

CITY OF McMinnville
2006 – 2007
BUDGET MESSAGE

April 15, 2006

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

"But it will happen that the
words that we need will
come of themselves -
when the words that we need
shoot up of
themselves - we have a new song."

--- Orpingalik
(Netsilik Inuit Early
20th Century)

"But the soul reveals itself in the
voice only as God revealed himself
to the prophet of old, in 'the still, small voice,'
and in a voice from the burning bush. The
soul of man is audible, not visible.
A sound alone betrays the flowing of
the eternal fountain, invisible to man!"

--- Henry David Longfellow
(1807 - 1882)

"The participants of both the community attitude survey this summer and the recent Community Choices survey and neighborhood meetings provided consistent responses with regard to the value of McMinnville's small town atmosphere, the downtown area, and the sense of community engendered by the residents. ...Also consistent throughout this process has been a concern about successfully maintaining the City's 'livability' as it deals with issues such as

growth, public transportation, economic development, and public safety."

Community Choices
Data Compilation by
Western Attitudes, Inc

I. INTRODUCTION

I am pleased to present the Proposed 2006 – 2007 Budget. The Proposed Budget is very much a reflection of the hundreds of citizens who shared their voices, who shared their "new song" and who talked about the "soul" of the community during our Community Choices program this past year. In essence, preparation of this budget began over a year ago when the Mayor and Council expressed a desire to participate in a process that reached out to citizens and engaged them in a discussion about McMinnville's present and future. Shortly thereafter, the Community Choices project was born. On January 24, 2006, the City Council and Budget Committee met to discuss what we had heard and seen in the survey, the presentations, and neighborhood meetings.

- ☞ Citizens enjoy the **livability** ("**small town atmosphere**") and quality of life in McMinnville and appreciate the role of City services in providing that quality. There's a lot that's right!
- ☞ Citizens aspire to **maintain the livability**, *but* see **challenges** to it by the growth that will take place.
- ☞ **Growth should be "managed,"** but there is no crystal clear definition of what that means.

- ☞ The most visible evidence of growth that citizens see, and comment on, relates to **transportation and traffic** issues.
- ☞ But there is also awareness that many other City services are impacted by growth, with **public safety** being quite high on the list of priorities.
- ☞ The **historic downtown** and maintaining its strength and uniqueness are highly valued.
- ☞ **Citizen involvement**, outreach, and volunteerism are highly valued and contribute to the approachability and **friendliness of people** and private and public institutions.
- ☞ **Economic viability and opportunities** support public initiatives and investments, help keep people here, and add to a sense of a stand-alone community.
- ☞ There were both **aspirations and fears** expressed.
- ☞ Most of the challenges listed can fall under the umbrella of **“growth management.”** This is to say that “managing growth” is not just a Planning Department function and responsibility. To properly “manage growth” the breadth of City services and departments need to be able to “keep up” and play their part in sustaining livability.
- ☞ The larger message is not about fixing something, but rather, **building upon the City’s successes.**
- ☞ Addressing all of the issues raised is **a long-term endeavor.** Some are currently being addressed, some can be addressed in the short-term, but many will need additional revenue capacity to address – i.e., additional operating and capital revenues.

At their January 28, 2006 goal-setting session, the City Council continued that discussion and, weighing Community Choices feedback and staff input, began translating the feedback into the 2006 City Council goals and objectives.

Staff was directed to prepare a proposed budget that reflected these goals and objectives, even if it meant being “a bit less fiscally conservative.” This Proposed Budget achieves that goal, reflecting

both Community Choices and a shift in fiscal policy. It is a Proposed Budget that reflects listening to all those “voices” that we heard and a budget that invests heavily in McMinnville’s livability.

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 operating tax rate. Voter approval of general obligation bonds is required to fund the Public Safety Facility project, budgeted in Fund #49.

The significant new investment in operations, primarily in public safety, requires a shift in fiscal policy. It is achieved by drawing down fund balances and re-allocating more of the current (2006 – 2007) property tax revenues from the Capital Improvement Fund (#39) to the property tax supported operating funds – i.e., General and Fire Funds. The drop in operating property tax fund balances is about \$600,000 when comparing ending fund balances from the 2005 – 2006 Adopted Budget to the 2006 – 2007 Proposed Budget.

During recent history, we have set aside a significant amount of property tax revenues to make important capital improvements and purchases. The proposed addition of substantial new operating expenses will preclude this from happening in the near future.

The objective is to make these needed investments in service levels and sustain them with current taxing authority for at least two fiscal years. We will update this estimate before any final action is taken on the 2006 – 2007 Budget. It is likely we will need additional property tax revenues to sustain this level of spending and/or

enhance service levels again. This will require going to voters in November 2008 for a local option levy.

