CITY OF McMINNVILLE
2007 – 2008
BUDGET MESSAGE

April 20, 2007
Honorable Edward J. Gormley, Mayor
City Council and Members of the Budget Committee

> "All the historic evidence indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort. That's why you can't develop communities from the top down, or from the outside in."
>
> --- John McKnight and John Kretzmann
> from Mapping Community Capacity

> "Sooner or later all thinking and planning has to degenerate into work."
>
> --- Peter Drucker

> "Given the task of rejuvenating a region and the choice of $50 million, or $2 million and 20 committee local leaders, we would choose the smaller amount of money and the committed leaders."
>
> --- McKinsey & Co
> from "Lead Local Compete Global: Unlocking the Growth of Australia's Regions

I. INTRODUCTION

I am pleased to present the Proposed 2007 – 2008 Budget. The years 2007 and 2008 will indeed be ones in which we see the fruits ofthe work of "committed local leaders." It is a time when we continue to plan but where some of our critical planning moves to the work and build stages. It is a time when we are developing community as a result of "local community people (being) committed to investing themselves and their resources in the effort." The Proposed Budget for 2007 – 2008 reflects these investments and the leadership needed to make the best laid plans become reality.

We just opened the City's new Community Development Center at NW 5th and Baker. As another benefit, this move will also allow us to create more efficient work space in City Hall. The Proposed Budget reflects construction of our new police station. It provides for the final design of our new Council Chamber / Courtroom building that will be located on the site of the current police station. The Proposed Budget reflects the continued acquisition and development of parks and open space.

While the Proposed Budget reflects major capital projects, it also continues to plan for the future. This is reflected in the funding to complete: the update of the Master Transportation Plan, the update of the Wastewater Reclamation Facility Master Plan and other related sewer collection plans, and the update of the 1991 Storm Drainage Master Plan.

The Proposed Budget also generally reflects maintaining current service levels some of which were significantly increased in the current year's budget.

It would be appropriate to view the Proposed Budget as the intersection of public policy & values and available resources. We are fortunate that decisions made in the past at this "intersection" have built community and resulted in the high level of livability that we enjoy in McMinnville.

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.

Of particular note, the property tax levy for servicing bonded debt next year remains the same as the current year, even with the first payments due on the Public Safety Building bonds. This is because of the retirement of the 1996 Transportation Bonds and the 1997 Refunding Bonds. This keeps our commitment to voters at the time of the Public Safety Building bond election. In fact, the portion of the tax rate attributed to debt service is estimated to actually drop $0.05 from the current year!

The current budget year's significant addition to public safety operating costs, which are funded by property tax funds, has resulted in a reduction in Ending Fund Balances in the property tax supported funds. It will require continued significant growth in total assessed valuation to generate the property tax revenues needed to sustain these service levels.

While additional property tax revenues may be needed within the short term to sustain current service levels, we will need to carefully plan when we go to voters for any proposed property tax increase. The impact of the School District's increased property tax rate (estimated at $2.79) to service the debt on their new construction bonds will be substantial – stretching the capacity for many residents to pay more!

The proposed City tax rate for 2007 – 2008 is estimated to decrease from the current $5.93 for $1000 of assessed value to $5.88.

B. **City Council Goals and Objectives.** A copy of the City Council's 2007 Goals and Objectives directly follows this message. These overarching goals and 16 objectives are reflected throughout this Proposed Budget. A number of them are carried over from 2006 because of ongoing major planning and capital construction projects that are multi-year in length. As mentioned in the Introduction section, this Proposed Budget can be viewed as the "intersection" of these policy goals and available resources.

C. **Employee Compensation.** Salaries of general service employees reflect a cost-of-living adjustment of 2.7 percent (Portland, Oregon CPI-W increase January 2006 – December 2006) and step increases or reclassifications as warranted. Salaries and benefits for most Police and Fire Department personnel reflect implementation of existing collective bargaining agreements. In addition to a 2.7 percent cost-of-living increase, the Fire Union personnel will receive another 1.0 percent market parity adjustment. Police union personnel will receive a 3.0 percent cost-of-living increase (their contract has a 3.0 percent minimum clause) and an additional 1.0 percent market parity adjustment.

