

MANZANITA PRE BUDGET MEETING

April 24, 2023

10:00am

Zoom Video Conference

AGENDA

- FY 22|23 Overview of Prof Services
- FY 22|23 Transfers
- FY 23|24 Budget Process Overview
- Orientation to Budget, Departments and Funds
- General Projected Resources and Requirements for FY 23|24

ADMINISTRATION PROFESSIONAL SERVICES

The Professional Services Line item in the Administrations budget represented the largest proposed expenditure for the department in FY 22|23. The proposed FY 23|24 budget will include a similar level of proposed expenditure. This line item is a catch all for contract services necessary for city operations, as well as including resources to carry out many of the City Council policy goals.

FY 22|23 PROFESSIONAL SERVICES

\$450,000 – APPROVED BUDGET

City Attorney - \$100,000

Information Technology - \$50,000 (includes in person mtgs estimate)

Professional Planning Services - \$50,000

Caselle Financial Software - \$20,000

Auditor - \$15,000

Misc – \$10,000

Total Essential Services - \$245,000

Envision Manzanita | Comprehensive Plan Update / Outreach – \$150,000

Budget Forward | Revenue Diversification Study – \$45,000

Level Up Manzanita | Finance – \$10,000

Total Council Goals Related Services - \$205,000

Total Budgeted Professional Services = \$450,000

FY 22|23 PROFESSIONAL SERVICES

\$177,662– ACTUALS YTD

City Attorney - \$79,207

Information Technology - \$32,500

Professional Planning Services - \$2,920

Caselle Financial Software - \$17,280

Auditor - \$13,500

Misc – \$4,610

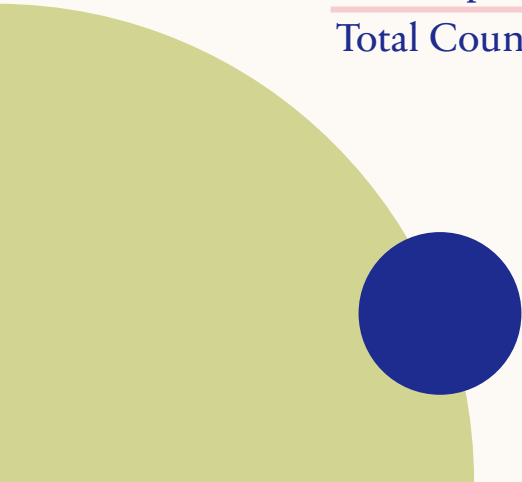
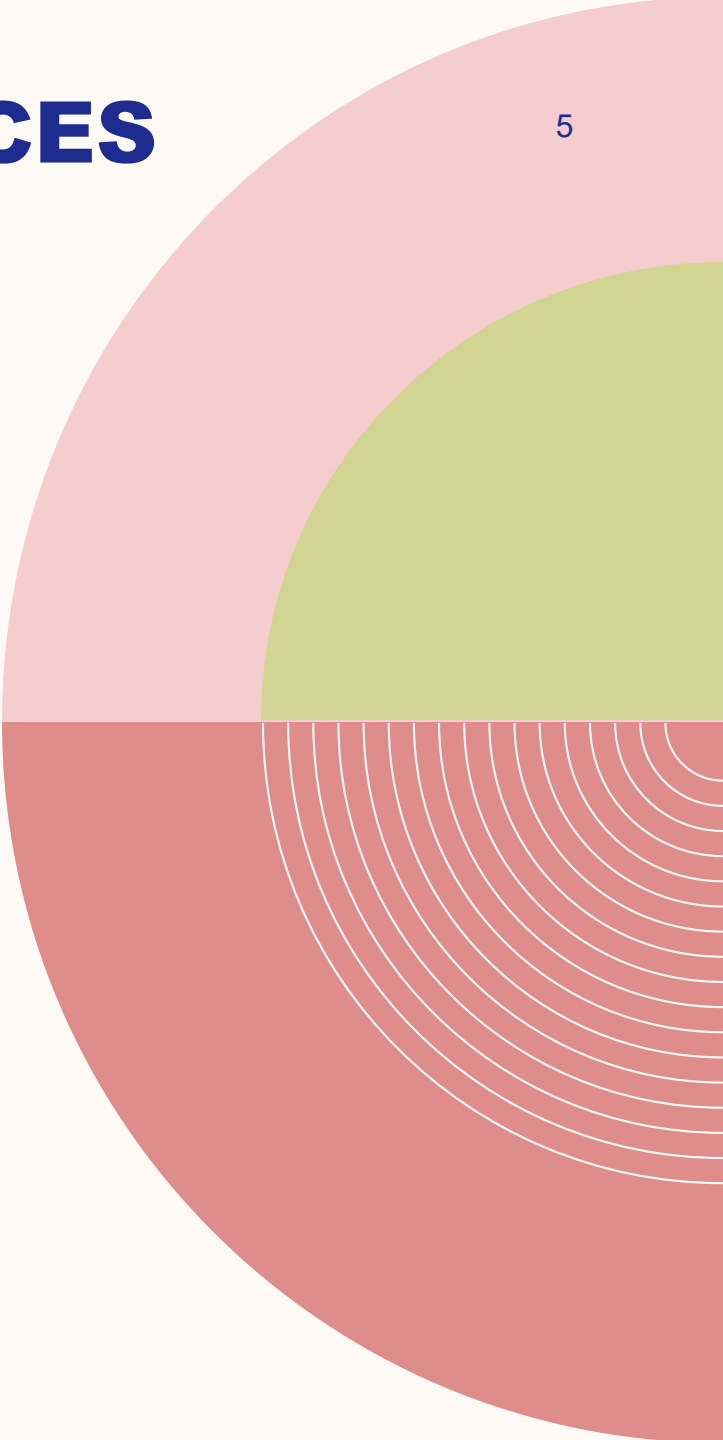
Total Essential Services - \$150,017

