



Finance Department

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MEMORANDUM

To: Sweet Home City Council
Ray Towry, City Manager

From: Brandon Neish, Finance Director

RE: Financial End of Year Update for Fiscal Year 2021

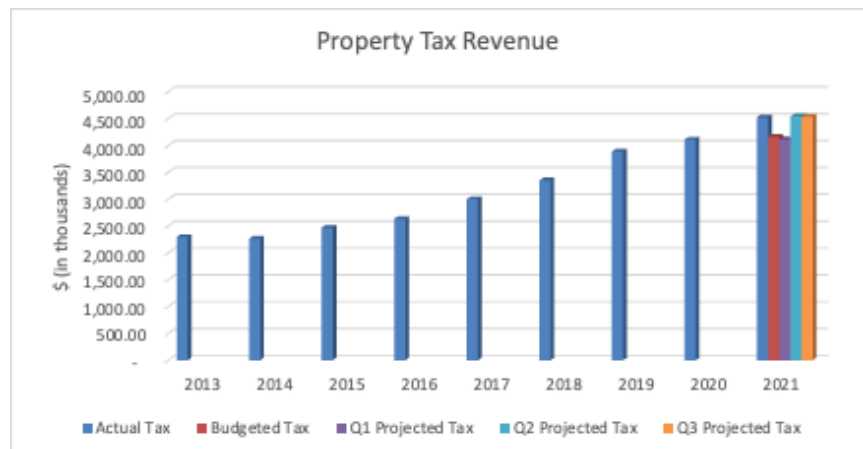
The 2021 fiscal year ended June 30, 2021. 2020 was a “year like no other” and certainly the City’s finances were no different. While the fiscal year has ended, invoices are still being paid that are attributed to the former year so these figures are not final until the audit is completed closer to November or December. However, the figures presented here are close and should not change materially.

Property Taxes

2021 has yielded a wild ride for property tax receipts and the City finished 8.6% or \$358k above budget.

As a reminder, the City had planned for the following with regards to tax receipts:

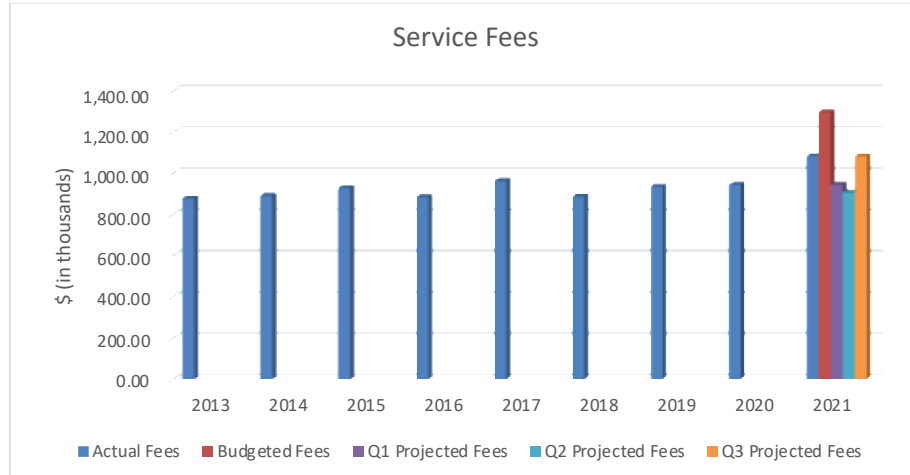
- Compression levels would drop from 19% to 18%
- Assessed values would increase 3% as allowed by Measure 50
- An 8% reduction from total billings to account for early pay discounts and delinquencies



An analysis of property tax bills for the 2021 fiscal year highlights a higher than anticipated drop in compression rates (compression now sitting at approximately 15%). The remainder of the increase from budgeted estimates indicates fewer delinquent accounts than originally projected when the pandemic began.

