

CITY OF GEARHART  
Budget Committee Meeting  
Tuesday, May 13, 2025  
6:00 pm On-site and Virtual/Telephonic

A budget committee meeting of the Gearhart Budget Committee was held Tuesday, May 13, 2025. Budget Committee members, City staff, and the public were able to attend on-site, virtually, or by dialing in on a telephone.

Present were Mayor Kerry Smith, Councilor Preston Devereaux, Councilor Paulina Cockrum, Councilor Dana Gould, Councilor Sharon Kloepfer, Budget Member Karl Leigh, Budget Member Jennifer Grey, Budget Member Eric Halperin, Budget Member Robert Lee, Budget Member Curt Penrod, City Administrator Chad Sweet, Police Chief Josh Gregory, Fire Chief Josh Como, Executive Assistant Krysti Ficker, and City Treasurer/Budget Officer Justine Hill. A quorum of the Budget Committee was present.

Budget Chair Grey called the budget meeting of the Budget Committee to order at 6:01 pm. She requested by consensus to accept the revised meeting agenda.

- By consensus the Budget Committee Members approved the revised agenda (Cockrum, Devereaux, Gould, Grey, Halperin, Kloepfer, Leigh, Lee, Penrod, Smith).

There were no conflicts of interest declared by any member of the Budget Committee.

A request by Budget Chair Grey was made for the approval of the April 15, 2025 minutes. A motion was made, and a requested correction was recommended by Budget Chair Grey (*page 3, receipts to recipients*).

- ON MOTION by Budget Member Leigh, 2nd by Budget Member Smith to approve the amended April 15, 2025 minutes of the Budget Committee meeting, MOTION was approved 10 yeas (Cockrum, Devereaux, Gould, Grey, Halperin, Kloepfer, Leigh, Lee, Penrod, Smith) - 0 nays. *Budget Officer Hill also corrected clerical errors on page 4-5, "Councilor" to "Budget Member" (Devereaux, Leigh, Kloepfer).*

Budget Chair Grey called to open the public hearing regarding State Revenue Sharing for the City of Gearhart fiscal year 2025-2026 to consider possible funding options. There were no objections to the Budget Committee hearing the topic. There were no Budget Committee members who felt they had a conflict of interest. There was no correspondence submitted. Budget Chair Grey mentioned that it is challenging times for the City and Country and that the Budget Committee would have to make some difficult financial choices.

On behalf of the Budget Committee, she acknowledged the important contributions that all of the State Revenue Sharing grant applicants make to the community.

Budget Chair Grey called for public testimony.

- Proponents:

- Linda Wyss, President, Trail's End Art Association (TEAA), explained they are a 501(c)(3) non-profit organization and that it is their 75th anniversary. She indicated that to celebrate they have planned lots of fun things for the community. She said that they have around 65 members, who are all volunteers. They have requested funds to assist in purchasing two outdoor canopies, two indoor/outdoor portable tables, folding chairs, and easels. Budget Member Gould asked about their restroom remodel project and TEAA President Wyss said it was complete and beautiful. She also announced that on the first Saturday in June, there would be a ribbon cutting for an Oregon Coast FLAG (Free Little Art Gallery). Budget Member Leigh inquired how often the canopies would be used. TEAA President Wyss mentioned three events have been scheduled where they would be used. She also noted that they could be used for outdoor events like quarterly membership meetings and art demonstrations.
- Kevin Leahy, Executive Director, Clatsop Economic Development Resources (CEDR). He explained that CEDR has been an organization since 2008 and that the City of Gearhart is a founding member. He indicated that CEDR has a board of 21 members. He mentioned that CEDR exists to be the voice of the business community at the local, state, and federal level. Budget Member Penrod requested clarification on what the donation request amount would be specifically supporting. CEDR Executive Director Leahy indicated that it is to support payroll associated costs. Budget Member Halperin requested clarification on why other City Budgets' did not include CEDR as a recipient, but were mentioned as financial contributors. CEDR Executive Director Leahy explained that Gearhart is unique in approving funding for CEDR by using the State Revenue Sharing Fund and that other cities use resources from other sources (e.g., urban renewal, the general fund).
- Darren Gooch, South County Community Food Bank, explained their mission is to provide a three to five day supply of emergency food to individuals and families in the County (Cannon Beach, Seaside, Gearhart, Warrenton). He explained their distribution days and collaboration with other local food pantries. He went over statistical data for 2024. He mentioned they have 35 regular volunteers and one part-time paid staff. He also indicated that they have been able to give expired food products to a local pig farmer instead of having to throw it out. Budget Member Penrod asked about a previous freezer project, to which South County

Community Food Bank Gooch said were purchased, helpful, and in use. Budget Member Halperin requested clarification on the distribution schedule of food to recipients, to which South County Community Food Bank Gooch gave a more detailed explanation of food pantry collaborations in Clatsop County.

