

**BUDGET COMMITTEE MEETING
MINUTES**

April 17, 2019

**Council Chambers
1175 E. Main Street**

Mayor Stromberg called the meeting to order at 6:02 p.m. in the Civic Center Council Chambers.

ROLL CALL

Present:

David Runkel	Stefani Seffinger
Jim Bachman	Dennis Slattery
Paula Hyatt	Tonya Graham
John Stromberg	Rich Rosenthal
Shaun Moran	Shane Hunter
Mike Morris	Pamela Lucas
Stephen Jensen	

Absent: Julie Akins

PUBLIC INPUT

Hulez Gutchen- Ashland- Spoke to the measurement of carbons, kilowatt hours and dollars. He stated that looking at these items tells us what we should do in regards to climate change.

CALL FOR NOMINATIONS FOR BUDGET CHAIR AND VICE CHAIR

Mayor Stromberg noted information regarding the Rules of the Budget Committee, as created during the Budget Ad Hoc Committee meetings and that these would be passed out during the meeting.

Jensen/Slattery motioned/seconded the nomination of Paula Hyatt as Budget Committee Chair. Discussion: None. Vote by Hand: All Ayes. Motion passed unanimously.

Lucas/Rosenthal motioned/seconded the nomination Shane Hunter as Budget Committee Vice Chair. Discussion: None. Vote by Hand: All Ayes. Motion passed unanimously.

BUDGET

Mark Welch, Administrative Services/Finance Director began by thanking the Committee for their participation during this process. He went on to note that this meeting will be focused on three sections, the traditional budget message, a review of assumptions, and a summary of how the proposed budget will be balanced. Questions were requested to be held to the end of each presented section.

Welch started by stating that the decisions made for this proposal were hard and included issues that were both foreseen and unforeseen including smoke issues and lack of development and growth within the tourism economy. The cost of personnel was also listed as a concern as it includes full time employee salaries, healthcare and PERS. He added that although some of these issues have been addressed the proposed budget adds additional measures. Additionally, noted as a concern was the general fund deficit that was adopted in the last budget cycle and the money that was moved to insure that no cuts were made during the last biennium.

Welch went on to speak about the tourism economy reiterating smoke events and speaking to the funding source identified for Police funding. For Police funding the Transient Occupancy Tax was raised, including using part of unrestricted funds. Welch however noted unrestricted funds were ultimately used to stabilize the general fund for the current fiscal year. The increase in Transient Occupancy Tax equates to a forecasted reduction of collections, he added. Also explained by Welch was a decrease in the Food and Beverage Tax with revenues being down, with stabilization and a predicated decrease overall. He added that the Transient Occupancy Tax is used for general fund operations while the Food and Beverage Tax is used for Wastewater Debt and future Capital Improvement Projects and Parks.

Looking at expenses Welch communicated that the proposed budget did not include adding any new positions, including in the enterprise funds. Additionally, Welch added that six full time positions would be eliminated as part of the proposal, as these can be maintained and keep the general fund balanced. He added that two positions, unfilled from the last biennium were not budgeted for in the proposed budget, thus bringing the total eliminated positions to eight. Welch commented that even with these eliminations increases in personnel services are still predicted. This includes regular salary increases in COLA's, step increases, new labor contracts, and fringe benefits which are built into the budget. The largest expected costs within fringe benefits was noted as PERS. Welch explained that the PERS rate is not only related to the normal costs for current positions retirement benefits, but also relates to an unfunded liability in relation to the PERS costs associated with past employees and current employees from which not enough was collected from. In this proposed budget he added that more was being paid in the unfunded liability than in the normal costs, with an overall increase in total PERS costs.

Another change correlating to personnel expenses was the cost of healthcare. Welch explained that the City moved from being self-funded during the current biennium. This was due to the large unbudgeted anticipated increases within the program. The fully insured plan that the City moved to was estimated to save the City funds, with a current guaranteed lock on premiums. The grandfather plan which was guaranteed for the first eighteen months of the plan ends in January of 2020. When this occurs employee benefits costs will be shifted to the employee with these overall costs increasing slightly. Welch added that a benefit of leaving a self-funded insurance was that an increase kept in place from the last biennium created funds that were added to the health benefit reserve fund. This was originally done to help mitigate future rate increases to healthcare. The proposed budget notes an overall increase in healthcare, with the total percentage being higher for police and fire.

Welch explained that departments were directed to see what costs could come in below or at previous totals for materials and services. With this the proposed costs of materials and services was down removing costs associated with insurance and internal fees. Costs such as insurance and internal fees used to pay into central services were also noted as costs that cannot always be controlled by departments. Equipment replacement charges have also been reviewed to allow for adequate maintenance and replacement Welch added.

Welch also described the new Cost Allocation Plan which is now recognized as a federally legal documents will be implemented into the proposed budget and fully phased in the next six years. This new plan helped to allow for the Central Service to have a sustainable funding model. He also spoke to the overall equipment replacement plan, noting that it needed to be updated and decisions need to be based on the maintenance, replacing them only as needed and taking into consideration that vehicles also become more expensive.

Also communicated by Welch was information regarding the Capital Improvement's Plan, as recently adopted by Council. It was explained that when issues are addressed early that it becomes the lowest cost to rate and tax payers, as projects only become more expensive if delayed. Also added was that the total cost listed is in Welch's opinion are a realistic number to be completed.

Welch spoke to the debt obligations of the City adding the City has not taken on much debt in recent years. The numbers regarding debt he noted in the proposed budget were from payoff and other costs related to current debt.

