

Document submitted to Commission 8/8/2023

City of Yachats

Public Works & Streets Commission/Finance Committee coordination discussion

August 8, 2023 – 2:00 PM – Council Chambers

BACKGROUND

Yachats updated the ordinance covering its Finance Committee in September, 2021. Over the next several months, new members were recruited, considered, and appointed. The initial appointees and their individual assignments were:

John Moore – Urban Renewal District, Taxes, and appropriations’

Charles Bame-Aldred – General Fund Capital Projects, priorities, and appropriations

Vicky West – Transient Rental Taxes, Food & Beverage Taxes, and revenue reporting

Tom Lauritzen – Enterprise Funds, Capital Projects, and appropriations

John Moore has since resigned his appointment. Urban Renewal responsibilities were transferred to Tom Lauritzen. Interim City Manager Rick Sant has replaced former City Manager Heide Lambert as Chair of the Finance Committee. The Chair has indicated that he will likely be able to call his first Finance Committee meeting in early September.

Long-term Revenue Forecast

In preparation for the 23-24 Capital Improvement Plan for the City’s Budget, the Finance Committee identified several long-term revenue sources that could fund all the Enterprise projects identified in the recently completed Master Plans for Water and Wastewater. The Projects identified in the Master Plans totaled over \$21 Million and were spread over 20 years.

Attached is a copy of the long-term revenue plan, as of February, 2023. (Brief discussion of the components). Since the plan was created, our City Manager resigned, and a new Council has begun to put its stamp on City finances. The Finance Committee has concluded that there will be significant demands on general fund revenue that will likely prohibit the annual transfer of \$200,000 from the General Fund to Water sustainability. Rick McClung, Water lead, and Tom Lauritzen, Enterprise Fund member of the Finance Committee, have been working on a series of steps that Yachats could consider for replacing the Sustainability funds and free those dollars up for some of the new priorities that the current Council is considering. We will present these in the order of easiest to hardest to implement and look forward to your review, comments, and priorities.

1 - Industry Standard Free Water – implemented with AAWU rate study –

Yachats adopted a rate plan presented by the AAWU (Tim Tice) that was based on large city industry standards. We can debate the wisdom of applying industry standards, derived from large numbers of big meters to a population of 8 meters, at length, but that decision is in the past. What we can do is incrementally improve on that decision by tailoring the parameters to more closely align with our earlier goals of reducing the amount of subsidy that residents provide to large water users.

Each 2" meter is granted 5.8 units before billed consumption starts. The lone 4" meter is granted 28.0 no-charge units.

This first change that we propose would be to eliminate all no-charge water to all non-standard meters in the system.

This change is 68.6 units per month at \$13.83 each for an annual amount of \$11,385.00.

2 – Properties with prepaid SDC fees and no installed meter

The City of Yachats has approximately 93 lots with prepaid SDC fees, and no meter installed. These properties locked in their connection costs but provide no on-going support to the system that services their property. Upon paying the SDC fees, these property owners became owners of the utility system. Many of these prepayments go back 30-40 years.

We propose that properties with pre-paid SDC fees and no meter pay a monthly standby fee equal to 50% of the monthly minimum fee with a meter.

93 meters at \$55 per month is an annual revenue of \$61,380.

3 – Individual Homes with Vacation Rental Licenses

Yachats has authorized 125 TRT licenses in the city. The most recent count a few months ago was 112. We propose that TRT-licensed homes pay a higher monthly minimum than owner-occupied homes. Raising the minimum for commercial activity in residential zones furthers our goal of reducing the subsidy that homeowners pay for the benefit of the lodging industry. Our initial estimate is that a 50% premium is a reasonable amount for a commercial activity.

112 homes at a \$55 monthly premium is an annual revenue of \$73,920. We should consider classifying all commercial activity as eligible for the surcharge. Our customer classifications in the city's UB system have become muddled and need scrubbing to get an accurate count.

4 – Raise Hotel/Motel/Restaurant Water rates; increase handling fee for administration

The city currently allows a 5% discount on the taxes collected as a handling fee. Said another way, the hotel/restaurant pays 95% of the tax generated by customers and keeps the 5% as a handling fee to do the calculations for the city. Raising the handling fee to 10% would allow the city to raise water rates by \$55,000 for hotels and motels and \$21,000 for restaurants.

5 – Summary of potential rate adjustments

1 - Elimination of industry standard free water \$ 11,385

Really easy to implement – 8 meters.

2 – Prepaid SDC properties – 50% minimum \$ 61,380

A new rate structure is needed, not too difficult.

3 – Individual Vacation homes \$ 73,920

Like 2; not too difficult. A new rate structure.

4 – Handling fee for hotels/motels \$ 76,000

Total **\$ 222,685**

Thank you for the opportunity to present these potential revenue items. We look forward to your consideration of these items in your discussions and their impact on the long-term approach to funding our Master Plan items.

Respectfully submitted – Rick McClung and Tom Lauritzen