



# Budget Narrative

Fiscal Year 2023-2024

A budget document is a written guideline outlining the City's comprehensive fiscal picture for the next operating year. Oregon Budget Law (ORS 294) specifies a process and recommended format for the City's annual budget. The accounting system is structured to maintain the identity of the revenues (resources) and expenditures for each Fund. This is accomplished by providing a balancing set of accounts. Every Fund within our budget must balance, which means that revenues must equal expenditures. The City uses a cash basis of accounting.

The City of Gearhart's budget has the following Fund categories:

1. General Fund. This Fund is the City's largest Fund with the most transactions. It documents the general operating revenues and expenditures and is considered the City's primary accounting Fund. The City of Gearhart's General Fund 10 is subdivided into departments (Administrative 10-10; Police 10-12; Fire 10-13; Non-Departmental 10-14; Municipal Court 10-15; Planning 10-17; and Parks 10-18). Building 10-11 will no longer be used in the General Fund, because it has been relocated to a newly created Fund in the budget (Fund 40 Building).
2. Debt Service Fund. Debt Service Fund 20 accounts for general long-term debt obligations. These expenditures are the principal and interest payments due for the construction of the water treatment facility. All information regarding the proposed fire/police facility have been removed because it was not approved by voters.
3. Enterprise Funds. These Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector. The City has Water (Operating) Fund 30 and Water Reserve Fund 71. Water Improvement Construction Fund 25 has been eliminated due to completion of the project and the transfer of any remaining resources. It will remain in the budget through the historical retention requirements.
4. Special Funds. These Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes to finance particular functions or activities of the City. The City of Gearhart has Building (Structural, Plumbing, Mechanical) Fund 40; State Revenue Sharing Fund 45; State Street Fund 60; Public Works Major Equipment Reserve Fund 78; and Gearhart Road District Fund 50.
5. Capital Projects Funds. These Funds account for financial resources used to acquire/construct major capital facilities and/or acquire capital assets. The City of Gearhart has Police Car Reserve Fund 72; Fire Apparatus and Equipment Reserve Fund 74; Hazardous Mitigation Fund 75; Building Reserve Fund 79. All information regarding the Fire/Police General Obligation (GO) Bond Project Fund 80 have been removed because it was not approved by voters and had been eliminated from the approved budget document.

The overall format has remained the same, but there has been refinement on descriptions headings and combining accounts. Department heads were encouraged to merge similar accounts while still maintaining the transparency of the type of purchase; work to make account descriptions uniform across departments; and eliminate accounts that are not necessary.

Please note that only important or significant changes will be presented during the budget meeting; however, requests for additional information or questions are welcome.

Before I begin discussing specifics, I will give an overview of the payroll cost factors that impact almost every Fund and are represented in Personnel Services. This will eliminate the redundancy of hearing the same information multiple times while still giving you a clear vision of the economic factors impacting one of the largest operating expenditures in this budget (which are payroll associated).

The budget has been prepared with the following payroll assumptions:

- The City of Gearhart is budgeting a 8.7% cost of living (COLA) salary increase with anniversary step (when applicable), which is the established 2023 COLA by the Social Security Administration and sanctioned in the Employee Handbook.
- Workers' Compensation rates have been increased by a projected 5%.
- Retirement – The City of Gearhart participates in the Public Employees Retirement System (PERS) to provide a retirement plan for employees. There are three separate employer rates (Tier One/Tier Two, OPSRP General, OPSRP Police/Fire), which employers contribute a percentage of employee salary. Each benefit program has a different assigned employer rate that is determined by the PERS Board, which is approved for each biennium. The mandated employer rates effective July 1 are Tier One/Tier Two 25.10% (increase of 4.56%); OPSRP General 18.22% (increase 5.31%); and OPSRP Police and Fire 23.01% (5.74%).
- Insurance Benefits (Medical, Dental, Vision, Life, Accidental Death & Dismemberment, Long-Term Disability) – CIS (Citycounty Insurance Services), was formed by the League of Oregon Cities and the Association of Oregon Counties to meet the risk management and employee benefit needs of Oregon cities, counties and other eligible local governments. Insurance is provided to all full-time employees. This budget includes a monthly employer contribution of up to \$2,483.88 per employee. Rate increases are estimated at 5%.
- Unemployment rates and workers' assessment benefit fund tax has been budgeted with very slight increases from current rates. The City is aware of the new Oregon paid leave mandates that require both an employee and an employer contribution; however, because of our size, we are not required to pay.