Beginning by noting that there is no recommendation to increase the Property Tax Levy, Welch went on to communicate to the committee about revenues. Including an increase in the Property Tax in relation to assessed value and a stable collection rate as with previous years. Welch also explained again that revenues related to the Transient Occupancy Tax are projected to decrease. This does include an increase in the shoulder seasons. Another major revenue source listed was Franchise Fees in the general fund for the utilities. This fee is expected to have a positive growth in the line item, Welch added. There was a decrease noted for Wastewater fees within Franchise Fees due to calculations. Welch also added that Citizens being charged for the use of services was also considered a revenue. This includes Parks recreation services, ambulance transports and building fees. Other fees expected to increase include electric fees that are due to an increase in BPA fees, Water and Wastewater fees as scheduled in the master plans and lastly Streets and Stormwater. Welch showed the committee a slide that included where the funding came from and explained that the city does currently have an ending fund balance that will be carried forward as a resource in current biennium budget. Overall the resources are up by 4% but requirements are down by 13% mainly due to Capital Projects.

Mayor Stromberg began the question portion of the presentation by stating that was the best presentation he has seen as Mayor. Shane Hunter, Budget Committee Vice Chair asked for clarification on where the money comes from in relation to the ending fund balance and if this is expected to be used or saved. Welch explained that it is a combination with money being used in terms of Water to build reserves for the Water Treatment Plant. Models show that this total amount will be reduced as it is spent and the Water Treatment Plant is completed. Welch also explained that you will end up seeing a line item that balances this fund amount, as resources equal to requirements. Councilor Slattery, asked if utility increases were pass through increases with no additional fees being added. Welch responded that that was correct and that no additional fees will be added, with increases being due to overall increased rates. Slattery also asked for more explanation on the return of services going up by 5% and how internal services rose. Welch explained that this was due to the one-time money that had to be funded and the rising costs of operations, even with the cost of reduced personnel. Hunter, also questioned the Capital Improvement projects at 57 million dollars, as this was a lot of activity. Welch when on to answer that the CIP was made with a realistic estimate of what could happen. David Runkel, Committee Member asked about the two positions that had already been eliminated and where these were at. Welch answered that these were both in the Information Technology Department. Runkel also asked about details regarding the Public Safety Support Fee for the Fire Department. Welch responded that this would be discussed in the next section of the presentation. Shaun Moran, Committee Member began by asking to the title of budget that stated that it was amended and that he was not aware that the budget had been amended. He also asked as to why the amended budget would be used as opposed to the original budget. Welch responded that the amended budget included the original budget and any supplemental budgets. Moran questioned the amount of supplement budgets that had taken place and if the original adopted budget would be

represented. He also noted that this could be problematic as it did not give a picture of what was previously adopted. Welch suggested that he look with Moran in OpenGov for the original budget and the amended changes and how this is incorporated into the budget. Mayor Stromberg added that the supplemental budgets allow the City to receive grants. Moran responded that overall this would be useful as reference. Moran also asked about restricted and unrestricted funds, he explained that out the 50 million dollars he understood that 30 million was planned for but questioned where the unrestricted 20 million would show up in the proposed budget. Welch responded by stating that this was in the long term plan with funds collected from a use of service not be allowed to go to general fund. Welch added that other areas of unrestricted funds include Cemetery Trust Fund, Health Benefits Fund with reserves in the equipment fund. Councilor Graham asked in regards to the CIP Project listed for 2017-19 biennium and if the similar projects listed in 2019-21 were unfished in 2017-19 biennium and put in the wrong time frame. Welch responded that this was correct. Graham questioned further that if once major spending on these projects were completed if it was realistic that the amount would be decreased to previous years' amounts. Welch stated that it is expected that once the Water Treatment Plant has been completed that the total amount should be close to 7 or 8 million. Councilor Jensen asked regarding the methodology in the internal service fees. Welch explained that this information is in a large spreadsheet which uses measures such as the amount of checks processed against each department contribution. He also explained that other departments that are impacted by receiving Internal Services Fees include engineering and GIS. Jensen also asked if these charges are calculated by an industry standard. Welch responded that they are. Jensen also questioned if the franchise fees that the enterprise funds pay are similar to internal charges. It was explained that they were different in that those funds in Central Services have an impact on operations. Slattery noted that this is similar to overhead.

Welch begin the General Fund Balancing portion of the presentation by stating that it is widely known the general fund balance was in a deficit. It was at the direction of City Council that he was directed to eliminate this deficit. If the budget, he noted is adopted as presented it will be sustainable for the next 6 years. Mayor Stromberg asked what assumptions would be made in regards to this suitability and the impact of PERS. Welch added that this does include assumptions about PERS, healthcare increases, an increase in tourism economy, and property tax revenue. He also added that no new positions and no new programs could be added either.

Speaking only to the general fund Welch noted that there is an estimated \$2,050,239 structural deficit. Welch went on to explain that this was due to the deficit in 2017-19 budget in which \$850,000 per year was used from the Facilities Fund in CIP to balance Central Services. Charges that would have been incurred by the by the General Fund were then covered by this balance. Welch also noted that PERS and healthcare also added to the increase in General Fund. In addition, he explained that the ending fund balance was over \$4,000,000 which could be used to plug the numbers but would leave the City with no reserves.

Welch went on to speak to how it was proposed to structurally balance the budget, with the first task being to cut expenses. The first expense listed to be cut was the contribution to Parks, from \$2.09 to \$1.89 per assessed value of property taxes. Also noted was an elimination of positions with two being from Police, one from Community Development, one from Administration, one in Courts, and one in Administrative Services. Between these two proposals \$530,000 is saved from the General Fund. Also discussed was opening up the staffing window for the Fire Department. Welch noted that this will have an impact on services but that it is proposed to move from a maximum of 10 and minimum of 9 to a maximum of 10 and a minimum of 8. With the allowances being given to maintain at 10 staffing during the fire season. This will incur a \$100,000 general

fund savings reduction. He reiterated that as previously stated by the Fire Chief that having a 9 staffing will allow for a lower impact to the level of service, but with the cost savings and the ability to raise staffing during fire season that some risk could be mitigated.