Given the decision to go to the voters this year for the Public Safety/Courtroom construction bonds and the School District's large bond request, it does not seem prudent to plan an operating levy request for anytime in 2006.

The proposed tax rate is estimated to increase from the current \$5.92 per \$1,000 of assessed value to \$5.94.

- B. City Council Goals and Objectives.** A copy of the City Council's 2006 Goals and Objectives directly follows this message. Virtually all of the most significant objectives relate in some manner to feedback received during the Community Choices project. To achieve them requires a significant increase in operating costs, particularly in the area of public safety as the budget includes three new Police Officers and three new Firefighter/Paramedics.

The Proposed Budget provides the resources necessary to address, or begin addressing, these goals and objectives with the overarching Council goal of "Maintaining and Enhancing Our Quality of Life."

- C. Employee Compensation.** Salaries of all employees reflect a cost-of-living adjustment of 2.8 percent (Portland, Oregon CPI-W increase January 2005 – December 2005) and step increases as warranted. Salaries and benefits for Police and Fire Department personnel reflect implementation of collective bargaining agreements.

Medical insurance premiums reflect no increase in the coming policy year. This reflects both excellent experience by the pooled cities within the City County Insurance Services membership, but also our own individual experience. Our non-union employees pay nearly 28 percent of their total medical premium. This is the highest, or one of the highest, employee sharing rates amongst government employees in Oregon. Fire union members pay 10 percent, and Police union members pay 5 percent of the total.

- D. 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 also more good premium news here! With reductions in rates forecast for some coverages and minor increases in others, the overall rate increase for our other insurance coverages (i.e., general and auto liability, property, and worker compensation) should be five percent or less in 2006 – 2007.

III. BUDGET HIGHLIGHTS

The Proposed Budget includes a number of increases to operating expenses that are required to address the Council's goals and objectives. These additions respond to Community Choices project feedback by allowing operating departments to more adequately respond to growth-driven demands for service. The following are a number of notable budget items:

- A. Public Safety.** There is a major increase in our investment in public safety services.

Police: The Police Department budget (#01-07) funds three (3) new Police Officers. The Police budget also funds a one-third share of a new Sergeant's position for the Yamhill County Interagency Narcotics Team (YCINT). Funds are budgeted to begin a motorcycle unit for improved traffic patrol and enforcement. The Public Safety Facilities Construction Fund (#49) budgets for the construction of a new Public Safety Building. This expenditure is contingent upon voter approval of construction bonds.

Fire and Ambulance: The Fire Fund (#25) budgets for three (3) new Firefighter/Paramedic positions. Additional part-time help in the fire prevention program is also budgeted. Property tax support for the Ambulance Fund (#70) is increased to \$300,000, up from the current year's figure of \$100,000. The Emergency Communication Fund

(#29) budgets for a \$50,000 increase in the City's support of the YCOM dispatch center.

- B. Finance and Administration.** \$225,000 is budgeted within the Information Systems and Services Fund (#62) to fund the purchase of a new financial accounting system. \$50,000 is budgeted in the General Fund (#01-05) to help provide continued community outreach and public information efforts. \$35,000 is allocated to re-allocation of office space in City Hall, once Engineering, Planning, and Building have moved to the new Community Development Center at 5th and Baker Streets.

\$35,000 is budgeted for the City's share in a public/private partnership which allows the McMinnville Economic Development Partnership to hire a full-time Economic Development Coordinator.

- C. Library.** A part-time position (19/hours per week) is converted into a full-time Librarian II position to continue working with teens and in the Reference Section. The "new books" budget is increased by about \$20,000 over the current year.
- D. Community Development and Planning.** One new Associate Planner position is budgeted for a mid-year hiring. \$250,000 is budgeted in the Capital Improvement Fund for estimated costs associated with the remodel of the Community Development Center in the "OMI Building" at 5th and Baker Streets. \$95,000 is allocated in the Transportation Fund (#51) to complete the update of the Master Transportation Plan.
- E. Other Facility / Capital Projects.** \$200,000 is budgeted in the Transportation Fund (#51) to make traffic signal improvements at the Second and Adams and Second and Baker Street intersections. \$20,000 is budgeted in the Airport Fund (# 75) to fund a feasibility study for a new Fixed Based Operator (FBO) facility at the airport. \$45,000 is allocated in the Capital Improvement Fund (# 39) for removal of the 'Elliott Building' and beautification and parking lot

improvements at the northwest corner of Second and Adams.

IV. PROPOSED 2006 – 2007 PROPERTY TAXES

The projected tax rate for the Proposed 2006 – 2007 Budget is \$5.94 per \$1,000 of assessed value. The current year's rate is \$5.92. The projected tax rate is based upon an estimated total City assessed valuation of \$1,648,575,000. This projected 5 percent increase in total assessed value may well be conservative.