Envision Manzanita | Comprehensive Plan Update / Outreach – \$7,005

Budget Forward | Revenue Diversification Study – \$16,390

Level Up Manzanita | Finance – \$4,250

Total Council Goals Related Services - \$27,645



FY 22|23 PROFESSIONAL SERVICES

\$242,845 – ESTIMATED EOY

City Attorney - \$100,000

Information Technology - \$47,500

Professional Planning Services - \$5000

Caselle Financial Software - \$20,000

Auditor - \$13,750

Misc – \$5000

Total Essential Services - \$191,250

Envision Manzanita | Comprehensive Plan Update / Outreach – \$7,005

Budget Forward | Revenue Diversification Study – \$34,590

Level Up Manzanita | Finance – \$10,000

Total Council Goals Related Services - \$51,595

EXAMPLES OF \$44,713 GENERAL MATTERS

- Land Use Matters
- Issues related to short term rentals
- Procurement and Contract Reviews
- Records Requests
- Employee Handbook and Policies
- System Development Charges
- Any changes to ordinances or establishment of new ordinances
- Changes to Council Rules of Procedure
- Other items usually only approved by City Manager, or a majority of Council

SPECIFIC MATTERS \$34,494

Dune Grading Moratorium – \$4,994

LUBA - \$29,500



REVIEW OF TRANSFERS

Summary of Indirect Cost Allocation

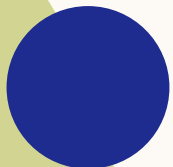
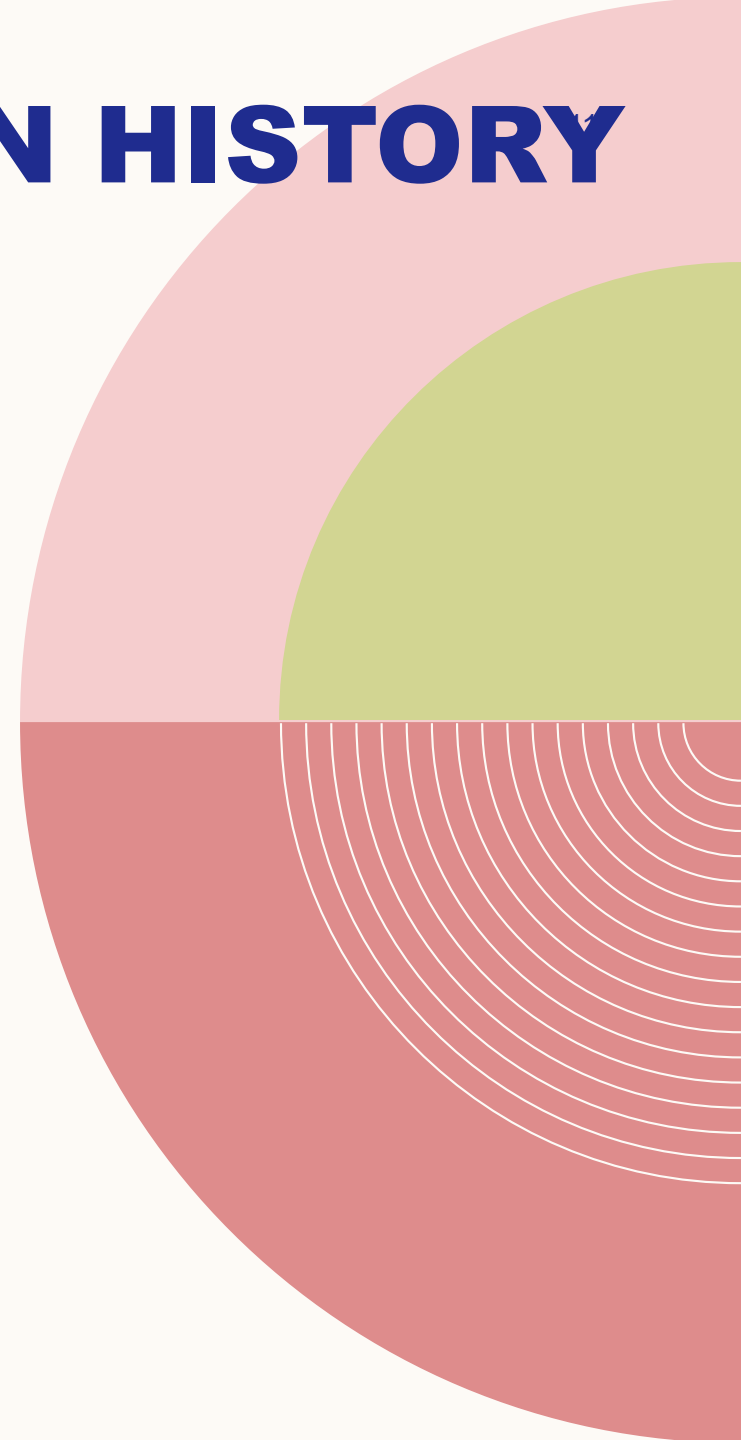
DEFINITIONS

Interfund Transfers – Transfer from one fund to another for a specific purpose

Indirect Cost Allocation – Funding transferred from one fund to another for administrative functions, which benefit those funds.

INDIRECT COST ALLOCATION HISTORY

- Once upon a time (not too long ago in fact) water utility indirect costs were recovered as a % of the City Managers Salary