The revenue enhancements also proposed with the budget by Welch include, increasing building fees as the service does not provide a public benefit. These fees would not impact the general public only those using the services for a specific project. Also included in the proposed budget revenue enhancements are the use of reserves in the health benefits fund. It was added by Welch that this fund had been created to mitigate future rate increases, and in the proposed budget this would be justified to be added to the general fund. Welch explained that the previous funds transferred to the affordable housing trust fund from the marijuana tax are set not be transferred. It was added that this does not mean that City would go away from having the affordable housing trust fund, but that the selling of surplus property at such locations as Clay Street, would be used to fund the program.

Welch went on to add that the increase of the fee for the Ashland Forest Reliance is also a consideration in the proposed budget. This fee has in the past been used to fund grants and work in the Watershed Areas of the City. This increase in the fee would go to help support the ongoing costs of the program.

Overall the revenue enhancements would generate a little under \$500,000 toward funding the general fund deficit.

Knowing that the City needs to be on a long-term sustainable path, and needs to allow for no structural budget deficits, other options were also discussed. The first of which was the addition of three firefighter positions, a little over two years ago which help lead to the 1.25 million dollar deficit in the last budget cycle. The costs of these positions along with overtime costs the City over \$200,000 a year. Knowing this Welch added that they had to look at how to raise enough to cover the costs of these position expenses. In relation to this the staffing window was looked at, but Welch explained that if this was implemented would add a risk to the community and if these positions were eliminated the would create no chance to increase staffing when needed during fire season. Welch added that as previously demonstrated by the Fire Chief that having staffing closer to nine is better for fire operations. With this he added that in the proposed budget there was an increase of the Public Safety Support Fee from \$1.50 to \$6.50 in order to fund the three firefighter positions.

With these overall offsetting revenue and expenses of \$600,000 and the previous mentioned revenue enhancements the budget would be balanced and no carryover would be needed, assuming no new positions or programs being added the budget would be sustainable for the next six years.

Other funding options not included in the proposed budget that Welch explained included first an increase in the public safety fee by \$2.00 to fund the proposed eliminated positions of Police Officers. He further explained that the lack of these two positions creates less than optimal situations for employees with these proposed eliminations. The School Resource Officer is a position that within this, that is important. Welch also added that further conversations are needed with the school district to discuss funding. Additionally, added was reducing or eliminating the Economic, Cultural, Tourism and Suitability and the Social Service Grants in unrestricted funds, as this could be an option to fund personnel. Long term funding options looked at are an increase in the Food and Beverage tax with 2% being dedicated to the general fund, an increase in the

property tax, increasing Water and Wastewater Franchise fees to both being 10%, a Live Entertainment Ticket Tax and metering Pioneer parking lot.

The last options looked at for funding was developing a plan to ask voters to fund an Operating Levy. The State of Oregon Welch noted allows for 5 year operating levies with an increase in the property tax. The earliest that funds could be voted on would be November 2020. This levy could replace all or some of the utility fees.

Slattery began the question portion of the presentation by clarifying what the total deficit would be before revenue enhancements, not adding fees or increasing taxes. Welch explained that by just reducing expenses that the total would be just over 1.1 million dollars. He also added that some of the revenue enhancements listed such as increasing building fees, use of the health benefits fund, the non-transfer of the marijuana funds will have no impact on residents, but fees like the AFR fee would be added to a utility bill. Welch added the majority of the balancing proposal in revenue enhancements do not have an impact on fees and taxes of the general resident.

Moran stated that he was concerned that with the proposed revenue enhancements and that this would cause the City to slip back to their old ways and add to the addiction of spending. He followed up on Slattery's comments by noting that the additional fees would have an impact on those wanting to build in the City, adding that this could make it cost prohibited. He added that he felt it was time to think out of the box, so that people would be attracted to live, build, invest and raise children in Ashland. And that if this does not happen we are doomed. Overall he would like to see a way to not increase fees and cutting spending.

Councilor Rosenthal added that it was mentioned that the budget as proposed will continue departmental operations, but from what he has seen there would be a changes in the levels of services from what is currently given. He added that with a department such as Fire potentially seeing this change in service and if they would be able to speak to the impacts that this would have on their department. Welch added that they would. Rosenthal also asked in regards to the credit card fees paid by the City and if this could be looked at. Welch explained that these fees are mostly in the Utility Billing Department and that a change in these fees would cause a reduction in the cost of providing a service to departments already creating a profit. He also added that this would help the Central Service Fund more than General Fund. He also reiterated that General Fund consist of three departments including Community Development, Police and Fire, as the major expenses of this fund.

Graham begin by noting that she has a potential conflict of interest in that her sister is an employee of the City. She added that she did not think this would affect her ability to make a decision based on facts. She went on to ask in regards to credit card fees and the potential to increase franchise fees from 8% to 10%. Additionally, she added that the increase in electric and if all of these increases could be used to offset the credit card fees. Welch added that analysis could be brought back regarding this.

Bachman spoke to clarify Slattery's question that the \$5.00 public safety fee would also be added that to the utility bill. Welch responded that it would.

Mayor Stromberg asked about the Community Center and City Hall due to them both being deemed unsafe and if provision had been made to deal with them. Welch stated that there is a little bit of attention given to this. Paula Brown, Public Works Director went on to add that there are minor improvements previously listed in the Capital Improvement Plan, that have some

funding set aside for the Community Center, but that the impact was not fully known when the plan was put together. In regards to City Hall, she added that there was taken into consideration a process in design. She added that this will be proposed to Council and that there may be projected funding in the out years for City Hall.

