

This discussion and analysis presents the highlights of financial activities and financial position for the City of John Day (the “City”). The analysis focuses on the financial activities of the City for the fiscal year ended June 30, 2020 based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor’s report. We encourage readers to consider the information presented here in conjunction with the City’ financial statements beginning on **page 12.**

FINANCIAL HIGHLIGHTS

Following are the financial highlights of the City for the fiscal year ended June 30, 2020:

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$10,401,604 (net position). Of this amount, \$654,589 (or 6.3%) is unrestricted and may be used to meet the City’s ongoing obligations and pay for day to day operations (see Table 1).
- The total net position increased \$56,758 (or 0.5%) during the year (see Table 2).
- Governmental funds reported combined ending fund balances at year-end of \$2,080,573, a decrease of \$441,660 (or 18%) compared to last fiscal year (see Table 3).
- The General Fund’s unassigned fund balance at the end of the current year was \$410,483 (or 52%) of total General Fund expenditures and transfers (see Budgetary Comparison Schedules – General Fund).

REPORT LAYOUT

The City’s annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

Management’s Discussion and Analysis. This section of the report provides financial highlights, overview and economic factors affecting the City.

Basic Financial Statements. Includes Statement of Net Position, Statement of Activities, fund financial statements and Notes to Basic Financial Statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be business-like in that all activities are consolidated into a total for the City.

- *Statement of Net Position.* Focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes, and the difference called net position.
- *Statement of Activities.* Focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user’s analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- *Fund financial statements.* Focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements.
- *Budgetary comparison schedules.* The City’s major governmental funds are presented on their own. Schedules showing budget-to-actual expenditure and revenues are presented

for the: General Fund; Street Fund; 911 Fund; Community Development Fund; Debt Service Fund; Water Fund; Sewer Fund; Joint Sewer Fund; and Internal Service Funds (Motor Pool, Unpaid Compensation).

Other Supplemental Information and Schedules. Readers desiring additional information may find it in the combining and individual schedules of revenues, expenditures, and changes in fund balance in this section of this reporting package.

Comments and Disclosures. This includes supplemental communication on City compliance as required by Oregon statute.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and Other Assets	\$ 2,317,087	\$ 2,701,561	\$ 885,228	\$ 1,845,246	\$ 3,202,315	\$ 4,546,807
Net Capital Assets	6,320,359	5,906,694	5,178,932	4,334,020	11,499,291	10,240,714
Total Assets	8,637,446	8,608,255	6,064,160	6,179,266	14,701,607	14,787,521
Deferred Outflows of Resources	229,804	185,037	201,393	69,610	431,197	254,647
Liabilities:						
Current Liabilities	155,416	125,054	394,034	458,072	549,450	583,126
Long-Term Liabilities	503,057	496,395	2,359,093	2,597,626	2,862,150	3,094,021
Net Pension/OPEB Liability	574,577	589,100	528,845	218,491	1,103,422	807,591
Due To (From) Other Funds	303,302	329,492	(303,302)	(329,492)	-	-
Total Liabilities	1,536,352	1,540,041	2,978,669	2,944,697	4,515,021	4,484,738
Deferred Inflows of Resources	116,823	137,266	99,356	75,319	216,179	212,585
Net Position:						
Net Investment in Capital Assets	5,493,745	5,066,202	2,589,057	1,502,673	8,082,802	6,568,875
Restricted	1,664,213	2,031,641	-	-	1,664,213	2,031,641
Unrestricted	56,118	18,141	598,471	1,726,188	654,589	1,744,329
Total Net Position	\$ 7,214,076	\$ 7,115,984	\$ 3,187,528	\$ 3,228,861	\$ 10,401,604	\$ 10,344,845

