

## Citizen Budget Committee



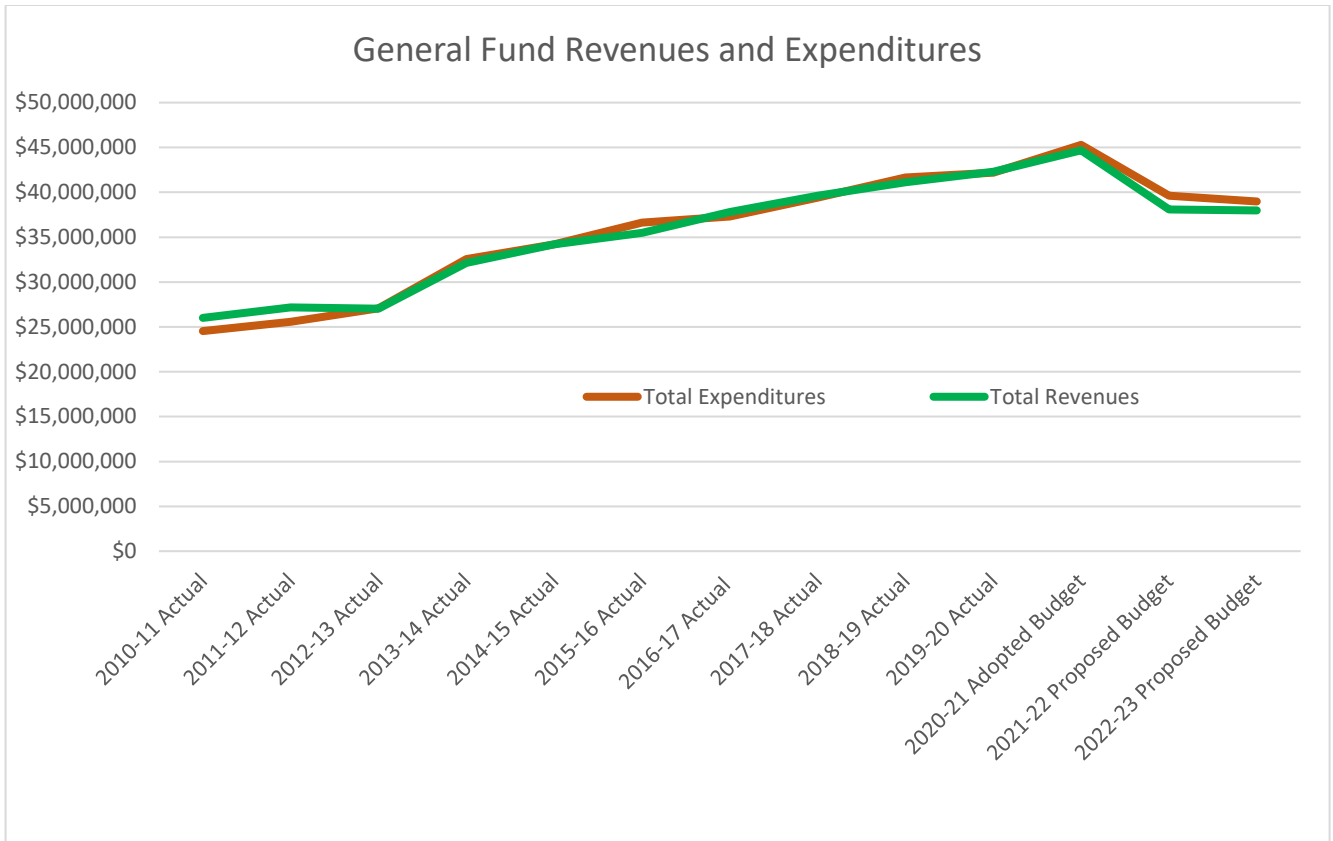
### Questions/ Answers 04.05.2021

- 1) How much longer is the AFN debt? Is there any penalty for pre-payment?
  - A. The Ashland Fiber Network debt will be paid in full by August 1, 2024. It is not callable until 2022 so early pay-off is unavailable until the next biennium. The estimated annual payment is \$1.26 million.
  
- 2) Is the marijuana tax in addition to or being replaced by the sale of property in the Housing Trust Fund?
  - A. The recommended budget includes the marijuana tax remaining in the General Fund and the Housing Fund receiving either the proceeds from the sale of the properties or the actual properties for possible public-private development of affordable housing.
  
