

Council Business Meeting

January 7, 2020

Agenda Item	Mayor Presentation Capital Needs and Financing	
From	Mayor Stromberg	Mayor
Contact	Council@ashland.or.us	

SUMMARY

During the June 4, 2019 City Council Business meeting I informed the Council that I had convened a working group to produce recommendations for dealing with various situations created by or related to the recently adopted budget for the 2019-21 biennium. The working group consists of the City Administrator and City Attorney, Councilors Graham and Rosenthal, the Administrative Services Manager, and former Mayor, Cathy Shaw, plus bond consulting by bond attorneys Harvey Rogers and Carol McCoog from the legal firm of Hawkins, Delafield & Wood LLP.

We have met multiple times since then, both as a whole group and in smaller configurations depending on the subject matter. Our process has produced sufficient information at this time that I can come forward to the City Council with our first recommendation, contained in this Council Communication.

PREVIOUS COUNCIL ACTION

N/A

BACKGROUND AND ADDITIONAL INFORMATION

The working group started with multiple concerns. The City Administrator was concerned about necessary General Fund infrastructure maintenance/development projects without provisions for their funding. Councilor Rosenthal and I were concerned with cuts contained in the budget that would undermine delivery of essential services. Councilor Graham had proposed during the Budget Process that we integrate the City's adopted Climate Energy Action Plan with specific funding appropriations. Former Mayor Shaw suggested we explore issuing long term bonds as a way of reducing the burden of PERS assessments and the rising cost of health care benefits. All of us felt it was time to move ahead with a Live Entertainment Ticket Tax as a new source of revenue that would tap discretionary income, primarily of visitors.

We have focused our efforts on four specific concepts, the first two of which are contained in this Council Communication. They are:

- 1) Funding a bundle of capital projects via a 20 year facilities bond to be brought to the voters in the May, 2020, primary election.
- 2) One component of the above bundle involves solar generating facilities for emergency power/disaster recovery for General Fund departments and the EOC. (This 'qualifies' as carbon mitigation in the context of the CEAP.) Similar generating capacity could be developed by the Water, Wastewater and Electric utilities for their disaster recovery needs.
- 3) Restoring funding for currently vacant essential services staffing via a dedicated fee.
- 4) Starting the process of modifying the AMC to establish a Live Entertainment Ticket Tax.

Specifics of Items 1) and 2) are contained in this Council Communication. I will provide a recommendation to the Council regarding item 4) at a Council meeting early in 2020. A recommendation for item 3) will wait for the results of the facilities bond election (if the Council should choose to put it forth) because the City Administrator will need to move all employees out of City Hall if the City is not making demonstrable progress on addressing its seismic risk. The yet unknown cost of moving employees currently housed in City Hall will require additional

funds not provided for in the current budget and must be addressed. Also, by May we will have a better assessment of the performance of non-property-tax General Fund funding sources (Occupancy and Meals Taxes, franchise fees, etc. as well as a possible ticket tax) all of which may affect the exact amount of the proposed meter fee.

* * *

And, with this preamble, I now bring you the following findings and recommendation for funding vital capital expenditures:

Project	Estimated Cost
City Hall	\$7,200,000
Resiliency - Solar	\$2,100,000
Community Center	\$500,000
Pioneer Hall	\$500,000
Butler-Perozzi Fountain	\$350,000
TOTAL	\$10,650,000

City Hall: The City Council, during the [October 15, 2019 City Council Business](#) meeting the City Council approved construction of City Hall at the current location. Subsequently, during the [December 3, 2019 City Council Business](#) meeting the City Council approved moving forward with a new City Hall building.

The new City Hall will:

- Be a two-story replacement of the existing building
- Not look like a two-story version of the four-story rendition that was presented to the City Council as a previous Council meeting
- Have a faster project completion timeline than building a building within the current City Hall building. This is important due to the spatial and economic sensitivity of the downtown area
- Allow for 600 feet of additional space for no additional cost. This is due to the fact that the second floor of the current City Hall is only partially enclosed. Mechanical equipment occupies space on a part of the building’s rooftop. Many people don’t know about this as the mechanical equipment can’t be seen from the street. Part of the second-floor space
- Be less costly to meet the energy efficiency goals set out by the City Council via the Climate and Energy Action Plan

Community Center: The Ashland Women's Civic Improvement Club was founded in 1908 for the purpose of improving and beautifying Ashland. The home for this civic organization was built from 1921 to 1922, and was later known as the Winburn Way Community Center (source: nps.gov). After the formal dedication of the clubhouse, the facility was used for meetings, banquets, shows and tourist events until it became a USO headquarters during World War II. After the War it served as the home of the Ashland Parks and Recreation Department for a number of years.

The building became quite run down, and in 1985 the City of Ashland took control of the property, which was restored and rededicated to its original use for local club meetings, dances, exhibitions and presentations. The north facing wall of the building is canted such that the building has been declared unusable. The repair will entail at a minimum a new roof structure and wall. As this is an older building staff is not certain that once the roof is removed that there will not be more damage to repair. It has been estimated that the repair will no more than \$500,000.