The \$56,758 increase in net position can be attributed primarily to interest earned on funds programmed for capital outlay that were not expended.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for Services	\$ 210,588	\$ 411,297	\$ 1,319,535	\$ 1,270,504	\$ 1,530,122	\$ 1,681,801
Operating Grants	299,873	399,477	-	-	299,873	399,477
Capital Grants	319,132	76,017	143,452	36,500	462,584	112,517
General Revenues:						
Property Taxes	357,743	371,882	-	-	357,743	371,882
Interest Income	55,745	80,739	35,381	38,721	91,126	119,460
Other	218,441	254,388	11,418	51,053	229,859	305,441
Total Revenues	1,461,522	1,593,800	1,509,785	1,396,778	2,971,307	2,990,578
Program Expenses:						
General Government	361,833	249,633	-	-	361,833	249,633
Streets	311,432	334,781	-	-	311,432	334,781
Public Safety	543,559	1,051,207	-	-	543,559	1,051,207
Community Development	163,394	229,096	-	-	163,394	229,096
Utilities	-	-	1,534,331	1,240,839	1,534,331	1,240,839
Total Program Expenses	1,380,218	1,864,717	1,534,331	1,240,839	2,914,548	3,105,556
Transfers	16,788	12,168	(16,788)	(12,168)	-	-
Change in Net Position	\$ 98,092	\$ (258,749)	\$ (41,333)	\$ 143,771	\$ 56,758	\$ (114,978)

The net position of the Governmental Activities increased \$98,092 in the current year primarily due to revenues in excess of operating expenses. The net position of the Business-Type Activities decreased by \$41,333 due to expenditures for which grant and loan proceeds have been programmed and approved but have not yet been received.

City revenues were expended across seven main departments: Water; Sewer; Streets; Police; Administration; Community Development; and Fire (see Figure 1). The City also manages funds for the Grant County Digital Network Coalition as its lead agency. Minimal costs were also incurred in Main Street Revitalization and Emergency Services (911), which will be zero'd out in FY21.



Figure 1. Expenditures by Department

FUND ANALYSIS

General Fund

Intergovernmental revenues in the General Fund include pass through income from the state such as liquor taxes, grants and contract payments from the John Day Rural Fire District. General Fund expenditures exceeded revenues by \$32,186. The General Fund includes four departments: Administration, Police, Fire, and Main Street Revitalization. Of these, Police expenditures account for 54 percent of total General Fund expenditures. Total revenue of \$750,645 declined by \$94,285 (or 12.5%) from FY19's revenue of \$844,930. Revenue decrease was due in part to lost rental income resulting from the sale of the Weaver building to Tyler and Krista Sheedy and to a decline in grant revenues received in FY19 for the Main Street Revitalization program. General Fund transfers were slightly higher than last fiscal year with \$65,711 transferred from the General Fund to other funds and \$45,000 transferred to the Motor Pool. As a result, the fund balance decreased by \$80,109 in this fund compared to FY19.

The City began implementing formal code enforcement in FY20 by hiring a part-time code enforcement officer to work in the police department. As a result, police expenditures increased by \$69,306 (or 19%), from \$359,425 in FY19 to \$428,731 in FY20. Code enforcement was a priority of the city council after receiving numerous complaints from residents about substandard living conditions and public nuisance violations. The enforcement process has yielded tangible results in terms of the properties that have been abated but it does place an increased cost burden on the City's General Fund to provide these services.

Street Fund

Street Fund expenditures exceeded revenues by \$100,340. City street funds are used primarily to maintain transportation infrastructure. While a significant source of revenue comes from the allocation of State Highway Fund revenues, there is typically a substantial gap between the cost of streets and what the City receives. The City received \$168,686 in federal forest fees this year and State Highway fund revenues were \$126,000; while total operating costs were \$246,821 plus an additional \$419,926 in capital outlay. Capital outlay was for the new Integrated Park System with trails and paths connecting existing and future parks to the riverfront, along with improvements to Canton Street, which serves as an access point to the new park system. Approximately \$82,500 in capital outlay expenditures were also incurred for the repair of the 4th Street/Airport Road access that was damaged during the April 2019 flood event and for grants to complete the City's street improvement projects. The City will receive 75 percent cost reimbursement through FEMA for these disaster-related repairs and an additional \$50,000 from ODOT, and we are in discussions with Grant County to cost share on the repairs to allow the City to offset a portion of these unforeseen expenses.

911 Fund

The fund balance of the 911 Fund increased by \$673 due to interest earned. \$46,000 was transferred from this fund to the Police fund this fiscal year, resulting in a fund balance of \$9,964. The remaining funds will be expended in FY21. This fund will continue to be reported for three years but has been discontinued since the 911 department transitioned to the Grant County Emergency Communications Agency.