Runkel added that what he saw in the Capital Improvement Plan could affect utility rates in the future within the enterprise funds. Brown, added that there is currently a study for an update to the cost of service on water and wastewater, with numbers being available by the end of May. This plan Brown added would look at the long term projection and that rates are correct. Runkel added that he was concerned about the increase in the previous biennium, as the City is not growing. Brown stated that much of the increase was due to the Water Treatment Plant, within the next three years.

Moran also asked why the budget committee was not involved in the long term projects. He added a previous related article written by Mayor Stromberg on this topic. He also expressed that he knew of \$100,000 that had previously been allocated but that no other details had been given. He ended by stating that if it has to do with funding that the Budget Committee should be involved. Welch responded by saying that the Budget Committee was not utilized properly in the off season and that figuring this out was one goal of the Budget Ad Hoc Committee. He added that because of this meeting schedules to keep the Committee updated with information and items such as quarterly financial reports were seen as helpful. He also noted that in the future other topics could be covered. He added that he thought that Council would welcome Committee input and discussion. Moran added that he would like to set the policy that the Budget Committee be involved in financial decisions.

Slattery added that he did agree with Moran. He then went on to question the idea of an Operational Levy structure and where potential further cuts would be needed in lieu of a revenue enhancement. He further explained that City government could be smaller and that the City should look to fit within its means without revenue enhancements. Welch clarified that the impact to the community and the department based on those cuts would be huge. Slattery went on to state that a case would need to be made for the Levy and that the community should be made aware of the levels of service changes if drastic cuts were made. Welch responded that it would not be possible to go back to the drawing board to make the cuts needed without a Levy or Revenue Enhancements. He added that a level of funding that would be needed would be to eliminate the Fire Department and outsource it to District 5, which would be a drastic change. Also in terms of public safety he added that you would be possibly looking at outsourcing Police to the Sheriff's office. He ended by stating no more additional cuts could be made without risking safety. Slattery added that he appreciated this being said.

Runkel added that there is an alternative that was not discussed that has to do with salary levels. He went on to explain that during difficult budgets you have to ask employees is it worthwhile to work at a reduced salary. This he also stated would not be a popular option, but one that should be discussed. Welch responded that of the non-represented staff that each 1% would equate to \$18,000.

Hyatt asked about the impact of cuts, and clarified that such departments such as Police and Fire are funded through General Fund, as other departments do not come out of the questioned general fund. Mark responded that this is correct.

Morris asked if a position is cut what service would be cut in such departments as Community Development. Welch added that he would prefer not to have this discussion as these are currently filled positions. He spoke that the position that is being proposed to be cut in his department will add a loss internally as it cannot ever be replaced. Courts could also see a reduction in hours of service, and Administration will could see a cut of a communication position.

Stromberg explained three other strategies, including increasing the AFN market penetration in the form of competitive services at competitive prices creating a revenue stream. Welch added that this is something that is being looked at, he also mentioned the current marketing that has increased a focus on being local. Another realistic option with AFN would be to charge a franchise fee. Stromberg also looked at the market value of the tangible assets. He noted that although he did not believe in using one-time money to deal with problems, that the larger debt of the Wastewater Treatment Plant and AFN could use underperforming assets to pay off the principal of larger debt to reduce cost streams. Welch noted that the City Administrator was committed to an asset management plan and that this could be used or evaluated.

Moran followed the discussion from Councilor Slattery in regards to outsourcing services. He added that the conversation regarding Mercy Flights should still be considered, as well as cost benefit analysis. Welch added that money has been included in the proposed budget for an analysis of this with external staff looking at these evaluations of costs and impacts. Moran suggested that he did not want the City to pay for this kind of study as they already have an expert on staff in City Administrator, Kelly Madding.

Jensen added to Moran's comments that he did think that committee was still considering this and that he felt that the Fire Chief was open to talk of some consolidation.

Hyatt asked that within the outline of revenue enhancements and offsetting revenue, it was shown well what would be given for each cost. She did however ask about what increase in AFR would be used to support. Welch answered that this would be used to support the overall program in such areas as going out for grants. coordination and CERT. Hyatt clarified that items such as going out for grant funding and CERT would have to be cut if not funded with the increase in the fee. Welch responded by noting that with no fee there these services would not be done as well as they currently are.

Jensen added that as AFR program itself has received national recognition and that is something that should not go away.

Morris added that he would disagree that the City is addicted to spending. In his experience he has noticed an addiction to services and that everyone demands different things which makes Ashland not like other local cities. He suggested looking at if the City is getting value for what they want.

Hyatt continued by asking Welch what his idea would be for the committee beginning to tackle the proposed options. Welch added that he hoped that everyone saw why the proposed budget was released only this evening as it needed be explained. He added that he understands that this will take time for everyone to digest and that he is proposing that next week Enterprise Funds are looked at, and then during the proceeding meetings that General Fund be closely looked at. At that time all of the options and information needed can be discussed, this would be at the May 1st meeting. Hyatt clarified where questions regarding the budget could be directed to. Welch

answered that they could come directly to him and they would have communicated with other staff members.

Hunter went on to question the large number under contractual services. Welch noted that the total percentage is actually down. He added that the view of this includes other recession years, and that the comparison of the total percentage being down compares with the previous year's budget. He also stated that this amount for services also includes the ESCO contract and the Parks contribution.

Welch went on to discuss the new format of the budget, which includes a version on the City's website that is the same as that presented to the Budget Committee in a printed format. Welch added that one of his goals when he was hired was to better the budget book as directed by City Council. He also communicated that the focus was now at the fund level, as he thought this was the most important part of the budget. The goal of this redesign was to provide information that everyone could understand. Also, included in this book was an expansion of the charts and a focus away from divisions to departments. In the end the goal was to provide a book that 95% of people could read and understand. He also stated that there was another level and that 5% of want another level. He also stated that this is a living document and that he wanted to feedback. He went on to state that in order to provide more of a yearly basis, an online interactive version was also created as the first in Government Finance that is integrated into the budget module and the first 100% interactive budget book. Welch explained the committee the features of ashlandor.opengov.com including the live budget with live charts that provide more information by clicking down further. Welch commented that he sees this as the future of government accounting. Welch also noted that this format also allows for reports such as those related to positions. He added that being able to provide this information especially in a tough budget season in a transparent way is helpful the committee, staff and the community.

