



# City of Bandon

555 Hwy 101, PO Box 67  
Bandon, OR 97411  
(541) 347-2437

*Bandon by the Sea*

## MINUTES

### CITY OF BANDON CITY COUNCIL AND URBAN RENEWAL AGENCY BOARD BUDGET WORK SESSION

COUNCIL CHAMBERS, 555 HIGHWAY 101, BANDON, OR 97411

MONDAY, FEBRUARY 12, 2024

Livestreamed via Zoom Meetings

#### COUNCIL MEMBERS PRESENT:

Mary Schamehorn, Mayor  
Peter Braun, Councilor  
Chris Powell, Councilor  
Geri Procetto, Councilor  
Madeline Seymour, Council President  
Brian Vick, Councilor

#### STAFF PRESENT:

Torrey Contreras, City Manager  
Paula Burris, Finance Director  
June Hinojosa, City Recorder  
Dana Nichols, Planning Director  
Christine Kingsbury, Library Director  
Jim Wickstrom, Electric Supervisor  
Andrea McMahon, Executive Assistant to City Manager  
Nicolette Cline, Planning Assistant  
Richard Taylor, Minutes Clerk

#### COUNCIL MEMBER NOT PRESENT:

Joshua Adamson, Councilor

### 1. CALL TO ORDER/ROLL CALL

Schamehorn called the meeting to order at 1:30 p.m. Roll Call was taken as indicated above.

### 2. DISCUSSION

#### 2.1 Budget Work Session of the Bandon City Council/Urban Renewal Agency Board

Accompanied by a slideshow, Contreras provided an overview of the City's budget process and budgetary issues facing the City.

- The Operating Budget and Capital Budget are the two primary components of the City's Combined Financial Program, or Budget.
  - The Operating Budget funds the provision of essential, recurring, lawfully required City services and is primarily funded by taxes, fees, assessments, and utility sales.
  - The Capital Budget funds capital purchases and projects, through grants, bond proceeds, unexpended fund balances, and donations.
- Funding categories:
  - The General Fund is comprised of non-restricted monies used to fund the Operating Budget. Revenue sources and amounts for the FY 2023-24 General Fund included:
 

▪ Property Taxes .....	\$235,100
▪ Other Taxes .....	\$1,378,589
▪ Franchise Fees.....	\$95,000
▪ Planning Permits/Other Funds .....	\$255,000
▪ Other Permits and Fees .....	\$1,780
▪ Intergovernmental .....	\$675,503
▪ Police and Court Fines .....	\$78,000
▪ Reimbursements.....	\$569,213
▪ Miscellaneous .....	\$153,190
▪ Transfers from Other Funds.....	\$30,049
▪ Fund Balance .....	\$5,106,607

    - Bandon's permanent property tax rate of \$0.4580/\$1,000 assessed valuation only generates 4.6% of the City's General Fund.
    - Non-permanent property tax revenue is derived from the Local Option Street Tax and General Obligation (GO) Bond taxes.
    - The combined permanent and non-permanent property tax rate is \$2.25/\$1,000, excluding Urban Renewal Agency taxes.