- Darren Gooch, Sunset Park & Recreation Foundation, gave a history of his relationship with Sunset Park & Recreation District and explained his exposure to working with students who received financial assistance scholarships. He noted that they have a seven member board. He explained that scholarships are needed to help individuals and families living below the poverty level gain access to youth programs. He went over statistical data provided with their grant application (Sunset Empire Park & Recreation District Scholarships Chart). He explained in the last five years there has been a shift in scholarships needed for youth programs (preschool, infant/toddler, after school, and summer). He mentioned other fundraising efforts and expressed appreciation for all of the support. Budget Member Penrod requested clarification on the length of time scholarships are effective, to which Sunset Park & Recreation Foundation Gooch explained were done on a quarterly basis. Budget Member Gould asked for clarification on the childcare programs, to which Sunset Park & Recreation Foundation Gooch explained were referenced as the youth programs. Budget Member Leigh asked about the relationship between funding and staffing, to which Sunset Park & Recreation Foundation Gooch explained that the scholarship awards do support staff that provide the services to the recipients. He explained the discount percentage scholarship recipients receive and the practice of using the USDA guidelines as the approval measure. Budget Member Halperin asked about income on their budget, to which Sunset Park & Recreation Foundation Gooch explained can be misleading because some of the surplus funds are earmarked for specific things.
- Chris Bell, President, St. Vincent de Paul Food Pantry explained they are located here in Gearhart at the North Coast Plaza. She talked about their distribution schedule and mentioned that since COVID many of their volunteers have not returned, which has impacted their ability to maintain their regular service schedule. She explained that they have a higher demand for pantry services coupled with increased costs for food. She noted that they must purchase food and have had to reduce the amount of their distribution boxes because they just do not have enough resources to meet demand. She indicated that they have 35 volunteers. She said that they had 300 new families come last year. She explained that any grant award goes directly to purchasing food. Budget Member Cockrum inquired about returning recipients, to which St. Vincent De Paul President Bell responded that recipients are asked to come only once a month unless there is a food emergency.

- Alan Evans, Treasurer, Seaside Hall (The Little Yellow House) explained they are a non-profit organization that provides services every day of the week to anyone. He talked about his involvement and the importance of the support provided. He explained that the facility is old and needs repairs, paving, and remodeling. Budget Member Penrod asked which other organizations they were targeting to help with capital improvements, to which Seaside Hall Treasurer Evans responded Seaside, Gearhart, Cannon Beach, Gearhart, and other foundations.
- Jesse Jones, Executive Director, North Coast Food Web (NCFW) thanked Gearhart for their support. She explained that the NCFW was founded in 2011 and is an Astoria based nonprofit working to assist in creating a food system by supporting local producers and improving access to local food. She mentioned that NCFW has seen an increase in food needs. She talked about their program of providing access to affordable commercial kitchen space to small businesses. She noted that NCFW has been focusing on increasing community access to low-income and Hispanic speakers customers. Budget Member Lee inquired about their location, to which NCFW Executive Director Jones explained is moving to 1450 Exchange Street (Astoria). He also inquired about local producers, to which NCFW Executive Director Jones listed some (Pie Girl & Pie Guy, Angora Peek Granola, Hot Winter, North Coast Micros, eight Nehalem farms). Budget Member Penrod inquired about the grant request funds being used for educational purposes, to which NCFW Executive Director Jones responded they had about 15 workshops last year varying in topics (e.g., hot water bath, marketing, food science, soil health). Budget Member Smith inquired about number of employees, to which NCFW Executive Director Jones explained was currently six employees; however, two will be leaving in the next few months (natural attrition).
- Opponents. There were no opponents.

Budget Chair Grey closed the public hearing regarding State Revenue Sharing for the City of Gearhart at 6:57 pm.

