



# Budget Narrative

Fiscal Year 2025-2026

A budget document is a written guideline outlining the City's comprehensive fiscal picture for the next operating year. Oregon Budget Law (ORS 294) specifies a process and recommended format for the City's annual budget. The accounting system is structured to maintain the identity of the revenues (resources) and expenditures for each Fund. This is accomplished by providing a balancing set of accounts. Every Fund within our budget must be balanced, which means that resources (or revenues) must equal expenditures. The City uses a cash basis of accounting.

The City of Gearhart's budget has the following Fund categories:

1. General Fund. This Fund is the City's largest Fund with the most transactions. It documents the general operating revenues and expenditures and is considered the City's primary accounting Fund. The City of Gearhart's General Fund 10 is subdivided into departments (Administrative 10-10; Police 10-12; Fire 10-13; Non-Departmental 10-14; Municipal Court 10-15; Planning 10-17; and Parks 10-18). Building 10-11 is no longer used in the General Fund because it has been relocated to an independent Fund in the budget (Fund 40 Building).
2. Debt Service Fund. Debt Service Fund 20 accounts for general long-term debt obligations. These expenditures are the principal and interest payments due for the construction of the water treatment facility.
3. Enterprise Funds. These Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector. The City has Water (Operating) Fund 30 and Water Reserve Fund 71. Water Improvement Construction Fund 25 has been eliminated due to completion of the project and the transfer of any remaining resources. It will remain in the budget through the historical retention requirements.
4. Special Funds. These Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes to finance particular functions or activities of the City. The City of Gearhart has Building (Structural, Plumbing, Mechanical) Fund 40; Bench Fund 41; State Revenue Sharing Fund 45; State Street Fund 60; Public Works Major Equipment Reserve Fund 78; and Gearhart Road District Fund 50.
5. Capital Projects Funds. These Funds account for financial resources used to acquire/construct major capital facilities and/or acquire capital assets. The City of Gearhart has Police Car Reserve Fund 72; Fire Apparatus and Equipment Reserve Fund 74; Hazardous Mitigation Fund 75; and Building Reserve Fund 79.

The overall format has remained the same, but there continues to be refinement on descriptions headings and combining accounts. Department heads are encouraged to merge similar accounts while still maintaining the transparency of the type of purchase; work to make account descriptions uniform across departments; and eliminate accounts that are not necessary.

Please note that only important or significant changes will be presented during the budget meeting; however, requests for additional information or questions are welcome.

Before going over specifics, I will give an overview of the payroll cost factors that impact almost every Fund and are represented in Personnel Services. This will eliminate the redundancy of hearing the same information multiple times while still giving you a clear vision of the economic factors impacting one of the largest operating expenditures in this budget (which are payroll associated).

The budget has been prepared with the following payroll assumptions:

- The City of Gearhart is budgeting a 2.50% cost of living (COLA) salary increase with anniversary step (when applicable), which is the established 2025 COLA by the Social Security Administration and sanctioned in the Employee Handbook.
- Workers' Compensation rates have been increased by a projected 5%. Please note that there appears to be a decrease in workers' compensation in the budget; however, the adopted 2024-2025 rates were estimates and actual premium costs came in lower than budgeted. Gearhart moved to a new workers' compensation carrier a few years ago and is still establishing a rate history, which impacts the City's rate modifier.
- Retirement – The City of Gearhart participates in the Public Employees Retirement System (PERS) to provide a retirement plan for employees. There are three separate employer rates (Tier One/Tier Two, OPSRP General, OPSRP Police/Fire), to which employers contribute a percentage of employee salary. Each benefit program has a different assigned employer rate that is determined by the PERS Board, which is approved for each biennium. The mandated employer rates effective July 1 will increase Tier One/Tier Two by +2.4% to 27.50%; OPSRP General by +5.49% to 23.71%; OPSRP Police/Fire by +5.97% to 28.98%.
- Insurance Benefits (Medical, Dental, Vision, Life, Accidental Death & Dismemberment, Long-Term Disability) – CIS (Citycounty Insurance Services), was formed by the League of Oregon Cities and the Association of Oregon Counties to meet the risk management and employee benefit needs of Oregon cities, counties and other eligible local governments. Insurance is provided to all full-time employees. CIS is estimating that the average rate increase is projected at 9% for medical and 5% for dental. This budget includes an annual employer contribution of up to \$33,719 per employee.
- Unemployment rates were increased to the current rate of 2.5%, which increased effective in January 2025.
- Workers' assessment benefit fund tax reflects no rate changes.
- The City is aware of the Oregon paid leave mandates that require both an employee and an employer contribution; however, because of size, the City is not required to pay the employer portion.

Page 1 and 2 - Resources General Fund 10.

- ❖ Resources - Line 1 Beginning Fund Balance - Cash on Hand. The City anticipated a significant reduction in the beginning fund balance. The two primary reasons are due to the CSLFRF/American Rescue Plan funds being transferred to the Water Reserve Fund in 2024-2025 and increased general operating expenditures.
- ❖ Resources - Line 2 Property Tax - Current was budgeted at a 3% increase with a reduction for discounts, other uncollectible, and three potential refund credits (PRC). At this point, the

Clatsop County Assessor's office has notified all taxing districts that they are anticipating PRC revenue holdbacks for Georgia Pacific/Wauna, Pacific Corp, and Charter Communication. As per ORS 305.286, "Whenever any property value or claim for exemption or cancellation of a property tax assessment is appealed, if the dollar amount in dispute exceeds \$1 million, the assessor of the county in which the property is located may order the officer in charge of the assessment and tax roll to issue a potential refund credit..." These PRC funds are held until final resolution of the appeal. Gearhart's portion of the property tax revenue holdback is estimated at \$38,394.72. The City's permanent tax rate is \$1.0053 per \$1,000 of assessed value.