Hyatt thanked Welch for his work on this project. Runkel also thanked Welch for his attention in putting the budget in a fund focused format. Runkel also asked in regards to overtime costs being viewable in OpenGov. Welch confirmed that this information could be seen in OpenGov, adding that this is also a discussion item within the site and that this information could be made into a PDF if the committee requested.

Councilor Seffinger asked Welch if personnel costs could be looked at in relation to the added value services and Commission work. Her concern was that many services within the City are not basic services and that this had made it more expensive. Welch added that he would try to work on a breakdown of this work.

Hyatt reminded the committee that since the budget process has commenced, the Committee should not discuss or deliberate the budget outside of meetings, she referenced the legal framework document handed out the committee.

Kelly Madding, City Administrator explained the two extra documents that were handed out to Committee Members. These included the legal framework document form the Budget Ad Hoc Committee. The other document distributed to Committee members was the Council goals. She highlighted the text on the goals and the functions in a work program setting. She also spoke to the high priority that was placed on essential services as a Council Goal. Madding also stated that Welch used these goals when the budget proposal was being planned and that they were apart of the method to these proposals. She also thanked Welch for his enthusiastic work on making the budget transparent, and additionally thank staff and department heads for their work.

She ended that those who work for the City do so wanting to provide explementary service and that bringing this type of budget with cuts was a courageous act.

ADJOURNMENT

Slattery/Jensen motioned/seconded the adjournment of the meeting. Discussion: None. Meeting adjourned at 8:00 p.m.

Respectfully submitted,
Natalie Thomason
Administrative Assistant



City of Ashland Budget Message

APRIL 17, 2019

BN 2019-21

Introduction

- ▶ Welcome to the BN 2019/21 Budget Process
- ▶ Thanks to everyone on the Budget Committee
- ▶ Budget Process Guidebook
- ▶ Agenda for Tonight



BN 2019/21 Budget

- ▶ City started the Budget with several major concerns
 - ▶ Tourist Economy and its impact on revenue sources
 - ▶ Cost of Personnel
 - ▶ PERS Increases
 - ▶ Healthcare costs
 - ▶ General Fund BN 2017/19 Deficit (\$1.25 million/year)
 - ▶ Central Service use of one time money (\$850,000/year)

Tourist Economy

- ▶ The City has experienced summer smoke events impacting Transient Occupancy Tax (TOT)
 - ▶ Forecasting a “real” reduction of 2.5%
 - ▶ Anticipated Total Revenue of \$3,276,369
- ▶ Impact to Food and Beverage Tax
 - ▶ Specific, non-operating, purposes that allows for long term adjustments if needed, i.e. timing/scheduling of capital projects

Personnel

- ▶ No new positions were added in the Proposed Budget
- ▶ The General Fund Balancing Proposal includes the elimination of 6 Full-Time Positions
- ▶ Two positions approved in the BN17-19 Budget were eliminated during the biennium and were not re-budgeted for BN19-21

Personnel Costs-Citywide Changes

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Salaries & Wages	\$35,182,323	\$37,720,605	\$41,085,868	\$43,424,562	\$5,703,957	15%
Fringe Benefits	19,963,748	21,412,200	26,517,173	30,733,779	9,321,579	44%
Total	\$55,146,070	\$59,132,805	\$67,603,041	\$74,158,341	\$15,025,536	25%

The 15% consist of COLAs, Step Increases, New Labor Contract Costing

Benefits increase is largely due to an increase in PERS (25% increase over budget) and Healthcare (10% over Budget)

NOTE:

% Change is BN Number not Annual.
15% is roughly **7%/year**

Personnel Costs

People consist of the largest portion of the City Budget

- ▶ 65% of Total General Fund Expenditures

Projected Cost of Living Wage Adjustments

(contractually obligated – except Non-Rep)

	Fiscal Year 2020	Fiscal Year 2021
Police	3%	3%
Fire	2%	2%
IBEW – Electric	3%	3%
IBEW - Clerical	2%	2%
Parks	2.5%	2.5%
Non-Represented	2%	2%
Laborers	2%	2%



Personnel Costs

Citywide Wage Changes

- ▶ 8.63% Increase (4%/year)

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2017/19 BN Actual Estimate	BN 2019/21 Proposed Budget
Regular Employees	\$ 31,352,712	\$ 33,321,300	\$ 36,161,995	\$ 35,848,429	\$ 38,942,288
Total	\$ 31,352,712	\$ 33,321,300	\$ 36,161,995	\$ 35,848,429	\$ 38,942,288

Public Employee Retirement System (PERS)

- ▶ PERS charges for City's current past employees, labeled the Unfunded Actuarial Liability (UAL)

	<u>PERS Tier I/II</u>	<u>Tier I/II Police and Fire</u>	<u>OPSRP</u>	<u>OPSRP Police and Fire</u>
Normal Cost	13.24%	19.49%	7.21%	11.84%
UAL Rate	11.81%	11.81%	11.81%	11.81%
Combined Rate	25.05%	31.30%	19.02%	23.65%

Public Employee Retirement System (PERS)

- ▶ We analyzed what this meant to all current employees

	Normal Cost	Unfunded Liability	Normal Cost (Average)	Unfunded Liability (Average)	Average PERS Rate
Costs	\$4,982,876	\$5,269,254	11.47%	11.81%	23.28%

