



Memo

DATE: January 10, 2023
TO: Mayor, City Councilors and Budget Committee
CC: City Manager and Executive Team
FROM: Jennifer Cuellar, Finance Director
SUBJECT: McMinnville General Fund Financial Information

As a part of wrapping up the Fiscal Year 2021-22 (FY22) as well as the process of preparing for the upcoming Fiscal Year 2023-24 (FY24) budget process, I have prepared some summary analysis focused on the general fund in a seven-page attachment.

FY22 General Fund Results

The first four pages of the attachment are focused on FY22 general fund results comparing our estimated FY22 totals we projected during the FY2022-23 (FY23) budget process with FY22 audited actuals. The first two pages give the functional (by department) and classification (revenue type) views of general fund revenues followed by expenses in functional and classification views.

I can report that staff's FY22 projections in the main were within a 10% variance relative actuals for both functional and classification revenues and functional expenses. Expense classification projections relative actuals were less accurate in the materials and services and capital outlay categories. Personnel projections were 3% higher than FY22 actuals. Personnel accounts for almost 80% of general fund expenditures with \$22.2M out of \$28.3M. I am proud that this particular variance was modest as it shows we're achieving tighter budgeting results in this key expense category and improving city-wide communications on the status of personnel changes and the turnover pressures so many departments are facing in the current labor market.

Where variances were higher, they tended to be driven by timing issues associated with grants – particularly the city's allocation of American Rescue Plan Act (ARPA) projects. ARPA delays are associated with generalized supply chain and contractor availability, situations affecting all organizations throughout the economy. We are also impacted by staffing issues; when there is staff turnover or limited capacity to start with, it's the optional activities that will be pushed relative mandated work or more time-sensitive commitments.

Year end fund balance can be seen on both of the FY22 expense tables. Our actual FY22 unrestricted fund balance is \$4.9million, \$500,000 higher than the estimated \$4.4 level we anticipated seeing when we updated those projections during the FY23 budget process.

The FY22 audited financial statements for the City of McMinnville and the federal single audit are available on the website in the finance department; the FY22 audited financial statements for the Urban Renewal district are on the website in the planning department.

FY23 General Fund

The final pages in the attachment are graphs I put together to be included in the FY24 Budget Kick-Off meeting happening on January 12, 2023, for all staff involved in the budget process. The first pie chart shows the FY23 adopted general fund resources budget. I have done a mid-year review of unrestricted general fund revenue sources which I will be using as the FY23 revised estimates in the initial FY24 budget round. The FY23 Adopted Budget's unrestricted dollars total \$22.9M; my revised estimate is for \$22.1M. This reduction is driven most by the delay in the city services charge (CSC) implementation. I have also dialed back property tax revenues now that I have the FY22 actuals to base the escalation on and our payment in lieu of tax (municipal electric utilities pay this in lieu of paying property taxes) is anticipated to come in approximately \$100,000 less than projections due to the Bonneville Power Authority's rebate to electric power customers.

At this stage, we have a higher general fund beginning balance that partially offsets the lower anticipated unrestricted revenues for the year. I am in the process of validating the FY23 staffing projections update with department leaders. In the general fund, I'm finding over \$1M in likely personnel category savings for the year. It should be noted that some of this savings will mean higher outlays in materials and services to offset the programmatic impact of open positions (ex: relying more heavily on outside counsel as opposed to having a staff attorney for most of the fiscal year). But, on balance, my sense is that no operating, cost-side adjustments for the FY23 year will be needed to hit the budget's ending fund balance target. In February, when all departments have an opportunity to weigh in on revised estimates for their FY23 expenditures as a part of next year's budget development process, we will know definitively whether we are looking at current year fiscal issues.

FY24 General Fund

The last two pages of the attachment are slides focusing in on general fund unrestricted resources specifically. My current projections for the FY24 budget are compared with FY23 estimates in the table, showing a year over year growth in unrestricted resources by 8.63%. Most of that projected increase is due to having CSC revenue for a full year as opposed to six months in FY23. Adjusting for that timing issue, unrestricted revenue growth in the general fund looks to be 3.48%.

The final chart shows the proportion of unrestricted revenues by category. Property tax continues to be the most important source of unrestricted revenues for city operations at 68% of all unrestricted sources of funding. The city services charge slots in as the second most significant source at \$2.3M and 10% of the total.