Budget Chair Grey opened public comment on the proposed budget programs and services. Hearing no comments, the public comment section was closed.

Budget Chair Grey moved on to the next agenda item, Budget Committee Discussion on Proposed Programs/Services, and explained that Budget Officer Hill did have several items to go over. She explained that unless there was an objection, the Committee would move forward with Budget Officer Hill's discussion items and then transition into a break.

Budget Officer Hill started by going over some technical spreadsheet calculation adjustments that were needed in the budget document. She explained that they would be referencing the corrected budget pages distributed to the Budget Committee Members. She indicated that due to new lines being added in the budget document, the spreadsheet formulas did not correctly calculate total amounts due to formula errors. She went over the following adjustments in the budget document:

1. State Street Fund 60 (page 27) - Materials & Services - Line 18, Street Lights \$28,000 is missing in Line 19 Total Materials & Services - Solution - Reduced Line 15, Purchased Service by \$18,000 and reduce Line 17, Building Maintenance by \$10,000 - no impact on overall total of budget;
2. Gearhart Road District Fund 50 (page 34) - Materials & Services - Line 20, Beach Access Maintenance \$2,500 is missing from Line 21, Total Materials & Services - Solution - Reduced Line 19, Purchased Services by \$2,500 - no impact on overall total of budget; and,
3. Resources and Expenditures Summary (page 36) - Building (Structural, Mechanical, Plumbing) fund total is missing from 2023-2024 Actual - Solution - add total of \$282,620.39 (resources/expenditures), which changes City of Gearhart Budget and Total of City Budget and Road District - no impact to the 2025-2026 budget.

Budget Officer Hill mentioned that according to the Local Budgeting in Oregon Manual, “the Budget Committee does not approve new personnel, employee contracts or salary schedules, nor does it negotiate salary contracts.” However, it does have the authority to “direct the administration to make dollar adjustments (increases or decreases) in the proposed budget.” She reminded the Committee that at the last Budget Meeting, the Police Chief proposed a potential bilingual stipend incentive pay option. She explained that during the internal City budgeting preparation and process, the Budget Officer and City Administrator were aware of the incentive pay; however, it was not placed in the proposed budget. She noted that Police Chief Gregory felt so strongly about it, he brought it to the Budget Committee. He did not, however, bring a complete request. He should have offered an expenditure offset that would neither impact the total budget amount nor any other department’s budget. After further discussions with the Police Chief, he had every intention of balancing the additional expenditure costs by reducing the police department’s budget. He did not make this clear during the last budget meeting. He is new to the budgeting process in Gearhart and is still learning procedures. She went over the following recommended budget adjustments to allow the request:

1. General Fund 10-12, Police Department, (page 6) Personnel Services, Line 3, Police Officer be increased by a fixed bilingual salary stipend incentive by \$3,500 with an expenditure reduction in Line 4, Salary - Overtime Pay of \$3,500. The payroll associated costs increases (Lines 5-8) will be increased with a decrease in Capital Outlay, Line 28 Equipment. There is no overall impact on the

budget; however, this has an impact on appropriations between categories (increase in Personnel Services; decrease in Capital Outlay).

2. Budget Impact Changes: 1) Summary General Fund All Departments (page 13), Police, Personnel Services and Capital Outlay; 2) Supplementary Salary Information (page 35), Salary, Police Officer, Total Salary, Certification/Merit Increases. 3) Resources and Expenditures Summary (page 36) - Expenditures by Fund and Organizational unit - General Fund, Personnel Service and Capital Outlay, Total of City Budget and Road District - no impact to the overall 2025-2026 budget.