IT Fund

The revenues of this fund are a result of State Appropriations of \$1,836,000 received in FY18. These funds will be used to establish broadband infrastructure for those communities participating in the project. Once established the broadband service will be provided by the Grant County Digital Network Coalition, a council of governments organized under Oregon Revised Statute 190.010 to improve broadband access throughout Grant County (see Ordinance No. 18-171-01). During the current fiscal year, the IT fund earned \$32,181 in interest and expended \$146,134, of which \$102,333 was for capital outlay. Funds were used to establish fiber optic connections between the John Day Fire Hall/GCECA and Grant Education Service District/Grant School District 3. Funds were also used to apply for the US Economic Development Administration (EDA) FY20 CARES act to build fiber to the home for the remaining unserved portions of John Day. A decision on this grant, which will provide \$2 million in federal funding for broadband, is expected by January 2021. The City, in partnership with OTC Connections, was also awarded a \$6 million broadband grant under ReConnect in December 2019 to install an additional 80 miles of fiber to outlying communities. The fund balance of \$1,449,001 remaining at the end of FY20 will be used for these projects, with \$1 million in matching funds contributed by the City to OTC for USDA ReConnect and the remainder reserved for the EDA grant if it is awarded. The City will have license to access this infrastructure for public use and these expenditures will be reflected in the FY21 and FY22 budgets.

Community Development Fund

The revenues of this fund consist of a monthly fee from the utility customers of the City. These funds have been used as incentive for building and remodeling of homes in the City of John Day as part of an Urban Renewal Area (URA) the City created in June 2018 (see Ordinance No. 18-172-02 and Ordinance No. 18-173-03). The fund collected \$76,369 in fees and received \$15,000 in grant proceeds in FY20 from the Grant County Court for a joint planning study for the Grant County Fairground. Beginning in FY21, the URA's revenues and expenditures will be managed separately from the City's and will no longer be connected to this fund, and the City's greenhouse will transition from the Sewer Fund to this fund.

Debt Service Fund

The Debt Service Fund is new for FY20 and was created to manage the Fire Hall bond revenue and expenditures. Bond revenue of \$55,687 plus \$680 in interest are the sole source of revenue for this fund. Expenditures of \$55,096 were for the City's loan payment to WaFd bank for the Fire Hall loan. Transfers into this fund of \$22,720 were a one-time transfer of the funds for this loan into the new Debt Service Fund. The fund balance as of July 1 was \$23,310.

Water Fund

The Water Fund's net position decreased \$601,616 in the current year. Monthly water rates were increased by \$1 during the fiscal year to provide sufficient funding to cover the cost of operating the water system as well as repay debt from prior projects and charges from the Motor Pool. The decrease in net position was due to \$734,869 in capital outlay for the purchase of the Iron Triangle Logging property and right-of-way that will be used to create the new Innovation Gateway business/industrial park. The John Day Planning Commission approved the preliminary plat and site design plan for this development on November 18, 2020 and the property will be developed utilizing funds from the Oregon Business Development Department (Business Oregon). Business Oregon has authorized a loan to the City for up to \$595,000 with \$60,000 forgivable to offset this cash expenditure. The loan will fund in January 2021 and bring this account's net position on a full accrual basis to a decrease of not more than \$6,616, which will be reflected in next year's audit report.

Sewer Fund

The Sewer Fund had total operating expenses of \$836,390, an increase in expenditure of \$103,803 over FY19. This increase was due largely to operations of the Greenhouse, which was transferred to the Community Development Fund in FY21. The net position of the Sewer Fund decreased by \$232,694 in the current year due to this department as well as the final engineering/design of the new wastewater treatment plant, which is scheduled to begin construction in FY21. Monthly sewer rates were increased by \$1 during the FY19 fiscal year to provide sufficient funding to cover the cost of operating the sewer system as well as repay debt from prior projects and charges from the Motor Pool. Business Oregon issued a loan/grant combination in FY21 for \$2.25 million to complete final design and begin construction of the pre-fabricated treatment plant, which consists of a grant of \$750,000 and a loan of \$1.5 million

for 30 years at one percent interest. The sewer rates will increase by \$12 in January 2021 to offset the cost of the Business Oregon loan and create more liquidity in this fund as we move into construction. The balance of the financing for the project will be provided by the CDBG program (\$2.3 million grant) and USDA Rural Development under a guaranteed loan and grant combination. The City will also see some cost recovery for expenditures incurred in FY20 that will be reimbursed in FY21 that will be accounted for in next year's audit on a full accrual basis.