- ❖ Resources – Line 3 Property Tax - Prior. Please note that when looking at the historical data, 2022-2023 had additional prior year payments due to PRC for final appeal resolutions with Century Link and Georgia Pacific.
- ❖ Resources – Lines 4, 5, 6, 7 Building. As a reminder, legislation requires the City to differently track the Building department resources and expenditure. Building Fund 40 has been established in Special Funds. Revenue accounts will remain in this section until the historical retention requirements have been met.
- ❖ Resources – Line 8 Franchise - CenturyLink/Qwest has been reduced based on a continued decrease in this type of franchise fee.
- ❖ Resources – Line 10 Franchise - NW Natural Gas will be reduced based on current collection amounts.
- ❖ Resources – Lines 13 Grant - CSLFRF/American Rescue Plan have no allocations due to being completed; however, it must remain for the historical retention period. Resources were received in 2021-2022 and 2022-2023 fiscal years and transferred to the Water Reserve Fund 71 in 2024-2025 fiscal year to better meet grant expenditure requirements.
- ❖ Resources – Line 14 Grant Fire Staffing continues to be a regular revenue stream and is anticipated for the next fiscal year.
- ❖ Resources - Line 15 Grant - Restricted resources have been allocated. This allows the City a convenient way to accept any future grant awards. It provides appropriations for specific restricted grants that have not been awarded. They are classified as potential future grants.
- ❖ Resources – Line 16 Interest. Interest have been reduced based on the current economic uncertainty. According to the State's last revenue forecast, "...economic activity will be highly vulnerable to national priorities relating to tariffs, immigration, and federal expenditures."
- ❖ Resources – Line 18 Conflagration/Mobilization allocations are resources reimbursed by the State of Oregon for Gearhart firefighters and equipment that are deployed to wildfire incidents.
- ❖ Resources – Line 20 Other - Fines & Forfeitures will remain the same but higher than historical actuals. This resource account is for the City's portion of fines collected by Gearhart Municipal Court. With the police department staffed with three officers and court every month, the City anticipates increased revenue.
- ❖ Resources – Line 21 - Other GRFPD. The Gearhart Rural Fire Protection District (GRFPD) has an agreement, which is currently in the renewal process, with the Gearhart fire department to provide fire prevention, protection, suppression aid, and emergency medical response for their taxpaying district. The City hopes to increase the amount charged due to increased fire operating costs.
- ❖ Resources – Line 26 Other - Interfund Loan – Water Reserve Fund has been added with appropriations. This is to appropriate for resources temporarily transferred to the General Fund to assist the City in meeting its operational costs until property tax payments are received in November.

- ❖ Resources – Line 27 Tax – Cigarette Tax has been reduced. According to the State, “this revenue source is projected to continue trends downward – as it has for more than 10 years – as consumer smoking decreases.”
- ❖ Resources - Line 29 Tax - Marijuana Tax has been adjusted. Based on anticipated collections, the amount has been reduced. The City receives quarterly payments from two local Marijuana retail stores; as well as the State revenue share position of Marijuana tax collections.
- ❖ Resources - Line 31 Transient Room Tax continues to be a beneficial revenue source. Revenue collections have been stable and steady.
- ❖ Overall, the General Fund resources show an increase of \$42,833.00 or 1.43%. Please note that the addition of the interfund loan, which is a temporary operating loan, artificially increases the City’s resources.

Page 3 and 4 - Administrative Department 10-10.

- ❖ This Fund is supportive of all departments within the General Fund. Collaborative costs that are not easily identifiable by department (e.g., utilities, office equipment, insurance, and office supplies) are charged to this category.
- ❖ Personnel Services - Expenditure - There are no significant changes to this section.
- ❖ Materials and Services - Expenditure - Line 16 Legal Services has decreased. The City plans to continue a retainer agreement with the City Attorney, which eliminates invoice fluctuations.
- ❖ Materials and Services - Expenditure - Line 17 Consumable Supplies/Materials has been reduced.
- ❖ Materials and Services - Expenditure - Line 18 Printing & Advertising has been reduced.
- ❖ Materials and Services - Line 19 Telephone has been reduced. The City has moved to a VOIP system, and each department is allocated some of the monthly costs. There is also an independent phone line charged here, which is still needed for fax purposes.
- ❖ Materials and Services - Expenditure - Line 20 Utilities - Electricity & Gas has been increased.
- ❖ Materials and Services - Expenditure - Line 22 Materials & Consumable Supplies – General had been combined with Consumable Supplies/Materials to eliminate redundancy. It will remain in the budget until the historical data is no longer required.
- ❖ Materials and Services - Expenditure - Line 23 Insurance - Property, Liability, Auto has been increased. This line item includes all the liability responsibilities for all departments except water. According to preliminary rate information released by CIS’s, they are anticipating a 3.4% overall increase in property and liability; a 1.6% increase in general and auto liability; and a 5.3% increase in property and auto physical damage.
- ❖ Materials and Services - Expenditure - Line 24 City Hall Maintenance has been decreased.
- ❖ Materials and Services - Expenditure - Line 25 Purchased Services has been reduced. This account supports professional contract services (e.g., janitorial services, window washing, yard maintenance). Historical data in 2023-2024 is higher due to a specific project.
- ❖ Materials and Services - Expenditure - Line 26 Election Expense has been decreased.
- ❖ Materials and Services - Expenditure - Line 28 Office Machine Maintenance has been increased.
- ❖ Materials and Services - Expenditure - Line 29 Elected Official Expenses provides the City Council and Mayor an opportunity for professional development, reasonable reimbursements, and/or community outreach.
- ❖ Materials and Services - Expenditure - Line 30 Technology - Software/Hardware has been increased (e.g., internet services; Zoom; Microsoft software; Upcurve; short-term rental software; and network support services).

