

# CITY OF ROCKAWAY BEACH

## REGULAR BUDGET COMMITTEE MEETING

MARCH 30, 2016

**CALL TO ORDER** Mayor Aagaard called the meeting to order at 6:00 p.m. There was one (1) guest present.

**ROLL CALL** Present: Mayor Joanne Aagaard, Councilors Jim Doyle, Terry Walhood, Sue Wilson and Mardi Wing. Citizen Budget Committee Members: Jonathan Beeman, Dave May, Janet McIntire, Linda Olson, and Laura Owens. Also present: City Manager Lars Gare, Public Works Director Luke Shepard, Finance Officer Marni Johnston, Fire Chief Barry Mammano and Police Chief Charlie Stewart. Absent: Ann Swain.

**APPOINT BC CHAIR** Budget Committee members were provided ballots to select a Committee Chair. Ballots were collected and City Manager Gare tallied and announced this year's Budget Committee Chair as Mardi Wing.

**APPROVAL OF MINUTES** Aagaard made a motion, seconded by Doyle, to approve the minutes of the April 22, 2015, regular Budget Committee meeting as written; Aagaard, Doyle, Wing, Wilson, Walhood, Beeman, May, McIntire, Olson, and Owens voted in favor; motion carried.

**PRESENTATION OF BUDGET MESSAGE** Gare read the City Manager's Budget Message into the record. (attached) Wing asked if there were any questions. Owens asked why General Fund revenue was generally low as indicated in his message. Gare explained that the fund had to be stand alone and not rely on water and sewer funds. Owens stated she didn't understand the comment on the flat Transient Room Tax (TRT). Gare explained that there wouldn't be the big influx of income like last year, although it was still a good revenue source, but it couldn't all be used on General Fund. He went over some administrative items under the Introduction tab in the budget books, noting that a couple of things that could be done would be to increase the TRT by 1% and reclaim the building permit program.

**PUB. HEARING TO DISCUSS USES OF STATE REV. SHARING** Wing opened the public hearing to hear proposed uses for State Revenue Sharing Funds. Anne McBride, 1080 NE Charlotte St., stated she was representing the Friends of the Library. She thanked the Budget Committee for the \$1,500.00 given to them last year. She presented a letter to Committee members, but did not read it into the record. She stated the library had been open since 1999 and had been maintained with donations, fundraisers and State Revenue Sharing Funds. McBride said she had hoped they could receive the same amount as last year and possibly get \$2,000.00 this year as they are saving for a new roof. She enumerated the expenses the library faced and hoped that the Budget Committee could see justification in giving them \$2,000.00 from State Revenue Sharing Funds. Owens asked about their desire to increase security lighting outside the building. McBride explained they wanted to fully illuminate the ADA ramp. Wing asked if they received anything from Tillamook County library. McBride stated only the librarian, books

and the 3 computers. She stated the rest was their responsibility and they do fundraisers and are part of the Fred Meyer recipients of Rewards points. Owens asked if they were close in their savings for a new roof and how much it would cost. McBride stated they hadn't gone out for bids yet, but it would be a major expense. She noted they needed to take care of the heating and the heat pump. She added that there was a lot of expense that the general public wasn't even aware of and she didn't know why the County library didn't do more. Owens asked if the main library contributed to any of the little libraries. McBride said no, that was why there was the Friends of the Library. Wilson mentioned grants and asked if they had tried for any. McBride said they had, but didn't meet the qualifications and hadn't qualified for more than \$500.00. Walhood thought the Tillamook PUD grant would be a good one for them to try. Wing suggested she talk to Barbara Trout. Aagaard stated she knew Penny Cheek, Special Olympics, was in Alaska, but thought she wanted some funding for the Race of Champions and Senior Meals would like to ask for the \$8,000.00 again. Gare noted there would be another hearing. Wing closed the public hearing.