	Governmental Funds				Proprietary Funds	
	General Fund	Street Fund	IT Fund	911 Fund	Water Fund	Sewer Fund
Fund Balances/Net Position - Beginning	\$ 490,592	\$ 336,465	\$ 1,562,954	\$ 55,291	\$ 2,160,257	\$ 751,333
Revenues	750,645	566,407	32,181	673	664,988	844,798
Expenditures	(782,831)	(666,747)	(146,134)	-	(533,730)	(970,321)
Transfers	(47,923)	(25,000)	-	(46,000)	(5,596)	(11,192)
Changes in Equity	(80,109)	(125,340)	(113,953)	(45,327)	125,662	(136,715)
Fund Balances/Net Position - Ending	\$ 410,483	\$ 211,125	\$ 1,449,001	\$ 9,964	\$ 2,285,919	\$ 614,618

BUDGET RESOLUTIONS

Several resolutions were passed during the fiscal year related to budget appropriations:

- 19-814-15 A Resolution to Adopt Fiscal Year 2019-2020 Budget
- 19-815-16 A Resolution to Appropriate Fiscal Year 2019-2020 Budget
- 19-816-17 A Resolution to Impose and Categorize Taxes for Fiscal Year 2019-2020 Budget
- 19-817-18 A Resolution of the City of John Day, Grant County, Oregon Approving Participation in the State Revenue Sharing Program
- 19-819-20 A Resolution to Transfer Appropriations Between Categories within the 911 Fund in the FY 2018-2019 Budget
- 19-820-21 A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City
- 19-821-22 A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City
- 19-822-23 A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City
- 19-823-24 A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City
- 19-824-25 A Resolution of City of John Day Approving the Transfer of Certain Real Property Located in City
- 19-825-26 A Resolution Approving a Loan between the City of John Day and the John Day Urban Renewal Agency

- 19-826-27 A Resolution to Increase System Development Charges for Calendar Year 2020
- 19-827-28 A Resolution to Change Budget Appropriations by Supplemental Budget
- 20-828-01 A Resolution Establishing Water Rates, Deposits, and Other Related Charges
- 20-829-02 A Resolution Establishing Sewer Service and Connection Charges
- 20-830-03 A Resolution to Authorize Expenditures of the OPRD Integrated Park System Grant
- 20-831-04 A Resolution of City of John Day Declaring a State of Emergency in Response to the Covid-19 Pandemic; and Authorizing the City Manager to Take Actions Necessary and Appropriate to Protect the Health, Safety, and Welfare of the City and City’s Citizens.
- 20-832-05 A Resolution to Declare Accounts Uncollectible and Take off Books as Receivable
- 20-833-06 A Resolution to Change Budget Appropriations by Supplemental Budget

The City’s land assembly for the new wastewater treatment plant and Innovation Gateway project resulted in approximately 100 acres of city-owned property along the John Day River. These properties are held in the Water, Street and Sewer funds, depending on the source of funding used for the acquisition. Most of these were bulk land acquisition of unimproved land or brownfields. The City began liquidating small portions of these properties through property line adjustments along the perimeter of these acquisitions that were not needed for the City’s projects. The City also completed the sale of the Weaver Building, purchased in FY18 as part of the Main Street Revitalization program (see resolutions 21 – 25).

The award of the Integrated Park System grant for \$471,927 was also appropriated by resolution in FY20.

CAPITAL ASSET ACTIVITY

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 325,303	\$ 279,841	\$ 1,252,345	\$ 595,221	\$ 1,577,648	\$ 875,062
Construction in Progress	571,066	341,353	380,472	140,022	951,538	481,375
Buildings	2,822,117	2,983,715	1,240,184	1,170,184	4,062,301	4,153,899
Streets/Utility System	3,389,597	3,389,597	6,414,189	6,414,189	9,803,786	9,803,786
Equipment	2,014,888	1,529,220	1,069,270	1,046,828	3,084,158	2,576,048
Total Capital Assets	9,122,971	8,523,726	10,356,460	9,366,444	19,479,431	17,890,170
Accumulated Depreciation	(2,802,612)	(2,617,032)	(5,177,528)	(5,032,424)	(7,980,140)	(7,649,456)
Net Capital Assets	<u>\$ 6,320,359</u>	<u>\$ 5,906,694</u>	<u>\$ 5,178,932</u>	<u>\$ 4,334,020</u>	<u>\$ 11,499,291</u>	<u>\$ 10,240,714</u>

