

## **City Council Action Item Cover Sheet**

DATE: January 2, 2019

### **Agenda Item:**

Finance Committee Composition

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### **Question Before Council:**

Discussion of policy issues raised on proposed Ordinance 355

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### **Person/Group Initiating Request:**

City Manager

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### **Item Summary/Background:**

In December 2018, the City Manager raised proposed revisions to the Finance Committee. Policy issues  
were raised and it was decided that the 2019 Council will review and discuss. Additionally, it was  
discussed that this revision may need to be considered in context with the 2nd phase of the organizational  
study.

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The City Manager recommends, after discussion, that the Council develop a plan and recommendation  
for the Finance Committee, either alone or in the context of the 2nd phase of the Organizational Study.

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DATE: December 5, 2018

TO: Yachats City Council

FROM: Shannon Beaucaire, City Manager

SUBJECT: Finance Committee Considerations

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Following the November 7, 2018 Council Action to modify the Yachats Advisory Finance Committee (red-lined resolution attached), the City Manager developed Ordinance No. 355 to reflect the modifications made by Council through the Resolution.

Once modified, the City Manager sent it to the City Attorney for review. The City Attorney had the following comments – I have included my questions to Council in italics after each question:

- 1) Overall, I understand the City's history with the CIP Committee (Finance Committee), but it seems like there is some overlap here with the Budget Committee and the Finance Committee appears to be an added layer of decision making. An added layer of decision making is not necessarily a bad thing, since it can increase community input and community notice. But, it can also slow the budgeting process down and may also tie the City's hands should it want to take advantage of an opportunity on short notice. This is my way of asking whether this committee is really needed, or whether it would be better for the Budget committee to take on some additional duties as set out in this Chapter 3.10.

*Does the Council wish to continue with the Finance Committee, or as the attorney suggests add additional duties to the Budget Committee. This would be a significant change in operations and should be considered with the information stated in the Organizational Study section of the agenda.*

- 2) Section 3.10.010. Generally staff are not voting members of committees, but instead serve as ex-officio members. Here, it looks like you are creating a voting membership position for someone from the Manager's Office. I think it is legally permissible, but I do think it is awkward.

*As a policy, does the Council wish to clarify if the staff are voting members or ex-officio members?*

- 3) Section 3.10.010. The Council may wish to clarify the following: How many members on the Committee? What are the terms of office? What is the quorum requirement and what are

the voting requirements? How many citizen members on the committee? Can a member be removed? If so, how?

*Does Council wish to clarify these policy questions? If so, does Council wish to make these requirements similar to other Commissions?*

- 4) Section 3.10.020. I read the duties of the Finance Committee as essentially providing input and assistance to the Council. But, I'm not sure how to read the last sentence in this section. This last sentence could be read to require Finance Committee approval before the City can spend money on any project ("no appropriation shall be voted for..."). Or, perhaps this is just a limitation on the Finance Committee? But then I'm not really understanding the requirement for submitting a report to Council ("shall first have submitted a report to the Council...").

*Does Council wish to clarify the process outlined in Section 3.10.020?*

- 5) Section 3.10.030. I'm not sure how the process of creating the CIP by the Finance Committee, approving the CIP by the Council, and then providing that the "first year amounts shall be included in the proposed budget for the next year" fits with the budget process. This section could be read as tying the Budget Committee's hands in what it can propose for the budget. I'm not sure if that fits with local budget law, which has the Budget Committee creating the proposed budget and providing it to the City Council. Maybe it is just a terminology issue. As a matter of process, I think the Section is accurate, but I think perhaps we should find a different way of phrasing this provision so that it doesn't seem like the Budget Committee is powerless. How about: "The first year amounts shall be included in the proposed budget for the next year for consideration by the Budget Committee."

*Does Council wish to incorporate the attorney's suggestion in Section 3.10.030?*

- 6) Section 3.10.040. As with the prior section, I'm a little concerned that this section creates confusion with the budget process. While an adopted CIP authorizes the expenditure of SDCs on a particular project (ORS 223.309), it is the adoption of a budget under the local budget law that creates an appropriation and authorizes the expenditure of City money. This section gives the impression that adoption of the CIP creates the authorization for the expenditure of money; but it is the adoption of an annual budget that actually creates the expenditure authority.

*Does Council wish to further clarify this section?*

I have attached, the current Code Chapter 3.10, Red-lined version of Ordinance 355, and the Red-lined version of the Resolution approved by Council on November 7, 2018.

The City Manager requires policy direction from Council regarding whether the Council wishes to 1) clarify the roles of the Budget and Finances Committees, and 2) clarify the language in the sections noted by the City Attorney.