Page 1 and 2, Resources General Fund 10.

- ❖ Resources - Line 1 Beginning Fund Balance - Cash on Hand. The City is anticipating a strong ending fund balance. Key factors for this are continued strong transient room tax collections and revenues received from previous fiscal years but were not spent by June 30 (e.g., Duncan's Crossing; Pickleball; American Rescue Plan; Park and Bench Project).
- ❖ Resources - Line 2 Property Tax was budgeted at a 3% increase with a reduction for discounts and other uncollectible amounts. The City's permanent tax rate is \$1.0053 per \$1,000 of assessed value. At this point, the Clatsop County Assessor's office does not see any significant impacts on property tax.

- ❖ Resources – Lines 4, 5, 6 Building. New legislation requires the City to track the Building department resources and expenditure differently. A new Building Fund 40 has been created in Special Funds. Revenue accounts will remain in this section until the historical retention requirements have been met.
- ❖ Resources – Lines 12, 13, 14, 15 Grant(s) have had allocations eliminated, but must remain for historical retention requirements.
- ❖ Resources - Line 16 Grant Restricted resources have been allocated and increased. This allows the City a quick and easy way to accept future grant awards. It provides appropriations for specific restricted grants that have not been awarded. They are classified as potential future grants.
- ❖ Resources – Line 17 Interest. Federal Reserve officials raised the federal funds rate in March for the second time this year, following seven consecutive rate increases in 2022. Higher interest rates raise costs for borrowers, but they can also mean higher yields for interest savings. The City’s investments are in the Local Government Investment Pool (LGIP), which has continued to show rate increases since June 2022.
- ❖ Resources - Line 19 Conflagration/Mobilization allocations are revenues reimbursed by the State of Oregon for Gearhart firefighters and equipment that are deployed to wildfire incidents.
- ❖ Resources - Line 30 Marijuana tax has been adjusted. The City received a large payment from the State of Oregon in 2021-2022 for local tax being incorrectly collected at the State level over a several year period. The historical data reflects this large, one-time payment. Based on anticipated collections, this amount has been slightly reduced.
- ❖ Resources - Line 32 Transient Room Tax continues to be a lucrative revenue source. After two consecutive strong years of revenue collection, this revenue account has been increased.
- ❖ Overall, the General Fund resources have a 3.28% budgeted increase.

Page 3 and 4, Administrative Department 10-10.

- ❖ This Fund is supportive of all departments within the General Fund. Collaborative costs that are not easily identifiable by department (e.g., utilities, office equipment, insurance, and office supplies) are charged to this category.
- ❖ Personnel Services - Expenditure - Line 5 Salary – Temporary/Part-Time allocations have been removed.
- ❖ Materials and Services - Expenditure - Line 18 Consumable Supplies/Materials has been moved up in the section and renamed (previously Office Supplies).
- ❖ Materials and Services - Expenditure - Line 19 Legal Services has been increased and renamed (previously Legal Fees). This will allow the opportunity for a transition into a retainer attorney contract agreement; as well as provide additional support that requires specialized legal focus.
- ❖ Materials and Services - Expenditure – Line 22 Utilities – Electricity & Gas has been renamed (previously Fuel & Electricity).
- ❖ Materials and Services - Expenditure - Line 25 Insurance – Property, Liability, Auto has been increased and has been renamed (previously Insurance). This line item includes all the liability responsibilities for all departments except water.
- ❖ Materials and Services - Expenditure - Line 26 City Hall Maintenance has been increased to provide for needed repairs. This may include projects such as: roofing repair, police signage, and parking lot maintenance.
- ❖ Materials and Services - Expenditure - Line 27 Purchased Services has been combined with Professional Services and has been renamed (previously City Hall Contract Labor). This account

has been increased to support professional contract services (e.g., janitorial services, window washing, yard maintenance; salary schedule analysis; job description project).

