City of Yachats

FINANCE COMMITTEE
August 14, 2019

Approved Minutes

I. Call to Order

Chair Shannon Beaucaire called the August 14, 2019 meeting of the Finance Commission to order at 10:02 am in Room 1 of the Yachats Commons. Members present: Shannon Beaucaire, David Rivinus (Library), Don Groth (Public Works), Jacqueline Danos (Planning), John Purcell (Parks and Commons), Jim Tooke (Council) and Mayor John Moore. Absent: none. Staff present: Water Plan Lead Rick McClung. Audience: 4

II. Minutes July 17, 2019

Purcell asked if Beaucaire had identified the breakdown by quarter for the transient lodging tax. Beaucaire passed out a sheet identifying the quarterly breakdown of the tax.

Moore moved to approve the July 17, 2019 minutes as presented: Aye – 7; No – 0.

III. Business

A. Review Transient Lodging Tax Law

Beaucaire explained there was a League of Oregon Cities guide on collecting transient lodging taxes updated in July 2018. She noted there were questions around how the City was spending the restricted portion of the tax that stipulates the money is to be used for "tourism related facilities" or "promotion of tourism."

Beaucaire stated there were many gray areas around facilities that were used by both residents and tourists, and the City Attorney had indicated the law had not been significantly tested in the courts. The attorney suggested the best guidance was the Attorney General's opinion. Beaucaire noted "tourism related facilities" are best viewed as capital related projects (e.g. buildings) and "promotion" refers to materials and services. She added that the hotels want to apply a very strict interpretation of the law and city attorneys are suggesting the law can be more generally applied. She stressed that money to properties needs to impact visitors.

The attorney did not have issue with the Little Log Church and trails. He could see tourists coming to the city for the trails. The attorney had some concern about the Library, as generally speaking, tourists do not go to a city to go to the Library. Beaucaire asked the attorney if tracking visitors at the Library would be sufficient, and he stated that could help but he still had cautions.

Beaucaire stressed the city needed some rationale for the allocations and data to back up their decisions.

Groth clarified Beaucaire did not discuss streets and parking as a legitimate use.

Helen Anderson asked what the penalty was if there was a law suit. Beaucaire did not know as the law had not been challenged. Purcell asked if a statement from the Council explaining the logic would be helpful. Beaucaire noted there needed to be some data to back up the decision.

Beaucaire noted a similar issue with use of the Commons and how much activities in the Commons brought in visitors. The Committee discussed what would count as visitor use. Beaucaire stated the attorney indicated it was harder to justify personnel costs on events related activities. Newport uses their lodging tax funds for their recreational facility, airport, wastewater debt services, Beaucaire suggested they need to get better documentation on who is using the Commons and attending the events. Newport budgeted its tax for their recreation facility, airport, sewer debt service, and governmental debt service. Florence shows 40% support for the Chamber of Commerce and 60% support for the events center.

Moore noted the time spent managing vacation rentals for code enforcement would be a legitimate use. Moore speculated that if 25% of the code enforcer's time was spent on vacation rental inspections and complaint follow up, 25% of his time could be covered by visitor amenities. Beaucaire suggested this decision be backed up by tracking vacation rental complaints. Beaucaire recommended they use some type of a log as hard evidence.

Groth clarified that 39% of the tax is restricted.

Beaucaire reported that according to ORS 320.300, tourist means, "a person who for business, pleasure, recreation, or participation in events related to the arts, heritage or culture travels from a community in which that person is a resident to a different community that is separate, distinct from and unrelated to the person's community of residence and that trip requires the person to travel over 50 miles from the community of residence or includes an overnight stay."

Danos suggested that parking would be difficult to back up because parking was a significant issue for locals. Groth noted that there was still unspent funding for parking that was taken from Visitor Amenities Funds. Moore suggested that they could justify a portion of the parking for visitors.

Purcell asked if other cities had issued any policy statements on how they used the funds. Moore speculated that most cities have justifications for their allocations.

Tooke noted from the League of Oregon Cities document the areas that were not well defined or gray. He concluded that the law was poorly written.

Anderson asked if it would help to create justification by comparing demand for water and sewer during the summer versus during the winter. Danos clarified that the City does not get numbers

of visitors from the hotels. Purcell suggested they were building a defense for a battle they do not know will happen.

Beaucaire encouraged members to make their Commission aware of these issues.

Per page 27, Appendix C, Beaucaire noted the recommendation that when funds are transferred to a third party, there should be an agreement with that third party to audit their records so the city can ensure monies are being used for the restricted purposes.

Anderson clarified that it would likely be the hotels and possibly a chamber who would legally challenge the allocations.

Purcell asked about the fit for the purchase of property for something like watershed protections. Purcell suggested they see if they can find examples where lodging taxes were used to purchase property.

Rivinus suggested the City develop a policy about how to manage the gray areas. Beaucaire indicated she would talk to other city managers. She asked Moore to talk to other mayors and Tooke to talk to the water people he worked with. Purcell indicated he would talk to people he knows in conservation efforts.

Tooke noted most of the Oregon cities opposed the 2003 state legislation which means that some entity must be lobbying in favor of the restrictions, such as the hotel lobby. Beaucaire noted the lobbying for affordable housing for people who service the tourism industry failed.

Tooke suggested raising the topic at the upcoming coastal economic meeting in Florence.