**DISCUSSION OF  
BUDGET FOR  
FY 2016/2017**

Gare stated they would discuss the budget by going through funds one by one and would start with Water, then Sewer then, TRT and maybe they would get to General Fund, but he didn't want to go past 8:00 p.m. Public Works Director Luke Shepard began with the Water Fund and explained that this was an enterprise fund that was self-supporting. He stated this was a fairly large water system and the City had 29 miles of underground waterline that was maintained. He stated on page 12 the Committee could see line 1, Fund Balance, was similar to last year and lines 3, 4, and 5 were similar as well. He pointed out they could see total Personal Services on line 28. Shepard said of note was line 37 where there was an increase due to insurance increasing which required an increase in vehicle maintenance and equipment because as the equipment got older it was harder to maintain. He stated he planned to overhaul the equipment this year as it was good to keep up on routine maintenance. He noted Materials & Services totaled \$231,000.00. McIntire asked about the decrease in Storm Damage Repairs. Finance Officer Marni Johnston explained that because of the flood in December 2015 there had been an executive order to fund the expense incurred and in order to keep the line in the budget the City needed to keep some small amount on the line. Shepard went over Transfers Out on line 60 of \$65,000.00 for the Water Master Plan Reserve Fund and that line 64 was the Unappropriated End Fund Balance. He directed their attention to page 13, Water Master Plan Reserve, and pointed out that the Working Capital was much the same as last year. He stated as far as projects were concerned \$45,000.00, line 14, had been budgeted this year and was the City's match on the Jetty Creek Project. He stated on line 15, Jetty Creek Water Plant Improvement, was the second largest project and was the membrane upgrades at the Water Treatment Plant (WTP), on line 17, Total Capital Projects, was the total cost for all Capital projects and line 20 was what was Reserved for Future Expenditures. Shepard stated on page 14, 1981 Water Revenue Bond, was

debt, a loan, that would be paid off in 2018. He said line 26, Unappropriated Ending Fund Balance was right where it should be. Wilson asked what line 18, Bonds Called Not Redeemed, meant. May explained if a bond had matured and somebody didn't redeem it, it would just get carried over from year to year. Shepard said on page 15, Fund 470, was some of the newer debt, McMillan Creek Reservoir and the Jetty Creek water upgrade where the resources came directly from water billings. He stated there weren't any real changes from the previous year and the loan would be paid off in 2025. He stated page 18, Fund 490, Water Systems Development Charge (SDC) was for new development hooking into the system and was not flagged for use at this time. He said in the Sewer Operating Fund, page 17, there was an increase over last year and there was a very healthy balance in Total Resources of close to 1.7 million. He stated the Personal Services grand total was on line 28, in Materials and Services the big changes were in electricity, insurance and line 43, I & I Work on sewer lines. Shepard noted in Capital Outlay there was funding set aside for Line Improvements and Vehicle and Equipment for sewer. He noted below were all the transfers out. He said line 60 in Transfers Out was back down from last year when they'd done a project. He pointed out that line 64, Unappropriated End Fund Balance was up quite a bit from last year. Shepard said in Fund 520, Sewer Master Plan Reserve, lines 11 and 12 there was no change and they were actually continuing a project that was started last year. He stated Fund 560, Sewer Improvements Debt Service, was for the sewer debt, this came from the sewer billing and the Unappropriated End Fund Balance was up over last year. He stated on page 20, Sewer SDC, the resources were from new hookups into the system and the City may need another lift station at some time, line 22, Unappropriated End Fund Balance, was up over last year. Shepard explained that the Roads and Streets Fund covered road maintenance, park maintenance, storm maintenance, and included the Special Cities Allotment Grant (SCA) and the Tillamook PUD franchise fee. He stated staff had changed the layout due to auditor requirements and for tracking and they broke down some of the fund balances, some were restricted for ODOT, like bikes and pedestrian paths. He pointed out that on line 9, Grants and Reimbursements Roads & Streets, the City was expecting \$100,000.00 from ODOT to do the crosswalk at 101 and Washington Street. Beeman asked if anyone knew why ODOT was spending that much. Wilson explained it was because it was next to the park and ADA accessible, it was also close to the Nature Preserve parking lot and there had been a crosswalk there that ODOT had removed. Discussion continued regarding the crosswalk at Washington Street and Hwy 101. Shepard stated the nice thing about this was that now staff was aware of the ODOT program that could be used in other areas. He stated Transfers In were up and had gone from \$85,000.00 to \$108,800.00 with Total Resources at \$577,685.00. Doyle asked about line 64, Juniper Street Stabilization. Shepard explained it was for Juniper St. on PVE, because if the project was ever done, it would be expensive. He directed members to Materials & Services and said the 2 lines worth noting were Street Lighting, line 44 and line 55, Wayside & Park Maintenance. He added