 - In the 1990s 25% of the **City Managers salary was paid directly out of the water operations fund.** This increased to 50% over time.
- While this approach is not uncommon for small cities Manzanita moved away from this model four years ago.



INDIRECT COST ALLOCATION HISTORY

- The city hired the FCS group to do an analysis using cost drivers to determine indirect costs.
- This analysis was conducted in open hearings and in a fully transparent public process.
- The City relied on this model for 4 years. However, issues with its complexity, the fact it was not easy to intuit led budget committee members to explore other options.

INDIRECT COST ALLOCATION HISTORY

- BC directed staff to review other models and recommended advancement of a Materials and Services Model
- Staff held multiple conversations with the BC and City Council on this approach. This year the BC recommended approval to the City Council to adopt a Materials and Services Indirect Cost Model
- City Council adopted Resolution 23-01 Adopting the Materials and Services Methodology
- The FY 23 | 24 budget will include Indirect Cost Transfers from the Building and Water Utility Fund using the approved methodology.

INDIRECT COST ALLOCATION HISTORY

- Best practice is that the General Fund should not subsidize a for profit enterprise.
- The facts have been presented in multiple public hearings, through objective analysis, and through a transparent and public process.
- The city has always accounted for some form of transfer either through paying the city managers salary directly (25% - 50%) or more recently through a more transparent, understandable and objective model-based approach.

