

CITY OF YACHATS
RESOLUTION NO. 2014-12-02

WHEREAS, the Governmental Accounting Standards Board requires the management of any municipal government to provide a narrative summary in the financial statements for the year;

NOW THEREFORE, the City of Yachats resolves

The attached Management Discussion and Analysis - City of Yachats – 2013-2014 Budget Year, marked "Exhibit A" is hereby adopted and shall be included in the Financial Statements for the year.

PASSED AND ADOPTED at a regular meeting of the Yachats City Council held on this 11th day of December 2014.

Attest:

Ronald L. Brean, Mayor

Nancy Batchelder, City Recorder

Management Discussion and Analysis - City of Yachats – 2013-2014 Budget Year

Analysis of the government's overall condition

Yachats continues to be in good overall financial condition. The City is still heavily reliant on the room tax for the general fund operations, as well as streets, the Library, the Museum and the Community Center. However, the other types of revenue including the Urban Renewal District and the Food and Beverage tax have been successful at raising funds for the intended purpose.

- The Transient Room Tax, Prepared Food and Beverage Tax and the taxes received by the Urban Renewal District were all more than budgeted.
- Property Taxes, Business Licenses, Transient Rental Licenses, Cable Franchise Fees and State Revenue Sharing were all *over-budget* in the General Fund. Those items brought in about \$18,400 more than budgeted.
- Overall, the Revenues in the General Fund were slightly more than budgeted; and expenses in the General Fund were about 8% *under-budget* for the year.

The 2013-2014 budget included all the requests submitted by the Commissions, the Public Works Director, outside agencies, and local organizations. The budget was balanced; met all the requirements for the City operations for the year, and included significant transfers to the Capital Expenditure Reserve Fund.

Public works remained a top priority and the budget supported that priority, including protection of the watershed. The City purchased an excavator, a pickup, lab equipment for the wastewater treatment plant, and a control for the monitor at the water treatment plant. The siding on the Water Treatment Plant was replaced and a new water line on West 4th from Ocean View Drive to Hwy 101 was installed.

The City also replaced the flooring in several rooms in the Commons, replaced the computer system in City Hall, upgraded the electrical connections between the emergency generator and the Commons, and purchased supplies and equipment for the emergency storage containers.

The City was also able to assist community organizations meet the various needs of the community, with a minimal investment, by supporting the programs of other agencies: programs, including those ran by the Youth and Families Activities Program and Lincoln County Council on Aging.

Analysis of the balances & transactions of major individual funds

The balances of the major funds and all transactions are within the budget as adopted or amended. Other than the normal, day-to-day activities, most of the major changes are described elsewhere in this discussion.

Analysis of variations from the original and final amended budget for the general fund

The City's adopted budget was amended during the year by a Supplemental Budget adopted by City Council Resolution No. 2014-04-01. The necessary changes were explained with the following narrative:

Supplemental Budget 2013-2014

Multiple Funds

The City signed a contract for vegetation control (mowing) that was not anticipated at the time the budget was adopted. This contract was for \$49,307.82 and it is necessary to allocate the contract amounts to the Street Fund, Visitor's Amenities, Parks and Commons, Little Log Church and the Water Funds.

- In the Visitors Amenities: = \$1,000 - an increase in the Visitor Amenities Line, decreasing the amount in Funds Reserved for Future Uses.
- In the Street Fund: +\$21,228 – an increase in the transfer from the General Fund (which will come from contingency funds) and an increase in the System Maintenance line.
- In the Little Log Church & Museum Fund: +\$1,610 – with \$462 coming from the actual Cash Carried Forward and \$1,248 an increase in the transfer from the General Fund (which will come from contingency funds).
- In the Parks & Commons Fund: +\$5,645 – an increase in the transfer from the General Fund (which will come from contingency funds) and an increase in the Maintenance – Building/Land.
- In the Water Fund: +\$19,830 – an increase in the Maintenance Line, funds to come from the contingency line.

Fund 10

- Mold is becoming a serious problem in the emergency supply containers. Central Lincoln PUD has given the City estimates for providing electrical service to the containers so that dehumidifiers can be used to protect the contents. The cost for installing the electrical services will be \$8,824.27. The cost to connect the electric lines will cost \$4,200 based on an estimate provided by Western States Electric. With an additional amount for the monthly service (using an estimate of \$30 per month based on the monthly charge for some of the City's other small accounts) and the purchase of the dehumidifiers, the total amount to add to the Emergency Preparedness Line in the General Fund is \$10,000. The City Recorder submitted an emergency preparedness grant application to the Lincoln County Board of Commissioners for \$2,500. The balance in funding will come from a reduction in the personnel expenses and contingency.
- The cash carried forward in the General Fund and the amount of Transient Rental Tax have been adjusted.

