acquisition of their 'regional office building' at the northeast corner of 5th and Baker Streets. The Capital Improvement Fund (39) budgets for related architectural and remodeling costs and/or potential first-year payment on the building (assumes a three-year financing). It is estimated that the total cost of this project will be \$1.0 to \$1.2 million. This is an exciting prospect to finally be addressing existing and future space needs.

IV. PROPOSED 2005 – 2006 PROPERTY TAXES

The projected tax rate for the Proposed 2005 – 2006 Budget is \$5.94 per \$1,000 of assessed value. The current year's rate is \$5.98. The projected tax rate is based upon an estimated total City assessed valuation of \$1,532,275,000. This projected 4.0 percent increase in total assessed value may well be conservative.

An "Estimated Not to be Received" factor of 8 percent has been used to calculate new property tax receipts (the "Current Taxes" accounts). The following table lists those funds that rely in full or in part on property tax revenues. It summarizes the property taxes which compromise the total proposed levy for fiscal 2005 – 2006. Current year actual data is also presented.

See Property Tax Levy and Rate Summary Table on Next Page



Property Tax Levy

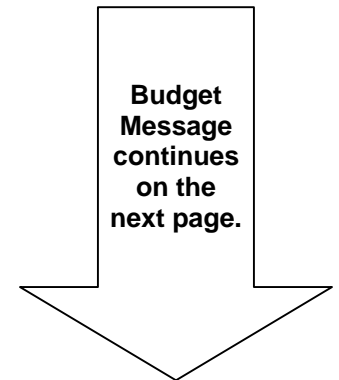
	2004 - 2005 Yamhill County Certified	2005 - 2006 Proposed Budget	\$ Change	% Change
General Fund	3,699,348	3,810,328	110,980	3.0%
Fire Fund	1,316,649	1,356,148	39,499	3.0%
Parks & Recreation Fund	1,748,322	1,800,772	52,450	3.0%
Capital Improvement Fund	631,588	724,495	92,907	14.7%
Total Operating Funds	7,395,907	7,691,743	295,836	4.0%
Debt Service Fund	1,413,044	1,413,044	0	0.0%
Total Property Tax Levy	8,808,951	9,104,787	295,836	3.4%

Property Tax Rate *

	2004 - 2005 Actual	2005 - 2006 Proposed Budget	\$ Change*	% Change
General Fund	2.51	2.49	-0.02	-0.8%
Fire Fund	0.89	0.89	0.00	0.0%
Parks & Recreation Fund	1.19	1.18	-0.01	-0.8%
Capital Improvement Fund	0.43	0.46	0.03	7.0%
Total Operating Funds	5.02	5.02	0.00	0.0%
Debt Service Fund	0.96	0.92	-0.04	-3.8%
Total Property Tax Rate	5.98	5.94	-0.04	-0.6%

* Rate per \$1000 of AV

Assessed Valuation	1,473,341,412	1,532,275,000	58,933,588	4.0%
---------------------------	----------------------	----------------------	-------------------	-------------



V. UNFUNDED REQUESTS

As Budget Officer, my objective is to present a Proposed Budget that funds a balanced mix of City services within the limits of available resources. The budget preparation direction given by me to the Management Team was to present a “hold the line” budget – i.e., maintaining the current service levels. Only “critical” items would be considered for additions. For the most part, the core of all Department Head requests is included in the Proposed Budget. The following is a list of those more significant items that were proposed for funding, but not included in the Proposed Budget:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Ambulance	Add three new full-time Medic/Firefighter positions	\$230,460
Library	The equivalent of an additional 0.50 F.T.E. to provide additional technical support and increase the operating hours of the bookmobile	\$9,423
Police	a) Begin a motorcycle unit to enhance traffic safety enforcement	\$10,200
	b) Purchase of electronic stun guns	\$8,650
	c) Augment donated revenues (\$5,000) to fund a police dog replacement	\$12,500
Streets/Storm Drain Maintenance	One Utility Worker position	\$56,608

VI. FORMAT OF THE BUDGET DOCUMENT

This *budget message* can, by its nature, provide only a broad overview of the 2005 – 2006 Proposed Budget, pointing out

“highlights” and setting the tone, if you will. It is intended to serve as a good starting point for your review of next year’s Proposed Budget.