These estimates will be refined as we work through the budget process. A key meeting with the County assessor's office will be scheduled in order to get better visibility into what they are seeing in terms of new development coming onto the rolls for next fiscal year. It should also be noted that the CSC revenue does not net out the operating cost of the new revenue source. The operating agreement with McMinnville Water and Light (on

the 1/10/2023 consent agenda) describes the costs associated with the billing services component of the program which will need to be added to the FY23 estimated expenses budget.

We are planning to prepare two FY24 budgets – one representing the status quo, with the fire department still a component of the city and its general fund operations. The second will be a city budget without the fire department, an eventuality which would happen if the fire district ballot measure is adopted in May 2023. Part of this second budget would reflect how much of McMinnville's \$5.02 per 1,000 property tax millage rate is proposed to be levied in a first year without the fire department.

In upcoming public meetings, city staff will be looking for guidance regarding these budget scenarios and property tax projections to bring forward to the Budget Committee.

Upcoming Meetings for Budget Committee members

Wednesday, 1/18/23 work session covering results of polling on the Fire District Ballot Measure as well as an initial conversation on options for the FY24 property tax levy

Tuesday, 1/24/23 work session to continue the discussion of FY24 property tax levy options

(If needed), the Tuesday 2/14/23 council meeting will also include an agenda item on the property tax levy

Details on the agendas, times and zoom links are available on the city's website. If you haven't checked it out in a while, the website has a new look and feel. Links to meeting info can still be found on the landing page.

Analysis of Variance between FY22 Estimated Activity Update and FY22 Actuals: Functional View

General Fund Resources

Revenues	FY22 Estimated	FY22 Actual	Variance Actual over/(under)	% difference	Notes
Administration	63,276	16,531	(46,745)	(282.77%)	\$35k in FY22 ARPA project spending delayed
Finance	51,000	48,562	(2,438)	(5.02%)	
Engineering	192,000	182,842	(9,158)	(5.01%)	
Community Development	175,312	971,641	796,329	81.96%	\$750k state ARPA grant received
Police	286,826	261,637	(25,189)	(9.63%)	\$17k less in SRO funds - McM Schl Dist needs change late in year
Municipal Court	367,350	347,819	(19,531)	(5.62%)	
Fire	5,258,928	4,827,679	(431,249)	(8.93%)	\$260k GEMT (new system) and \$100k transports below projections
Parks & Recreation	583,115	578,278	(4,837)	(0.84%)	
Park Maintenance	120,750	8,193	(112,557)	(1373.82%)	\$110 anticipated FEMA storm reimbursement delayed
Library	304,858	275,765	(29,093)	(10.55%)	\$40k in FY22 ARPA project spending delayed
Property Taxes	15,270,000	15,088,868	(181,132)	(1.20%)	Est 0.76% short of actual; prior year 34% (\$70k) lower than typical year
Licenses and Permits	3,902,044	3,910,246	8,202	0.21%	
Intergovernmental	2,420,025	1,424,830	(995,195)	(69.85%)	\$1M in FY22 ARPA project spending delayed
Miscellaneous	442,293	460,260	17,967	3.90%	
Revenue Total	29,437,777	28,403,152	(1,034,626)	(3.64%)	
Other Financing Sources					
Transfers In	2,053,647	2,085,594	31,947	1.53%	
Proceeds Asset Sale	15,000	30,267	15,267	50.44%	
Beginning Fund Balance	5,775,667	5,761,758	(13,909)	(0.24%)	
Total Resources	37,282,091	36,280,771	(1,001,320)	(2.76%)	

Analysis of Variance between FY22 Estimated Activity Update and FY22 Actuals: Classification View

General Fund Resources

Revenues	FY22 Estimated	FY22 Actual	Variance Actual over/(under)	% difference	Notes
Property Taxes	15,270,000	15,088,868	(181,132)	(1.20%)	Est 0.76% short of actual; prior year 34% (\$70k) lower than typical year
Licenses and Permits	4,092,194	4,149,546	57,352	1.38%	
Intergovernmental	4,657,777	3,910,352	(747,425)	(19.11%)	\$350k net ARPA related, \$275k FD intergov funding, \$110k FEMA storm
Charges for Services	4,215,546	4,125,347	(90,199)	(2.19%)	\$100k transport fees below est
Fines and Forfeitures	378,700	359,948	(18,752)	(5.21%)	
Miscellaneous	823,560	769,091	(54,469)	(7.08%)	
Revenue Total	29,437,777	28,403,152	(1,034,626)	(3.64%)	
Other Financing Sources					
Transfers In	2,053,647	2,085,594	31,947	1.53%	
Other Financing Source	15,000	30,267	15,267	50.44%	
Beginning Fund Balance	5,775,667	5,761,758	(13,909)	(0.24%)	
Total Resources	37,282,091	36,280,771	(1,001,320)	(2.76%)	