An "Estimated not to be Received" factor of eight 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 2006 – 2007. Current year actual data is also presented.

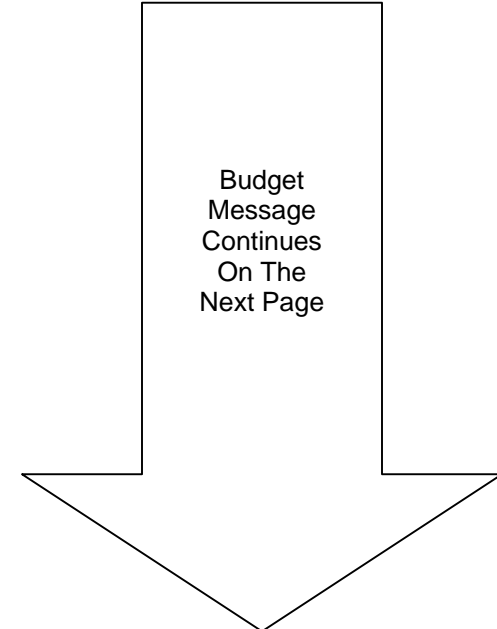
See Property Tax Levy and Rate Summary Table on Next Page



	2005 - 2006 Yamhill County Certified Property Tax Levy	2006 - 2007 Proposed Budget Property Tax Levy	\$ Change	% Change
General Fund	3,810,328	4,124,638	314,310	8.2%
Fire Fund	1,356,148	1,796,832	440,684	32.5%
Parks & Recreation Fund	1,800,772	1,854,795	54,023	3.0%
Capital Improvement Fund	914,259	499,317	(414,942)	-45.4%
Total Operating Funds	7,881,507	8,275,582	394,075	5.0%
Debt Service Fund	1,413,044	1,521,739	108,695	7.7%
Total Property Tax Funds	9,294,551	9,797,321	502,770	5.4%

	Actual 2005 - 2006 PPTax Rate*	Proposed Budget 2006 - 2007 PPTax Rate*	\$ Change*	% Change
General Fund	2.43	2.50	0.07	2.9%
Fire Fund	0.86	1.09	0.23	26.7%
Parks & Recreation Fund	1.15	1.13	-0.02	-1.7%
Capital Improvement Fund	0.58	0.30	-0.28	-48.3%
Total Operating Funds	5.02	5.02	0.00	0.0%
Debt Service Fund	0.90	0.92	0.02	2.6%
Total Property Tax Funds	5.92	5.94	0.02	0.4%

* Rate per \$1000 of AV Assessed Valuation	1,570,074,021	1,648,575,000	78,500,979	5.0%
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V. UNFUNDED REQUESTS

The only significant budget request that is not included in the proposed budget was from the Police Department for one Community Service Officer. This was proposed to be a non-sworn position at an annual total cost of \$61,000.

VI. FORMAT OF THE BUDGET DOCUMENT

This *Budget message* can, by its nature, provide only a broad overview of the 2006 – 2007 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 2006 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 2006 – 2007 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. In these summaries,

prepared by each department head, you will find excellent background information on the 2006 – 2007 department/fund budget highlights, department/fund FTEs, and short- and long-term department/fund issues.

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 Community Choices outreach project has been noted numerous times in this *Budget Message*. This conversation with the citizenry was intended to discover what people felt about their city and its future. We received an excellent response and feedback that is already shaping policy and direction as reflected in the City Council’s 2006 Goals and Objectives. And those goals and objectives served as a key foundation for preparing this Proposed Budget.

One of the key outcomes of the Community Choices process was discovering the high degree of affection that people have for McMinnville. Our survey consultants indicated that this was the most positive overall feedback and atmosphere of any similar survey that they had done in Oregon. The poet/writer David Whyte spoke to why this is so critical to the community and the City organization when he wrote, *“It is difficult to be creative and enthusiastic about anything for which we do not feel affection.”*

In addition to this affection and appreciation for both the quality of life here and importance of City services, there were also concerns expressed. There was an awareness that the City’s ability to keep up with growth is being challenged and will continue to be challenged as we grow. There was a desire that the service levels of key City services not drop in ways that would affect McMinnville’s livability. There were concerns that this may already be happening, especially with public safety services.

The Proposed Budget includes major new support for critical operations, especially in the area of public safety. The goal is to

improve The City's capacity to respond to service demands created by growth. It is being done through a shift in fiscal policy – i.e., maintaining fund balances at lower levels and allocating more of the current property taxes to operations and away from capital improvements.

Preparation of the Proposed 2006 - 2007 Budget has truly been a team effort. The Management Team and their staffs have approached the budget preparation in a spirit of interdepartmental cooperation. The feedback from the Community Choices project was taken to heart. 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 continue to keep 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. A special thanks for all of the energy, commitment, and work you put into our Community Choices project! 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