PERS Citywide Impact

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
PERS Employer's Share	\$5,532,608	\$5,610,401	\$8,136,263	\$10,252,131	\$2,115,868	26%
Total	\$5,532,608	\$5,610,401	\$8,136,263	\$10,252,131	\$2,115,868	26%

Healthcare Changes



- ▶ The City dissolved the Self-Funded plan and moved to CIS
 - ▶ Avoided \$1.5 million for 18-months
 - ▶ Grandfathered plan ends January 2020 (Police and Fire January 2022)
 - ▶ First 6-months of the plan, City saved a real \$900,000 versus being self-funded
 - ▶ City built a reserve fund to mitigate future rate increase
 - ▶ Estimated balance to be \$800,000 at end of the year
 - ▶ New plan shifts the cost of the benefits to employee
 - ▶ Lower cost to the City
 - ▶ Budgeting a 6% increase for all non Police/Fire Employees
 - ▶ Budgeting a 10% for Police/Fire Employees

Healthcare Changes



	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2017/19 BN Actual Estimate	BN 2019/21 Proposed Budget
Group Health Insurance	\$ 7,501,264	\$ 9,174,782	\$ 10,976,822	\$ 10,882,944	\$ 12,808,590
Total	\$ 7,501,264	\$ 9,174,782	\$ 10,976,822	\$ 10,882,944	\$ 12,808,590

Materials and Service

- ▶ In order to carry out City operations, the City must purchase materials and services
- ▶ Departments were directed to hold Materials and Services flat
- ▶ Only increases to line items were
 - ▶ Central Service Charges
 - ▶ Equipment Replacement Charges
 - ▶ Cost of Health Insurance Premiums
- ▶ Removing Internal Charges and Insurance Premiums: -1.59%

Materials and Services

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Supplies	\$2,492,561	\$2,570,817	\$3,044,324	\$2,523,448	(\$520,876)	-17%
Rental, Repair, Maintenance	6,428,260	7,492,412	9,546,882	10,347,914	\$801,032	8%
Communications	836,252	860,459	1,046,289	1,150,291	\$104,002	10%
Contractual Services	15,841,885	17,758,650	23,061,829	20,384,758	(\$2,677,071)	-12%
Internal Charges & Fees	22,330,201	23,958,782	25,263,737	29,352,021	\$4,088,284	16%
Other Purchased Svcs	15,475,638	16,483,778	18,739,019	19,719,843	\$980,824	5%
Franchise	4,202,318	4,682,638	5,408,821	5,729,492	\$320,671	6%
Insurance	9,397,413	11,088,914	12,705,725	14,466,203	\$1,760,478	14%
Commissions	24,730	19,528	28,642	17,742	(\$10,900)	-38%
Grants	1,826,078	1,989,748	2,259,745	2,178,049	(\$81,696)	-4%
Programs	1,298,668	1,320,760	1,572,254	1,629,442	\$57,188	4%
Total	\$80,154,004	\$88,226,487	\$102,677,267	\$107,499,203	\$4,821,936	5%

Materials and Service



- ▶ City completed a new Cost Allocation Plan
- ▶ City completed a new Equipment Replacement Plan

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Central Svc	\$12,028,530	\$12,949,788	\$13,570,242	\$16,631,969	\$3,061,727	23%
Equip Replacmnt	1,926,887	2,424,010	2,420,718	3,044,594	623,876	26%
Total	\$13,955,417	\$15,373,798	\$15,990,960	\$19,676,563	\$3,685,603	23%

Capital



- ▶ Capital Projects are necessary to maintain the City's infrastructure
 - ▶ Delaying projects and maintenance cost taxpayers more long-term
- ▶ The City adopted a 20-year plan, with an emphasis on the current biennium and two following biennium budget cycles
- ▶ The budget implements the Capital Improvement Plan (CIP)

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Land	\$5,303	\$358,529	\$0	\$150,000	\$150,000	-
Equipment	3,223,599	2,995,931	3,687,905	5,094,000	1,406,095	38%
Improvements	11,236,057	8,204,262	65,342,662	52,304,425	-13,038,237	-20%
Total	\$14,464,959	\$11,558,722	\$69,030,567	\$57,548,425	(\$11,482,142)	-17%