Fund 12

- A line for Personnel Allocation is being added to the Visitors Amenities Fund. The amount for Personnel will reduce the amount of funds in reserve.
- When the Request for Proposal was published for the Visitors Center operations for 2014 additional tasks were added by requesting the contractor to continue to implement the Yachats Marketing Plan and extend the number of summer hours. One proposal was submitted – from the Yachats Chamber of Commerce. However, the costs related to performance of the additional duties was not anticipated

when the budget was developed. \$10,482 is being moved from Reserved for Future Uses to the line item for the Visitors Center.

- The amount of cash carried forward in the Visitor Amenities Fund was more than anticipated, which offset some of the additional expenses.

Fund 15

- Phase One of the work on the Little Log Church was not completed in the Fiscal Year 2012-2013, so it has been carried forward to the current fiscal year, increasing the expenditure by \$8,850. Funds to cover the increase will come from Cash Carried Forward.
- A project to replace all incandescent lamps with LED lamps and replacing lamps and ballasts in two fluorescent fixtures is recommended by the Little Log Church and Museum Board. The total cost of the project is \$1,420. Central Lincoln PUD will grant the City \$600 toward the project. The upgrades are estimated to save approximately \$220 each year, which is a 27% savings.
- An increase of \$5,860 in the Library Reserve Fund is necessary to cover the cost of replacing the alarm systems and replacing the ballasts in the lighting fixtures. The funds will come from the amount reserved for future uses.
- When the original budget was being prepared the Library did not submit any projects for the 2013-2014 Fiscal Year. In July it was discovered that there was extensive dry rot and the siding on one wall, at least would have to be replaced. As the budget officer I had included a placeholder of \$10,000 in the Reserve Fund for the Library. The siding cost \$7,814. The Library also required work on their alarms, which cost \$3,800 and they are requesting an upgrade to the lighting system which is estimated to cost \$1,781. The total line item for the Library is now proposed to be \$13,500.
- The Finance Committee has been discussing various changes to the Capital Improvement Projects for this year and the coming years. Because those changes result in less money being spent this year the budget was changed to reflect that in the allocations and the reserves for future years. Projects that will be carried forward to future years will be allocated from those funds.

Fund 21

- The Grant funds from ODOT will actually be \$520,000 this year, so the Street Fund Revenue and Expenses are each being increased by \$20,000.

Fund 24

- The personnel allocations for the office staff has not been studied for some time. This year we have been monitoring the time required for certain tasks closely. So, some adjustments are necessary in the budget, particularly in the Parks and Commons Fund as a result of the activities related to the Community Calendar. A total of \$5,911 is being moved from the General Fund personnel expenses to the Parks and Commons Fund.

Fund 30

- The expenses related to the Storm Drain work completed by the City crew will exceed the amount of personnel related expenses allocated in the original 2013-2014 in the Storm Drain Fund. The personnel costs for the Storm Drain work are typically an allocation of the personnel expenses in the Street Fund transferred by Journal Entry. Because a larger amount of expenses will be moved from the Street Fund to the Storm Drain Fund, it is necessary to increase the Operating Transfer from the General Fund to the Storm Drain Fund, while the Operating Transfer from the General Fund to the Street Fund will be reduced by a like amount. The Line Items for Personnel Expenses in the Street Fund will be reduced as well. This change will decrease the Street Fund Budget by \$20,000 and increase the Storm Drain Fund by the same \$20,000.

Fund 60

- Changes have been made to the revenue due to the base charge adjustment.
- Changes have also been made in the allocations for equipment repair, operations, utilities and maintenance.

Fund 70

- The amount of cash carried forward was miscalculated for the Sewer Fund, so that amount is being changed to reflect the actual amount.
- The revenue has been changed due to the base charge adjustment.
- Rental of a standby generator and extensive repairs to the vac truck and other maintenance issues have exceeded the allocations in the Sewer Fund.
- As a result of the adjusted cash carried forward and the increased expenses, the amount for a transfer from the Sewer Fund to the Reserve Fund has been eliminated.

Significant capital asset and long-term debt activity (i.e. major construction & bond issue)

There were no major construction projects during the fiscal year. The City maintains sufficient reserves to meet all bond and loan terms, and made all current payments on time. The loan payments for the Waste Water Treatment System Improvements continue to be funded with money from various sources such as Transient Rental Tax, Prepared Food and Beverage Tax, Urban Renewal Contributions, System Development Charges, and user fees. The voters have authorized the City to issue up to 5.9 million dollars in General Obligation Bonds to repay the loans for that project; however, there has not yet been any need to issue those bonds since the other sources have generated sufficient funds to make the payments.