- ❖ Materials and Services - Expenditure - Line 31 Fuel/Vehicle Maintenance allocations have been eliminated. This was originally added for a vehicle that had been planned to assist with code enforcement and official City travel business. The vehicle has primarily been used by the fire department.
- ❖ Materials and Services - Expenditure - Line 32 Payroll Processing Fee has been slightly increased. The City uses Intuit QuickBooks for payroll related services (e.g., direct deposit, W2 filing).
- ❖ Materials and Services - Expenditure - Line 33 Dues & Fees has been reduced. This account is primarily used for service fees (e.g., credit card machine; bank) and LOC annual membership dues.
- ❖ Overall, the Administrative Department's expenditures increased \$20,646.70 or 3.18%.

Page 5 - Building Department 10-11.

- ❖ As a reminder, due to changes in reporting requirements, Special Fund 40 Building (Structural, Plumbing, Mechanical) was created to account for building department transactions. The information in this section will be kept through the historical retention period.

Pages 6 - Police Department 10-12.

- ❖ Personnel Services – Expenditure – Line 3 – Police Officers. Please note that for historical reference, the City had an open, unfilled FTE in 2022-2023.
- ❖ Personnel Services - Expenditure - Line 4 Salary – Overtime Pay has been reduced. As of the necessary budget reductions, the Police Chief reduced overtime. The hope is that with three police staff working full-time and the Clatsop County Sheriff's staff continued support, overtime hours can be reduced.
- ❖ Materials and Supplies - Expenditure - Legal Services has been deleted from the budget. If services are needed, they are covered under the City Attorney retainer agreement.
- ❖ Materials and Supplies - Expenditure - Line 14 Consumable Supplies/Materials has been reduced. Many of the general supplies for all departments are purchased under the Administrative department's budget (e.g., binders, paper clips, pens, post-it notes).
- ❖ Materials and Supplies - Expenditure - Line 17 Fuel/Vehicle Maintenance has been reduced based on current and historical usage.
- ❖ Materials and Supplies - Expenditure - Line 18 Radio Maintenance has no allocations.
- ❖ Materials and Supplies - Expenditure - Line 19 Professional Development has been decreased.
- ❖ Materials and Supplies - Expenditure - Educational Materials has been deleted from the budget. Officers still have access to educational materials through consumable supplies, professional development, and/or technology software.
- ❖ Materials and Supplies - Expenditure - Line 20 Uniforms / PPE has been decreased.
- ❖ Materials and Supplies - Expenditure - Line 22 Purchased Services has been decreased. Police staff anticipate the need to continue a cooperative agreement with the Clatsop County Sheriff's office. This account also provides support to continue working with Lexipol to keep public safety policies updated and compliant, as well as access to training.
- ❖ Materials and Supplies - Expenditure - Line 23 Community Care has no allocations and has been moved to the State Revenue Sharing Fund 45.
- ❖ Overall, the Police Department's expenditures increased \$16,874.74 or 2.33%.

Pages 7 and 8 - Fire Department 10-13.

- ❖ Personnel Services - Expenditure - Line 3 Salary - Division Chief Training/Operations was adjusted last budget cycle to maintain a competitive wage and align salaries between City positions that have the same level of responsibility. Historical data in 2023-2024 represents a gap in employment due to a transition in staff.
- ❖ Personnel Services - Expenditure - Line 4 Salary – Part Time Labor has been reduced, which is primarily due to the fire staffing grant that has been received the last few years. Historical data shows that the grant has provided a reduction opportunity in this line.
- ❖ Personnel Services - Expenditure - Line 6 Conflagration/Mobilization Labor and Line 7 Conflagration/Mobilization Overtime. These expenditures are supported by General Fund resources, but as a reimbursement expenditure. This means that organizations that need assistance must agree to reimburse the full costs of sending personnel and equipment. The City's budget needs to allocate these expenditures so that if Gearhart's firefighters assist, there are appropriations and a tracking method to document costs. There was a reallocation between regular salary and overtime salary because the majority of hours are overtime.
- ❖ Personnel Services - Expenditure - Line 8 Salary – Temporary Grant Labor. These allocations are offset with revenue received by a grant. Because the grant has historical data and is being anticipated for the 2025-2026 budgeting cycle, it will remain in a dedicated account. These expenditures are supported by General Fund resources, but as a reimbursement expenditure. Please note that the grant award is for \$35,000 (General Fund Resources, Line 14, Grant – Fire Staffing); however, this must cover both gross salary and employer associated payroll costs.
- ❖ Materials and Supplies - Expenditure - Line 19 Convention & Administrative Expense allocations was merged with Professional Development in the 2023-2024 budgeting cycle. The information in this account will be kept through the historical retention period.
- ❖ Materials and Supplies - Expenditure - Line 20 Telephone has been increased. This line represents only the VOIP system charges. Historically, technology connections for tablets had been charged here, which have been moved to Technology – Software/Hardware.
- ❖ Materials and Supplies - Expenditure - Line 26 Fire Hall Maintenance has been reduced.
- ❖ Materials and Supplies - Expenditure - Line 28 Gas & Clothing Maintenance has been increased. This line primary supports the quarterly payments made to the Gearhart Volunteers Fire Association for reimbursement payments for the City's volunteer firefighters' gas and clothing needs.
- ❖ Materials and Supplies - Expenditure - Line 30 Medical Examinations has been reduced.
- ❖ Materials and Supplies - Expenditure - Line 31 EMS Equipment & Operations has been reduced.
- ❖ Materials and Supplies - Expenditure - Line 33 Student Intern Program has been reduced.
- ❖ Materials and Supplies - Expenditure - Line 34 CERT Team Materials and Services has been reduced.
- ❖ Materials and Supplies - Expenditure - Line 36 Technology – Software/Hardware has been increased.
- ❖ Materials and Supplies - Expenditure - Line 37 Purchased Service has been reduced. This includes services provided by Lexipol (fire procedures, policies, and training) and First Due (training, reporting).
- ❖ Capital Outlay - Expenditure - Line 41 Equipment has been reduced.
- ❖ Overall, the Fire Department's expenditures increased \$23,158.66 or 2.52%.

