

CITY OF McMINNVILLE
2008 – 2009
BUDGET MESSAGE

April 22, 2008
Honorable Edward J. Gormley, Mayor
City Council and Members of the Budget Committee

I. INTRODUCTION

The photo depicts one of the most well-known expressions of community. The Amish barn raising is a unifying community event. There is something of everyone in each barn, as men, women and children play roles in helping out their neighbors in a time of need. The photo is rich in imagery. Just as the many interrelated and interlocking individual pieces of wood come together to create one strong, unified, and useful structure, thousands of individuals and families, private and public businesses, organizations and institutions interrelate to create community in McMinnville. I would suggest that our working to maintain the spirit of "small town atmosphere" in McMinnville is akin to a daily barn raising!

The photo is also effective imagery for the City of McMinnville government organization – i.e., many different individuals, appointed and elected, career and volunteer, and different departments delivering a variety of public services to meet public needs and build community. All of us are interwoven and at our best when we recognize that the "whole is greater than the sum of its parts." This synergy of public service delivery and passion for community building are the emotional fuel for the City's "barn building."

Just as there is something of everyone in the product of an Amish barn raising, there is something of everyone in this proposed 2008-2009 Budget Document. The proposed budget depicts the variety of services, people, and other resources that allow us to fulfill the City's mission of public service. And all are interrelated. No one fund, department, building, or person stands alone. The proposed 2008-2009 budget allows us to continue to meet the additional service



"Let us Work on the Latticework"
Amish Barn Raising
Photo by Heyburn3

demands brought about by growth. We fund new facilities and personnel and maintain current assets, all while maintaining a prudent level of financial reserves.

This has been a very challenging year with respect to budget preparation logistics. This is the first year of preparing the annual budget using our new financial system software, Logos.Net. Hence, everyone involved has basically had to learn the system while preparing this year's Proposed Budget. We went "live" from the get-go! Given a new system, there are some changes to the budget document organization and layout. These are discussed more fully in Finance Director Benedict's memorandum at the beginning of the budget notebook. I would encourage you to focus your review on the excellent summary and highlight information that precedes each department's budget and respective fund.

These summaries, along with this Budget Message, will outline the highlights, changes and assumptions.

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.

The City has added no new bonded debt during the current fiscal year. Thus, the property tax levy for debt service funds existing obligations.

In addition to new property tax revenues generated by growth in assessed value, we are using reserve funds to balance the operating budgets which reflect the cost of service enhancements in a variety of departments. However, fund reserves remain at prudent levels, with the General Fund's estimated ending fund balance being about 24.7 percent of the fund total. Regardless, the City will need to look closely at options for obtaining additional property tax

revenues in order to sustain current service levels and/or make significant enhancements over the longer term.

The proposed City tax rate for Fiscal 2008-2009 is estimated to be \$5.86. The current rate is \$5.87 per \$1,000 of assessed value.

- B. City Council Goals and Objectives.** A copy of the City Council's 2008 Goals and Objectives directly follows this Budget Message. You will discover the five overarching goals and 20 objectives for 2008 interwoven throughout the Proposed Budget.
- C. Employee Compensation.** Salaries of general service employees reflect a cost-of-living adjustment of 3.8 percent (Portland, OR CPI-W increase from January 2007 to December 2007) and salary plan step increases or reclassifications as warranted. We will also fund the first year of a two-year implementation schedule of the findings of a recent comparative salary study of our exempt non-union supervisory/manager positions. The study recommended an upward adjustment in 10 of the 31 total positions surveyed, with the total adjustment averaging about 3.8% per position. Salaries for employees represented by the police and fire associations are currently being negotiated per terms of existing collective bargaining agreements.
- Medical Insurance premiums reflect a 6.0% increase in the coming policy year.
- D. Other Insurance Coverages.** The City places its liability, property and workers compensation insurance coverage with the City County Insurance Services Trust (CCIS). The Trust is a pool of member Oregon cities and counties, with almost all cities and a majority of Oregon's counties being members. For the third year in a row there is good news about premiums. Overall for these coverages we will see a 5 percent decrease in pure rates. Overall premiums paid will increase due to increased exposures – e.g., coverage

for the new Police Department building, additional staff; higher valuation of existing assets, and the like.

III. BUDGET HIGHLIGHTS

The proposed 2008-2009 Budget allows the City to maintain, and in some cases increase, our capacity to effectively provide a variety of key public services to a growing population. Included amongst the budget highlights are:

A. Public Safety.

Police – The Police Department’s budget accounts for the operational costs for the first full year of occupancy of their new building. An additional Police Officer is funded to provide additional emphasis on traffic law enforcement. An additional clerical position is added to the Municipal Court staff to account for a growing court docket and revenue collection work. Due to transfer of administrative responsibility for the Peer Court Program to Yamhill County, all personnel costs associated with this program are eliminated from the City’s budget. An additional Community Support Officer position and additional part-time help is budgeted to provide increased code enforcement and crime analysis services. Funds are provided to transition to an electronic ticketing and accounting system.