Yachats Municipal Code

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## **Chapter 3.10 - Capital Improvement Planning and Planning Sub-Committee**

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### **Section 3.10.010 Membership.**

The City Council shall establish and appoint a finance committee which shall also serve as the capital improvement planning committee (CIP committee). The chair of the finance committee shall also serve as the chair of the CIP sub-committee. (Ord. 330, 2014; Ord. 248, 2004)

### **Section 3.10.020 Powers and duties.**

The sub-committee, at public meetings, shall study proposed capital projects and improvements involving major non-recurring tangible assets and projects which (1) are purchased or undertaken at intervals of not less than five (5) years; (2) have a useful life of at least five (5) years; and (3) cost over \$5,000. Each year, commission chairs, boards, and department heads, shall submit capital project requests to the sub-committee including information for all anticipated projects requiring council action during the ensuing five (5) to ten (10) years. Submissions shall be on the proscribed forms provided by the City's budget officer. The sub-committee shall consider the relative need, impact, timing and cost of these expenditures and the effect each will have on the financial position of the City. No appropriation shall be voted for a capital improvement requested by a department, board or commission unless the proposed capital improvement is considered in the sub-committee's report or the sub-committee shall first have submitted a report to the City Council explaining the omission. (Ord. 330, 2014; Ord. 248, 2004)

### **Section 3.10.030 Capital Improvement program—Annual report to City Council.**

The sub-committee shall prepare an annual report recommending a capital improvement budget for the next fiscal year, and a capital improvement program including recommended capital improvements for the following five (5) fiscal years. The report shall be submitted to the City Council for its consideration and approval. The first year amounts shall be included in the proposed budget for the next year. (Ord. 330, 2014; Ord. 248, 2004)

### **Section 3.10.040 Capital Improvement program—Adoption and appropriations.**

Such capital improvement program, after its adoption, shall permit the expenditure on projects included therein of sums from departmental budgets for surveys, architectural or engineering advice, options or appraisals and the like; but no such expenditure shall be incurred on projects which have not been so approved by the City through the appropriation of sums in the current year or in prior years, or for preliminary planning for projects to be undertaken more than five (5) years in the future. (Ord. 330, 2014; Ord. 248, 2004)

### **Section 3.10.050 Capital Improvement program—Public report.**

The sub-committee's report and the council's recommended capital budget shall be published and made available to the public. The sub-committee shall deposit its original report with the City Recorder. (Ord. 330, 2014; Ord. 248, 2004)

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CITY OF YACHATS

RESOLUTION NO. 20072018-10-0137

A RESOLUTION MODIFYING THE YACHATS ADVISORY FINANCE COMMITTEE

WHEREAS, small cities lack staff resources to provide comprehensive financial analysis. Existing staff that could do this work are assigned other duties and don't have the time studies and analysis often require; and

WHEREAS, there tends to be a reliance on financial consultants who are expensive; and

WHEREAS, the City ~~Recorder~~ Manager would benefit from the opportunity to discuss financial issues with other professionals; and

WHEREAS, Yachats has ~~retired~~-volunteers with financial and analytical skills;

NOW THEREFORE, the City of Yachats resolves to authorize the creation of the Yachats advisory finance committee to provide financial expertise in recommendation to the City Council and Commissions.

**Duties:**

- Provide financial expertise in recommendations to the City Council and commissions for utility rates studies, property taxes decisions, changes in other taxes, other sources of revenue and financial agreements.
- Provide a long term horizon for fund balance projections (3-5 years)
- Provide a "state of the City" financial report to the City Council – This would be a snapshot of how the financial long term picture looks given certain assumptions.
- Provide a financial framework for a Drainage utility fund
- Assist the City ~~Recorder~~ Manager on special projects like:
  - Review and recommend changes to the City budget document
  - Review and comment on the CIP document and process
  - Is development paying their fair share of the infrastructure and operational costs?
  - How can the City organize / present information to improve decision making?
- Other projects assigned by the City Council

The committee's role is advisory.

**Membership:**

- Members should have skills in finance, analysis, budgets, and taxes.
- Experience with Excel and an e-mail account are desirable.
- Members will include one individual from Public Works, Planning, Parks & Commons, Library, Budget Committee, Council, and the City ~~Recorder~~ Manager's Office

~~This Resolution is memorializing an action taken by City Council at the October 11, 2007 meeting and was effective as of that date.~~ Effective Date: This Resolution shall take effect immediately upon its adoption. Passed and adopted by the Yachats City Council the 7<sup>th</sup> day of November, 2018

Attest:

~~Susanne Smith~~ W. John Moore, Mayor  
City ~~Recorder~~ Manager

~~Naney Batchelder~~ Shannon Beaucaire

**CITY OF YACHATS  
ORDINANCE NO. 355**

**AN ORDINANCE AMENDING THE YACHATS MUNICIPAL CODE CHAPTER 3.10 –  
~~CAPITAL IMPROVEMENT PLANNING AND PLANNING SUB-COMMITTEE~~**

**WHEREAS**, the procedure used to develop the Capital Improvement Plan has become a function of the Finance Committee; and