Debt

- ▶ City continues to meet all Debt Obligations

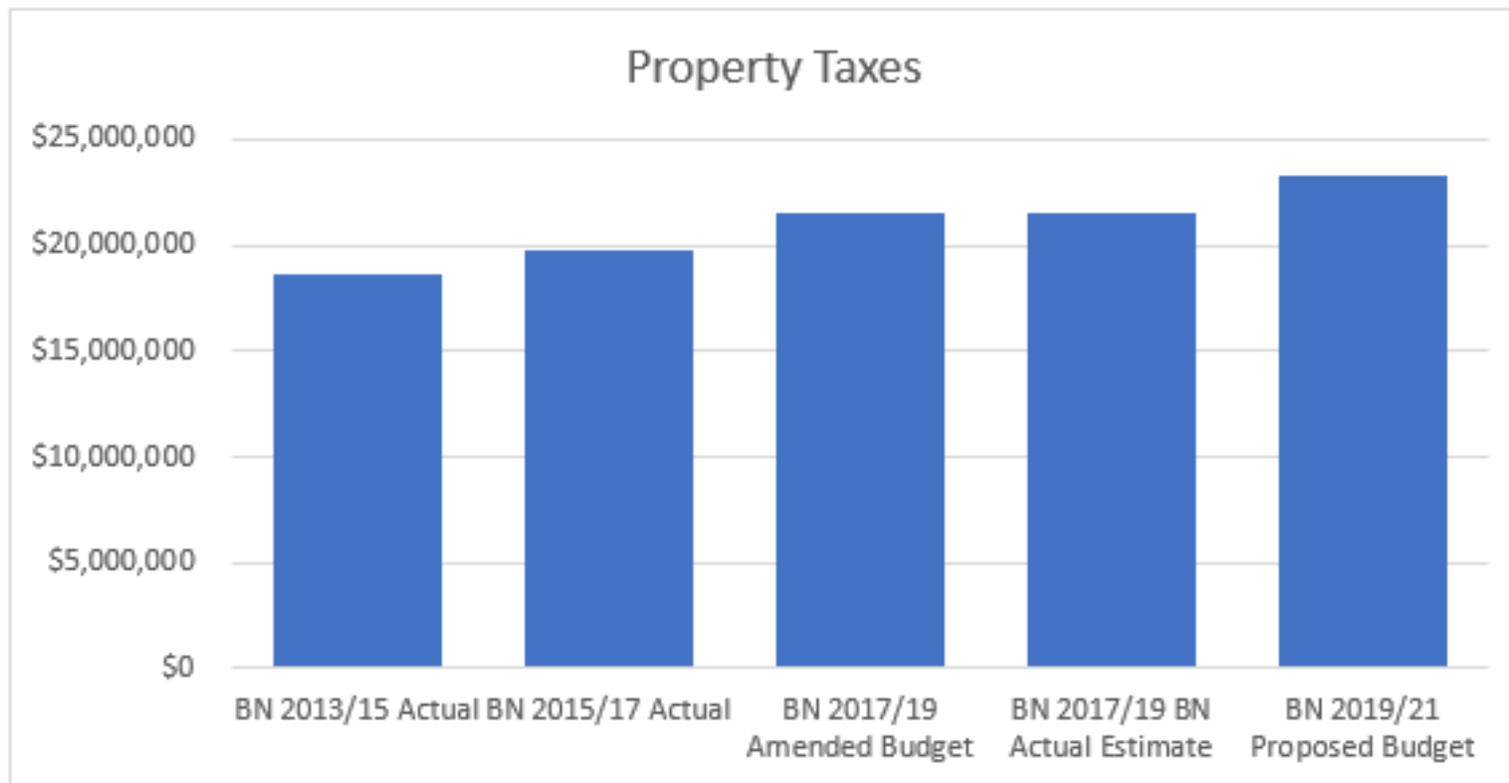
	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Debt - Interest	\$2,219,879	\$1,932,301	\$1,796,941	\$1,134,553	(\$662,388)	-37%
Debt - Principal	7,000,657	6,753,704	8,447,860	7,813,001	(634,859)	-8%
Total	\$9,220,536	\$8,686,005	\$10,244,801	\$8,947,554	(\$1,297,247)	-13%

Major Revenue Assumptions

Property Tax



- ▶ No proposed change to the Levy of \$4.2422 per \$1,000 assessed valuation
- ▶ Forecasting a 4% growth in assessed valuation, statutory 3.5% and new construction
 - ▶ Last several years have seen more than 4% growth
- ▶ Maintain the 95% collection rate. Last year was just at 95%



Transient Occupancy Tax



- ▶ City TOT rate increased from 9% to 10%
- ▶ Equates to an 11% increase in the collections rate
- ▶ Forecasting a 9.5% growth in TOT
 - ▶ “real” decrease of 2.5%
- ▶ Analysis analyzed separately every quarter
 - ▶ Q1: 2017 (July-Sept): 0% growth
 - ▶ Q2: 2017 (Oct-Dec): 4% increase
 - ▶ Q3: 2018 (Jan-April): 4% increase
 - ▶ Q4: 2018 (April-June): 2% increase

Franchise Fees



	Rate
City of Ashland Electric	10%
City of Ashland Water	8%
City of Ashland Wastewater	8%
Ashland HomeNet	2%
Avista	7%
Charter	5%

	BN 2013/15 Actual	BN 2015/17 Actual	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Dollar Change	% Change
Charter Franchise	\$212,878	\$218,976	\$190,000	\$195,738	\$5,738	3%
Ashland Home Net	55,831	55,210	55,000	55,828	828	2%
Electric Utility	2,763,095	2,961,262	3,250,220	3,464,132	213,912	7%
Natural Gas	599,780	629,226	650,000	679,543	29,543	5%
Sanitary Service	360,795	377,015	378,000	403,104	25,104	7%
Telecommunication	248,581	227,861	270,000	216,000	-54,000	-20%
Water Utility	729,999	865,659	1,260,560	1,357,920	97,360	8%
Wastewater Utility	709,765	856,285	948,250	907,440	-40,810	-4%
Total	\$5,680,725	\$6,191,493	\$7,002,030	\$7,279,704	\$277,674	4%

Charges For Services



- ▶ The City charges customers for the use of various City services and the charges are used to cover the cost of the service
- ▶ Range from Parks charges, Ambulance Transportation, to charges for utility usage.
- ▶ Proposed Rate increases (consistent with Master Plans and Rate Models):
 - ▶ Water/Wastewater current being evaluated
 - ▶ Electric rates to be reviewed in the BN 2019/21

	Change
Electric	3.65%
Water	4%
Wastewater	4%
Streets	3%
Stormwater	3%

Where the Money Comes From

	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Change
Carry Forward Fund Balance	\$38,079,780	43,089,944	13%
Taxes	43,110,775	48,278,524	12%
Franchise Fees	7,112,730	7,389,704	4%
Debt Revenue	56,146,312	49,465,124	-12%
Licenses and Permits	1,660,300	1,898,300	14%
Intergovernmental Revenue	12,260,396	12,407,205	1%
Charges for Services	123,276,908	131,441,862	7%
Fines and Forfeitures	857,900	1,210,800	41%
Miscellaneous Revenues	1,305,564	2,370,095	82%
Interfund Loan	1,050,000	0	-100%
Interest on Pooled Investments	482,850	1,561,317	223%
Operating Transfers In	4,047,791	2,074,828	-49%
Total	\$289,391,306	\$301,187,702	4%

