



## **BUDGET MESSAGE**

### **Fiscal Year 2020-2021**

MEMBERS OF THE BUDGET COMMITTEE AND CITIZENS OF LAKEVIEW:

This is my first budget message as the Town of Lakeview's Town Manager. It has been a momentous time. Through various initiatives and internal improvements, we have increased the Town's ability to become leaner, stronger and financially healthier.

That said, there is a lot of misunderstanding about what we are doing with our finances and why. Our residents see us spending money in ways we have never spent it before and receiving large loans amounts. Some are worried these expenditures will come back to haunt us by creating future operating costs we cannot afford to cover. Others see us spending tax dollars on capital improvements and feel that money would be better spent on basic services like streets and public safety. Finally, there is a common misperception that 'money is money'-- if we can afford a water treatment facility, why can't we afford another police officer or ordinance officer?

These concerns are understandable. Most people do not understand the complexities of public sector finance or the rules that govern how the funds must be segregated and expended by public bodies. I know my own learning curve on the subject has made my head spin. There are strict legal differences between local sources of revenue, things like property tax and franchise fees; state sources of revenue, such as fuel tax and 9-1-1 operating revenue; or special purpose grants for capital improvement projects. These differences matter because they govern where and how we can spend our money.

The vast majority of the money we received in 2019-2020 was from a USDA loan to improve our water system. This money can only be spent on the project for which it was specifically identified. We in turn coupled with the USDA loan a low-interest loan for a north water improvement project for our business owners. This was done by design – the interest rate on the loan was highly competitive and it allowed us to extend water to growing businesses in the north part of our town. As a result, while we did incur a financial obligation to repay a debt; however, the town's water will improve, and our north businesses can expand their operations.

We are doing things in Lakeview that have never been done before. It is creating quite a buzz. People want to know what we're up to, and when they take the time to find out, they usually walk away impressed. We are moving in a good direction with much to be excited for and I love delivering this great news.

## BUDGET HIGHLIGHTS

### General Fund

Remarkable efforts have gone towards bringing Red Rock to the community and for the first time in FY2020-2021 the Town will receive \$200,000 in taxes from these efforts. The Town will also be receiving for the first time \$24,000 in tax revenue from the completion of the Black Cap Solar project. This is an exciting time for the residents of Lakeview to see growth in our community combined with the aim of preserving our rural lifestyle and quality of life.

### *Intergovernmental Revenue*

Our Intergovernmental Revenue will be adjusted and amended throughout FY2020-2021 as I watch the effects of COVID-19 on our Cigarette, Liquor, Marijuana and Oregon Revenue sharing taxes. Additionally, I have taken the prior year's budget line items: Oregon State Revenue Sharing, Local 3% Marijuana Tax and Marijuana Taxes and combined into one-line item in the budget. This was done for simplification purposes only.

As a direct result of COVID-19, and the State of Oregon laying off 1/3 of the travel industry workers, I have budgeted \$10,000 for Transient Lodging Tax rather than the \$40,000 from the prior year. I expect to make amended budget submissions throughout the year since we do not know what the economic challenges will be from the pandemic shelter-in-place.

Our General Fund provides a contingency amount of \$170,615.00 as an appropriated resource to support the Town in case property taxes deposit late or are below what is budgeted or if there is a dramatic decrease in revenues from COVID-19. The contingency fund will support the Town in meeting their financial obligations.

Now, for the not-so-good-news of my budget message and how I plan to fix the issues facing the budget.

I have been doing a comprehensive financial assessment of the town since December 2019 by evaluating revenues and expenditures. What has been found are five (5) funds had negative balances as of June 30, 2019, bringing the town out of compliance with Oregon Local Budget Law.

Five negative funds and a pandemic has made my short time as town manager exhilarating and it goes without saying the COVID-19 pandemic will affect our revenues for FY2020-2021. I'm estimating a decrease across the board of 12%-15% which means we are in for a bumpy next fiscal year. However, we must

first comply with Oregon Budget Law Practices or risk having restrictions placed on us by the State of Oregon for having funds with negative balances. My attention for the next year will be getting the town out of the predicament it's in and to budget for extremely conservative spending for FY2020-2021 and FT2021-2022.

