CITY OF YACHATS

FINANCE COMMITTEE

SUMMARY MINUTES

November 7, 2024

Chair Bobbi Price called the regular meeting of the Finance Committee to order at 10:00 a.m. in the Civic Meeting Room of the Yachats Commons.

Members present: Tom Lorenzen, Charles Bame-Aldrich, Julie Ekdom, Vicki West, and Recorder Kimmie Jackson.
Audience: 8

Announcement/Correspondence : None
Citizens' Concerns: None

The meeting started with wishing Kimmie Jackson a happy birthday. There were no announcements or correspondence to discuss.

The committee then moved on to discuss the city council positions, specifically the write-ins for the council positions. The Recorder mentioned that they had not received an official count yet but expected it by the following week. The committee also discussed the possibility of reaching out to potential candidates for the council positions.

Long-Term Revenue and Capital Planning
Discussion started on the long-term revenue and capital planning, focusing on the 20-year forecast. The team discussed the significant modification made in 2025 to pay for the library and the uncertainty surrounding the Systems Development Charges due to the lack of construction activity reports. They also discussed the potential loss of $200,000 in general fund transfers for sustainability and the need to adjust the forecast accordingly. The team also discussed the issue of accepting System Development Charges (SDCs) before building permits are issued, with the city attorney advising against it. The team agreed to continue monitoring the situation and adjust the forecast as necessary.

Projecting Future System Development Charges
Discussion continued projecting future system development charge (SDC) fee revenue based on estimated new construction; reviewed historical SDC revenue data and suggests using a conservative estimate of 5 new builds per year with a 2-4% annual inflation rate. West mentioned her computer screen broke during travel, preventing her from providing updated data. The group agrees on the 5 new builds per year projection and a 3% inflation rate for SDC fees over the next 20 years.

Clarifying Urban Renewal Department Budget

The group discussed the budget for the Urban Renewal Department (URD), expressing confusion over the projected interest income of $440,000. She suggested that the actual interest might be closer to $25,000, based on the current balance and a 3% interest rate. It was also mentioned that the budget had been updated to reflect a forecast of $25,000 in interest income for the next four years, with a decrease in the following year; and noted that the budget also included a 5% fee for the city, which she had always protected. The team agreed to revisit the budget and make necessary adjustments.

Adjusting Wastewater Plan and Costs

The team discussed the need to adjust the wastewater plan based on the current construction cost index, which has increased significantly; it was explained that the adjustments would be made in the upcoming capital budgeting process, and that the estimates would be based on the 25-26 year period; and suggested the possibility of bundling projects to attract contractors from the valley, which could potentially lower costs. Also emphasized the need for smarter planning to avoid self-inflicting injuries like outdated cost estimates. The discussion also touched on the potential for collaboration with other utilities and municipalities to share resources and lower costs.

Master Plan Funding and Partnerships

Members discussed the long-term financial resources needed to fund their master plans, emphasizing the importance of ensuring the revenue stream does not collapse; it was mentioned the Finance Committee's role in identifying possibilities and adjusting plans based on the council's opinions. The team discussed the budget for the water and wastewater master plans, noting that some of the costs were not included in the master plan but were part of the Capital Improvement Plan (CIP); it was suggested focusing on the CIP for short-term planning and acknowledged the need for adjustments in the budget; potential partnerships with other utilities and the possibility of securing funding for shovel-ready projects; and concluded by expressing concern about the potential cost of replacing a 1 million-gallon water tank, which was not included in the master plan

Strategic Planning for Coastal Infrastructure

Discussion continued around the need for strategic planning and collaboration with state legislators to address economic growth and infrastructure needs in the coastal community; suggesting revisiting the idea of a special option levy for infrastructure projects and the potential for re-upping the urban renewal when it expires in five years; and highlighted the need for a long-term plan to address the water system's challenges, including the possibility of adding smaller tanks in conjunction with housing development. Also emphasized the importance of accelerating engineering efforts to secure funding opportunities the need to consider the impact of inflation on their plans, the potential for creative solutions to address water consumption issues, and the need to balance short-term gains with long-term goals.

Water and Wastewater Revenue Analysis

Ekdom presented an analysis of the water and wastewater revenue for the current fiscal year compared to previous years. The water revenue for July showed a significant increase, but August dropped. Year-to-date, water revenue is running 3.77% higher than last year, slightly lower than anticipated due to lower volumes and rate increases not yet fully implemented. Wastewater revenue is 5.89% higher year-over-year, which is puzzling given the rate study's impact. Overall, revenues are tracking well with expectations based on approved rate increases, though timing is influenced by weather and the pandemic's effects and expect the full impact of the rate increases to be reflected in future financial reports.

Vacation Rentals, Regulation, and Reserves

The team discussed the implementation of a new property for vacation rentals set to be implemented in January; mentioning that some people had dropped out of having a vacation rental license, suggesting that they were not genuine renters. It was also discussed the possibility of allowing places like Overleaf Village to operate their vacation rentals without being subject to the cap; and that the city is hiring a municipal judge to enforce compliance with the rules and regulations. Also discussed was the need to balance the revenue from vacation rentals with the livability of neighborhoods. It was suggested that the city should consider regulating vacation rentals in certain areas to increase regular rental stock; the need to realign the reserves between water and sewer and suggested that the base rates could be adjusted to achieve this. Lastly, West announced she would be leaving the Finance Committee next month.

Overall, the meeting underscored the necessity of strategic planning to ensure the city's financial health and community livability.

Next Steps

• Ekdom to update the long-term revenue forecast to extend out 20 years instead of 17; Ekdom to adjust the SDC revenue projections based on the new information discussed; update the general fund contribution in the forecast from $200,000 to $100,000;
• follow up on getting statistics for SDC fees collected in the last 3 years.
• Neil Morphis to prepare a CIP update for the next meeting, showing current fiscal year project spending.
• Finance Committee to review the CIP and align water and wastewater reserve allocations.
• Finance Committee to consider adjusting base rates to realign reserves between water and wastewater funds.
• City staff to continue monitoring vacation rental license changes and compliance.
• Consider potential changes to vacation rental regulations and zoning.
• West to update spreadsheets and forward them to the City Manager for her replacement.
• Finance Committee to identify a replacement for Vicki on the committee.

Adjourned at 11:35 am
Kimmie Jackson, Recorder