Page 9 - Non-Departmental 10-14.

- ❖ The City is finding itself in a situation with expenditures outpacing revenue growth. This budget was prepared to continue to provide the same level of support, which requires sacrificing in other areas. The Non-Department section is one of the most impacted areas in the budget.
- ❖ Materials and Services - Expenditure - Line 2 Street Lights has no appropriations and has been moved to State Street Fund 60 | Materials and Services | Street Lights. This is a proposed reallocation.
- ❖ Materials and Services - Expenditure - Line 3 Beach Access Maintenance has no appropriations and has been moved to Gearhart Road District Fund 50 | Materials and Services | Beach Access Maintenance. This is a proposed reduced reallocation.
- ❖ Materials and Services - Expenditure - Line 4 Grants - Restricted has been allocated to allow for any unanticipated grants that may be received after the budget has been prepared. This allows the City to accept the award and have appropriations to spend the award. This line item is offset by revenue that may be received in the General Fund Resources, Line 15 Grant – Restricted.
- ❖ Materials and Services - Expenditure - Line 5 Operating/Repair/Materials/Services has no appropriations and has been moved to State Revenue Sharing Fund 45 | Materials and Services | Materials & Services. This is a proposed reduced reallocation to support having one public port-a-potty restroom available in the core downtown area.
- ❖ Capital Outlay - Expenditure - Land Purchase allocations have been removed. If land purchase needs to be made, the Building Reserve Fund may be a viable resource.
- ❖ Capital Outlay - Expenditure - Grant - CSLFRF/American Rescue Plan Projects has been deleted from the budget because the historical retention period has been met.
- ❖ Debt Service - Expenditure - Line 8 Interfund Loan Repayment – Water Reserve Fund has been added. This is to support the repayment of a temporary, short-term operating loan. This interfund loan will be paid when adequate property tax is collected but no later than June 30, 2026.
- ❖ Transfers - Expenditure - Lines 11-17 Transfers are essential; however, due to supporting critical General Fund programs and services, concessions had to be made to prepare a balanced budget. There has been a new transfer added to the Building (Structural, Plumbing, Mechanical) Fund 40 and no allocations for the other transfer accounts (Police Car; Fire Apparatus/Equipment, Hazardous Mitigation, Building Reserve, Bench Program, and Water Reserve); however, a proposed option under State Revenue Sharing Fund 45 | Transfers | Transfer – City Reserve Funds has been proposed.
- ❖ Overall, the Non-Departmental's expenditures decreased (\$39,600.00) or (8.34%).

Page 10 - Municipal Court 10-15.

- ❖ Personnel Services - Line 11 FTE represents this departments shared portion of 1.0 FTE (.10 Court, .45 Planning, .45 Building).
- ❖ Materials and Services - Expenditure - Line 13 Postage has been added due to historical data and the need to track this type of expenditure. Because there is a consistent need to send information through the USPS, appropriations have been added.
- ❖ Materials and Services - Expenditure - Printing & Advertising and Prosecution Fees were deleted from the budget.
- ❖ Materials and Services - Expenditure - Line 16 Legal Services and Line 17 Department of Motor Vehicles have no appropriations. Based on historical usage and a legal retainer agreement,

these accounts are no longer needed. They will remain in the budget until the historical data is no longer required.

- ❖ Materials and Services - Expenditure - Technology – Software/Hardware has been deleted. There is still an aspirational goal of having court software; however, there is no funding available.
- ❖ Overall, the Municipal Court’s expenditures increased \$1,766.42 or 6.06%.

Page 11 - Planning Department 10-17.

- ❖ Personnel Services – Line 11 FTE represents this departments shared portion of 1.0 FTE (.10 Court, .45 Planning, .45 Building).
- ❖ Material and Services – Expenditure – Line 13 Postage has been increased. There has been an increased need to send required public notices to property owners that are impacted by land use decisions.
- ❖ Materials and Services - Expenditure - Line 14 Purchased Services – Planning Consultant has been increased. The allocations had been reduced in 2024-2025; however, increased planning needs have been requiring additional support.
- ❖ Materials and Services – Expenditure – Line 15 Legal Services has been reduced.
- ❖ Materials and Services - Expenditure - Line 16 Planning Commission Expense has been reduced based on current and historical data.
- ❖ Materials and Services – Expenditure – Line 17 Code Enforcement has no allocations. This type of work has been being covered by the City Administrator, Planning Department, Police Department, and Legal Counsel.
- ❖ Overall, the Planning Department’s expenditures increased \$22,816.31 or 16.55%.