Analysis of Variance between FY22 Estimated Activity Update and FY22 Actuals: Functional View

General Fund Requirements

Expenses	FY22 Estimated	FY22 Actual	Variance Actual over/(under)	% difference	Notes
Administration	1,659,881	1,533,989	(125,892)	(8.21%)	\$35k in ARPA spending, \$30k in repairs, \$40k attorney vacancy
Finance	768,746	755,255	(13,491)	(1.79%)	
Engineering	927,411	795,778	(131,633)	(16.54%)	\$105k staff vacancies, \$1250 av other M&S line items, Hansen replacement de
Community Development	1,229,868	979,080	(250,788)	(25.61%)	\$128k vacancy savings, \$105k prof srv contract delay
Police	8,699,727	8,549,124	(150,603)	(1.76%)	\$122k vacancy savings, \$22k technology costs below est
Municipal Court	537,746	515,124	(22,622)	(4.39%)	\$15k vacancy/contract judge savings
Fire	9,326,569	9,065,190	(261,379)	(2.88%)	\$187k vacancy savings, \$21k tech costs below est, \$15k repairs&maint under
Parks & Recreation	2,438,122	2,217,261	(220,861)	(9.96%)	\$84k vacancy savings, \$91k prof srv contract delay
Park Maintenance	1,356,924	1,297,281	(59,643)	(4.60%)	\$49k contracts and repair&maint cost under estimate
Library	2,070,528	2,024,623	(45,905)	(2.27%)	\$40k ARPA spending delayed to FY23
Unemployment	15,000	6,474	(8,526)	(131.71%)	
Debt Service	569,590	569,590	(0)	(0.00%)	
Expense Total	29,600,112	28,308,768	(1,291,344)	(4.56%)	
Other Financing Uses					
Transfers Out	1,433,795	1,447,132	13,337	0.92%	
Total Requirements	31,033,907	29,755,900	(1,278,007)	(4.29%)	
Fund Balance	6,248,184	6,524,871	276,687	4.24%	
Fund Balance Categories					
LOSAP	825,000	833,933	8,933	1.07%	
Restricted Grant	1,000,000	750,000	(250,000)	(33.33%)	
Unrestricted	4,423,184	4,940,938	517,754	10.48%	
Total Fund Balance	6,248,184	6,524,871	276,687	4.24%	

