CITY OF ASHLAND

Citizen Budget Committee

Questions/ Answers 03.30.2021

1. Water and waste water have $40 million in capital improvements budgeted in this two-year budget. What percentage of that will be borrowed? What will be the cost to city ratepayers over the life of the bonds? What will be the impact on water and waste water rates? Can city residents actually afford these projects? Have alternatives been fully explored?

A: Most of the funding required to support proposed capital projects in the 2021-2023 Biennium will require a debt instrument to fully cover costs and complete projects. Numerous wastewater projects in the budget are already backed by low interest Clean Water State Revolving Fund (CWSRF) Loans issued by DEQ and built into previously established rate structures. Staff expects to borrow through the CWSRF to support other wastewater projects not currently backed by debt.

Staff expects to borrow for water projects proposed in the biennium through either low interest loans issued by the Infrastructure Financing Authority (IFA) or through a bond issuance. Public Works and Finance staff's focus is to obtain the best terms for debt instruments for capital projects to minimize rate impacts to the community. Staff is also exploring the potential use of federal stimulus monies to support water and wastewater infrastructure projects moving forward and will go after any relevant funding when the opportunity presents itself.

All projects have been vetted through master plan development for both the water and wastewater systems, including alternative analysis.

Staff is currently working with a financing consultant to develop the long-term rate analysis for water and wastewater systems using the current budget and capital improvement project information to better understand the continued impacts to rates. Staff is also working on ways to mitigate potential rate impacts through surplus property sales and franchise fee allocation changes. Staff is also developing an enhanced prioritization strategy for capital projects including defining the risk impacts for not moving forward with a project. This will be part of a continued Council discussion associated with capital projects with in-depth sessions planned for Fall 2021.

2. What updates are needed at the North Mountain electric sub-station and is money for this included in the budget, as well as the purchase cost. This project has been in the capital fund program for a number of years, why buy it now?

A: The updates part of the capital project for the substation is referring to expansion of the station to add another power transformer, increasing the capacity. This does not require any expansion of the physical footprint of the station, this work will fit inside of the existing fence. The expansion allows for greater reliability and additional load.

This project has come and gone over the years for various reasons. The biggest factor in moving it ahead now is the proposed increase in Utility Delivery Charges (UDC) from Bonneville Power Authority, our wholesale electric supplier. The City of Ashland paid approximately $145,000 in 2020 in UDC, and BPA has included in their 2022 proposal an increase of 29% in the UDC. This has proven to be a volatile area of increased costs and the City eliminates UDC by owning the station. The estimated return on investment (ROI) for purchasing and updating the substation is less than eight years.

3. It appears there is a budgeted the 50 percent increase in health care costs, 2021-23 over 2019-21. Is this a correct reading and if so, what percentage of the increase are city workers paying? What percentage is coming from city taxpayers?

A: Actual increases in health insurance costs are approximately four percent with two percent being absorbed by the Health Insurance Fund in the first year of the biennium. The second year is planned for flat rates being charged to operating funds. This will minimize impact to tax and rate payers. Non-represented employee contributions increased during the current biennium by five percent.

4. What is the amount of the reduction in PERS contributions from previous estimates?

A: The early estimates included between six percent and 22 percent increases in the PERS contribution rates. The proposed rate increases from PERS are between zero and 12 percent saving the General Fund approximately $280,033 from original estimates.

5. On Page 122, the Fire Department says it needs nine additional personnel. Where would the money come from to fill these positions? If these additional personnel were hired what cuts in other city services would be needed given that the city is at the maximum property tax rate? Are other sources of revenue available?

A: The Fire Department is identifying concerns about staffing as part its ongoing review of capacity and demand. No new positions are included in the budget and administrative positions are slated to be eliminated in the second year of the budget if grant funds are not secured to cover the full cost of those positions. If additional personnel were added, approximately $150,000 per FTE would be cut from other areas; however, discretionary cuts within the General Fund are limited. Staff are exploring grants and regional partnerships to enhance capacity.

6. I don't see any mention in our schedule for discussion of the parks budget or the capital fund. We need to add these to the list.

A: The Parks General Fund and the Capital Improvement Fund are included in the April 13 meeting as governmental funds.