that he wanted to maintain the parks as best the City could afford. He stated on line 59, they had added more TRT for more paving next year and on line 62, the Washington St. Project, and line 68, was a transfer out of \$3,400.00 to the Police Department for code enforcement. Shepard said page 11 was the Transportation SDC, Fund 390, it was a fund that was growing with no expenditures planned. Wing wanted to know if Shepard had a laundry list of streets to be paved. Shepard stated it was a very long list as there were roads that were in poor shape that needed to be paved, streets that needed to be paved and streets that had infrastructure that needed improvements then paved, so he couldn't keep up. He said on page 9, Project and Equip Reserve, Fund 210, was another reserve fund for capital improvement projects with a beginning balance that was unchanged from last year. He said line 3 was a mix of two grants one was the TLT grant, which staff knew the City was getting and the remainder was the OPRD grant for the Nature Preserve. Walhood asked when the OPRD grant would be decided on. Shepard replied that the presentation was in May and a decision would be made in June. He pointed out Transfers In, line 9, was the TRT for Nature Preserve project. He noted in Capital Outlay, line 17, there was \$50,000.00 for a new vehicle and repairing of old equipment. He stated since the budget was put together it looked likely that the City would phase the Nature Preserve project, so the figures may be reduced this year. Shepard noted lines 28 and 29 were what was set aside for future expenditures. Wing asked what the reserve for future expenditures were. Shepard said for purchases at a later date.

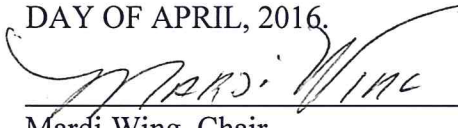
Gare directed members to page 8, Fund 140, where there were some transfers in from TRT, Capital Outlay showed Vehicle & Equipment Maintenance of \$25,000.00, then Fire Equipment & Capital Outlay was for jet skis, one coming out of this year's budget and one out of next year's. He noted the Total Requirements were \$152,100.00. Wilson said the Fire Dept. had formed a 501c3 and asked if it were entirely separate. Gare stated they had reestablished their 501c3 and there was no connection between the two budgets. Gare explained the TRT Fund accounts were collected from hotels, motels and short-term rentals within the City limits. He said there were four components to the tax, the 5% portion, the 2% ADV portion, the 30% of 2% CTY portion, and the 70% of 2% CTY portion. He explained the 5% portion and the 30% of 2% portion were intended for use in City operations such as Fire, Police, Parks, Equipment, and Capital Improvements. He further explained the 2% portion may only be used for media advertising in order to promote tourism and economic development while the 70% of 2% CTY portion shall be used on tourism facilities and for tourism promotion. Gare directed them to page 21, they could see a healthy fund balance that showed the revenues and if they looked at the past they could see how significantly it had gone up and the City had well over a \$1,000,000.00 in advertising that breaks down as previously discussed. He stated Materials & Services added up to just under \$200,000.00 and they could see how it was transferred out to other departments and grants and then they could see the 30% of the 2% below with the Total Transfers Out of \$761,150.00.

He pointed out that contingencies were \$10,000.00 and the Unappropriated End Fund Balance was \$156,150.00 which would go a long way. He commented that fortunately the City was doing well with TRT and that was not going to run dry. Walhood asked why there was such a difference between police and fire. Johnston explained that she had allocated according to the percentage of their budget of the General Fund. Wing stated with \$71,700.00 for media advertising the City had over \$100,000.00 in advertising. Gare agreed, stating it was hard to spend it all. Johnston stated she had just attended a conference where cities were saying they needed the money for services and not advertising and the state was aware of that and might change it in the next few years. Gare added that the ordinance the City adopted years ago might need to be changed, but if that was done then the new rules may apply. Wilson asked about bad debt. Johnston explained that it was budgeted for people who didn't pay the tax or who went bankrupt. Olson stated the funds budgeted for police and fire were not for advertisements. She said she thought it was heavy on the police side. Gare asked the Committee if they wanted to go on to General Fund or hold over for the next meeting. It was decided to break where they were and start on the General Fund at the April 13, 2016, meeting at 5:00 p.m. Doyle asked if the Police Dept. now had a chief, a sergeant, and officers. Gare stated the Dept. didn't have a sergeant, the position wasn't filled they just wanted to keep the position on the books. Doyle stated in some cities Fire Departments had a Chief and asked if that was to protect the insurance rating. Gare stated the City's rating had just improved.

**ADJOURN**

Aagaard made a motion, seconded by Doyle, to adjourn; Aagaard, Doyle, Wing, Wilson, Walhood, Beeman, May, McIntire, Olson, and Owens voted in favor; motion carried. Wing adjourned the meeting at 7:29 p.m.

MINUTES APPROVED THIS 13TH  
DAY OF APRIL, 2016.