- ❖ Materials and Services - Expenditure - Line 29 Professional Development has been renamed (previously Travel & Meeting Expense).
- ❖ Materials and Services - Expenditure - Line 32 Professional Services has been combined with Purchased Services.
- ❖ Materials and Services - Expenditure - Line 33 Technology – Software/Hardware has been renamed (previously Technology/Software). City staff have decided to temporarily put a hold on new financial software; however, the account is still needed to support the City's technology needs (e.g., short-term rental software, zoom, upcurve, adobe, iFocus services).

Page 5, Building Department 10-11.

- ❖ As mentioned in the Budget Message, due to changes in reporting requirements, a new Special Fund 40 Building (Structural, Plumbing, Mechanical) has been created to account for building department transactions. The information in this section will be kept through the historical retention period.

Pages 6 and 7 - Police Department 10-12.

- ❖ Personnel Services - Expenditure - Line 2 Salary – Chief of Police has been adjusted. As the City prepares to hire a new Chief of Police, a salary increase was imperative to be competitive. The salary placeholder has been assigned at the highest step on the salary schedule.
- ❖ Personnel Services – Expenditure – Line 3 – Police Officers has been adjusted. Last budget cycle was the first implementation of the salary schedule program, which created an unintentional salary discrepancy between the Sergeant position and Police Officer position. The individual salary schedule lines required a correction to represent job level responsibilities more appropriately. Please note that for historical reference, the City had an open, unfilled FTE in 2021-2022.
- ❖ Personnel Services - Expenditure - Lines 5, 6, 7 Salary allocations have been eliminated.
- ❖ Materials and Supplies - Expenditure - Line 17 Legal Services has been decreased and renamed (previously City Attorney Fees).
- ❖ Materials and Supplies - Expenditure - Line 18 Consumable Supplies/Materials has been renamed (previous Office Supplies).
- ❖ Materials and Supplies - Expenditure - Line 21 Fuel / Vehicle Maintenance renamed (previously Vehicle Maintenance).
- ❖ Materials and Supplies - Expenditure - Line 23 Professional Development has been increased and renamed (previously School). A new hire for the officer position will need to be trained through the Department of Public Safety Standards & Training (DPSST) program.
- ❖ Materials and Supplies - Expenditure - Line 25 Uniforms / PPE has been renamed (previously Uniforms).
- ❖ Materials and Supplies - Expenditure - Line 26 Uniforms Cleaning and Line 28 Clatsop County Drug Task Force have been eliminated.
- ❖ Materials and Supplies - Expenditure - Line 29 Purchased Services has been added. These allocations are to hire a professional to assist in updating public safety policy and procedures.
- ❖ Materials and Supplies - Expenditure - Line 31 Technology – Software/Hardware has been renamed (previously PD/Court Software Yearly).

- ❖ Materials and Supplies - Expenditure - Line 32 Dues & Fees has been added. This is to provide an allocation for police professional service organization membership dues.

Pages 8 and 9 - Fire Department 10-13.