Budget Officer Hill also went over more information on the State Revenue Sharing Fund. She explained that there are no mandatory State requirements that Gearhart put their State Revenue Sharing monies into a special revenue fund. She said that based on the City's audits, the State Revenue Fund Sharing fund was started in the 1972-1973 fiscal year and that most other cities put their State revenue monies into the General Fund. She indicated that the only legal requirements are that the City adopt a resolution to accept the resources and that there is a public hearing to allow the public an opportunity to comment. She also learned that in speaking with other local cities, Gearhart is the only one that ties the State Revenue Sharing resources with local organizational grants and there are no legal budgetary requirements to provide organizational community grants. She indicated that the City auditors do not see many cities give these types of grants except for cities that have lodging tax monies that are spent on "tourism." She gave an example with the City of Astoria, which strategically labels its grant opportunities: "Arts and Culture Program to Promote Tourism Grant and the Promote Astoria Fund for the Promotion, Development, and Services Supporting Tourism." The City of Astoria put its State Revenue Sharing resources into its Capital Improvement fund (reference handout provided from City of Astoria's & City of Seaside's Budgets). Budget Officer Hill indicated that the proposed budget also has payments to essential reserve funds. She stressed that reserve funds are important and assist with access to resources in expensive, emergency situations; as well as allow a way to save funds for expensive items. She explained that Gearhart's reserve funds do not have a dedicated revenue source except transfers and that traditionally, Gearhart had been transferring some resources from the General Fund; however, as operating costs continue to outpace revenues, the City has had to make sacrifices to the transfers. She also indicated that reserve funds and ending fund balances are critical to the City's credit rating. She mentioned that in September, Standard and Poor's (or S&P), which rates Gearhart's outstanding bonds, rolled out a new set of ratings criteria. 436 Issuers were Placed Under Criteria Observation Following Publication Of New U.S. Government Methodology and S&P forewarned that "For counties and municipalities, expected changes are primarily due to changes in the factor weightings, with less emphasis on economic factors and more emphasis on debt and liabilities than in the former criteria." She talked about credit highlights listed in Gearhart's reports, which included:

- S&P Global Ratings lowered its long-term rating and underlying rating on Gearhart's general obligation debt one notch to 'A' from 'A+'. An 'A' rated organization still demonstrates a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
- Gearhart's outlook is stable.
- The rating action reflects the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect, specifically the city's nominally thin reserves and smaller economy relative to higher-rated peers.
  - The bottom line is that the newly implemented methodology impacted Gearhart's credit rating. S&P staff indicated that Gearhart was simply a victim of new calculations and increasing the reserve funds and our EFB are even more important under the new methodology.
  - Increasing reserve funds in a small, rural community can be difficult because of limited revenue sources and that is why a continued attempt to support the reserve funds was placed in the State Revenue Sharing fund this year.

Budget Officer Hill explained that providing local organizational grants can benefit the community; however, the resources are needed to support City of Gearhart programs and services. She mentioned that grant applicants were notified in the grant award cover letter that due to financial constraints, the City may be exploring alternative ways to use the state revenue sharing funds, which may impact the amount of grant awards. They were also notified on the grant application that the City is anticipating a reduction in funding in our State Revenue Sharing resources, which may impact grant award amounts.

Budget Officer Hill was very appreciative of all the questions and comments between the two Budget Meetings. She had inquiries about Gearhart's permanent tax rate calculations; purchased services; employee health care benefits; the Budget Committee's role in approving the Police Chief's request; limiting capital outlay purchases; increasing Transient Room Tax; public restrooms; local organizational grant recipients; the OGE training; potential impacts in tariffs; feasibility of increasing the building departments permit fees; water rate increase; and the importance of supporting transfers to the reserve funds.

Budget Chair Grey called a break from 7:25 pm to 7:35 pm.

Budget Chair Grey asked for any Budget Committee Member discussion that was not related to State Revenue Sharing, which would be discussed later in the meeting. Budget Member Penrod talked about specific language that Budget Officer Hill referenced in her budget narrative presentation that indicates financially challenging times and the ability to maintain future budgets while continuing to provide services to

the community. He feels it may behoove the community to start discussions on how to expand revenue opportunities. He realized this was a collaborative effort between City groups (City Council, Planning Commission, Residents) and feels it should be something appropriate that aligns with the City's philosophy. Budget Member Cockrum felt some areas to investigate were increasing transient room tax and revising C-1 zone language to allow hard liquor sales. Budget Member Devereaux feels the tax rate needs to be reevaluated. He talked about the growth of Gearhart, the increased need for both staff and services, and the increased payroll associated costs (e.g., PERS). He is opposed to hard liquor sales. He feels Gearhart is a residential community and does not want it to turn into another Broadway. Budget Member Lee inquired if the City owned any property that may be able to have timber harvested. Administrative Sweet indicated the City does own 65 acres in the Thompson Fall area. Budget Member Smith would like to see transient lodging tax increased from 7% to 10%. Budget Member Gould supports Budget Member Penrod's comments. She also feels that the City should explore all avenues to increase revenue before asking the voters for an operating levy. She would like the Budget Committee to recommend to the City Council to start exploring financial options and perhaps create a Committee.