GENERAL FUND INTERFUND TRANSFERS

Description	Debit (Budgeted)	Credit (Actual)
Transfer out	26,200	
Transfer in - Public Safety Equip Reserve		-26,200
Transfer out	5,000	
Transfer in - Storm Drain Facilities Fund		-5,000
Transfer out	268,615	
Transfer in - Building Fund		-268,615
Transfer out -	80,000	
Transfer in - Road Fund		-80,000

WATER UTILITY AND SDC INDIRECT COST TRANSFERS

Description	Debit (Budgeted)	Credit (Actual)
Transfer out - Water Utility Fund	168,350	
Transfer in - General Fund		-168,350
Transfer out - Water Utility Fund	16,896	
Transfer in - Public Works Equip Reserve Fund		-16,896
Transfer out - Water SDC Fund	44,265	
Transfer in - General Fund		0

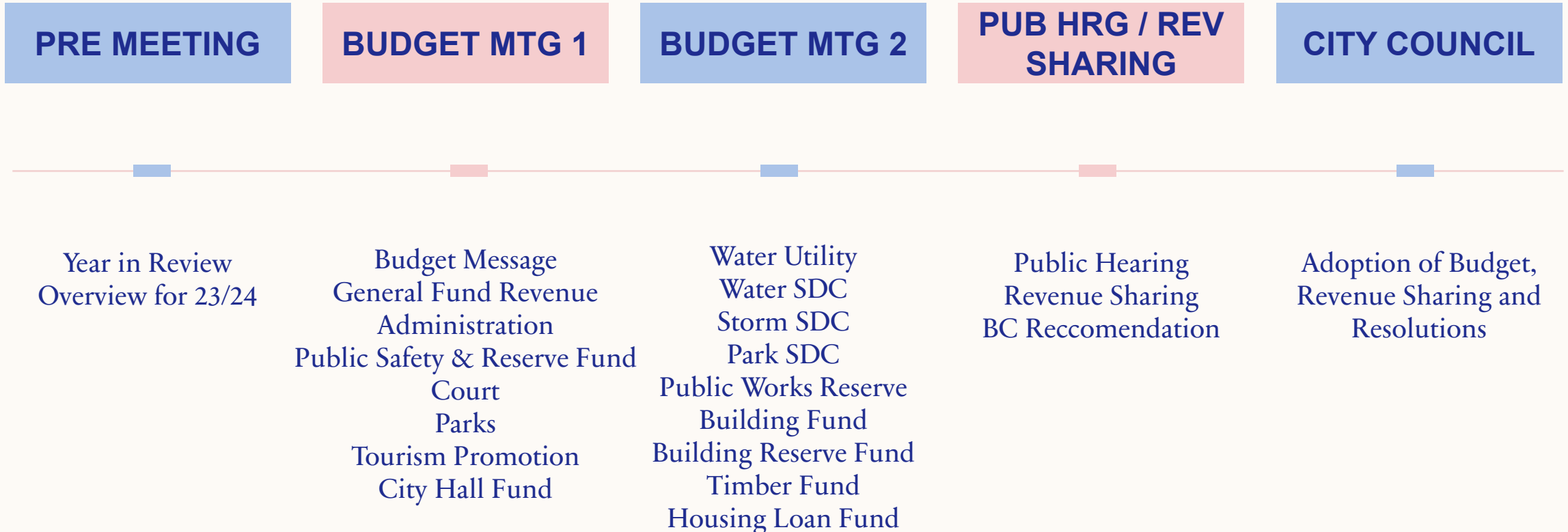
BUILDING INDIRECT COST AND ROAD INTER FUND TRANSFERS

Description	Debit (Budgeted)	Credit (Actual)
Transfer out - Building Fund	55,570	
Transfer in - General Fund		-3,711
Transfer out - Building Fund	12,500	
Transfer in - Building Equip Reserve Fund		-12,500
Transfer out - Road Fund	8,700	
Transfer in - Public Works Equip Reserve Fund		-8,700

ESTABLISHING THE BUILDING FUND

426,541	Total Building Revenue FY 21/22	
(106,067)	Less Total Building Expenses FY 21/22	
320,474	Actual Beginning Fund Balance 22/23	
(268,615)	Less Estimated Beginning Fund Balance 22/23	
51,859	Delta	
55,570	Approved Indirect Cost Transfer 22/23	
= 3,711	Actual Transfer to Balance Beginning Fund Balance FY 22/23	

BUDGET PROCESS



FUND STRUCTURE DEFINITIONS

General Fund

A fund used to account for most fiscal activities except those activities required to be accounted for in another fund.