Medical insurance premiums reflect an estimated 10 percent increase in the coming policy year. For the current policy year our rates actually dropped slightly.

D. **Other Insurance Coverages.** The City is a member of the City County Insurance Services Trust – a pool of member Oregon cities and counties. For the second year in a row there is good news about premiums. With reductions in rates forecast for some coverages (e.g., general and auto liability and property) and minor increases in workers' compensation coverage rates, our overall rate increase should be 5.0 percent or less in 2007 – 2008.

III. BUDGET HIGHLIGHTS

While this is essentially a "hold the line" budget, in terms of maintaining current service levels at the operational level, it does budget for a number of significant projects and initiatives. Included amongst the budget highlights are:

A. Public Safety.

Police: The Public Safety Facilities Construction Fund (#49) budgets for the construction of the Police Department's new offices. This new Police Department building will also house the emergency communications center operated by YCOM. Construction will begin in June 2007, with completion expected in the summer of 2008. Core services of the Police Department are maintained with a number of investments in new equipment and technology to support their mission.

Fire and Ambulance: Core services are maintained. Additional part-time help is added to strengthen the Fire Prevention program. Property tax support for the ambulance service continues at the $300,000 level. In addition, the property tax-funded Improvements Fund (# 39) budgets $147,000 for an ambulance replacement.

B. Infrastructure and Facility Planning and Development. The General Fund (# 01) budgets $40,000 for the reconfiguration of City Hall space to more efficiently house staff and serve the public. The Improvements Fund (# 39) budgets $350,000 for relocation of all of the core telecommunication hardware and lines from the current police station to the new building. It also budgets $50,000 for the radio equipment to interface the City's trunked radio system with the County's conventional radio system.

The Transportation Fund (# 51) funds completion of the update to the Master Transportation Plan.

The Airport Fund (# 75) funds completion of a feasibility study for a new fixed base operator (FBO) building at the airport. The Airport Fund also budgets for design and construction of major taxiway and runway improvements at the Airport.

The Wastewater Capital Fund (#56) funds completion of updates to our wastewater collection system and treatment facility master plans, addressing regulatory issues and growth demands.

The Public Safety Facilities Construction Fund (#$49) budgets for the final design work on the new Council Chambers / Courtroom building to be bid mid-year 2008.

The General Fund budgets $25,000 as the City's share of an interior upgrade project at the "Chamber of Commerce House," which the City owns.

C. Finance and Administration. The Internal Information Systems Fund (# 62) funds the completion of the implementation of our new financial management system which was purchased in the current fiscal year.

IV. PROPOSED 2007– 2008 PROPERTY TAXES

The projected tax rate for the Proposed 2007 – 2008 Budget is $5.88 per $1,000 of assessed value. The current year's rate is $5.93. This reduction in the rate bears out the fiscal wisdom of tying the timing of issuance of the Public Safety Construction bonds to the retirement of prior bonded debt!

The projected tax rate is based upon an estimated total City assessed valuation of $1,759,700,000. This projected 5 percent increase 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" account). The following table lists those funds that rely in full or in part on property tax revenues. It summarizes the property taxes which make up the total proposed property tax levy for Fiscal 2007 – 2008. Current year actual data is also presented.

See Property Tax Levy and Rate Summary Table on Next Page

	2006 - 2007 Yamhill County Certified Property Tax Levy	2007 - 2008 Proposed Budget Property Tax Levy	$ Change	% Change
General Fund	4,124,638	4,248,377	123,739	3.0%
Fire Fund	1,796,832	1,850,737	53,905	3.0%
Parks & Recreation Fund	1,854,795	1,910,439	55,644	3.0%
Improvements Fund	636,771	824,135	187,364	29.4%
Total Operating Funds	**8,413,036**	**8,833,688**	**420,652**	**5.0%**
Debt Service Fund	1,521,739	1,521,739	0	0.0%
Total Property Tax Funds	**9,934,775**	**10,355,427**	**420,652**	**4.2%**