<b>Fund</b>	<b>Amount Over (Under)</b>
Emergency 9-1-1	(\$119,768.00)
Street Fund	(\$73,798.00)
Park Fund	(\$53,875.00)
Bullard Canyon Project Fund	(\$16,349.00)
Bike Path/Trails Fund	(\$20,976.00)
Geothermal Project Fund	(\$60,871.00)
<b>TOTAL</b>	<b>(\$345,637.00)</b>

EMERGENCY 9-1-1 FUND

Our Emergency 9-1-1 Fund has the largest and most concerning negative balance, it will also take the longest to get back on track and keep on track, see Figure 1.

Figure 1 Balance of 9-1-1 Fund

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual**

**EMERGENCY 9-1-1 FUND #19**

**For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Investment Earnings	\$ 500	\$ 500	\$ -	\$ (500)
Taxes and Assessments	316,750	316,750	292,107	(24,643)
Miscellaneous Revenue	11,000	11,000	75	(10,925)
Total Revenues	<u>328,250</u>	<u>328,250</u>	<u>292,182</u>	<u>(36,068)</u>
<b>EXPENDITURES:</b>				
Personnel Services	338,600	365,100	355,944	17,344
Materials & Services	40,650	40,650	37,073	(3,577)
Capital Outlay	14,000	14,000	24,057	10,057
Total Expenditures	<u>393,250</u>	<u>419,750</u>	<u>417,074</u>	<u>23,824</u>
Excess (Deficiency) of Revenues Over Expenditures	(65,000)	(91,500)	(124,892)	(59,892)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfer In	65,000	91,500	91,500	26,500
Total Other Financing Sources (Uses)	<u>65,000</u>	<u>91,500</u>	<u>91,500</u>	<u>26,500</u>
Net Change In Fund Balance	-	-	(33,392)	(33,392)
Fund Balance - July 1, 2018	-	-	(86,377)	(86,377)
Fund Balance - June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,769)</u>	<u>\$ (119,769)</u>
From WS			-119,768	

We are receiving a new intergovernmental revenue in our 9-1-1 fund. It will come from the passing of House Bill 2449 and is estimated at \$97,699. This will be a great help to our 9-1-1 fund, because we are not meeting our expenses with sufficient revenue. To further assist the fund, I will bill constituencies using our 9-1-1 dispatch services to increase revenues another \$70,000.

Moving forward, it will become a requirement of 9-1-1 management to secure yearly grant money to keep this fund running smoothly for our residents and county. There will also be a \$5,000.00 ceiling on overtime to avoid the \$20,000.00 excess. July 1, 2020, I will begin the process of rebalancing our public safety spending to bring it more in line with what other communities spend in eastern Oregon as well as a new organizational structure to 9-1-1. These efforts will be ongoing until this fund is balanced.

Table 1. Emergency 9-1-1 schedule towards solvency

Line Item	Source	Amount	Total Over (Under)
<b>Beginning Balance</b>		<b>FY2020-2021</b>	<b>(\$119,769.00)</b>
Lake County Sheriff's Office	Billing	\$60,000.00	(\$59,769.00)
US. Forest Service	Billing	\$5,000.00	(\$54,769.00)
Bureau of Land Management	Billing	\$5,000.00	(\$49,769.00)
House Bill 2449	State of Oregon	\$97,699.00	\$47,930.00
	<b>TOTAL</b>	<b>\$167,699.00</b>	<b>\$47,930.00</b>

STREET – FUND

The street funds are used to maintain our transportation infrastructure and we will evaluate work this fiscal year as soon as this fund is solvent. Currently this fund has a negative balance, simply because we are not meeting our expenses with sufficient revenue, see Figure 2.

Figure 2 Balance of Street Fund

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual**

**STREET FUND #20**

**For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 447,000	\$ 447,000	\$ 167,018	\$ -
Miscellaneous Income	600	600	1,201	601
Total Revenues	447,600	447,600	168,219	601
<b>EXPENDITURES:</b>				
Personnel Services	106,550	106,550	94,906	(11,644)
Materials and Services	72,050	72,050	88,214	16,164
Capital Outlay	305,000	305,000	50,000	(255,000)
Total Expenditures	483,600	483,600	233,120	(250,480)
Net Change In Fund Balance	(36,000)	(36,000)	(64,901)	251,081
Fund Balance - July 1, 2018	36,000	36,000	(8,897)	(44,897)
Fund Balance - June 30, 2019	\$ -	\$ -	\$ (73,798)	\$ 206,184

From WS -73,798

Table 3. outlines how this fund will be balanced for FY2020-2021. Our Utility Fund is capable of managing additional expenses; therefore, \$73,798.00 will be transferred from the Utility fund to absorb the shortage. This will bring the Street fund into balance and we will begin the process of rebalancing the fund with changes in spending.