Enterprise Fund

A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. They are usually self supporting.

Special Revenue Funds

A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Capital Project Funds

A fund used to account for resources for major capital item purchase or construction.

Reserve Funds

Established to accumulate money from year to year for a specific purchase such as new equipment.

FUND STRUCTURE

General Fund

Enterprise Fund

Water Utility
Fund

Special Revenue Funds

1. Building Fund
2. Road Fund
3. Tourism
Promotion and
Facilities Fund
4. Timber
Management
Fund
5. Housing
Rehabilitation
Loan Fund
6. Trust Fund – to be
closed FY 23/24

Capital Project Funds

1. Water SDC
Fund
2. Storm Drain
SDC Fund
3. Parks SDC
Fund
4. City Hall
Expansion
Fund

Reserve Funds

1. Public
Works RF
2. Public Safety
RF
3. Building RF

FUND STRUCTURE BUDGETS

General Fund

- Administration
- Public Safety
- Court
- Non Dept
- **Civic Improvement – to be closed FY 23|24**

Enterprise Fund

Water Utility
Department

Special Revenue Funds

- Building Department
- Road Fund
- Tourism Promotion and Facilities Fund
- Timber Management Fund
- Housing Rehabilitation Loan Fund
- **Trust Fund – to be closed FY 23/24**

Capital Project Funds

- Water SDC Fund
- Storm Drain SDC Fund
- Parks SDC Fund
- City Hall Expansion Fund

Reserve Funds

- Public Works RF
- Public Safety RF
- Building RF

FUND STRUCTURE

DEPARTMENTS

General Fund

- Administration
- Public Safety
- Court
- Non Dept
- Parks
- Civic Improvement – to be closed FY 23|24

Enterprise Fund

Water Utility Department

Special Revenue Funds

- Building Department
- Road Fund
- Tourism Promotion and Facilities Fund
- Timber Management Fund
- Housing Rehabilitation Loan Fund
- Trust Fund – to be closed FY 23/24

Capital Project Funds

- Water SDC Fund
- Storm Drain SDC Fund
- Parks SDC Fund
- City Hall Expansion Fund

Reserve Funds

- Public Works RF
- Public Safety RF
- Building RF

ORGANIZATIONAL STRUCTURE ADMINISTRATION

- Office of the City Manager Provides Oversight of all
- Departments and Funds
- Office of the City Recorder
- Finance Division provides services for all Departments
- Human Resources provides services for all Departments
- Manages Contracts for Visitor Center



ORGANIZATIONAL STRUCTURE PUBLIC SAFETY

- Public Safety Department provides Public Safety Services and Code Enforcement services.



ORGANIZATIONAL STRUCTURE PUBLIC WORKS

- Day to Day operations of Water Utility, Roads, Parks, Storm Drain and Tourism Facility Maintenance.



ORGANIZATIONAL STRUCTURE DEVELOPMENT SERVICES

- Building Services
- Planning and Land Use
- Short Term Rental Program and Inspections



REVENUE

TRANSIENT LODGING TAX

- Average rate of growth prior to COVID was 11.8%.
- Estimate for the FY 23|24 TLT revenue is based on a 10% growth factor from 2018

FEES FOR SERVICE

- Higher estimates due to increase in Short Term Rental Fees, Inspection Fees to account for cost recovery

WATER UTILITY

- Existing Rates

BUILDING AND SDC FUNDS

- Revenue is estimated to be significantly lower than last two years based on reduction in housing starts and trends over the last year.
- Increase in permit fees to account for inflation.

EXPENDITURES

PERSONNEL SERVICES

- 6% Cost of Living Adjustment
- Modest increase in healthcare, added in orthodontics and propose to cover the new family medical leave act.
- Increase in PERS