- ❖ Personnel Services - Expenditure - Line 3 Salary - Division Chief Training/Operations has been renamed (previously Firefighter).
- ❖ Personnel Services - Expenditure - Line 7 Conflagration/Mobilization Labor and Line 8 Conflagration/Mobilization Overtime. These expenditures are supported by General Fund resources, but as a reimbursement expenditure. This means that organizations that need assistance must agree to reimburse the full costs of sending personnel and equipment. The City's budget needs to allocate these expenditures so that if our firefighters assist, there are appropriations and a tracking method to document costs. The same allocation amount has been assigned; however, it has been distributed between two accounts.
- ❖ Materials and Supplies - Expenditure - Line 18 Consumable Supplies/Materials has been renamed (previously Office Supplies).
- ❖ Materials and Supplies - Expenditure - Line 19 Convention & Administrative Expense allocations have been moved to Professional Development.
- ❖ Materials and Supplies - Expenditure - Line 21 Utilities – Electricity & Gas has been renamed (previously Utilities).
- ❖ Materials and Supplies - Expenditure - Line 22 Utilities – Water has been added. This expenditure was added after the 2022-2023 budget was approved. It is a new account that reflects the water meter usage at the Fire Station.
- ❖ Materials and Supplies - Expenditure - Line 27 Professional Development has been renamed (previously School/Training).
- ❖ Materials and Supplies – Expenditure – Line 36 – Technology – Software/Hardware has been added. Allocations have been moved from Consumable Supplies/Materials.

Page 10 - Non-Departmental 10-14.

- ❖ There has been some restructuring of accounts and categories. The category of Other Requirements has been changed to Capital Outlay.
- ❖ Materials and Services - Expenditure - Line 4 Grant - Restricted has been increased to allow for allocations for expenditures of grants that may be received after the budget has been prepared.
- ❖ Materials and Services - Expenditure - Line 5 Operating/Repairs/Materials has been moved from Capital Outlay and allocations have been reduced.
- ❖ Materials and Services - Expenditure – Line 6 Sidewalk Repair has been eliminated. This type of expenditure can be covered in the State Street Fund 60.
- ❖ Materials and Services - Expenditure - Line 7 Grant Low/Moderate Income Support have had allocations eliminated.
- ❖ Capital Outlay - Expenditure - Line 12 Grant - CSLFRF/American Rescue Plan Projects has been added to track expenditures because no specific projects have been established.
- ❖ Transfers - Expenditure - Line 15 Transfer – to Police Care Reserve Fund, Line 17 Transfer – to Hazardous Mitigation Fund, and Line 18 Transfer – to Building Reserve Fund have been eliminated. The City values reserve funds; however, supporting other essential General Fund programs and services are a higher priority this budget cycle.

Page 11 - Municipal Court 10-15.

- ❖ Materials and Services - Expenditure - Line 13 Consumable Supplies/Materials has been reduced and renamed (previously Office Supplies).
- ❖ Materials and Services - Expenditure - Line 14 Printing & Advertising has been renamed (previously Printing Expense).
- ❖ Materials and Services - Expenditure – Line 16 Legal Services has been renamed (previously Court Appointed Attorney).
- ❖ Materials and Services - Expenditure – Line 18 Purchased Service - Judge has been renamed (previously Professional Services - Judge).
- ❖ Materials and Services - Expenditure – Line 22 Professional Development has been renamed (previously Trainings).

Page 12 - Planning Department 10-17.

- ❖ Materials and Services - Expenditure - Line 14 Purchased Services – Planning Consultant (previously Planning Consultant).
- ❖ Materials and Services - Expenditure – Line 19 Mapping allocations has been reduced.
- ❖ Materials and Supplies – Expenditure – Line 21 – Technology – Software/Hardware has been added. Allocations have been moved from Planning Commission Expense.

Page 13 - Parks Department 10-18.

- ❖ Materials and Services - Expenditure - Line 13 Parks Maintenance and Repair has been reduced because the playground project is complete.
- ❖ Materials and Services - Expenditure - Line 14 Vehicle/Equipment Maintenance has been reduced.
- ❖ Materials and Services - Expenditure - Line 15 Restroom Maintenance has been increased.
- ❖ Materials and Supplies - Expenditure - Line 16 Utilities – Water has been added. This expenditure was added after the 2022-2023 budget was approved. It is a new account that reflects the water meter usage for irrigation.
- ❖ Materials and Services - Expenditure - Line 17 Grant – Parks and Bench Project. There was a donation to fund these expenses by the Charles A. Shea III, Charitable Foundation Fund.
- ❖ Materials and Services - Expenditure - Line 20 Equipment has been reduced because the playground project is complete.