For the year ended June 30, 2020, the City had the following major capital acquisitions and capital improvements during the year:

- \$45,462 in land in the Street Fund for the purchase of the former Wright Chevrolet parking lot to improve downtown parking and promote tourism and recreation in the city;
- \$229,713 primarily in the Street Fund and IT Fund for construction in progress on various street improvement projects, including the 4th Street repairs following the April 2019 flood event, and the city's community broadband infrastructure and network expansion;
- \$657,124 for the purchase of the former Iron Triangle property and right-of-way between this property and valley view drive for the creation of the Innovation Gateway business park;
- \$470,163 for construction in progress, principally for the wastewater treatment plant.

LONG-TERM DEBT ACTIVITY

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Fire Station Bonds	\$ 471,000	\$ 511,000	\$ -	\$ -	\$ 471,000	\$ 511,000
SPWF Gateway Project	-	-	469,269	482,812	469,269	482,812
SPWF Greenhouse Project	-	-	335,876	-	335,876	-
WA Fed Consolidation Loan	-	-	1,762,952	1,972,952	1,762,952	1,972,952
Capital Lease Payable - Copier	7,853	-	-	-	7,853	-
Capital Lease Payable - Vehicle	44,460	-	-	-	44,460	-
Accrued Compensated Absences	31,077	25,395	28,665	29,529	59,742	54,924
Total Outstanding Debt	<u>554,389</u>	<u>536,395</u>	<u>2,596,762</u>	<u>2,485,293</u>	<u>3,151,151</u>	<u>3,021,688</u>

The City has one bond and four principal loans as outstanding debt obligations to external agencies, along with interfund loans for specific capital improvement projects:

- *Fire Station Bonds.* The City issued bonds in the amount of \$655,000 on February 18, 2015 to finance a new fire station located at 316 S. Canyon Blvd. Total cost of the building was approximately \$1,750,000 and was partially funded by \$550,000 in bonds issued by the John Day Rural Fire Protection District. See Notes 7 and 8 for more information.
- *SPWF Gateway Project Loan.* The City entered into an agreement on August 28, 2017 to borrow \$519,000 from the Oregon Economic Development Department Special Public Works Fund (SPWF) for purchase of property for the future sewer utility plant expansion. See Notes 7 and 9 for more information.
- *WaFd Consolidation Loan.* The City entered into a contract with Washington Federal in 2018 for the purpose of consolidating higher interest rates loans from 2002 and 2003. There was also proceeds from this loan to enable the City to complete the Fire Hall project. See Notes 7 and 10 for more information.

- *Water Fund Loan to General Fund.* The council authorized a ten-year capital improvement loan of \$367,341 from the Water Fund to the General Fund to complete the renovation of the Fire Hall tenant improvements. See Notes 7 and 11 for additional information.
- *SPWF Greenhouse Project.* The City entered into an agreement with Business Oregon on August 20, 2018 to borrow \$350,000 for the construction of the greenhouse at the Innovation Gateway. See Notes 7 and 12 for more information.

ECONOMIC FACTORS

FY20 saw three major events that fundamentally changed our cash flow projections and financial position, none of which were anticipated in the FY20 budget process. These events were:

- Oregon Severe Storms, Flooding, Landslides, And Mudslides (DR-4452-OR). DR-4452-OR was a federally declared disaster from April 6, 2019 through April 21, 2019 that caused over \$1 million in infrastructure damage to the City's roads and utilities. The City applied for and received federal financial assistance through FEMA and Oregon's Office of Emergency Management. The repairs for this damage are ongoing and are not expected to be complete until FY22.
- The untimely death of our Business Oregon Regional Development Officer, Scott Fairley. Mr. Fairley was our loan officer and primary point of contact with Business Oregon for each of the City's major financial transactions. He was also the principal point of contact for the City on its wastewater system improvement project. Mr. Fairley passed away on January 7, 2020 from an unforeseeable medical incident. It took several months before a replacement could be identified. This, combined with the COVID-19 pandemic, ultimately delayed the award of the City's wastewater system improvement financing by twelve months.
- Oregon COVID-19 Pandemic (DR-4499-OR). DR-4499-OR was a federally declared disaster beginning on January 20, 2020 and continuing through the present. COVID-19 resulted in hundreds of thousands of dollars in economic losses for the City, its residents and businesses. To date, the City has received only \$52,796.81 in cost reimbursement for direct expenses, though we have requested additional funding. If this funding is received, it will be recognized on a full accrual basis in next year's audit.