- 3) Where does the “structural imbalance” come from? What can the Budget Committee do with the recommendations mostly requiring policy actions?
  - A. The structural imbalance or shortfall is the result of compressed revenues growing at a slower pace than the cost of the services expected by the community. While the City has made many adjustments in costs such as implementing many of the recommendations of previous budget committees and the Cost Review Ad-hoc Committee in the last cycle, it cannot outrun the point when its revenues do not meet its expenses without making larger choices.

The City is facing the compression of revenues related to the 1995 and subsequent actions of the State to limit assessments and tax rates used in property tax calculations. This compression keeps property taxes, the City’s largest General Fund revenue source, limited to growing at no more than 3.5% per year outside of new construction. Ashland has limited property to develop and no plans to annex significant additional property so new construction gains are relatively small.

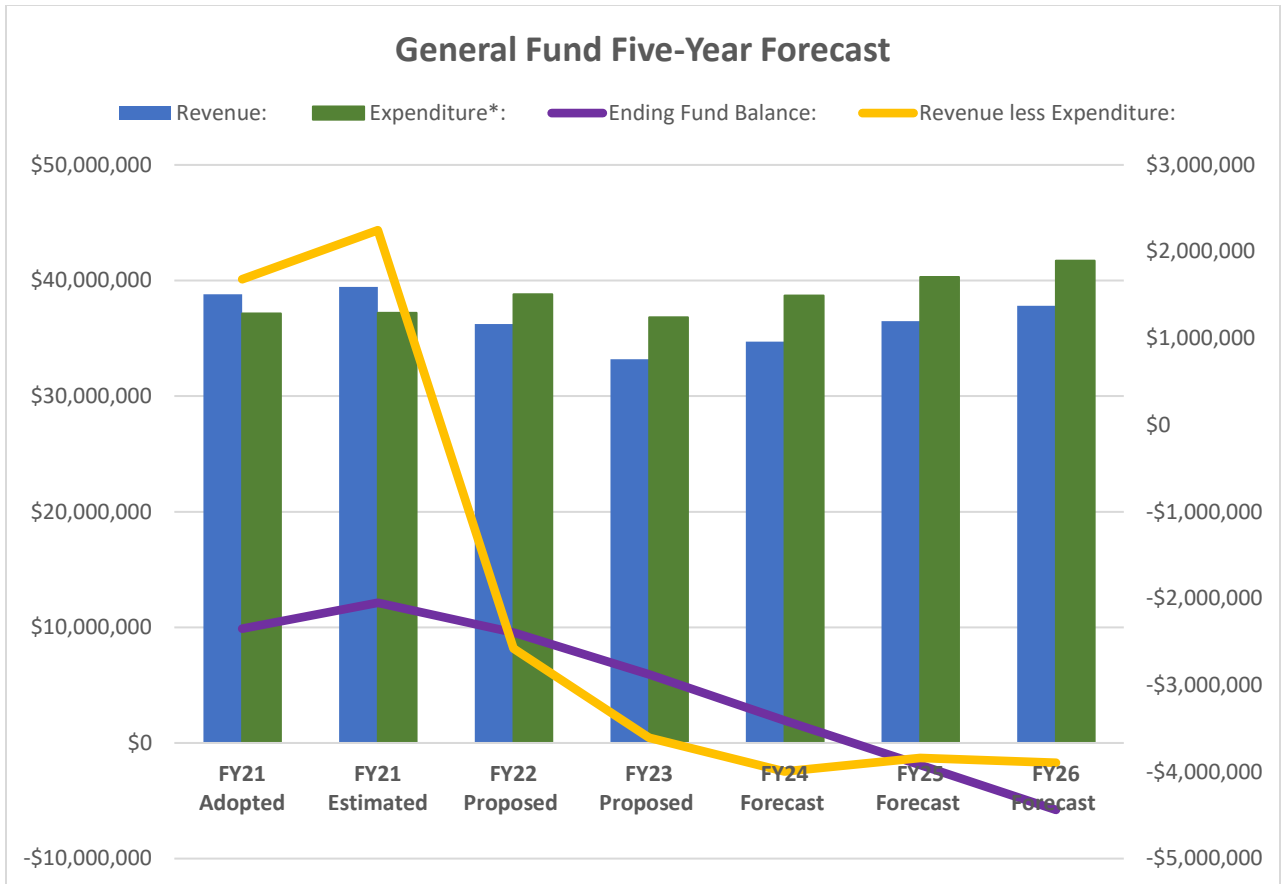
The next largest source of revenues in the General Fund is the Utility Users Tax (UUT) and then charges for service from Community Development activities. While the UUT is relatively stable, it is a tool that needs to be balanced between the ability to gain revenue from property tax exempt consumers and adding to a regressive tax structure. Revenue from development activity can be volatile and depends on external factors.

