City of Yachats

FINANCE COMMITTEE
September 11, 2019

Draft Minutes

I. Call to Order

Chair Shannon Beaucaire called the September 11, 2019 meeting of the Finance Commission to order at 10:00 am in Room 1 of the Yachats Commons. Members present: Shannon Beaucaire, Don Groth (Public Works), Jacqueline Danos (Planning), John Purcell (Parks and Commons), Jim Tooke (Council), and Mayor John Moore. Absent: David Rivinus (Library). Staff present: Water Plan Lead Rick McClung. Audience: 3.

II. Minutes August 14, 2019

Moore moved to approve the August 14, 2019 minutes as presented: Aye – 6; No – 0.

III. Business

A. Discussion of Financial Reports

Beaucaire reported the COG financial team has been addressing many issues and has input the budget into the new financial system. She noted they were still working out nuances and working on the format of financial reports. Beaucaire reported she has stipulated that she will be setting the priorities for their work.

Beaucaire reported the auditors will be onsite next week.

B. History of Interfund Loans, Impact on Reserves, Going Forward

Beaucaire recalled one Council goal was to build up financial reserves. She noted there have been interfund loans that have impacted the reserves. She reported there were questions about where the remaining balance in the south tank project was being transferred to. She asked Tom Lauritzen to provide history on these funds.

1. Interfund Loans in Water Reserves and Sewer Reserves.

Lauritzen explained that on page 2 of the handout for Hwy 101 Cash Planning under Water Reserves, there was an entry of $254,481. Lauritzen recalled when former mayor Ron Brean asked him to put together a financial plan for funding Highway 101, they proposed refinancing the 501 building. The City paid $500,000 for the building which was funded by taking $200,000 from Visitor Amenities and $300,000 from water reserves.

Lauritzen explained that when the City settled the arrearages from the Horizon Hill lots, there was an interest component to those payments in 2015-2016. This interest portion of $45,519 returned to water reserve interfund loan, resulting in the balance of $254,481 (equal to $300,000 – $45,519). He noted the City never did refinance the 501 Building.

Lauritzen reported that when the City closed books on FY16-17, there was an extra $20,232 that was applied to this $254,519 balance, bringing the balance to $234,287. Lauritzen noted the interfund loans are not recorded as a loan payable and a loan receivable in the two relevant funds. He noted ORS 294 requires that cities repay these interfund loans within 10 years. This Statute also allows cities to use reserves to cover non-enterprise activities, such as a library or museum. Lauritzen also indicated while this type of usage was permissible, it was not advisable.

Lauritzen explained the City anticipated taking $600,000 form water reserves and $400,000 from sewer reserves to fund the Highway 101 project as noted on page 2 of the handout on the Interfund Loan line. Lauritzen explained they ended up actually taking $200,000 from water reserves and $450,000 from sewer reserves. Lauritzen stated that there was $233,00+/- for the bank building and $650,000 for the Highway 101 project left to pay. Lauritzen indicated the remaining reserves in the south tank project should go back to water reserves.

Lauritzen explained they transferred $300,00 from Fund 150 into the south tank project. The City used that money to buy land and do some engineering work. After that, the City got a loan for the south tank. Lauritzen concluded the original amount minus what was spent was still in the south tank fund, so that $211,000+/- was left needed to go back to water reserves.

Anderson read the motion made at the August 14, 2019 Finance meeting: “Moore moved to distribute the $211,412 ending balance of Fund 688 to reserves with water reserves being repaid in full and the remaining balance applied to wastewater reserves.” Lauritzen stated this motion was appropriate as it did not mention the loan payments, and Beaucaire asserted the language implied a loan was being repaid. Beaucaire believed the $200,000 amount was set to repay the interfund loan for Highway 101. Moore recalled $200,000 was owed to water reserves and $450,000 was owed to sewer reserves. Anderson clarified the motion would need to state the amount was being “transferred to” rather than “repaid.”