Fire and Ambulance – Three additional Firefighter/Paramedic positions are funded to help address “first engine out” fire and rescue response times and increased emergency medical calls for service. These positions are funded equally between the General Fund and the Ambulance Fund. Additional fire prevention and safety capacity is added through the addition of a full-time Fire Prevention Specialist position. Part-time funds in this service area are correspondingly reduced. In the Ambulance Fund, clerical hours have been added to address the increasing billing and collection volume. The Ambulance Fund budgets \$155,000 for a replacement ambulance

vehicle, and \$50,000 to replace two defibrillator units. \$50,000 is budgeted to do some fire station living/dormitory area remodeling to accommodate the growing number of female staff, both career and volunteer personnel. The fire Department budget also includes \$40,000 to bring all the firefighter turnout clothing up to current standards. \$200,000 is allocated as a future fire equipment reserve account. Due to increased operating revenues in the Ambulance Fund, the property tax subsidy from the General Fund has been reduced from \$300,000 in the current year to \$155,000.

B. Library. With the addition of the equivalent of 1.42 FTE in staff, the Library will be open on Sundays from 1:00 to 5:00 PM beginning in September 2008. There have been no Sunday hours since Fiscal Year 2002-2003.

C. Parks and Recreation. With the significant growth over the past several years in the amount of developed park acreage and other landscaped areas, we are struggling to keep up the current level of park and landscape maintenance. Thus, the proposed Budget adds and equips one additional Park Maintenance Utility Worker. Both the Aquatic Center and the Community Center are in need of additional staffing in order to: meet growth in user demands; do effective facility maintenance; manage risk; and better utilize management staff’s time. Thus, an additional .6 FTE Recreation Program Coordinator I position is added at the Aquatics Center and a .8 FTE Recreation Program Coordinator I position is added at the Community Center.

D. Infrastructure and Facility Planning and Development.

Civic Hall – The Public Safety Facilities Fund (40) budgets for the construction of the new Civic Hall building that will house a City Council Chambers and Municipal Courtroom. Construction is expected to begin in July/August of 2008.

Park Development & Acquisition – The Park Development Fund (50) funds the development of the new Westside neighborhood park property that was acquired in the current budget year. Funds are also budgeted to acquire future park sites in the NE and NW sections of the city.

Transportation – The Transportation Fund (45) budgets for the design and construction of traffic control signals at the intersection of Lafayette Avenue and Orchard Avenue. It also funds \$275,000 in street overlay work. Update of the City's Master Transportation Plan will be completed during Fiscal 2008-2009.

The Airport Maintenance Fund (25) budgets the FAA grant funds and local share that will complete major runway reconstruction and taxiway construction improvements at the Municipal Airport. Also funded is the design and construction work related to modifications to the building that has housed the Automated Flight Service Station. The City expects to lease most of the facility to the Oregon State Police. Completion of the feasibility study for a new FBO building is also funded.

Wastewater Collection & Treatment – The Wastewater Capital Fund (77) funds the design and construction of additional major collection system repairs and improvements – i.e., removal of storm water infiltration and inflow in various locations around the city. Also funded is completion of the Water Reclamation Facility (WRF) Master Plan update and preliminary engineering work on treatment plant expansion and improvements. We will also complete updates to both the Sanitary Sewer Collection System Plan and the Wet Weather Overflow Management Plan (WWOMP). Both are requirements of our operating and discharge permits from DEQ.

Historic Downtown – The Planning Department budget includes funds to assist with an update of the Downtown Master Plan and review of alternatives for financing implementation of the plan.

IV. PROPOSED 2007– 2008 PROPERTY TAXES

The projected tax rate for the Proposed 2008 – 2009 Budget is \$5.86 per \$1,000 of assessed value. The current year's rate is \$5.87.

The projected tax rate is based upon an estimated total City assessed valuation of \$1,900,000,000. This projected 5.62 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 "Property Taxes - Current" 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 2008 – 2009. Current year actual data is also proposed.

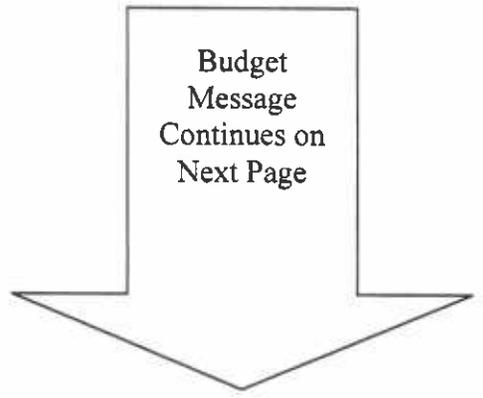
See Property Tax Levy and Rate Summary Table on Next Page



	2007 - 2008 Yamhill County Certified Property Tax Levy	2008 - 2009 Proposed Budget Property Tax Levy	\$ Change	% Change
General Fund	4,248,377	9,538,000	5,389,623	
Fire Fund	1,850,737	0	(1,850,737)	
Parks & Recreation Fund	1,910,439	0	(1,910,439)	
Improvements Fund	1,020,520	0	(1,020,520)	
Total Operating Funds	9,030,073	9,538,000	507,927	5.6%
Debt Service Fund	1,521,739	1,600,000	78,261	5.1%
Total Property Tax Funds	10,551,812	11,138,000	586,188	5.6%