  
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Mardi Wing, Chair  
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Lars Gare, City Manager

# CITY OF ROCKAWAY BEACH

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## CITY MANAGER'S BUDGET MESSAGE FISCAL YEAR 2016-2017

Honorable Mayor, Council, Budget Committee, and Citizens of Rockaway Beach:

The City of Rockaway Beach thanks all involved in this process for your positive interest in formulating a Budget that will reflect the needs and capabilities of the City of Rockaway Beach. The proposed Budget Document presented to you here, and the approved Budget that will result from our process and be forwarded to the City Council for adoption, is a plan, an estimate to the best of our collective ability, as to what the City's needs are and how we intend to meet them. The State of Oregon requires that cities submit a balanced budget based on estimated resources and expenditures. The limitations imposed by revenues and fund balances will determine what expenditures can be made, what staffing levels can be, and what projects can be funded. While complying with Oregon Local Budget Law, we have made every effort to make this Budget understandable to you and your fellow Citizens. We will do our best to answer any and all questions during this process.

The Proposed Budget preserves the City's essential functions and services. The following are considerations bearing upon the City Budget:

- The General Fund is significantly revenue-limited this year, although actual increases in TRT revenues will directly benefit General Fund resources. Additional General Fund facts are:
- The City property tax rate is ***\$0.988/\$1,000*** of assessed value and is the second lowest for all cities in Tillamook County;
- Property tax revenues are projected to increase slightly for next fiscal year, with an estimated increase of ***2.5%*** to the General Fund, slightly more than the increase in last year's Budget;
- Fuel prices continue lower than previous years, but they are increasing and budget estimates reflect that reality;
- PERS costs will increase by approximately 21.88% per biennial period, affecting this Budget in 2017. The annual contractual COLA increase for all City Employees will be 2.8 percent for the budget period.
- State Revenue Sharing dollars are projected to increase slightly;
- TRT receipts increases will likely be flat this year, meaning no increase in funds available for General Fund requirements such as Police, Fire, Parks and Recreation; and for Project and Equipment Reserve and Streets requirements;
- Health insurance premiums will increase by ***10%*** for medical and ***5.4%*** for dental, both of which are higher than last year, while Workers' Compensation premiums will increase by ***7.2%***;
- Other Insurance rates are also likely up, Categories of insurance include: Liability/auto liability insurance, vehicle physical damage and property;



- City Enterprise Funds (water and sewer) are adequately funded and therefore the Budget again contains no utility rate increases. The City has, however, completed a Rate Study which is mandatory before any Water/Sewer utility rate increase can occur. You should also note, that except as a loan with certain conditions, Enterprise Funds cannot be spent for General Fund requirements;

This Budget is, as always, conservative--revenue estimates are not unrealistic or overly optimistic, nor are expenditures unrealistically low. Rockaway Beach continues to do well in the area of TRT revenue, which has enabled the City to complete several projects according to the guidelines for TRT expenditures. I believe that the actual revenue and expenditure numbers for the coming year will be better than the Budget. The goal is to end the year with higher ending fund balances in all Funds, but most importantly in the General Fund, and we will aggressively move to spend less than appropriated.

We have again included for your information a consolidated listing of Debt Service requirements--money the City owes various entities for projects funded in the past or for outstanding loans. The debt service funds are fairly straight forward and are funded to service the required payments.

Water Improvements Debt Service continues to bear the additional burden of the **\$615,030** loan which was part of the ARRA funding package for the Jetty Creek Water Treatment Plant (WTP) Improvement.

The City still has a long list of paving projects which have been stalled for a long time and this budget once again includes **\$50,000** grant that we have received from ODOT under the Small Cities Allocation (SCA) program to help pave the next street on our priority list. We received no funding from ODOT under SCA during the 2012-2013, 2013-2014 and 2014-2015 Budget Years and will complete a major street project this year. Increased TRT revenues enable the City to allocate more funds for streets which, as we all know, are heavily used by Tourists.

Transient Room Tax actual revenue for the current budget year is significantly higher due to the total tax increase from 7 percent to 9 percent. **2 percent** of the total tax collected must still be allocated for Media Advertising and City advertising as has previously been the case. This advertising is a vital component of the promotion of tourism and will ensure that prospective tourists receive information about our City and the events and activities that occur here. The remaining **7 percent** must, by Statute, be divided into **5 percent** and **2 percent** portions, with specific rules as to how those percentages may be spent. It may be in the City's best interests to increase the TRT to the 10 percent level, as permitted by State Law.

Again, thank you for your work on this important process. I believe the Budget Proposal presented to you meets the City's needs.

Respectfully,

Lars Gare  
City Manager