Lauritzen explained difference between a balance sheet of assets, liabilities, and equities and an income sheet. Lauritzen explained some history of an old auditor and how transfers were handled or not handled within the ledger. Danos asked if there was a paper trail to backup actions that Council passed in a resolution other than minutes and the resolution document. Lauritzen stated the previous City Recorder did not record these transfers. Lauritzen recalled when he was called in to clean the books, there was a negative $5 million balance in the general fund. There was another capital fund with a balance of $4 million. There was no evidence of money being used inappropriately, just not recorded properly.

Beaucaire handed out a sheet for Fund 15 Capital Reserves. Moore noted on 3rd page at the bottom there was indication of negative $200,000 for water and negative $450,000 for sewer but nothing for the bank building. Beaucaire indicated the Fund 150 in the budget book accurately records the $650,000 transfer.

Danos clarified that the interfund transfer on the 501 Building was not showing on the sheets.

Moore noted the City spent slightly over $100,000 per year on streets and there was $464,000 in streets reserves. He asked if some of these streets reserves could be transferred to water reserves. Groth noted there was $383,900 transferred into street reserves in FY17-18 and suggested they determine where that money came from and what it was to be used for. Moore clarified amount for the library reserves included the Hall Bequest.

Purcell clarified that Beaucaire will provide updated the sheets for the binders.

Beaucaire noted the complexity of gathering documentation to trace the history of these interfund loans.

2. Urban Renewal District.

Lauritzen reported the URD was created in FY06-07 to help pay for the sewer plant. He explained that at the time of creating the URD, the value of the homes in the URD are frozen, and any taxes collected on assessed values over this frozen amount go to the URD and not the county. He indicated the URD can only be 25% of surface area of the city and must be continuous line. Purcell clarified that funds from the URD can be used for properties not included in the URD.

Lauritzen stated that when the URD was formed, Council defined the following projects totaling $7,824,600:

$ 322,000	Admin Fees
$ 68,000	Materials and Services
$3,700,000	Sewer Plant
$ 266,000	I&I
$1,333,000	South Tank
$ 133,000	Miscellaneous Looping*
$ 133,000	Waterline Upgrades*
$ 66,000	Fire Hydrant
$ 66,000	Water Main Water*
$ 266,000	Street Repair
$ 667,000	Storm Drain Improvements
$ 333,000	Sidewalks and Curbs*
$ 133,000	Trails
$ 333,000	Parks

Lauritzen said that the statute allows for these projects to be amended.

He explained Joan Davies, Rick McClung, Dave Buckwald and himself reviewed these projects to identify ones that were obsolete, unidentified, or no longer needed. They used these funds to increase the Highway 101 funding from $333,000 to $1,333,000. Lauritzen stated they took funds from the * accounts above. They also reduced sewer plant payments because the collection on it would continue for 10 years after the loan was repaid, so they transferred that future collections amount to streets and Highway 101. Lauritzen stated the plant would mature in 2019, and income from the bond from 2030 to 2033 was to be applied to the Highway 101 interfund transfers a total of $1 million. Moore asked if this logic was still valid. Lauritzen stated Council can change it at any time. Lauritzen suggested the URD fund was the most flexible to help the City do the projects it wants to do.

Lauritzen explained that when he started working with the City's finances, they had loans on three generations of sewer plants. Lauritzen noted one of the general obligation bonds at 3% was covered by taxes, so there was no benefit to repaying it. Lauritzen suggested that with proper tracking, there was no need to do interfund loans that were for cash management rather than for CIP projects.

Beaucaire stated objective were now to:

1. Get capital reserve sheets to reflect the $230,000+/- interfund loan
2. Get clarity on URD balances
3. Find a way to possibly pay off the 5% loan faster

Moore moved revise the previous motion from August 14, 2019 stating, "Moore moved to distribute the $211,412 ending balance of Fund 688 to reserves with water reserves being repaid in full and the remaining balance applied to wastewater reserves" and to instead transfer the ending balance of Fund 688 to water reserves: Aye – 6; No – 0.

V. Other Business

A. From the Committee – none
B. From the Staff – none
C. From the Floor – none

With no further business before the Committee, Beaucaire adjourned meeting at 11:17 am.

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Shannon Beaucaire, Chair

Minutes prepared by H.H. Anderson on September 11, 2019.