Page 12 - Parks Department 10-18.

- ❖ Personnel Services – Line 11 FTE. Park’s FTE = 3 staff x .10 = .30 FTE. The City’s has three public works positions with each position representing the following distribution breakdown: .10 Park; .55 Water; .35 Street.
- ❖ Materials and Services - Expenditure - Line 13 Parks Maintenance and Repair has been reduced with a portion being reallocated to State Revenue Sharing Fund 45 | Materials and Services | Materials & Services to allow for the continued purchase of dog waste bags.
- ❖ Materials and Services - Expenditure - Line 16 Utilities – Water has been slightly increased.
- ❖ Materials and Services - Expenditure - Line 17 Grant – Parks and Bench Project has no allocations. In 2024-2025, the Bench Fund was established.
- ❖ Overall, the Parks Department’s expenditures decreased (\$2,829.83) or (4.45%).

Pages 13 and 14 - General Funds Summary All Departments.

- ❖ These pages are a summary of all the General Funds departments and their expenditure. An overall comparison of change over last year is below.
  - Administrative 3.18%+ \$20,646.70
  - Police 2.33%+ \$16,874.74
  - Fire 2.52%+ \$23,158.66
  - Non-Departmental (8.34%)- (\$39,600.00)
  - Municipal Court 6.06%+ \$1,766.42



➤ Planning Department	16.55%+	\$22,816.31
➤ Parks	(4.45%)-	(\$2,829.83)

Page 15 - Debt Services Fund 20.

- ❖ Resources - Line 1 Beginning Fund Balance - Cash on Hand accommodates for anticipated debt service payments that are needed in September 2025 before the City's debt service property tax payments start coming in. Historical data represents savings from the 2021 refunding project due to taxes being imposed before the financing project was finalized.
- ❖ Resources – Line 2 Property Tax – Current has been significantly reduced due to the 2015 Refunding of Gearhart City Series 2005 general obligation bond being paid off.
- ❖ Resources – Bond Proceeds and Bond Premium were deleted from the budget. They were related to the 2021 refunding project and have reached the required historical data retention period for the budget document.
- ❖ Expenditures – 2011 Water GO Bond Principal, 2011 Water GO Bond Interest, Bond Issuance Costs, and Bond Refunding Escrow were deleted from the budget. They reached the required historical data retention period for the budget document and were removed.
- ❖ Expenditures - Line 20 Total Unappropriated Ending Fund Balance represents the amount needed to make debt service payments in September 2026 before the City receives its debt service tax payments in November.

Page 16 - Debt Service Payment Schedule.

- ❖ This is to provide a breakdown of the principal, interest, and total debt service for any remaining debt service payments.
- ❖ Please note that the final payment on one of the water treatment general obligation bonds ended in March 2025, which leave only one series of bond payments.

Page 17 - Water Improvement Construction Fund 25.

- ❖ This Fund has no allocation and after the historical data reporting period is over, it will be removed from the budget.

Pages 18, 19 and 20 - Water (Operating) Fund 30.

- ❖ This Fund accounts for the activities of providing water services to the public.
- ❖ Resources - Line 1 Beginning Fund Balance – Cash on Hand. This amount reflects support from continued rate increases and a transfer in 2023-2024 from the Water Reserve Fund.
- ❖ Resources - Line 3 Water Sales Receipts. This account has been increased. After a rate feasibility study and to provide financial stability, rate increases were implemented. In August 2023, rates were increased by 15%; in January 2024 conservation pricing went into effect; and in July 2024 a 10% increase on the base rates were implemented. Based on requirements to keep the Water (Operating) Fund solvent; as well as the goal to continue building water reserve funds, it is recommended that at least a 5.37% increase on the base rates be implemented effective July 21, 2025. This budget is based on that assumption.
- ❖ Resources – Line 5 Transfer from Other Funds - Water Reserve has no allocations. This was a one-time transfer to support the financial stability of the Water (Operating) Fund 30.

- ❖ Personnel Services – Expenditure - Line 14 FTE breakdown is as follow: 1 Director + .45 Water Clerk + (3 staff x .55) = 3.10 FTE. Of the three public works positions, each one 1 FTE position has the following distribution: .10 Park; .55 Water; .35 Street.
- ❖ Materials and Services - Expenditure – Line 16 Postage has been increased.
- ❖ Materials and Services - Expenditure – Line 19 Telephone has been reduced. This account represents the water departments portion of the VOIP phone system.
- ❖ Materials and Services - Expenditure – Line 20 Utilities – Electricity & Gas has been increased.
- ❖ Materials and Services - Expenditure – Line 22 Supplies/Services/Chemicals has been reduced.
- ❖ Materials and Services – Expenditure – Line 23 Insurance has been increased.
- ❖ Materials and Services - Expenditure – Line 30 Water Treatment Facility Equipment Maintenance was combined with System Operations & Repair and will remain through the retention period.
- ❖ Materials and Services - Expenditure – Line 31 System Operations & Repair has been reduced. It was modified several years ago to include accounts Water Treatment Facility Equipment Maintenance, Pipe & Fittings, and Hydrants, which skews the budgets historical lookback in 2022-2023.
- ❖ Materials and Services - Expenditure - Line 32 Water Purchase has been increased. The City has a water agreement with the City of Warrenton and are now paying a higher out-of-district rate. Historical data does represent the lower rate amount.
- ❖ Materials and Services - Expenditure - Line 33 Chemical Water Analysis represents services provided for assessing groundwater monitoring, surface water monitoring, and production well data in accordance with Oregon Water Resource Department Permit G-16390; as well as, standard water treatment testing requirements.
- ❖ Materials and Services - Expenditure - Line 37 Meters & Meter Boxes and Line 38 Meter Repair have no allocations. The City used grant funding in 2024-2025 to purchase new meters.
- ❖ Materials and Services - Expenditure - Line 47 Water Meter Replacement has been reduced. The City used grant funding in 2024-2025 to purchase new replacement meters and hopes to have them installed by June 30, 2025.
- ❖ Transfers - Expenditure - Line 50 Transfer – to Water Reserve Fund and Line 51 Transfer – to PW Major Equipment Reserve Fund have allocations; however, the Water (Operating) Fund must meet adequate financial markers or no transfers will occur.
- ❖ Line 54 Unappropriated Ending Fund Balance (EFB). Ideally, the City would like to see three months of operating expenses in the EFB; however, this Fund has had some financial instability. With a transfer from the 2023-2024 budget, Warrenton water rates moving to out-of-district rates, increasing payroll costs, consistent rate increase, and the need to support City reserve funds, it will take time to stabilize the account.