Pioneer Hall: Pioneer Hall was originally built in 1921 with the kitchen added in 1925. Significant restoration and expansion was completed in 1988. Pioneer Hall is a City-owned building that has traditionally been used as a community hall, available by reservation for public and private events. A structural assessment and code evaluation of Pioneer Hall identified a number of facility deficiencies primarily focused on the roof structure, seismic

rehabilitation, HVAC and ADA requirements. The roof on Pioneer Hall becomes overloaded with a snow load and this limits its ability to be utilized in the winter. It has been estimated that the facilities repairs will cost no more than \$500,000

Butler-Perozzi Fountain: The fountain is an historical asset of Lithia Park and has been identified as a high priority for repair due to its age and the rate at which the original stone is deteriorating. The Ashland Parks and Recreation Commission (APRC), which is responsible for the fountain, has dedicated \$70,000 from the Food and Beverage Tax for its repair in the 2019-21 Biennium; however, it has been estimated that the full repair may cost as much as \$500,000. At this time APRC has identified some of the options for preserving and repairing the fountain; however, an artist or craftsman has not been located who can perform the work. While it is unlikely that \$350,000 from the bond, plus \$70,000 dedicated from the Food and Beverage tax will complete the project, the Ashland Parks Foundation is willing to launch another fund-raising effort that would focus on the Butler-Perozzi Fountain to bridge the gap. Additionally, the Fregonese Family has also promised to help in the fund-raising effort to honor the late John Fregonese, who was instrumental in repairing the fountain in 1999. With the financial assistance possible through this bond, APRC is confident that the repair and preservation of the treasured Butler-Perozzi Fountain will be successful, and many more generations will be able to enjoy this historic piece of Ashland.

Climate Change Resiliency – Solar: Three 200 kilowatt solar systems located on City facilities at the Service Center. Three systems at the service center, would be a significant step towards a microgrid resiliency system for the entire campus, which includes the Emergency Operations Center and the center of operations for both Public Works and our Electric Department. It could be designed and built to be ready to incorporate batteries at some point in the near future. Each system would cost approximately \$700,000 or \$3.50 per installed watt. The value of the annual kilowatt production for the three systems is estimated to be \$20,000-\$25,000. That value increases over time with kilowatt cost increases. The total project is estimated to cost \$2.1 million and have cost savings to the Facilities Fund of approximately \$20,000-\$25,000 annually. Finally, any excess production could be virtually net metered to pay for the electricity use at Comm Dev and/or City Hall. Please note that the proposed solar facilities are not associated with the water and wastewater treatment facilities, which are Enterprise Funds. Solar facilities associated with those essential services must be paid for by rates.

FISCAL IMPACTS

The Mayor has assessed the available funding sources which include a fee which would be attached to every electric meter or a General Obligation Capital Bond. The financial options are listed below.

Project	Estimated Cost	20-Year Bond Per \$1,000 of Assessed Value – Tax Rate
Capital Projects	\$10,650,000	\$0.2625

The Mayor recommends a 20-Year General Obligation Capital Bond. This is a typical method of funding capital expenditures. For example, most recently the City used the funding mechanism to pay for Fire Station #2. A property tax payer with a residence with an assessed value of \$400,000 would pay an estimated \$105.00 per year. Currently that same property tax payer pays \$92.00 per year in taxes that will go off the tax rolls June 30, 2020.

Property tax payers in Ashland currently pay \$0.23 per \$1,000 of assessed value for Fire Station #2 (\$0.1035) and the Jackson County Library Construction Bond which was used to build libraries in almost every town in Jackson County including Ashland (\$0.1265). These two bonds will go off the tax rolls on June 30, 2020. In essence, the proposed 20-Year General Obligation Capital Bond to improve City-owned structures will be close to equal to the amount that is going off the tax rolls making it no more than property tax payers are paying now.

MAYOR'S RECOMMENDATION

The City Council has been moving forward with a new City Hall at the current location for over a year and the question of where City Hall should be has been discussed for over 20 years. The City Council appointed an Ad Hoc Committee whose recommendation was to keep City Hall in its current location downtown. It is time to move forward with a new City Hall in the current location. The City Council has been informed that we are putting City staff at risk, as City Hall is an unreinforced concrete building that will likely collapse in an earthquake. In addition, the City Council is putting the financial wellbeing of the City at risk as City Hall is a known liability. The City has two well-loved community buildings that are in desperate need of repair. These are old buildings and while they have been regularly maintained the issues that these buildings are experiencing, while not foreseeable are not a surprise considering the age of the structures. These buildings are used by the community and should be restored for the communities' use. The issues with the Butler-Perozzi fountain are similar to that of the Community Center and Pioneer Hall. Finally, the City needs to move forward with energy resiliency. In an emergency the Service Center will be the hub of emergency services including the Emergency Operations Center and much of the Public Works and Electrical Departments.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move that Staff produces the documentation to move forward with a \$10,650,000 20-year General Obligation Capital Bond with a tax rate of \$0.2625 per \$1,000 of assessed value to pay for the construction of a new City Hall, rehabilitating the Community Center and Pioneer Hall, rehabilitating the Butler-Perozzi Fountain and solar installations at the City's Service Center located at 90 N. Mountain Avenue for the May 12, 2020 Jackson County election.

I move to direct City staff to develop a public involvement action plan to provide education to Ashland residences and businesses.

REFERENCES & ATTACHMENTS

N/A