B. Review Loans, URD, Food and Beverage Tax Ballot Measure

Beaucaire explained that inevitably someone wants details so she has provided significant documentation in the packet.

Beaucaire explained the Business Oregon Loan was at a 5% interest rate. She also noted in the South Tank loan from Business Oregon, there was IGA with the URD that stipulates the URA pays $100,000 per year toward this loan. Beaucaire noted the amortization schedule indicated that the payment was only $40,000. She indicated she talked to Business Oregon about using the $60,000 extra in the $100,000 allocation to apply to the 5% loan. Beaucaire indicated this would require a special permission. Groth clarified the water tank Business Oregon loan was at 1%.

Beaucaire noted the City uses the food and beverage tax and the URA to cover the wastewater plant loan. She was checking with the attorney about whether they could take additional funds from the URA to pay off these loans early. Groth noted the URD fund serves as a reserve for future infrastructure projects. He cautioned against using the URD for more quickly paying down a loan.

Moore stated that using the extra $60,000 to pay off the 5% loan was desirable.

Tooke asked for clarification on the unusual interest rate structure of the higher interest loan. Beaucaire indicated it was part of the original agreement.

Purcell clarified:

1. $528,000 in 2009 was for paying off the old wastewater plant
2. $6.71 million in 2006 was for the wastewater treatment plant
3. There was refinancing of general obligation bonds by previous City Manager Davies for $533,000 and $512,000 to reduce the interest rates
4. $1.7 million was for the south water tank with $700,000 forgiven, leaving $1 million to be repaid.

Moore stated there was a state fund where the city could earn 3% on their surplus funds. He noted all but the 5% loan were at 3% or less.

C. Review Aumsville Financial Forecasting Worksheet

Beaucaire explained she attended a conference session about financial forecasting. She explained the document in the packet was an excel spreadsheet of a 10-year financial forecast. She stated this forecasting would be a very important tool for the city. She asserted there was a high expectation that things were expected immediately. She indicated this worksheet would help with understanding what the financial consequences of decisions would be.

Moore added that the worksheet required a significant amount of set up time, but once it was established, it was easy to maintain. He noted Aumsville has provided the spreadsheet for free.

Purcell asked who would create a version for Yachats and when it would be done. Beaucaire indicated Ellen Myhrvold would eventually be able to maintain the sheets. She also noted there are several volunteers with experience in Excel. She reported PERS was the hardest aspect to predict.

Beaucaire added that she has been contemplating bringing on temporary employees to work on a given project for a specific period of time. Some example work could be code enforcement, fats oils and grease inspections, archiving, and how much filing space is needed for moving City Hall.

Rivinus asked for clarification on what the Committee was being asked. Beaucaire stated she thought the Excel worksheet would be a valuable tool but wanted the Committee's opinion.

Purcell thought it could be a valuable tool but wanted to know how it would be established. Danos speculated that there might be other software that could provide similar feedback without having to plug in all of the data. Anderson asked about who would be providing the expertise on the change/growth rates for the forecasting projections. Beaucaire suggested there were other sources to get some of that information. Vaaler noted an actuarial forecast would provide probabilistic change or growth rates.

Tooke stated it would be useful if it provided information to give to the public to explain or justify decisions. Rivinus stated it was a good idea but asked that other options be considered.

V. Other Business

A. From the Committee

Beaucaire handed out a sample financial report from the Springbrook software. She noted the items that were not yet included in the reports. She noted she had people working on reports specific to the Commissions.

Danos asked if gallons used could be provided on the water bill. Anderson noted there was a direct conversion from units to gallons. Moore suggested this information could be put on the website.

Beaucaire stated the water rate study was underway with a team comprised of the Mayor, the water and wastewater department Leads, the Chair of the Public Works and Streets Commission, and herself. She indicated there would be a public meeting on the topic.

Tooke asked about the food and beverage tax ballot measure information in the packet. Beaucaire explained a question was asked at the last meeting about a sunset clause, and the ballot measure does not have a sunset clause.

Beaucaire reviewed some to the issues she was preparing for the next meeting, including some updates to the CIPs, the replacement of a variable frequency drive at the plant, and a comprehensive report on interfund loans.

B. From the Staff

McClung explained the Emergency Preparedness Committee wanted to create operational and capital budgets. He explained the operations budget would include trainings and staff time for container inventories and other maintenance work. McClung noted that there was a need for more redundancy of FEMA certifications in order to get FEMA funding.

Groth noted there was a "catch all" line item in Fund 100 for some of this training. Beaucaire stated there had been discussion about having a line item for Commission/Committee expenses that could be tracked by the Commission. Moore noted that both Beaucaire and McClung were the only two with all of the certifications and both lived out of town. He suggested that it would be ideal to have someone trained both south and north of the bridge.

Moore suggested making it clear where the emergency containers were located. Groth suggested that the focus could be to get more people involved in the Emergency Preparedness Committee work. Groth added that the Emergency Preparedness Committee was working to develop a closer relationship with the Fire Department.

Purcell asked why the south tank went from 500,000 gallons to 250,000 gallons in size. McClung indicated it was based on cost and finding a large enough footprint to put the tank.

Purcell asked for clarification on how the URD funds are spent outside of the URD boundaries. Beaucaire indicated she was going to examine this issue closer.

C. From the Floor – none

With no further business before the Committee, Beaucaire adjourned meeting at 11:46 am.

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Shannon Beaucaire, Chair

Minutes prepared by H.H. Anderson on September 2, 2019.