Pages 21 and 22 - Building (Structural, Plumbing, Mechanical) Fund 40.

- ❖ The Building Department traditionally had been tracked in the General Fund 10-11. Due to the passage of Senate Bill 866, which defined more stringent requirements for cities with third-party contract building officials, the Building Department was renamed and moved to Special Fund 40 Building (Structural, Plumbing, Mechanical). Historical data associated with the original 10-11 Building Department will need to remain in the General Fund through the required retention period.
- ❖ Resources – Line 1 Beginning Fund Balance – Cash on Hand is projected to be zero. This Fund has been struggling in 2024-2025 to meet expenditures. To date, at the end of each month it is solvent; however, future revenues are hard to predict.

- ❖ Resources – Line 9 Transfer – from General Fund. This account has been added to provide emergency financial support. This transfer will not occur if the building department is solvent. The purpose is to be able to provide resources if the Fund is in jeopardy of being negative as of June 30, 2026. This transfer is not intended to add additional resources; it is only if it is absolutely essential.
- ❖ Personnel Services – Expenditure - Line 11 FTE is part of 1.0 FTE that is shared by three departments (.10 Court, .45 Planning, .45 Building).
- ❖ Materials and Services – Expenditure – Line 13 Consumable Supplies/Materials has been increased.
- ❖ Materials and Services - Expenditure – Lines 15-18 are related to the amount of resources that are brought in by the permitting process. They represent the fees charged by the City's third-party building official.
- ❖ Materials and Services - Expenditure – Line 20 Technology – Software/Hardware has been reduced.
- ❖ Materials and Services - Expenditure – Line 21 Dues & Fees. The City transitioned several years ago to the State of Oregon's ePermitting online process. This web-based system allows users to upload their permit application, pay application fees via credit card, view application status, schedule inspections, and search records for public viewing. There is no charge for the ePermitting program; however there are credit card processing fees. There are also appropriations for professional membership dues.

Pages 23 - Bench Program Fund 41.

- ❖ City Council approved the recommendations of the Gearhart Bench Committee to direct staff to order new benches, apply for required permits for bench dune placement, and to proceed with existing bench restoration. This program required a dedicated Special Revenue Fund for clear accountability. This program has not yet been fully implemented.
- ❖ Resources – Line 1 Beginning Fund Balance – Cash on Hand represents resources from 2024-2025 from the Parks and Bench Project, which was a donation by the Charles A. Shea III, Charitable Foundation Fund to do restoration work on benches that had been transferred from the General Fund to the Bench Program.
- ❖ Resources – Lines 2-3 represent anticipated resources. Because the program has not been completely outlined, these amounts are rough estimates.
- ❖ Resources – Line 4 Transfer – General Fund has no allocations because the donation was a one-time transfer.
- ❖ Materials and Services – Expenditure – Lines 13 - 14 and Capital Outlay – Expenditure – Line 17 Bench Purchase represent appropriations that are needed to support the bench program (e.g., bench purchase, bench installation, donation plaques), which has not been fully implemented.
- ❖ Line 20 Unappropriated Ending Fund Balance represents the amount that would rollover to support the maintenance of the newly placed benches. This assumes that a maintenance agreement will be paid in advance by the bench program recipients.

Pages 24 and 25 - State Revenue Sharing Fund 45.

- ❖ ORS 221.770 Revenue sharing to cities requires a share of certain revenues from the State of Oregon to be apportioned among and distributed to the cities of Oregon for general purposes.