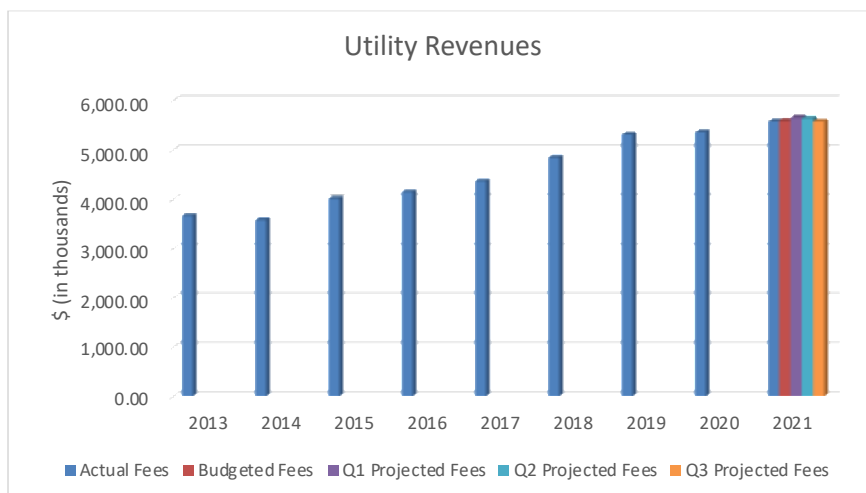
Service Charges

Through December 2020, service fee revenues had been trending lower than the prior year due to impacts due to the Coronavirus pandemic. While down 16.4% from the adopted budget, service fees had rebounded in the third quarter after projections showed fee revenue falling fast in the first and second quarters. Service charges were up largely driven by significant increases in planning fee revenue and system development charges (SDC) received by the City. Each of these categories saw



gains of 103% and 81% respectively as building and housing continues to dominate in today's economy. 2022 should be going to normalize as builders also rushed to pay SDCs prior to a planned increase in the City's fees that was effective May 2021. Planning receipts are now \$15,000 higher than 2020 and SDC revenue was \$47,500 higher.

Utility Revenues



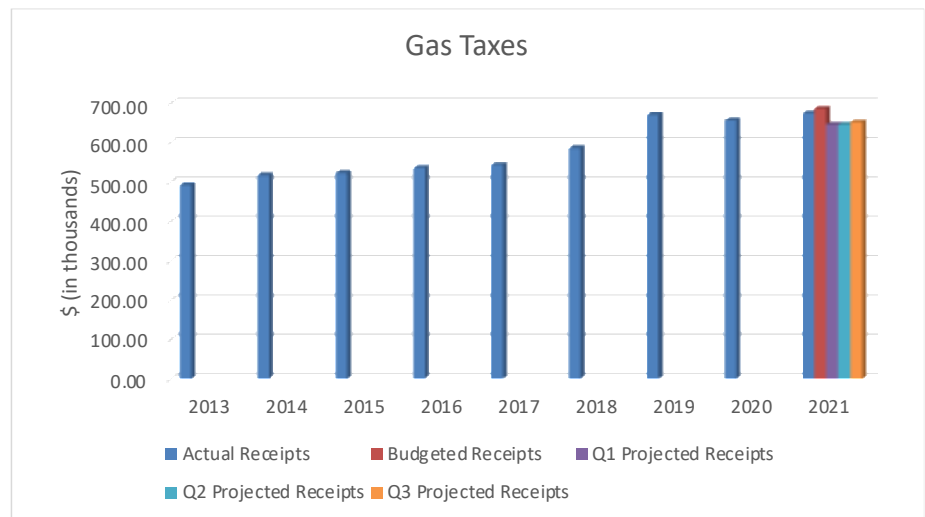
Utility revenues were down .2% over the prior year. Budgeted at \$5.6 million, utility revenues reached \$5.58 million by fiscal year end, a 0.9% increase from the Q3 report. Previous reports indicated that long-term economic struggles may force consumers to reduce consumptions or consider paying for other needs over utility fees. The latter did not occur as the City's delinquent accounts are lower than ever before, but consumptions decreased slightly.