With the current General Fund services array, both Materials and Services and Personnel Services have grown on average 4.79% annually over the past ten years (FY12 Actual-FY22 Proposed). Many of these costs are not within the City’s control or are contained within contracts, both labor and commercial services.



This combination forces an eventual shortfall or imbalance unless changes are made to one or both elements of the equation.

As shown in the forecast on page 17 of the City Manager’s Recommended BN2021-2023 Budget, the divergence becomes more severe within a few years and fund balance is inadequate to cover the difference. The City is faced with making decisions that are sufficient in scale and scope to balance the services provided with the revenues to support them.



B. The Budget Committee is tasked with reviewing the revenues and expenditures in the City Manager’s Recommended Budget to determine if they are reasonably presented and based on reasonable assumptions. The Committee evaluates that the revenues and expenditures presented are based on policy decisions already made by the City Council or are identified as decisions to be made by the City Council. The Committee can approve a budget to the City Council with changes to revenues and expenditures and suggestions that the City Council explore, evaluate, or consider policy decisions that impact the revenues or service areas represented by the expenditures included in the budget.

4) Didn’t see anything about cutting costs.

A. The City Manager’s Recommended BN2021-2023 Budget includes the following reductions in costs as identified in the Executive Summary on page 14:

- i. Delay replacement of lesser used vehicles and reassigning vehicles for more optimal usage;
- ii. Redistribute position funding to more accurately reflect organizational needs, i.e. Deputy City Manager role is designed to consolidate management for Information Technology and Ashland Fiber Network, and provide support to the Electric Fund as all three departments develop long-term strategic plans over the next biennium;

- iii. Smooth the impact of healthcare costs over several years, taking advantage of lower than anticipated increases; and
- iv. Reduce PERS contribution costs per most recent valuation statement as provided by PERS.
- v. Unfund the previously approved Communications Specialist;
- vi. Reorganize Finance Utility Billing Division;
- vii. Restructure the Information Technology Department to utilize more technology solutions and seek regional partnerships;
- viii. Evaluate Police staffing; and
- ix. Discontinue the payment of Marijuana Tax revenues to the Housing Fund with dedication of property or proceeds from the sale of property instead.
- x. Unfund Fire administration positions if additional grant funds are not secured;
- xi. Unfund social service grants through Community Development.

The reorganizations and restructuring of departments will result in fewer positions and costs which are still being identified as there are multiple components of each operation affected.

5) What happens to Parks if the F&B is not extended in 2030?

- A. The Ashland Parks & Recreation Commission (APRC) will partner with the City to have the renewal put before the voters. If it is not extended by voters, the APRC will need to adjust operations and capital plans.

6) Capital vs. operating language in the F&B ordinance

- A. The initial language of the Food & Beverage tax ballot in March 1993 asked, "Shall tax on prepared food and beverages be imposed for park land acquisition and sewage treatment which may include wetlands?" The ordinance specified that "such taxes shall be used for the acquisition of Open Space Lands or easements and for such other purposes pertinent to the OpenSpace Park Program as the Council and Park Commission may jointly determine." The 1993 ballot also allowed the Council to raise the tax "to five percent after public hearing to fund state mandated sewage treatment methods and allowed restaurants to retain a part of the tax collected to apply to collection costs."

The 2009 ballot question extended the five percent tax on prepared food and beverages and included the language that "80% of tax revenues are dedicated to wastewater treatment plant debt and capital improvements. 20% is dedicated to parks for capital improvements and acquisition. Projects are identified in the City's Capital Improvement Plan." The initiative also included that restaurants retain 5% of the tax collected and the City may use up to 2% for administrative expenses.

In the November 2016 ballot, the disbursement to Parks was increased to twenty-five percent (25%) of the tax and was expanded to allow the funds to be dedicated for "the purpose of acquisition, planning, development, repair, and rehabilitation of City parks

per adopted plans of the Ashland Parks and Recreation Commission” and is now shown in the Parks Capital Improvement Fund. Within the same ballot, the ordinance specified, Beginning in fiscal year 2023, the council may, through the statutory budget process, appropriate taxes under this chapter as follows:

- a. Not less than twenty-five percent (25%) for the acquisition, planning, development, repair, and rehabilitation of City parks.
- b. Not less than an amount necessary to pay for debt service on any borrowing for street repair and rehabilitation per the City of Ashland Pavement Management Program.
- c. Up to two percent (2%) for the collection and administration of the tax.
- d. Except as provided in subsection 4.34.020.D, any remaining amounts shall be appropriated for purposes consistent with this chapter unless other purposes are approved by a council-adopted ordinance enacted by a vote of the Ashland electorate.