- ❖ Resources – Line 1 Beginning Fund Balance – Cash on Hand is projected to be zero. Resources have been coming in less than anticipated in the 2024-2025 fiscal year. There is not anticipated to be any funds to rollover into the beginning fund balance.
- ❖ Resources – Line 2 State Apportionment has been reduced. The current *LOC 2025 State Shared Revenue Report with Estimates* has Gearhart decreasing in population (from 1,933 to 1,903). Reduced population estimates means reduced resources.
- ❖ Expenditure – Capital Outlay has been deleted from the budget.
- ❖ Expenditure – Line 13 Transfer has been added.
- ❖ Materials and Resources - Expenditure – Line 2 Community Celebrations & Events, which was previously named Celebrations & Materials & Services. These allocations support events like 4<sup>th</sup> of July (e.g., advertising, clean-up materials) and the Street Dance (e.g., photo booth, barrels for lighting, kids fun table).
- ❖ Materials and Resources – Expenditure – Line 3 Materials & Services allocations have been added. This is to support services that the community uses (e.g., centralized port-a-potty; dog waste disposal bags). These items were previously allocated in the General Fund (Parks Department; Non-Departmental).
- ❖ Materials and Resources – Expenditure – Line 4 Community Care Services has been added. These allocations would support individuals and/or families experiencing immediate needs (e.g., temporary lodging; food; gas). This account was previously allocated in the General Fund (Police Department).
- ❖ Materials and Services - Expenditures - Lines 5-21 Grants - Local Organizations. During the budget process, the City has a State Revenue Sharing Public Hearing so that local organizations have the opportunity to request funding from this Fund. Anticipated grant allocations have been placed in Line 5. Individual allotments are determined by the Budget Committee and approved by the City Council. The Budget Committee approved \$45,300 in local grants last year.
- ❖ Capital Outlay – Expenditure – This section has been deleted from the budget.
- ❖ Transfer – Expenditure – Line 23-28 Transfers have been added. Supporting the City's reserve funds are critical. Currently, due to continued increases in operating costs, there are no allocations for these reserve fund transfers in the General Fund. By supporting these funds with State Revenue Sharing, it allows a commitment to increasing the balances; as well as, alleviating some of the financial pressures in the General Fund. If the Budget Committee approves the allocation, the Budget Officer will equitably distribute to the Police Car Reserve Fund, Fire Apparatus/Equipment Reserve Fund, and Building Reserve Fund.
- ❖ It is being presented that there is Unappropriated Ending Fund Balance – Line 30. This builds fund stability and allows a dedicated revenue stream for the next budgeting cycle.

Pages 26 and 27 - State Street Fund 60.

- ❖ State Street funds are part of Oregon State Shared Revenues and support the construction, reconstruction, preservation, maintenance, repair and improvement of streets and roads. It is distributed to Oregon cities based on per capita disbursements. Revenue sources come from vehicle registration, title fees, driver's license fees, fuel taxes, and weight-mile tax.
- ❖ Personnel Services – Line 12 FTE. State Street's FTE = 3 staff x .35 = 1.05 FTE. As a reminder, the City's three public works positions' breakdown: one (1) FTE position has the following distribution .10 Park; .55 Water; .35 Street.
- ❖ Material and Services – Line 18 Street Lights has been added, which were previously allocated in the General Fund (Non-Departmental). This type of expenditure aligns more appropriately in the State Street Fund.

- ❖ Capital Outlay - Expenditure – Line 21 Equipment has been decreased.
- ❖ It is being presented that there is Unappropriated Ending Fund Balance – Line 24. This builds fund stability and allows a dedicated revenue stream for the next budgeting cycle.

Page 28 - Water Reserve Fund 71.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 767 on May 7, 2003, hereby established a financial reserve fund for the purpose of constructing, reconstructing, repairing, extending, and improving the water system of the City of Gearhart in whole or in part.
- ❖ Resources – Line 3 Transfer – from General Fund. This represents a temporary, interfund loan transfer resource, which repays the Water Reserve Fund.
- ❖ Resources - Historically, the primary revenue source has been transfers from the Water (Operating) Fund 30. A transfer has been allocated; however, if targeted financial markers are not met in the Water (Operating) Fund, there will be no transfer.
- ❖ Capital Outlay – Expenditure – Line 19 Grant - CSLFRF/American Rescue Plan Projects has no appropriations. The American Rescue Plan funds had to be allocated by December 31, 2024.
- ❖ Transfers – Expenditure – Line 22 Transfer – Interfund Loan to General Fund has allocations to support a temporary, operating loan to the General Fund.
- ❖ All funds have been appropriated; however, there are only a few anticipated projects (e.g., chemical feed pumps, telemetry system replacement). The City allocates all resources to allow easy access to address unplanned situations.

Page 29 - Police Car Reserve Fund 72.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 725 on May 7, 1997, hereby established a financial reserve for the purpose of maintaining, repairing and replacing police car or police cars of the City.
- ❖ The primary revenue source has been a transfer from the General Fund 10; however, due to financial constraints, it is being proposed that a transfer be considered from the State Revenue Sharing fund. A new resource has been added titled “Transfer – from State Revenue Sharing” and the Capital Outlay | Police Car Replacement expenditure account has been increased to offset the additional allocation.
- ❖ Allocations have been made; however, there are no specific purchases scheduled at this time. The City allocates all resources to allow easy access to address unplanned situations.

Page 30 - Fire Apparatus and Equipment Reserve Fund 74.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 768 on May 7, 2003, hereby established a financial reserve for the purpose of maintaining, repairing and replacing fire apparatus of the City of Gearhart.
- ❖ Resources – Line 3 Cost Recovery Services has been added. This revenue source was created by Ordinance 945 and allows the City’s Fire Department to recover costs associated with first responder services. Because this is a new revenue stream, there is no historical data to base projected income, so a placeholder has been added.

- ❖ The primary revenue source has been a transfer from the General Fund 10; however, due to financial constraints, it is being proposed that a transfer be considered from the State Revenue Sharing fund. A new resource has been added titled “Transfer – from State Revenue Sharing” and the Capital Outlay | Equipment expenditure account has been increased to offset the additional allocation.
- ❖ All funds have been appropriated; however, there is only one anticipated project (e.g., apparatus hose replacement). The City allocates all resources to allow easy access to address unplanned situations.

Page 31 - Hazardous Mitigation Fund 75.

