



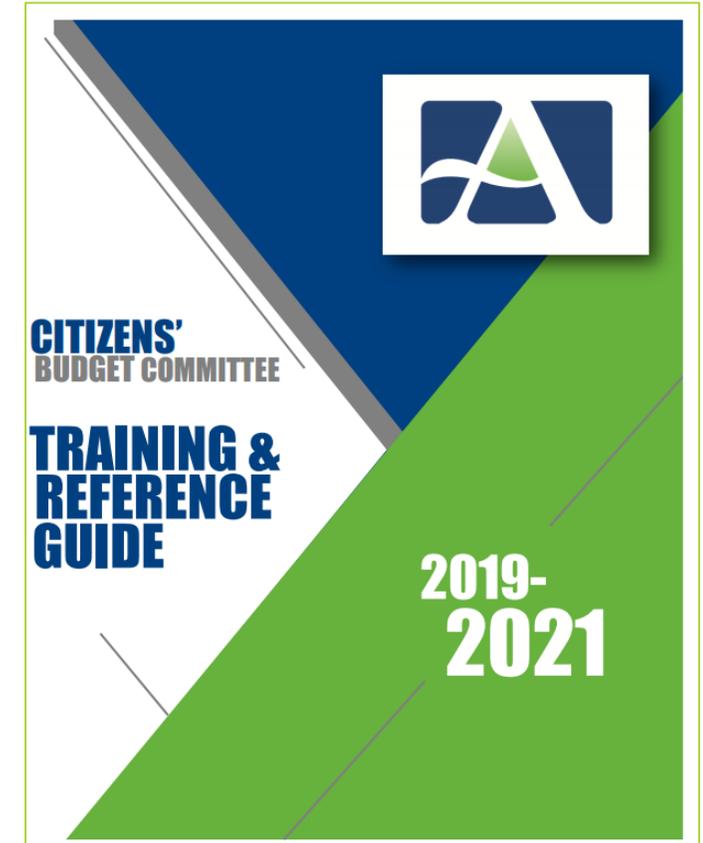
City of Ashland Budget Message

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



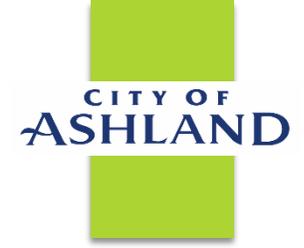
New Budget Layout

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