**NOW THEREFORE**, the City of Yachats ordains that Chapter 3.10 – Capital Improvement Planning ~~and Planning Sub-Committee~~ shall be amended to read as follows:

**Chapter 3.10 – ~~Finance Committee and~~ Capital Improvement Planning ~~And Planning Sub-Committee~~**

**Sections:**

- 3.10.010      Membership
- 3.10.020      Powers and Duties
- 3.10.030      Capital Improvement Program - Annual Report to City Council
- 3.10.040      Capital Improvement Program - Adoption and Appropriations
- 3.10.050      Capital Improvement Program - Public Report

**Section 3.10.010      Membership**

The City Council shall establish and appoint a Finance Committee which shall also serve as the Capital Improvement Planning Committee (CIP Committee). ~~The Chair of the Finance Committee shall also serve as the Chair of the CIP Sub-Committee.~~ The Finance Committee shall include, at least, one representative from the Public Works & Streets Commission, Planning Commission, Parks & Commons Commission, library Commission, Budget Committee, City Council, and the City Manager's Office. Citizen membership is strongly encouraged. The representatives shall be appointed from their respective entities. The Finance Committee shall appoint citizen members.

(Ord. 248, Add, 12/10/2004, Add 12/5/2018)

**Section 3.10.020      Powers and Duties**

The ~~Sub-committee~~ Finance Committee, at public meetings, shall:

- 1) Provide financial expertise in recommendations to the City Council and Commissions for utility rate studies, property tax decisions, changes in other taxes, and studies or recommendations for other sources of revenue and financial agreements;
- 2) Provide a long term horizon for fund balance projections (3-5 years);
- 3) Provide a "state of the City" financial report to the City Council – This would be a snapshot of how the financial long term picture looks given certain assumptions.
- 4) Assist the City Manager on special projects like:
  - a. Review and recommend changes to the City budget document
  - b. Review and comment on the CIP document and process
  - c. Advise if development paying their fair share of the infrastructure and operational costs
  - d. Advise how can the City organize / present information to improve decision making
- 5) Study proposed capital projects and improvements involving major non-recurring tangible assets and projects which:

- a. ~~1~~) are purchased or undertaken at intervals of not less than five years;  
b. ~~2~~) have a useful life of at least five years; and 3) cost over \$5,000. and  
6) Other projects assigned by the City Council

Each year, commission chairs, boards, and department heads, shall submit capital project requests to the ~~Sub-~~Finance Committee including information for all anticipated projects requiring Council action during the ensuing ~~six-five to ten~~ years. Submissions shall be on the proscribed forms provided by the City's budget officer. The ~~Sub-~~Finance Committee shall consider the relative need, impact, timing and cost of these expenditures and the effect each will have on the financial position of the city. No appropriation shall be voted for a capital improvement requested by a department, board or commission unless the proposed capital improvement is considered in the ~~Sub-~~Finance Committee's report or the ~~Sub-~~Finance Committee shall first have submitted a report to the City council explaining the omission.  
(Ord. 248, Add, 12/10/2004 Add 12/5/2018)

### **Section 3.10.030 Capital Improvement Program - Annual Report to City Council**

The ~~Sub-~~Finance Committee shall prepare an annual report recommending a Capital Improvement Budget for the next fiscal year, and a Capital Improvement Program ~~including-including~~ recommended capital improvements for the following five fiscal years. The report shall be submitted to the City ~~Ce~~ouncil for its consideration and approval. The first year amounts shall be included in the proposed budget for the next year.  
(Ord. 248, Add, 12/10/2004 Add 12/5/2018)

### **Section 3.10.040 Capital Improvement Program - Adoption and Appropriations**

Such Capital Improvement Program, after its adoption, shall permit the expenditure on projects included therein of sums from departmental budgets for surveys, architectural or engineering advice, options or appraisals and the like; but no such expenditure shall be incurred on projects which have not been so approved by the city through the appropriation of sums in the current year or in prior years, or for preliminary planning for projects to be undertaken more than five years in the future.  
(Ord. 248, Add, 12/10/2004 Add 12/5/2018)

### **Section 3.10.050 Capital Improvement Program - Public Report**

The ~~Sub-~~Finance Committee's report and the City Council's recommended Capital Budget shall be published and made available to the public. The ~~Sub-~~Finance Committee shall deposit its original report with the City ~~Recorder~~Manager's Office.  
(Ord. 248, Add, 12/10/2004 Add 12/5/2018)

**PASSED AND ADOPTED** by the City Council of the City of Yachats on this \_\_\_\_\_ day of \_\_\_\_\_.

Ayes: \_\_\_\_\_ Nays: \_\_\_\_\_ Abstentions: \_\_\_\_\_ Absent: \_\_\_\_\_

**APPROVED** by the Mayor this \_\_\_\_ day of \_\_\_\_\_.

Attest:

\_\_\_\_\_  
W. John Moore, Mayor

\_\_\_\_\_  
Shannon Beaucaire, City ~~Recorder~~Manager