MATERIALS AND SERVICES

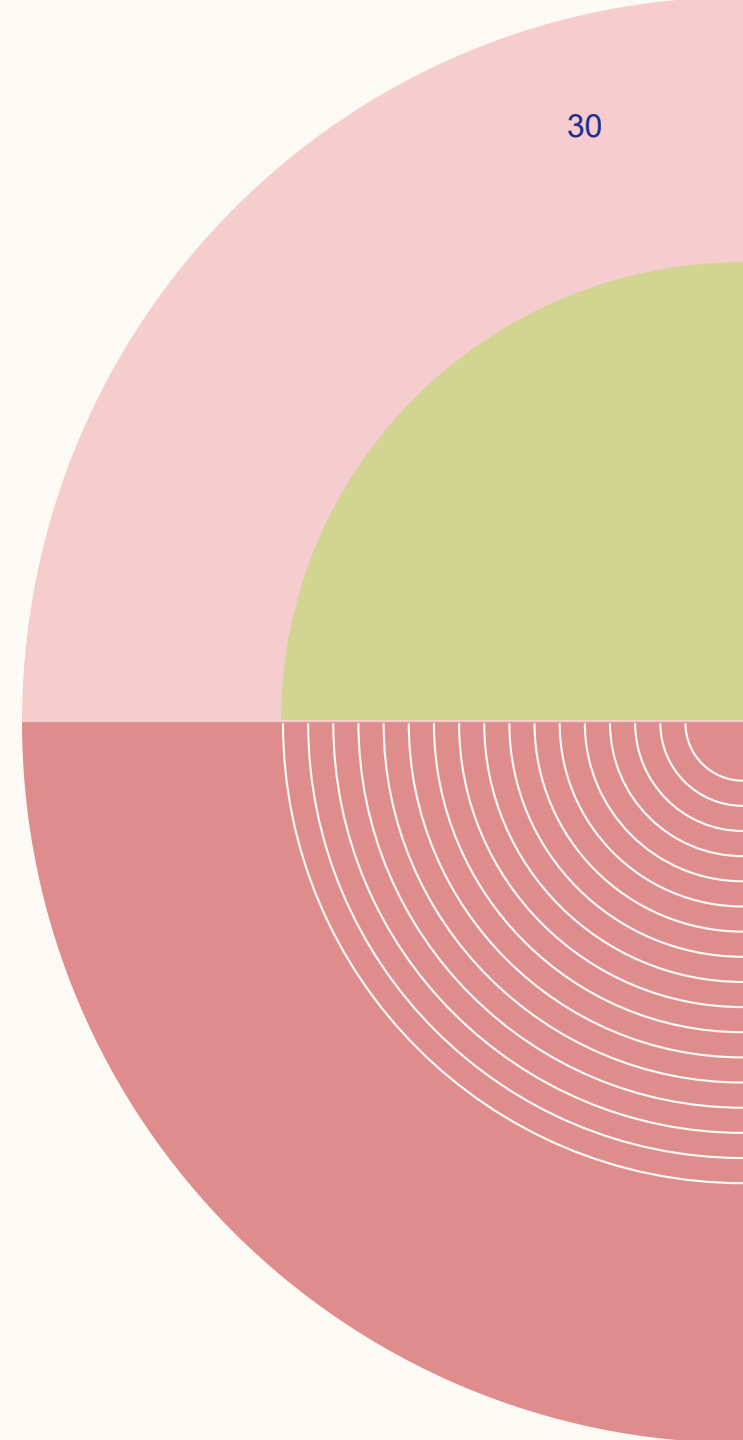
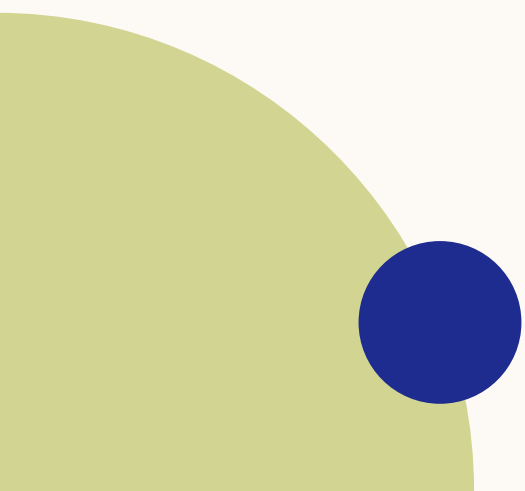
- Adjusted for inflation
- Higher level of accuracy for actual expenses.
- Insurance Increases for property and liability
- Greater requirements for IT services due to return to in person meetings.

CAPITAL

- Adjusted for inflation

DISCUSSION AND QUESTIONS

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THANK YOU

Leila Aman, City Manager

Nina Crist, Accounting Manager