Pages 14 and 15 - General Funds Summary All Departments.

- ❖ These pages are a summary of all the General Funds departments and their expenditure.

Page 16 - Debt Services Fund 20.

- ❖ Resources - Line 1 Beginning Fund Balance - Cash on Hand accommodates for anticipated debt service payments that are needed in September 2023 before the City's debt service property tax payments start coming in; as well as, continued savings due to the 2011/2021 refinance project.

- ❖ Expenditures - Line 28 Total Unappropriated Ending Fund Balance represents the amount needed to make debt service payments in September 2024 before the City receives its debt service tax payments in November.

Page 17 - Debt Service Payment Schedule.

- ❖ This is to provide a breakdown of the principal, interest, and total debt service for any remaining debt service payments.

Page 18 - Water Improvement Construction Fund 25.

- ❖ This Fund has no allocation and after the historical data reporting period is over, it will be removed from the budget.

Pages 19, 20 and 21 - Water (Operating) Fund 30.

- ❖ This Fund accounts for the activities of providing water services to the public. It is currently undergoing a rate feasibility study. Because this Fund is financially unstable, expenditures have been reduced or eliminated whenever possible.
- ❖ Resources - Line 1 Beginning Fund Balance – Cash on Hand continues to decline as costs to operate, maintain, and improve the water system increase. According to common industry practice, this should be at a minimum of 3 months of operating expenses (approximately \$300,000).
- ❖ Resources - Line 3 Water Sales Receipts. This is the primary source of revenue and represents the collection of fees charged to water utility customers. Actual water receipt collections in 2022-2023 will be significantly under budgeted levels, which as demonstrated by the diminishing Beginning Fund Balance, impacts resources. The objective was to see this revenue account increase in 2023-2024; however, this was an over zealous projection considering there was no increase in rates. This account has been adjusted to reflect more accurate collections.
- ❖ Resources – Line 5 Transferred from Other Funds-Water Reserve is a new account. It will provide a revenue stream to adequately support the Water (Operating) Fund. Without this transfer, the Fund will be negative, which is a violation of Budget Law. The Fund must be balanced.
- ❖ Resources – Line 6 Other – Miscellaneous has an allocation. Based on historical data, this account continues to have revenue.
- ❖ There has been a redistribution of full-time equivalency (FTE) between Funds for the three public works positions. Each one (1) FTE position has the following new distribution .10 Parks; .55 Water; .35 Street. Water's FTE = 1 Director + .45 Water Clerk + (3 staff x .55) = 3.10 FTE
- ❖ Materials and Services - Expenditure - Line 17 Legal Fees has had allocations eliminated and has renamed (previously Legal Fees).
- ❖ Materials and Services - Expenditure – Line 18 Consumable Supplies/Materials has been reduced and renamed (previously Office Supplies).
- ❖ Materials and Services - Expenditure – Line 19 Printing & Advertising has been reduced.
- ❖ Materials and Services - Expenditure – Line 21 Utilities – Electricity & Gas has been modified and renamed (previously Fuel & Electricity). Vehicle fuel was being charged to this account along with electricity and natural gas, but it has been moved to Fuel/Vehicle Maintenance.
- ❖ Materials and Services - Expenditure – Line 24 Insurance – Property, Liability, Auto has been reduced and renamed (previously Insurance).