Budget Chair Grey introduced the discussion on State Revenue Sharing grant donations and asked Budget Officer Hill to give a brief summation of staff rationale in preparing the proposed budget appropriation amounts before the Committee started deliberating on allocation. Budget Officer Hill explained that the priority in budget preparations was to support the General Fund. She explained that due to rising operating costs and limited growth on revenues, staff decided to look at the State Revenue Sharing resources. She indicated that the objectives were to move community beneficial expenditures from the General Fund to the State Revenue Sharing Fund, as well as to provide some support to the Reserve Funds. She also mentioned that staff realized the financial impacts of changing the allocations to the community grants; however, felt that scaling back the award amounts still provided for some support. She requested that before moving forward, the Committee, by consensus, agree that the proposed budget appropriation amounts were acceptable. Budget Chair Grey clarified this request and there was discussion, which included a breakdown of the proposed budget allocation amounts; mayor's discretionary funds; evaluate applicants before assigning award amounts; purchasing a port-a-potty; eliminating the port-a-potty; political impacts of eliminating grant community; cash carryover amounts; providing public restrooms; justifying criteria for selecting grant award receipts; equalizing award amounts between award receipts; appropriate to set criteria; City finances; ending fund balances; and being good faith partners. Administrator Sweet felt that finances are getting tight and acknowledges that community partners are important; however, he recommended moving all grant award allocations to materials and services. Budget Officer Hill felt that the \$8,100 was appropriate to distribute to grant receipts.



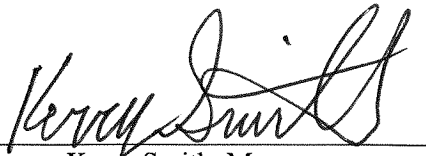
- By consensus the Budget Committee Members were asked if they agree upon appropriating \$8,100 to materials and services - 5 yeas (Devereaux, Gould, Kloepper, Lee, Smith) - 5 nays (Cockrum, Grey, Halperin, Leigh, Penrod).
- By consensus the Budget Committee Members were asked if they agree upon appropriating any community organizational grants in the 2025-2026 Approved Budget - 6 yeas (Cockrum, Grey, Halperin, Kloepper, Leigh, Penrod) - 4 nays (Devereaux, Gould, Lee, Smith).
- There was continued discussion on the distribution of local organizational grant awards. Budget Officer Hill offered a distribution starting point by equally allocating an amount and adjusting amounts with discussion. She mentioned that historically selection criteria was weighted on providing services that directly benefit Gearhart and sending a representative to the public hearing.
- The Budget Committee reviewed each applicant and using agreed upon criteria, distributed \$3,500 (\$500 each) to selected local organizations (South County Community Food Bank; St. Vincent de Paul Food Pantry; Clatsop County Court Advocate Program; Seaside Hall - The Little Yellow House; Mayor's Emergency Grant; Sunset Park & Recreation Foundation; Trail's End Art Association) and moving \$4,600 to Materials & Services (line 3).

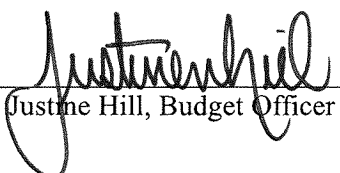
The recommended action of the Budget Committee was to approve the 2025-2026 Budget.

- ON MOTION by Budget Member Leigh, 2nd by Budget Member Gould that the Gearhart Budget Committee approve the amended 2025-2026 Budget in the amount of \$7,948,836.00, which includes a permanent tax rate limit levy of \$1.0053 per thousand of assessed value and general obligation debt service; as well as, approval of the amended Gearhart Road District proposed 2025-2026 Budget in the amount of \$355,040.00 with a permanent tax rate limit levy \$0.0602 per thousand of assessed value.

Budget Chair Grey asked for a motion for adjournment.

- ON MOTION by Budget Member Kloepper, 2nd by Budget Member Gould to adjourn the meeting, MOTION was approved 10 yeas (Cockrum, Devereaux, Gould, Grey, Halperin, Kloepper, Leigh, Lee, Penrod, Smith) - 0 nays. Budget Chair Grey adjourned the Budget Committee meeting at 8:51 pm.

  
Kerry Smith, Mayor

  
Justine Hill, Budget Officer