Table 3. Street Fund schedule towards solvency

Line Item	Source	Amount		Total Over (Under)
<b>Beginning Balance</b>				<b>(\$73,798.00)</b>
Street Fund	Transfer from Utility Fund	\$73,798.00		\$0.00
	<b>TOTAL</b>	<b>\$73,798.00</b>		<b>\$0.00</b>

PARK – FUND

The park fund can be grouped into two categories: building a park and maintaining a park. The largest function of our town’s park fund is our public swimming pool and pool facility. On average the pool generates \$30,000.00 in revenue; it costs \$56,000.00 to operate; therefore, each year there is a loss of (\$26,000.00), see Figure 3.

Figure 3 Park Fund Balance

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

**PARK FUND #22**

**For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Charges for Services - Pool	\$ 26,000	\$ 26,000	\$ 30,014	\$ 4,014
Grants/Donations	251,000	251,000	-	(251,000)
Total Revenues	<u>277,000</u>	<u>277,000</u>	<u>30,014</u>	<u>(246,986)</u>
<b>EXPENDITURES:</b>				
Personnel Services	56,120	56,120	53,736	(2,384)
Materials & Services	33,380	33,380	24,083	(9,297)
Capital Outlay	250,000	250,000	-	(250,000)
Contingency	5,000	5,000	-	(5,000)
Total Expenditures	<u>344,500</u>	<u>344,500</u>	<u>77,819</u>	<u>(266,681)</u>
Excess (Deficiency) of Revenues Over Expenditures	(67,500)	(67,500)	(47,805)	19,695
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfer In	<u>67,500</u>	<u>67,500</u>	<u>67,500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>67,500</u>	<u>67,500</u>	<u>67,500</u>	<u>-</u>
Net Change In Fund Balance	-	-	19,695	19,695
Fund Balance - July 1, 2018	-	-	(73,570)	(73,570)
Fund Balance - June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,875)</u>	<u>\$ (53,875)</u>

From WS

-53,875

Since the negative balance is a reoccurring deficit, this fund will be reconfigured by taking some of the expenditures out of the Parks Fund and putting them into our Water Fund. I will implement several changes to personnel services FY2020-2021 to both increase revenue and reduce the town's costs.

Additionally, the town has applied for two Oregon State Parks and Recreation Grants and one AARP Community Challenge Grant to accomplish several exciting projects. Should we be awarded the grant, the money will go to the following projects.

- The public pool & facility and community park is in need of some major repair to bring the plumbing and electrical components up to current code requirements. The pool facilities will be rehabilitated with a new roof, new layout, shade sails and paint. We will add a splash pad, and we will rehabilitate the tennis court to a multiuse basketball court and skateboard park.
- The improvement of McDonald Park includes installation of five innovative and sustainable fitness equipment stations, interactive splashpad/play area, age-friendly benches, rehabilitated shed/bathrooms, rehabilitated shade pavilion, landscaping and smooth walking pathways.

The improvement plans for the public pool, facility and community park are intended to increase paying patrons to the swimming pool to help balance the expenses incurred by the town each year. The improvements at McDonald Park is to expand the number of users going to the park with a special focus on our seniors.

And finally, the town reestablished their Lakeview Park Foundation 501(c)(3) non-profit entity to begin looking at fundraising projects for the swimming pool and to expand additional non-profit operational grants to help the Park Fund eliminate its perpetual negative fund balance.

**DISCONTINUED FUNDS**

The following funds will have transfers from the Utility Fund to bring them solvent, they will then be discontinued at the end of FY2019-2020.

*Table 4. Discontinued Funds, funds to be transferred to the Utility Fund.*

<b>Fund</b>	<b>Transferred to</b>	<b>Amount Over (Under)</b>	<b>Total Over (Under)</b>
BULLARD CANYON PROJECT – FUND	Utility Fund	(\$16,349.00)	(\$16,349.00)
BIKE PATH/TRAILS FUND	Utility Fund	(\$19,288.00)	(\$35,637.00)
	<b>TOTAL</b>	<b>(\$35,637.00)</b>	

Table 5 are also funds being discontinued at the end of FY2019-2020. Funds will transfer to the Utility Fund.