Despite two federal disasters and the unfortunate loss of our RDO, the City continued to press forward with funding applications and capital improvements for the redevelopment of the abandoned and underutilized properties along the John Day River and other community development projects.

Grant funding awarded for City projects since last fiscal year when these events began totaled \$7,280,709.81, as shown in the Figure 2, below.

GRANT	AGENCY	PROJECT TITLE	AGREEMENT NO.	FUND	GRANT AMOUNT
Coronavirus Relief Fund (CRF)	DAS	City Hall Lobby / Comm. Development Projects	1077	GENERAL	\$ 52,796.81
Brownfield Redevelopment Fund	Business Oregon	Oregon Pine Focused Site Assessment	N20015	SEWER	\$ 64,986.00
USDA ReConnect	USDA	Fiber Optic Expansion in Grant County	N/A	IT	\$ 6,000,000.00
Large Government Grant	OPRD	Integrated Park System	LG-19-017	STREET	\$ 471,927.00
Planning Grant	OPRD	Aquatic Center Planning and Feasibility Study	LG19-031	GENERAL	\$ 40,000.00
Ford Family Foundation	Ford Family Foundation	Oregon Main Street Conference	Online	GENERAL	\$ 1,000.00
OEM Disaster Recovery	OEM	April 2019 Flooding and Street Repairs	4452-DR-OR	STREET	\$ 450,000.00
Main Street Revitalization	OPRD	Len's Drug Revitalization	MSR-19-18	GENERAL - Main Street Dept.	\$ 200,000.00

Figure 2. Grants awarded during FY19

The majority of these funds were for the USDA ReConnect broadband infrastructure and Main Street Revitalization for Len's Drug, which are not realized as revenue for the City as they are awarded directly to the applying agencies, but costs are realized for the broadband project. The City will benefit economically from this infrastructure but those benefits are not realized as monetary gains in the funds where the application costs are incurred, but rather through indirect gains accruing over time from the increase in property taxes and private sector business activity resulting from these improvements.

Not shown are recent awards from Business Oregon for the wastewater system improvement project and the acquisition of the Iron Triangle property, which will be reflected in next year's audited financial statements. Also not shown are non-monetary grant awards, like the EPA's Recreation Economy for Rural Communities (RERC) and Touchstone Energy Cooperative's Technical Assistance grant, which facilitated regional economic planning but were not direct monetary awards go the City.

These capital investments have also increased the City's legal and administrative costs over prior years. Legal costs increased to approximately \$57,746 in FY19 and to \$122,597.50 in FY20 as a result of code enforcement activities, purchase and sale activities and community development projects. These indirect costs will decline significantly in FY21 as the majority of the City's projects and land acquisitions that require legal review have been completed.

The City has continued to aggressively pursued grant funding and external support for the past four years to fuel its Strategy for Growth, adopted in 2017 to spur economic recovery from the loss of the timber industry as a mainstay industry and the long-term economic impacts of the Great Recession. Total external grant funding awarded for City projects since launching the Strategy exceeds \$13.3 million from 27 federal, state and non-profit awards.

As a result of this increase in capital improvement and community development financial activity, the City realized positive population increases of 0.8 percent in 2020. This is the first year of non-annexation related population growth since 1998. Under the Strategy the City has also realized an increase in its property tax base of \$14,561,842, from \$97,422,307 in the 2016-17 tax year to \$111,984,149 in 2020-21 tax year (a 15 percent increase in assessed value).

We expect to see long-term gains from the investments made over the past four years to be reflected in continued increases in the tax base and in state shared revenue from the City's population growth. We are also in a highly unique situation both due to the natural disasters that are recurring with greater frequency as well as the breadth and depth of the economic decline we

are attempting to overcome, which requires a higher level of sustained financial investment than one would typically see from a rural community of this size.

FINANCIAL CONTACT

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this report or need additional financial information please contact the City Manager or City Recorder at 450 East Main Street, John Day, Oregon 97845.

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