	Actual 2007 - 2008 PP Tax Rate*	Proposed Budget 2008 - 2009 PP Tax Rate*	\$ Change*	% Change
General Fund	2.36	5.02	2.66	
Fire Fund	1.03	0.00	-1.03	
Parks & Recreation Fund	1.06	0.00	-1.06	
Improvements Fund	0.57	0.00	-0.57	
Total Operating Funds	5.02	5.02	0.00	0.0%
Debt Service Fund	0.85	0.84	0.00	-0.5%
Total Property Tax Funds	5.87	5.86	0.00	-0.1%

* Rate per \$1000 of AV Assessed Valuation	1,798,840,920	1,900,000,000	101,159,080	5.6%
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V. UNFUNDED REQUESTS

The two personnel requests that are not included in the Proposed Budget are a second additional Parks Maintenance Utility Worker position and a proposed mid-year hire of an Information Systems Analyst II position. The two requests would total approximately \$105,000 in cost in the coming budget year. Major park maintenance work unfunded includes: replacement of play equipment and tennis court resurfacing. These items total about \$75,000 in cost.

VI. FORMAT OF THE BUDGET DOCUMENT

As mentioned in the Introduction section of this Budget Message, there are a number of changes in format and appearance of the Budget Document. This is due primarily to our using for the first time the budget preparation module of our new financial software system and the incorporation of all the property tax supported operating funds into the General Fund. Thank you for your patience if the necessary changes have made review more difficult. We have tried hard during this transition to minimize changes and maximize functionality of the Budget Document. *For a more complete discussion of these format and document organization issues, please refer to the memorandum at the beginning of the budget notebook, prepared by Finance Director Carole Benedict.*

But there are also many important similarities to the organization and format of the Budget Document. You will once again find in this Proposed Budget Notebook considerable supplemental and supporting information and budget detail. Behind the *Budget Message*, in the Budget Officer Tab, are the 2008 City Council Goals and Objectives and City of McMinnville Organization Chart.

Behind the Financial Overview Tab, you will find pie charts that summarize the revenue and expenditures of all City funds, along with pie charts that graphically demonstrate the City's Property Tax Supported Operating Funds, i.e., General Fund and Debt Service 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 line-item accounts.

Behind the Personal Services Tab, staffing levels (full-time, part-time and volunteer staff) for the 2008-2009 Proposed Budget are summarized. Also included with this tab are the three City employee group salary schedules.

Of particular value and usefulness are the Budget Summaries and Highlights that precede the line-item budgets for each department and fund. This information, prepared by each department head, provides excellent history and background information on their respective pieces of the Proposed Budget. The information includes program and project summaries and highlights, short and long-term issues, and department history. **I highly recommend that you carefully read these Budget Summaries.** A personal services summary for employees whose costs are divided between different departments in a fund are directly behind the Budget Summaries and Historical Highlights, for those departments that have employee costs splits.

VII. CONCLUSION

The imagery of the Amish barn raising with which I began this Budget Message relates directly to preserving the past while preparing for the future. Over the past several years the City Council has reached out to citizens through its award-winning Community Choices outreach program. One of the overarching themes of the feedback received from hundreds of citizens is a strong desire to maintain the best of McMinnville's past while preparing for its future. McMinnville's history of doing this has resulted in what is often described by citizens as "small town atmosphere" and our having a high livability factor. Honoring our past and preparing for the future has allowed McMinnville to become notable as a great place for families and to become the center of the county's thriving economy. Certainly, we, as the rest of the state and country, are not without our very real economic challenges, but we have weathered prior economic storms better than many other communities. Overall, this is a healthy and prosperous community.

The Proposed 2008 – 2009 Budget builds upon our successes by strengthening our ability to provide: effective emergency Police, Fire and Ambulance services, attractive parks and open space, good land use planning, a strong economic development partnership and support, appropriate environmental and clean water practices, accessible Library services, well-maintained streets, and recreation programs for all ages. Providing these services in an effective manner is one of the keys to our meeting current and future economic challenges.

As always, preparation of this Proposed Budget is a team effort and reflects many hours of hard work on the part of many City staff members. Given we are working for the first time with new budget preparation software, this year's effort has been particularly challenging. A special thanks to Finance Director Carole Benedict and members of her Finance Department staff. They have had to learn and adapt to a new system, while at the same time teaching and bringing along the rest of us. Everyone is to be commended for their hard work, patience, and steadfastness!

Finally, I would like to offer a *special note of appreciation and thanks* to Mayor Ed Gormley. After 28 years of service as either a City Councilor or Mayor, this will be the final budget on which he takes action. His legacy to the city government budgeting process includes leadership, keen insight, and an understanding of McMinnville's past and future potential – all balanced with a healthy dose of fiscal reality, prudence, and care. Ed, thank you for your commitment to the process and to our community. This is for you:

"Commitment, by its nature, frees us from ourselves and, while it stands us in opposition to some, it joins us with others similarly committed. Commitment moves us from the mirror trap of the self absorbed with the self to the freedom of a community of shared values."

--- Michael Lewis

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