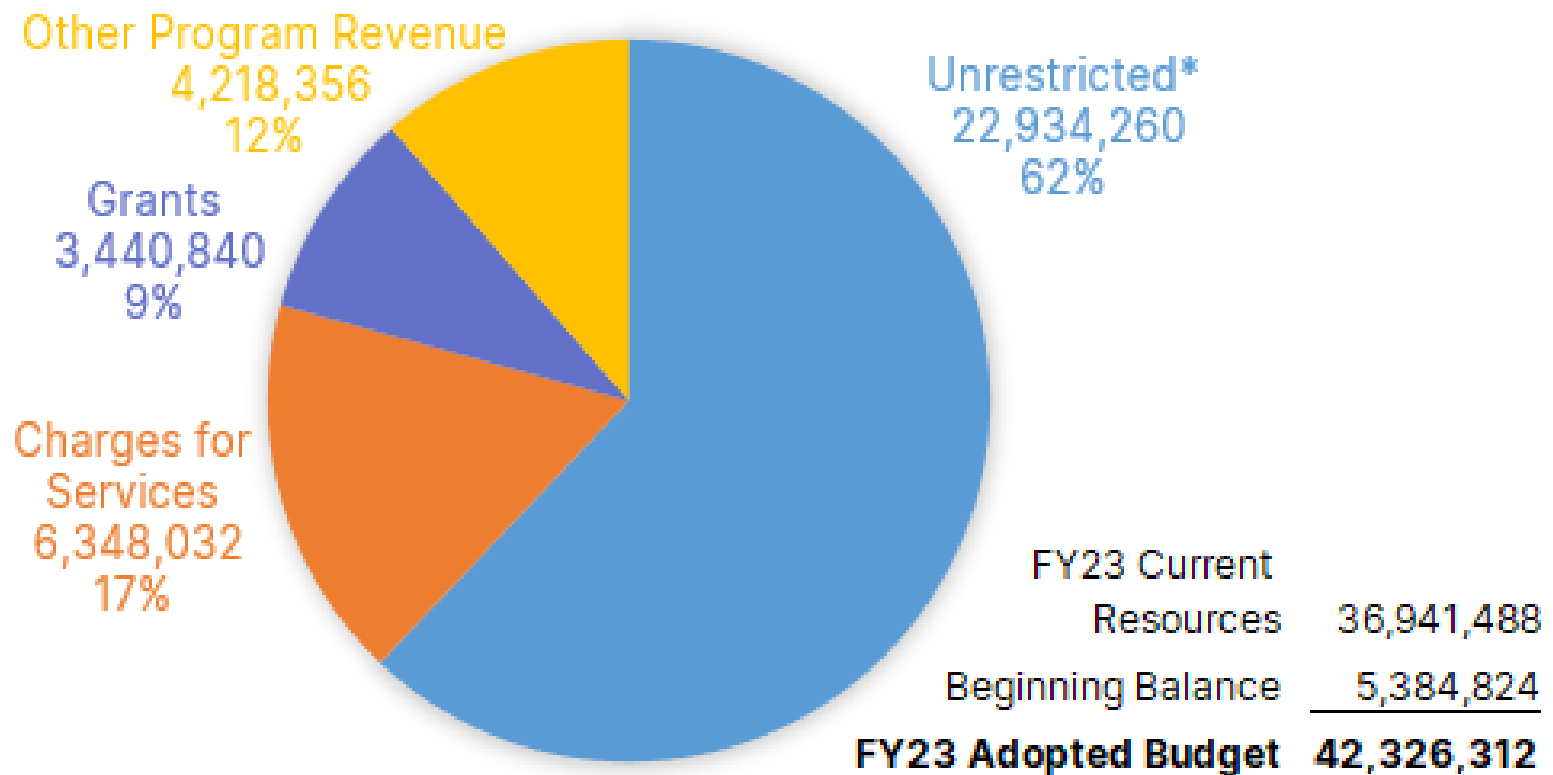
Analysis of Variance between FY22 Estimated Activity Update and FY22 Actuals: Classification View

General Fund Requirements

Expenses	FY22 Estimated	FY22 Actual	Variance Actual over/(under)	% difference	Notes
Personnel Services	22,919,781	22,227,544	(692,237)	(3.11%)	See functional view for more detailed information
Materials and Services	5,761,514	5,215,510	(546,004)	(10.47%)	See functional view for detailed examples
Capital Outlay	170,141	117,039	(53,102)	(45.37%)	Primarily ARPA delays
Debt Service	748,676	748,674	(2)	(0.00%)	
Expense Total	29,600,112	28,308,768	(1,291,344)	(4.56%)	
Other Financing Uses					
Transfers Out	1,433,795	1,447,132	13,337	0.92%	
Total Requirements	31,033,907	29,755,900	(1,278,007)	(4.29%)	
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Fund Balance Categories					
LOSAP	825,000	833,933	8,933	1.07%	
Restricted Grant	1,000,000	750,000	(250,000)	(33.33%)	
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Total Fund Balance	6,248,184	6,524,871	276,687	4.24%	

FY23 McMinnville Resources

FY23 Adopted General Fund Budget



* FY23 Mid-year review brings unrestricted estimate down 3.8%, primarily driven by delay in City Services Charge implementation

FY24 McMinnville Resources

FY24 Budget: General Fund Unrestricted Resources

	FY24 Initial Budget	FY23 Mid- Year Estimate	Year over Year
Property Tax	16,250,000	15,700,000	550,000
City Service Charge (CSC)	2,318,000	1,136,000	1,182,000
Payment in Lieu of Tax (electric utility customer)	2,260,000	2,186,000	74,000
Oregon Formula Shared Revenues	1,274,000	1,228,000	46,000
McMinnville Wastewater Services	656,500	650,000	6,500
Recology Franchise	438,000	425,000	13,000
Local Marijuana Sales Tax	280,000	260,000	20,000
Northwest Natural Gas Franchise	275,000	255,000	20,000
Cable and TelCom Franchises	218,100	225,500	(7,400)
Miscellaneous	3,000	3,000	-
	23,972,600	22,068,500	1,904,100
Unrestricted resources growth			8.63%
62% of the increase is down to the CSC and having a full year vs 6 months in current FY23			
Unrestricted resources growth adjusted for CSC timing			3.48%

FY24 McMinnville Resources

FY24 General Fund Unrestricted Resources Projection