- ❖ This fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 880 on June 4, 2014, hereby established a financial reserve for the purpose of pre-disaster mitigation used for hazard mitigation planning and projects to protect life and property from future natural disasters.
- ❖ A grant allocation has also been added with coordinating expenditures. This is a grant that is regularly received by the City of Gearhart. Grant expenditures will not be spent without the approval of the grant award.
- ❖ The primary revenue source has been transfers from the General Fund 10; however, because the Fund has no specific projects scheduled, there is an adequate funding balance, and resources are needed in the General Fund, there is no transfer budgeted.
- ❖ Allocations have been made; however, there are no specific purchases scheduled at this time. The City allocates all resources to allow easy access to address unplanned situations.

Page 32 - Public Works Major Equipment Reserve Fund 78.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 757 on May 2, 2002, hereby established a financial reserve for the purpose of purchasing, maintaining, repairing and replacing major public works equipment.
- ❖ The primary revenue source is a transfer from the Water (Operating) Fund 30. A transfer has been allocated; however, if targeted financial markers are not met in the Water (Operating) Fund, there will be no transfer.
- ❖ Allocations have been made; however, there are no specific purchases scheduled at this time. The City allocates all resources to allow easy access to address unplanned situations.

Page 33 - Building Reserve Fund 79.

- ❖ This Fund, under the authority of Chapter 280 — Financing of Local Public Projects and Improvements; City and County Economic Development, by Ordinance 806 on May 2, 2007, hereby established a financial reserve fund for the purpose of purchasing, repairing, and replacing City buildings.
- ❖ The primary revenue source has been a transfer from the General Fund 10; however, due to financial constraints, it is being proposed that a transfer be considered from the State Revenue Sharing fund. A new resource has been added titled “Transfer – from State Revenue Sharing” and the Capital Outlay | Equipment expenditure account has been increased to offset the additional allocation.

- ❖ Capital Outlay – Line 17 Public Safety Facility Project. City Council has prioritized exploring the option of a new public safety building for police/fire, which may still require professional services.
- ❖ Allocations have been made; however, there are no specific purchases scheduled at this time. The City allocates all resources to allow easy access to address unplanned situations.

Page 34 - Gearhart Road District Fund 50.

- ❖ This Fund, under the authority of Chapter 371 - Road Districts and Road Assessment Plans, was created by an area residents' vote with the purpose of allowing the City of Gearhart to levy a property tax to fund maintenance and improve roads. The permanent tax rate is \$0.0602 per \$1,000 of assessed property value.
- ❖ Resources - Line 2 Property Tax has been budgeted at a 3% increase with a reduction for discounts, other uncollectible, and three potential refund credits (PRC). At this point, the Clatsop County Assessor's office has notified all taxing districts that they are anticipating PRC revenue holdbacks for Georgia Pacific/Wauna, Pacific Corp, and Charter Communication. As per ORS 305.286, "Whenever any property value or claim for exemption or cancellation of a property tax assessment is appealed, if the dollar amount in dispute exceeds \$1 million, the assessor of the county in which the property is located may order the officer in charge of the assessment and tax roll to issue a potential refund credit..." These PRC funds are held until final resolution of the appeal. Gearhart Road District's portion of the property tax revenue holdback is estimated at \$1,189.94. The City's permanent tax rate is \$0.0602 per \$1,000 of assessed value.
- ❖ Resources – County Land Sales has been removed from the budget.
- ❖ Expenditure – Grant - CSLFRF/American Rescue Plan has been removed from the budget.
- ❖ Expenditure – Materials and Services – Line 20 Beach Access Maintenance has been added, which were previously allocated in the General Fund (Non-Departmental). This type of expenditure aligns more appropriately in the Gearhart Road District Fund.
- ❖ Expenditure – Transfers Section – Line 26 Transfer – to Water Reserve Fund has no allocations. This was to allow the CSLFRF/American Rescue Plan grant revenues collected in previous years to be moved to the Water Reserve Fund for eligible water improvement projects, which was done in 2024-2025.
- ❖ All funds have been appropriated; however, the only anticipated project is road maintenance (e.g., paving). The City allocates all resources to allow easy access to address unplanned situations.

Page 35 and 36 - Supplemental Salary Information.

- ❖ This is to provide some additional data on salaries.
- ❖ The Distribution of Annualized Salary shows all positions, salary (including certification/merit pay) amounts budgeted, and the distribution of each FTE by Fund.
- ❖ The Salary Schedules show the position, steps, and the annual fiscal salary amount. Please note that any individual staff that is still eligible for steps will move on the salary schedule based on their anniversary date, not the budgeted period of July 1 – June 30. The salary schedule amounts will not always match the salary amount in the Distribution of Annualized Salary.
- ❖ Certification/Merit Increase are amounts given for specialized certifications or merit longevity increases. These amounts are in the Distribution of Annualized Salary but not in the Salary Schedules. These types of payments are a flat annualized amount divided equally over the pay

cycles. They are not impacted by COLA increase. Currently, the City pays two certification stipends totaling \$10,000 and one merit stipend totaling \$3,500, which were effective in the 2022-2023 fiscal year. The amount in the budget represented only the new potential certification stipend amount.

- ❖ As per the Employee Handbook, “A wage/salary schedule will be established for each job. The schedule will include minimum and maximum wage/salary for each job with seven (7) steps. Any increases to the employee’s wage/salary shall be based on satisfactory work performance for the preceding year and is discretionary and subject to...approval.” Any merit raise amounts, wage/salary schedule revisions, or cost of living adjustments (COLAs) will be decided on by the Gearhart City Council.”

#### Supplemental Information

- ❖ Relevant information to support the budget process and compliance.