You will find in this Proposed Budget Notebook considerable supplemental and supporting information and budget detail. Behind this *budget message* in the Budget Officer Tab are the 2005 City of McMinnville Goals and Objectives and City of McMinnville Organization Chart.

Behind the Financial Overview Tab, you will find two pie charts that summarize the entire budget’s revenue and expenditures, and similar pie charts that summarize just the property tax operating funds. Another financial “picture” is provided by the Budget Organization Chart. The City Fund Summary is a quick snapshot of the City budget by fund. Also in this tab are Fund Definitions which are necessary to understand the purpose of each City of McMinnville fund, and Account Definitions which describe how the City of McMinnville uses particular line-item accounts and some information on budget building related to the line-item accounts.

Behind the Personal Services Tab, staffing levels for the 2005 – 2006 Proposed Budget are summarized in three different methods. The three methods look at City full-time equivalents (FTEs), number of full-time and part-time employees, and City volunteers. Also included with this tab are the three City employee group salary schedules and a personal services summary for employees that are divided between different departments in a fund.

I highly recommend that you carefully read the Budget Summaries that precede the line-item budget for each fund. New this year are the Historical Highlights. These are an effort to give some “over time” context to this one-year budget proposal. In both of these summaries, prepared by each department head, you will find excellent background information on the 2005 – 2006 department/fund budget highlights, department/fund FTEs, short- and long-term department/fund issues, and this year we’ve also tried to throw in some interesting department/fund facts.

Please do not hesitate to contact me at 503-434-7302 or Finance Director Carole Benedict at 503-434-2350, if you have any questions

about the Proposed Budget or supplemental information provided in the budget notebook.

VII. CONCLUSION

The work of the City of McMinnville is important, even critical, business. Its products have a profound impact on the quality of the daily lives of its citizens. It is not a stretch to put into the same sentence about quality of life – mountains, rivers, the ocean, and City services.

The Proposed Budget recognizes this link between our service delivery, how it is valued by our citizens, and quality of life. The budget addresses today's needs and funds projects to plan and build for the future. It is, in essence, a mobilization of the stewardship, vision, and leadership of the Mayor, the City Council, the Budget Committee, and the staff to both maintain our successes and create our legacy regarding the challenges ahead of us. The Proposed Budget reflects leadership in action.

"We do know that leadership is all about making things happen that might not otherwise happen and preventing things from happening that ordinarily might happen. It is the process of getting people to work together to achieve common goals and aspirations. Leadership is a process that helps people transform intentions into positive action, vision into reality."

Thomas A. Cronin
The Christian Science Monitor
February 16, 1990

"Leadership is taking advantage of opportunity before it passes and dealing with the problems while you still can."

Author Unknown

Your leadership will particularly be needed during the next 18 months as we have a conversation with the community about "choices" – i.e., choices about services, service levels, and financing of same. Community demand for services and activity levels have risen faster than our financial ability to satisfy these demands. I believe that this challenge will further unify us as a team, as we work to match our community's needs, desires, hopes, and dreams with fiscal reality.

Preparation of the Proposed 2005 – 2006 Budget has truly been a team effort. The Management Team and their staffs have approached the budget preparation in a spirit of interdepartmental cooperation and with a firm grasp on our fiscal reality. A special thanks is owed to Finance Director Carole Benedict and her staff for their coordination and skills in keeping the process on track and on schedule.

I would like to thank members of our City organization for all their hard work and commitment to public service. Every time we have faced either fiscal challenges or service delivery challenges, our people have responded in a caring, smart, and constructive manner. They have kept the focus on providing excellent customer service. I do not take such commitment lightly.

In closing, I want to again express my appreciation to the Mayor and City Council and Budget Committee. Your willingness to serve and lead is certainly noticed by City staff and valued by the McMinnville public. City staff stands ready to assist you in any way possible with your budget review and deliberations.

Respectfully submitted,



Kent L. Taylor
Budget Officer
City Manager