- ❖ Materials and Services - Expenditure – Line 25 Fuel/Vehicle Maintenance has had allocations transferred from Line 21 and has been renamed (previously Vehicle Maintenance).
- ❖ Materials and Services - Expenditure – Line 28 Water Building Maintenance has been increased. This account includes items such as landscaping, restroom cleaning, and disposal of solid waste debris.
- ❖ Materials and Services - Expenditure – Line 29 Professional Development has been renamed (previously School).
- ❖ Materials and Services - Expenditure – Line 31 Water Treatment Facility Equipment Maintenance has been combined with System Operations & Repair.
- ❖ Materials and Services - Expenditure – Line 32 System Operations & Repair has been modified to include accounts Water Treatment Facility Equipment Maintenance, Pipe & Fittings, and Hydrants.
- ❖ Materials and Services - Expenditure – Line 34 Chemical Water Analysis has been increased. Services provided are assessing groundwater monitoring, surface water monitoring, and production well data in accordance with Oregon Water Resource Department Permit G-16390; as well as, standard water treatment testing requirements.
- ❖ Materials and Services - Expenditure – Line 35 Purchased Services – Meter Readers has been renamed (previously Meter Readers).
- ❖ Materials and Services - Expenditure – Line 42 Uniforms / PPE has been renamed (previously Uniforms & Work Boots).
- ❖ Materials and Supplies - Expenditure - Line 44 Utilities – Water has been added. This expenditure was added after the 2022-2023 budget was approved. It is a new account that reflects the water meter usage at the Water Treatment facility.
- ❖ Materials and Supplies – Expenditure – Line 45 Grant – American Rescue Plan Projects has been moved to the Water Reserve account.
- ❖ Capital Outlay - Expenditure - Line 48 Warehouse/Headworks/Fence and Line 50 Field Equipment have had allocations eliminated.
- ❖ Capital Outlays – Expenditure – Line 51 Water Meter Replacement has been reduced.
- ❖ Transfers – Expenditure – Line 54 Transfer – to Water Reserve Fund and Line 55 Transfer – to PW Major Equipment Reserve Fund have been eliminated. Although the approved budget for 2022-2023 allowed transfers, because revenue targets were not met, there will be no transfers in the current and/or the proposed budgets.

Pages 22 and 23, Building (Structural, Plumbing, Mechanical) Fund 40.

- ❖ The Building Department has traditionally been tracked in the General Fund 10-11. Due to the passage of Senate Bill 866, which defined more stringent requirements for City's with third-party contract building officials, the Building Department has been renamed and moved to Special Fund 40 Building (Structural, Plumbing, Mechanical). Historical data associated with the original 10-11 Building Department will need to remain in the General Fund.
- ❖ Resources – Lines 2-7 have been modified, renamed, and/or newly created to adequately identify revenue streams. Revenues have been increased due to building fee rate increases as per approved Ordinances in March 2023.
- ❖ Personnel Services - Expenditure - Lines 2-9 Salary and Benefit have an administrative assistant position, .57 full-time equivalency (FTE). This is part of a 1 FTE position, which provides support to the building, municipal court, and planning departments (1 FTE = .57 Building; .11 Municipal



Court; .32 Planning). This position is not new FTE. It was in last year's budget in the General Fund.

- ❖ Materials and Services - Expenditure – Lines 13-21 have also been modified, renamed, and/or newly created to accurately document expenditures.
- ❖ Materials and Services - Expenditure – Line 20 Technology – Software/Hardware. This has been added to allow for necessary hardware.
- ❖ Materials and Services - Expenditure – Line 21 Dues & Fees has been added. The City has transitioned into using the State of Oregon's ePermitting online process. This web-based system allows users to upload their permit application, pay application fees via credit card, view application status, schedule inspections, and search records for public viewing. There is no charge for the ePermitting program; however there will be some credit card processing fees. There are also appropriations for professional membership dues.

Pages 24 and 25 - State Revenue Sharing Fund 45.

- ❖ ORS 221.770 Revenue sharing to cities requires a share of certain revenues from the State of Oregon to be apportioned among and distributed to the cities of Oregon for general purposes.
- ❖ Resources - Line 3 State Apportionment is anticipated to increase based on the growth in the City of Gearhart's certified population figure.
- ❖ Materials and Services - Expenditures - Lines 6-22 Grants - Local Organizations. During the budget process, the City has a State Revenue Sharing Public Hearing so that local organizations have the opportunity to request funding from this Fund. Anticipated grant allocations have been placed in Line 6. Individual allotments are determined by the Budget Committee and approved by the City Council. The Budget Committee approved \$38,300 in local grants last year.
- ❖ It is being presented that there is Unappropriated Ending Fund Balance – Line 28. This builds fund stability and allows a dedicated revenue stream for the next budgeting cycle.