Where the Money Goes

	BN 2017/19 Amended Budget	BN 2019/21 Proposed Budget	Change
Administration Department	39,978,998	23,902,266	-40%
Administrative Services Dept	26,984,213	23,177,704	-14%
Information Technology Dept	7,459,880	7,412,073	-1%
City Recorder Department	409,032	375,849	-8%
Community Development	5,859,741	6,183,809	6%
Police Department*	15,258,125	16,889,886	11%
Fire and Rescue Department	19,866,282	19,905,049	0%
Public Works	120,529,194	99,006,234	-18%
Culture and Recreation	19,795,277	20,306,875	3%
Electric Funds	33,140,564	35,902,724	8%
Total	\$289,281,306	\$253,062,469	-13%

*Including the Supplemental Budget of 3 Police Officer change is 1.8%

General Fund Balancing Proposal

Included in BN 2019-21 Proposed Budget

Balancing Proposal



- ▶ BN 2019/21 "Working" Budget after Revenue and Departmental Requests

(2,050,239)

How did we get here:

- ▶ BN 2017/19 Budget adopted with \$1.25 Million/year deficit
 - ▶ Utilized General Fund Ending Fund Balance
- ▶ BN 2017/19 Budget included \$850,000/year of Facilities Fund (CIP) to balance Central Services
- ▶ PERS Increase in General Fund of \$576,837/year
- ▶ Healthcare increase in General Fund \$399,930/year

Expenditure Reductions

- ▶ Freeze the Contribution to Parks at FY 19 Levels:
 - ▶ \$262,260 General Fund Savings
 - ▶ Parks would no longer receive \$2.09 of the property tax but \$1.89

- ▶ Eliminate 6 Full Time Positions
 - ▶ 2 in the Police Department
 - ▶ 1 in Community Development
 - ▶ 1 in Administration
 - ▶ 1 in Courts
 - ▶ 1 in Administrative Services

- ▶ \$530,000 General Fund Savings

Expenditure Reductions

- ▶ Expand the Staffing model for the Fire Department
 - ▶ Currently at 10 Firefighters Maximum and 9 Minimum
 - ▶ Expand Window to 10 Maximum and 8 Minimum
 - ▶ Still allow to maintain 10 or more than 10 during Fire Season
 - ▶ \$100,000 General Fund Saving through reduced Overtime

Expenditure Reduction Totals: \$892,260

General Fund Balance after Expenditure Reductions: **(\$1,157,979)**

Revenue Enhancement

- ▶ Increase Building Fees and Improve Fire Inspection Collections
 - ▶ The Building Department service to specific customers does not provide a public benefit
 - ▶ Increasing fees would improve cost recovery
 - ▶ General Fund increase \$95,000

- ▶ Utilize Health Benefits Reserve fund for Healthcare Increase
 - ▶ General Fund increase \$100,000

- ▶ Keep Local Marijuana Tax in the General Fund
 - ▶ General Fund increase \$100,000

Revenue Enhancement

- ▶ Increase Ashland Forest Resiliency Fee from \$1.39 to \$3.00
 - ▶ The AFR Fee has generated over \$10 million in grant money back to the City for AFR programs
 - ▶ Increase would pay for the increase in the program costs
 - ▶ General Fund increase \$202,698

- ▶ Revenue Enhancements \$497,698

General Fund Balance after Expenditure Reductions: **(\$660,281)**

Offsetting Revenue and Expenses

- ▶ Increase Public Safety Support by \$5 (to \$6.50) to fund 3 Firefighters
 - ▶ 3 Firefighters were added 2.5 years ago
 - ▶ No long term financial sustainability was identified
 - ▶ The impact was part of the \$1.25 million deficit in the BN 2017/19 Budget

- ▶ Offsetting Revenue/Expenses \$600,000

General Fund Balance after Expenditure Reductions: **(\$60,281)**

Other Options to Explore

(not in proposed budget)

- ▶ Increase Public Safety Support by \$2 to fund 2 Police Officers
 - ▶ The Property Tax increase and TOT did not materialize to fund the additions but used to maintain current level of service
- ▶ Reduce/Eliminate the Economic, Culture, Tourism, Sustainability (ECTS) unrestricted funds (\$150,000) to fund a full-time position
- ▶ Reduce/Eliminate the Social Service Grants (\$164,000) to fund a full-time position
- ▶ Increase Food and Beverage Tax to 7%, dedicating 2% to the General Fund: \$1,200,000
- ▶ Increase Property Tax to the maximum allowed: \$150,000
- ▶ Increase Water and Wastewater Franchise Fees: \$300,000
- ▶ Implement a Live Entertainment Ticket Tax: \$200,000-\$300,000
- ▶ Meter Pioneer Parking Lot: Net \$60,000

Other Options to Explore (Con't)

(not in proposed budget)

- ▶ Develop a plan to ask voters to fund an Operating Levy
 - ▶ Earliest fund would be received is November 2020
 - ▶ Could replace some/all of the utility fees
 - ▶ Would provide a 5 year sustainable budget, before needing voter approval to renew



New Budget Layout

New Document

- ▶ Focus on Funds
- ▶ Additional Narrative
- ▶ Charts have been expanded to show more line item details

- ▶ Sections:
 - ▶ Budget Message and General Fund Balancing Proposal
 - ▶ Fund Narrative
 - ▶ Department Narrative
 - ▶ Long Range Financial Plans
 - ▶ Appropriation Levels

Online Version



- ▶ The City created the first online budget document
- ▶ The online version is 100% integrated into our Budget Module
- ▶ It also provides for 100% interactive charts
- ▶ The online budget was developed to show the future of Government Budgeting
- ▶ The tool allows the City to provide a site to explain the budget to all types of citizens ranging from those who want cursory information to those who want to explore endless amounts of data and become Ashland budget experts