Gas Taxes

Gas tax revenue is paid by motorists who utilize DMV services, filling up fuel tanks resulting in fuel tax receipts and those who are required to pay tolls, ODOT permit fees, trucking fees and more. The revenue is collected by the Oregon Department of Transportation (ODOT) and distributed to cities and counties across Oregon. In 2017, the Oregon Legislature passed an additional payroll tax, 1/10th of 1%, which employees pay as part of their monthly payroll. These taxes originally increased the allocation that Sweet Home was expecting to receive in gas tax revenues. However, when COVID struck, ODOT projections were swiftly revised, and the City ultimately saw a reduction in receipts for the end of fiscal year 2020 as well as revised projections for 2021. These projections were included in the adopted budget, which was set at

\$686,742, a 4.5% increase over the 2020 actual revenue. As of the end of the first quarter, state receipts were down 13.2% and an October revenue report from ODOT conveyed an expected reduction of \$40,925 from the original estimates resulting in a forecast of \$645,817 for streets. The City received \$674,874, an increase of 4.5% from previous estimates but still 1.7% below the 2021 adopted budget. The impacts on this reduction, while initially concerning, were

mitigated by a freeze on expenditures during the first nearly six months of the fiscal year and a delay in anticipated street construction projects. Overall, the streets fund closed out the year “healthy” (\$400k plus in reserve) which allows for additional capital funding in future fiscal years.

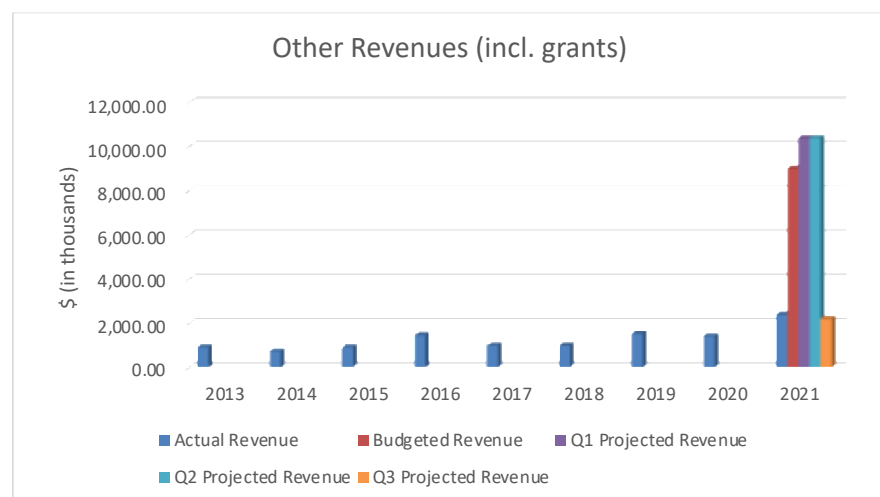


Other Revenues

Included in “other revenues” are building permits, interest, grants and other miscellaneous revenues.

Other revenue finished 67.3% over the prior fiscal year primarily due to grant receipts as both the Library and Community & Economic Development have leveraged grant funds to complete projects across the City. The City has also received funds for the Wastewater Treatment Plant engineering work and

CARES funding (COVID) from the State. Additionally, significant progress at Sankey Park using a grant from the Oregon Parks and Recreation Department has resulted in new playground equipment, paths and lighting moving closer to realizing the full potential of Sankey as the City’s flagship park. With a revised timeline for the construction of the Wastewater Treatment Plant, other revenues were significantly less than the 2021 adopted budget and the City did not receive \$7 million in grants from the



State of Oregon. Moving into 2022, the State has reallocated the \$7 million for the Treatment Plant which will greatly reduce the need for debt to furnish the overall project.

Personnel

Personnel expenditures generally make up nearly 50% of the City's overall expenditures annually. For fiscal year 2021, personnel expenditures were budgeted at \$5.6 million with actual expenditures reaching \$5.4 million (a 30.2% savings from the prior fiscal year). The savings comes from personnel decisions made during the onset of the pandemic such as leaving open positions vacant and salary freezes instituted for management and AFSCME employees until January 2021.

Materials & Service

At the height of the coronavirus pandemic, City Manager Ray Towry issued a non-essential spending freeze until the financial impacts of COVID could be better determined. This contributed to a carryover of \$2.6 million above the 2020 budget which resides in fund balances across the various funding resources adding to long-term fund stability as we navigate the effects of the pandemic. For 2021, the spending freeze resulted in spending that was 14.5% less through Q2 than the same period in the prior year. The materials and services budget for 2021 was adopted at \$5,198,202 and the City spent \$5,190,905. This is a 0.1% reduction in total spending and net savings of \$7k.