Pages 26 and 27 - State Street Fund 60.

- ❖ State Street funds are part of Oregon State Shared Revenues and support the construction, reconstruction, preservation, maintenance, repair and improvement of streets and roads. It is distributed to Oregon cities based on per capita disbursements. Revenue sources come from vehicle registration, title fees, driver's license fees, fuel taxes, and weight-mile tax.
- ❖ Resources - Line 4 2022 Small City Allotment Program will remain again this budget cycle to allow for a grant that was received by the Oregon Department of Transportation to fund a Gearhart sidewalk project. Revisions to the scope of this project have been made and approved.
- ❖ There is no change in position full-time equivalency (FTE); however, there is a redistribution between Funds for the three public works positions. This redistribution impacts three (3) positions. Each one (1) FTE position has the following the new distribution .10 Parks; .55 Water; .35 Street. State Street's FTE = 3 staff x .35 = 1.05 FTE.
- ❖ Personnel Services – Salary and Benefit - Lines 2-10 are tied to FTE. When FTE increases, payroll costs also increase proportionately.
- ❖ Personnel Services – Benefit – Worker's Compensation – Line 5. The City recently transitioned to a new worker's compensation carrier and the street classification rates are the highest classification. Rates have been adjusted.
- ❖ Materials and Services - Expenditure - Line 14 Materials & Services and Line 15 Purchased Services (previously Contracted Services) have been adjusted for allocations due to the sidewalk grant project.

- ❖ Materials and Services - Expenditure - Line 17 Audit has been removed. The State Street does not require any special auditing services.
- ❖ Capital Outlay - Expenditures – Line 21 Equipment has been increased.

Page 28 - Water Reserve Fund 71.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 767 on May 7, 2003, hereby established a financial reserve fund for the purpose of constructing, reconstructing, repairing, extending, and improving the water system of the City of Gearhart in whole or in part.
- ❖ The primary revenue source has been transfers from the Water (Operating) Fund 30. Since 2018, over \$400,000 has been transferred; however, due to the instability of Fund 30, there will be no resource transfer in the current year nor in the proposed budget year.
- ❖ Materials and Services - Expenditure – Lines 12-14 Materials and Services have been added to support appropriations in this category.
- ❖ Capital Outlay – Expenditure – Line 16 Improving Water System has been adjusted. There are no specific projects scheduled.
- ❖ Capital Outlay – Expenditure – Line 17 Grant - CSLFRF/American Rescue Plan Projects has been added to provide for documenting the expenditures specifically related to the grant requirements. Investments in improving water infrastructure is one of the eligible areas; however, the City has not yet designated any specific projects.
- ❖ Transfers – Expenditure – Line 19-21 Other Requirements have been added to support appropriations in this category.
- ❖ Transfers – Expenditure – Line 20 Transfer – to Water (Operating) Fund. The City has an obligation to provide a quality water service to our customers and a legal requirement to balance our Funds. The Water (Operating) Fund is experiencing financial instability. Both the Water Reserve Fund and Water (Operating) Fund support the same system (Water Treatment Plant). They are both considered Enterprise Funds and ultimately all expenditures in both Funds are to assist in repairing and improving the water system. Because the Water (Operating) Fund needs support, a transfer has been allocated. The transfer will be for up to \$197,617.50; however, if another funding source becomes available, the transfer will not be necessary.

Page 29 - Police Car Reserve Fund 72.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 725 on May 7, 1997, hereby established a financial reserve for the purpose of maintaining, repairing and replacing police car or police cars of the City.
- ❖ The primary revenue source is a transfer from the General Fund 10; however, there are no allocations in this budget year. The police department needs additional support in the General Fund 10-12.
- ❖ Allocations have been made; however, there is no specific purchases scheduled at this time.