- Special Revenue Funds support specific programs, services, capital purchases, and projects. Revenue sources and amounts for the FY 2023-24 General Fund included:
  - Police Reserve Program ..... \$62,522
  - Street Tax..... \$516,110
  - Library Memorial..... \$97,474
  - Library..... \$584,272
  - Tourism Development..... \$461,253
  - Community Beautification ..... \$57,712
  - State Revenue Sharing ..... \$113,143
  - Block Grant..... \$106,320
  - Fund Balance..... \$1,998,806
- The Tourism Development Fund is anticipated to have a closing balance of \$1,200,000 for FY 2023-24 and increase to about \$1,450,000 in FY 2024-25.
- Transient Occupancy Tax (TOT) has a great potential for growth, contingent on approval of new hotel and resort developments.
- The TOT rate is 9.5%, including 6% lodging tax and 3.5% enhanced services tax.
- 80% of lodging tax is assigned to the General Fund; 20% to tourism development.
- 30% of enhanced services tax goes to the General Fund; 70% to tourism development.
- Combining the two TOT rates, 61.58% overall is assigned to the General Fund; 38.42% is restricted for tourism development, as required by state law.
- In the City's FY 2023-24 Budget, \$170,000 was appropriated to the Bandon Chamber of Commerce for tourism promotion—by far the largest contribution to a community organization.
- A survey of regional cities showed that tourism promotion was privately funded in Gold Beach; Port Orford had no program; Brookings received a \$3,000 tourism promotion grant; Lincoln's Chamber of Commerce promoted tourism; Newport provided \$125,000 for three years of tourism promotion by the local Chamber; and North Bend, Coos Bay, and Charleston formed a privately funded consortium that promoted tourism.
- Enterprise Funds are designed to be self-sustaining through recurring user fees in support of proprietary or business-like services, such as the City's utilities.
  - In FY 2023-24, the Electric Utility's operating expenses exceeded user fee revenue by \$451,875—a structural deficit that was covered by its Fund Balance. Capital expenses came to \$1,630,000.
  - The Water Utility also showed a structural deficit in FY 2023-24—\$326,645—which was backfilled by a Fund Balance. Capital expenses amounted to \$2,832,325.
  - A deficit of \$202,498 in the Wastewater Utility Fund was covered by non-recurring Fund Balance as well. Capital Expenses in FY 2023-24 were set at \$4,323,123.
  - Powell: The voter-approved rate increases had not produced the desired relief from Utility deficits.
  - Seymour: The measure would not have passed if the requested increase was higher.
  - Vick: Half the Councilors expected the measure to fail.
  - Schamehorn: The voters had been supportive of rate increases but not rate-setting authority. The cause of the deficits needs to be determined.
  - Contreras: Revenue from user fees should offset operating costs. One-time use funds were not permanent and not intended to make up deficits.
  - Burris: Funds not spent on operating utilities had accumulated during good years and could carry over to the following year, with leftover Capital Fund Balances also covering operating expenses. System Development Charges (SDCs) could only be used for new capital improvements or to repair current infrastructure.
- The Capital Fund is used for non-recurring purchases and projects.
- Debt Service involves funds utilized to make payments on City debt.

A discussion followed the conclusion of the slideshow.

- Schamehorn: There should be no restriction on how the first 6% of TOT is spent; the City should perform due diligence in determining how to spend the 70% of the Enhanced Services Lodging Tax that must go toward tourism development.
- Burris: Bandon Municipal Code also specifies 20% of the first 6% is earmarked for tourism.
- Seymour: Police Department has several high-mileage vehicles with no backup if they need repairs. The City should budget for one new vehicle each year.
- Braun: The Police Department budget should be increased to compensate for new vehicles. Used vehicles have been purchased in the past.
- Burris: Used police vehicles have not been available in recent years.
- Braun: The Council will need more Work Sessions to figure out how to compensate for losses in City Utilities.
- Seymour: The City is wasting money on consultants for beautification projects.
- Braun: Most of the money is coming from grants.
- Schamehorn: The budget will be balanced in spite of deficits in Utilities.
- Vick: Do developers of new hotels and motels pay for new infrastructure?
- Contreras: New development pays for related impacts on utilities through SDCs.
- Nichols: SDCs are based on Capital Improvement Plans in the City's Master Plans, some of which are being updated to reflect current conditions and costs. SDCs may or may not cover the impact of new development, but a developer would bear the cost of bringing electricity to the site of the project. A percentage of SDCs goes to new growth, and another percentage is assigned to existing Utility customers.
- Wickstrom: The rate increase has only been in effect since August 2023, so its impact on Utility revenue has not been fully realized. All transformers requested in the previous year have come in and been paid for, contributing to the deficit. The Electric Utility will have a large capital expense for a new digger derrick in the coming year but will not need to purchase transformers.

### **3. CITY MANAGER COMMENTS**

Contreras: Staff recommends the Council provide direction as the Budget process proceeds. Staff intends to bring another report to the Council in an upcoming Work Session, including revenue and expense projections for FY 2024-25. The Council's priority objectives would be identified at that time.

### **4. CITY COUNCIL/AGENCY BOARD COMMENTS**

Powell: Would like the Council to receive a list of City departments showing the number of employees and their duties.

Braun: Councilors would like more specific information about each Utility, to get a better understanding of what is causing the deficits.

Schamehorn: Would like to have seed money in the budget to support workforce housing for people who want to work in Bandon.

Powell: Would like an update on the City's joint workforce housing project with the Bandon School District.

Contreras: Soil analysis, wetland delineation, and an ALTA property survey were being conducted prior to the development of a site plan. Reorienting the District's ballfields or relocating one of the fields had been discussed. A draft of an agreement to authorize negotiations was to be ready within a week for the District and the developer to review. The developer was finishing construction of a workforce housing facility at Bandon Dunes.

### **5. MEETING ADJOURN**

Schamehorn adjourned the Work Session at 2:32 p.m. The next Budget Work Session was scheduled for March 25, 2024, at 1:30 p.m.