	Actual PPTax Rate*	Proposed Budget PPTax Rate*	$ Change*	% Change
General Fund	2.46	2.41	-0.05	-2.0%
Fire Fund	1.07	1.05	-0.02	-1.9%
Parks & Recreation Fund	1.11	1.09	-0.02	-1.8%
Improvements Fund	0.38	0.47	0.09	23.7%
Total Operating Funds	**5.02**	**5.02**	**0.00**	**0.0%**
Debt Service Fund	0.91	0.86	-0.04	-4.8%
Total Property Tax Funds	**5.93**	**5.88**	**-0.04**	**-0.7%**
*** Rate per $1000 of AV Assessed Valuation**	**1,675,906,871**	**1,759,700,000**	83,793,129	**5.0%**

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V. UNFUNDED REQUESTS

The significant budget requests that are not included in the Proposed Budget include: one new Recreation Program Coordinator position to help staff the Community Center ($27,000 plus benefits); $67,000 in miscellaneous parks repair maintenance projects; $200,000 for the design and construction of a new traffic signal at the intersection of Lafayette Avenue Orchard Avenue, and two defibrillators in the Ambulance Fund ($50,000).

This limited number of unfunded requests should be taken in the context of my budget development guidelines to Department Heads – i.e., given the significant addition to operating costs in the 2006 – 2007 Budget, their budget requests for new expenditures should be restricted to critical items.

VI. FORMAT OF THE BUDGET DOCUMENT

This *Budget Message* can, by its nature, provide only a broad overview of the 2007 – 2008 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 2007 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 2007 – 2008 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.

<u>I highly recommend that you carefully read the Budget Summaries that precede the line-item budget for each fund</u>. In these summaries, prepared by each department head, you will find excellent background information on the 2007 – 2008 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

> "Nowadays towns are really not so different from businesses, they need to keep recreating themselves. No so many years ago country towns were subject to general trends. They would all do well or all do badly. The picture is now very uneven.
>
> The successful towns are likely to be driven by people who are passionate and creative, who see an opportunity and go for it. You need communities with a bit of get up and go spirit. Some have it, some don't."
>
> --- Roy Powell
> Centre for Agricultural and

Regional Economies (Australia)

"Passion is the light of the leadership torch that will help guide the way now and in the future."

---Michele Payne-Knoper

While Roy Powell was speaking above about towns in Australia, I believe his observation to be every bit as applicable to Oregon. McMinnville is in fact a vibrant and resilient community due to the past and present leadership of "people who are passionate and creative." McMinnville has been blessed with the "get up and go spirit" to which Mr. Powell refers. Our public services and facilities reflect such a spirit.

The proposed 2007 – 2008 Budget maintains important City service levels and reflects significant capital investment and planning into the future. Of course, due to limited resources and growing demands for service, all of the City's needs are not included in this budget.

We face the fiscal challenges of maintaining service levels, let alone enhancing them, without public support of additional property taxes. We have significant capital equipment needs facing us in the near future in the Fire Department. They cannot be met within the current revenue stream. The current work on the update of the Master Transportation Plan will eventually produce a list of capital projects needed to address current and future transportation needs. They will be expensive and will require additional revenue to make them a reality.

I speak for all staff members when I say that we appreciate the leadership provided by the City Council and Budget Committee. I would also like to thank City staff for their continued work to manage the City's operations effectively and efficiently.

This Proposed Budget is a team effort and reflects many hours of hard work on the part of many City staff members. They are to be commended for their work. A special thanks is owed to Finance Director Carole Benedict, Senior Accountant Crystal Wooldridge, and others in the Finance Department for their work in coordinating the budgeting process.

Finally, it will take careful and continued stewardship of our resources to keep McMinnville a vibrant and livable place, with a strong social fabric and sense of community. But my experience tells me that McMinnville is certainly up to meeting this challenge and having fun along the way.

City staff stands ready to assist you in any way possible with your budget review and deliberations.

Respectfully submitted,

Kent L. Taylor

Kent L. Taylor
Budget Officer
City Manager