Page 30 - Fire Apparatus and Equipment Reserve Fund 74.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 768 on May 7, 2003,

hereby established a financial reserve for the purpose of maintaining, repairing and replacing fire apparatus of the City of Gearhart.

- ❖ The primary revenue source is a transfer from the General Fund 10.
- ❖ Expenditures have been allocated; however, no specific projects have been scheduled.

Page 31 - Hazardous Mitigation Fund 75.

- ❖ This fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 880 on June 4, 2014, hereby established a financial reserve for the purpose of pre-disaster mitigation used for hazard mitigation planning and projects to protect life and property from future natural disasters.
- ❖ A grant allocation has also been added with coordinating expenditures. This is a grant that is regularly received by the City of Gearhart. Grant expenditures will not be spent without the approval of the grant award.
- ❖ The primary revenue source has been transfers from the General Fund 10; however, because the Fund has no specific projects scheduled, there is an adequate funding balance, and resources are needed in the General Fund, there is no transfer budgeted.
- ❖ Expenditures have been allocated; however, no specific projects have been scheduled.

Page 32 - Public Works Major Equipment Reserve Fund 78.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 757 on May 2, 2002, hereby established a financial reserve for the purpose of purchasing, maintaining, repairing and replacing major public works equipment.
- ❖ The primary revenue source is a transfer from the Water (Operating) Fund 30; however, no resources are allocated to be transferred in this budget year.
- ❖ Expenditures have been allocated; however, no specific projects have been scheduled.

Page 33 - Building Reserve Fund 79.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 806 on May 2, 2007, hereby established a financial reserve fund for the purpose of purchasing, repairing, and replacing City buildings.
- ❖ The primary revenue source is a transfer from the General Fund 10; however, no resources are allocated to be transferred in this budget cycle.
- ❖ Expenditures have been allocated; however, no specific projects have been scheduled.

Page 34 - Gearhart Road District Fund 50.

- ❖ This Fund, under the authority of Chapter 371 - Road Districts and Road Assessment Plans, was created by an area residents' vote with the purpose of allowing the City of Gearhart to levy a property tax to fund maintenance and improve roads. The permanent tax rate is \$0.0602 per \$1,000 of assessed property value.
- ❖ Resources - Line 2 Property Tax has been budgeted at a 3% increase with a reduction for discounts and other uncollectible amounts.
- ❖ Resources – Line 4 County Land Sales has been added due to actual revenue historical data.

- ❖ Expenditures have been allocated; however, no specific projects have been scheduled.

Page 35 - Supplemental Salary Information.

- ❖ This is to provide some additional data on salaries.
- ❖ The Division Chief Training/Operations has been renamed (previously Firefighter).
- ❖ The Distribution of Annualized Salary shows all positions, salary (including certification/merit pay) amounts budgeted, and the distribution of each FTE by Fund.
- ❖ The Salary Schedules show the position, steps, and the annual amount based on anniversary date. Please note that any individual staff that is still eligible for steps will move on the salary schedule based on their anniversary date, not the budgeted period of July 1 – June 30. The salary schedule amounts will not always match the salary amount in the Distribution of Annualized Salary. The salary amounts have been rounded to whole numbers.
- ❖ Certification/Merit Increase are amounts given for specialized certifications or merit longevity increases. These amounts are in the Distribution of Annualized Salary but not in the Salary Schedules. These types of payments are a flat annualized amount divided equally over the pay cycles. They are not impacted by COLA increase.
- ❖ As per the Employee Handbook, “A salary schedule will be established for each job. The schedule will include minimum and maximum salary for each job with seven (7) steps. Employees will receive step increases on the anniversary of their date of hire. Employees who attain 10, 15, 20 years of service or additional 5-year increments shall be eligible for a merit increase after evaluation in addition to annual COLA adjustment.”

Supplemental Information

- ❖ Relevant information to support the budget process and compliance.