*Table 5. Discontinued Funds, funds to be transferred to the Utility Fund.*

<b>Fund</b>	<b>Transferred to</b>	<b>Amount Over (Under)</b>	<b>Total Over (Under)</b>
PROGRAM/PROJECT SUPPORT – FUND	Utility Fund	\$118,175.00	\$118,175.00
BUILDING – FUND	Utility Fund	\$4,199.00	\$122,374.00
FIRE TRUCK – FUND	Utility Fund	\$6,502.00	\$128,426.00
	<b>TOTAL</b>	<b>\$128,876.00</b>	

The Debt Service Fund \$132,400.00 balance will be transferred to the General Fund and then will be discontinued.

This will be the final year the Police Department and Head Start CDBG will be shown in the budget.

**GEOHERMAL PROJECT DOC - FUND**

This is the final negative balance fund and to be honest, I'm going to make this an easy solution for solvency. The plan for this fund is to transfer \$38,209.00 from our Water Fund to balance the Geothermal Project. I will also be, as with the other negative funds, reorganizing the structure and put a strategic plan in place to keep this, and all of our funds running properly and in accordance to Oregon local budget laws and best practices.

*Figure 4 Geothermal Project Doc Fund*

**Changes in Fund Balance - Budget and Actual  
GEOHERMAL PROJECT - DOC FUND #53  
For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Fees & Services	\$ 52,000	\$ 52,000	\$ 47,512	\$ (4,488)
Total Revenues	52,000	52,000	47,512	(4,488)
<b>EXPENDITURES:</b>				
Not Allocated to Organizational Unit or Program:				
Personnel Services	-	-	15,379	15,379
Materials & Services	22,000	22,000	31,401	9,401
Capital Outlay	3,000	3,000	-	(3,000)
Debt Service	2,000	2,000	2,000	-
Total Expenditures	27,000	27,000	48,780	21,780
Excess (Deficiency) of Revenues Over Expenditures	25,000	25,000	(1,268)	(26,268)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfer (Out)	(25,000)	(25,000)	(25,000)	-
Total Other Financing Sources (Uses):	(25,000)	(25,000)	(25,000)	-
Net Change In Fund Balance	-	-	(26,268)	(26,268)
Fund Balance - July 1, 2018	-	-	(87,000)	(87,000)
Fund Balance - June 30, 2019	\$ -	\$ -	\$ (113,268)	\$ (113,268)

Reconciliation to generally accepted accounting principles basis

Net Change in Fund Balance	\$ (26,268)
Interfund Loan Repayment - Principal	20,784
Depreciation Expense	(44,872)
Pension Related Accruals	(10,515)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ (60,871)</u>

From Prop Rev -60,871

## ACCOUNT CLARIFICATIONS-MISCELLANEOUS

- Some funds reflect contingency balances (reserves) whenever possible, to offset any potential funding shortfall brought on by economic recession during the fiscal year or during upcoming fiscal years.
- Most expenditure line items have buffer amounts added to them as the budget has allowed. These additional amounts are intended to cover any unanticipated expenses and are to act as ceiling for expenditures.

## ACCOUNTING POLICIES

In order to ensure adherence of limitations and restrictions placed on the use of the money available to the town, the accounts are maintained in accordance with the principles of “fund accounting.” This is the procedure by which revenues and expenditures for various purposes are classified, for accounting and reporting purposes, in accountant groups that are in accordance with activities or objectives specified under an adopted budget. The operation of these funds is accounted for by providing a set of self-balancing accounts. The basis of accounts utilized by the town is the modified accrual basis of account. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (when they are measured and available). “Measurable means the amount of the transaction can be determined and “available” means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The town considers property taxes as available if they are collected within 60 days after year-end.

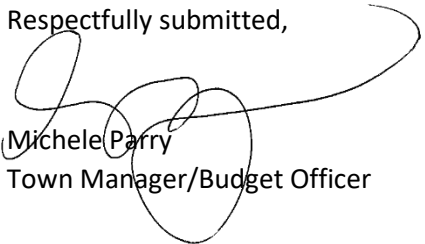
A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions under capital leases are reported as other financing sources.

## CONCLUSION

With many of our funds being in the negative, several transfers to/from varying funds, and ongoing efforts this year’s budget will be amended in October 2020 to better reflect how well the town is doing, and how well our management teams are managing their prospective budgets. Because of the Coronavirus Pandemic I will be closely monitoring the potential impacts to the budget and updating the community as we move along.

I would like to thank everyone for working together as a team to produce the budget and the Budget Committee members for their consideration of this proposed budget and their continued dedication to the town and residents of Lakeview. Now, let’s get to work!

Respectfully submitted,



Michele Parry  
Town Manager/Budget Officer