The City Manager’s Recommended BN2021-2023 Budget builds on points a and b in the ordinance to recognize that with franchise fees supporting street repair and rehabilitation including potential debt service, then the remainder could be allocated to the parks.

7) Why are personnel costs up and staffing counts down since 2016?

- A. This will be covered in more detail during the April 13, 2021 discussion on Governmental Funds. The changes in staff counts, i.e. full-time equivalents (FTE), has been at staggered intervals while costs have somewhat consistently increased over time. The average increase in wages is 3.33% and in benefits is 6.14% while positions have decreased .19% over the same ten-year period. This means the average cost per FTE has increased over time more than the actual number of employees, i.e. labor costs per unit increase similarly to commodity costs per unit.

Averages speak to general analysis while there are specific elements that have impact both salaries and wages when broken down by year, by department, by fund, by type of work performed. For example, in FY2018-19 there is a significant increase in salaries and wages, a portion of which can be attributed to public safety overtime. Benefits also have significant variations due to changes in PERS and healthcare costs, both of which are primarily controlled by forces external to the City organization.

8) What is the dollar value of the 1.7% reduction in personnel costs?

- A. The 1.7% reduction in total personnel costs city-wide equals \$621,668.

9) What are plans for future? Share numbers (?)

- A. The graph on page 17 of the City Manager’s Recommended BN 2021-2023 Budget, also shown in question 3 above, illustrates the projected General Fund revenues, expenses, and fund balances if the city maintains its current conditions. The chart below shows the projected amounts.

	FY21 Adopted	FY21 Estimated	FY22 Proposed	FY23 Proposed	FY24 Forecast	FY25 Forecast	FY26 Forecast
<b>Revenue:</b>	38,818,089	39,455,330	36,224,348	33,196,460	34,716,133	36,472,289	37,817,191
<b>Expenditure*:</b>	37,137,961	37,208,518	38,800,866	36,804,210	38,711,841	40,311,479	41,710,541
<b>Revenue less Expenditure:</b>	1,680,128	2,246,812	(2,576,518)	(3,607,749)	(3,995,708)	(3,839,190)	(3,893,351)
<b>Ending Fund Balance:</b>	9,879,505	12,126,317	9,549,799	5,942,050	1,946,342	(1,892,848)	(5,786,199)
<b>* less Contingency</b>							

As indicated the City has the upcoming biennium, FY2021-22 and FY2022-23, to determine a more sustainable blend of revenues and expenditures. The recommended package of policy decisions are designed to help align revenues and expenditures more systematically and in a manner that supports some of the Council and community goals of keeping utility rate increases down, maintaining streets and parks, and advancing affordable housing. The proposed budget also includes recommendations for more intensive review of services, capital plans, and funding streams to take advantage of the short window available by making the decisions of which services and funding mechanisms best fit the community. The City has reached the juncture where the “low-hanging fruit” has been picked and there are not adequate savings garnered by trimming to solve the shortfall.

Opportunities for regionalization will likely take longer than a biennium or two to implement and currently seem likely to result in only modest savings; but starting now assures the City will have a strong voice in the planning and implementation of regional initiatives. In the meantime, the City can begin multiple processes to build a comprehensive solution.

10) Are we looking at cutting/ changing ambulances? How will savings help?

- A. The Ambulance review study is currently underway with the report being presented to City Council in May or June. Because of the integration of ambulance and fire response personnel, it is not anticipated that there will be substantial savings but rather opportunities for efficiencies in operations and reporting will be identified that streamline both expenses and achieve greater revenue, particularly through medical reimbursements from the state and insurance companies.

11) Need to clarify the role of the Budget Committee including scenarios and examples.

- A. According to the Local Budgeting Manual from the Oregon Department of Revenue, “The budget committee is a local government’s fiscal planning advisory committee.” The Committee “meets publicly to review the budget document as proposed by the budget officer.” It “receives the proposed budget and the budget message and holds at least one meeting in which the public may ask questions about and comment on the budget.” “The budget committee may reduce or increase the estimates of resources and requirements proposed by the budget officer.”

- The role can be confirmed to include:
- i. determination that each fund has equal revenues (resources) and expenditures (requirements) and is therefore balanced.
  - ii. confirmation that revenues and expenditures are reasonable and based on reasonable assumptions.
  - iii. corroboration that revenues and expenditures are based on policy decisions of the City Council or that decisions needing Council approval have been identified as such.

The schedule provides for a review and discussion of the Governmental Funds at the April 13 meeting and of the Enterprise Funds at the April 27 meeting. These meetings will have short presentations of each fund with time for the Committee to discuss and provide feedback for each one. As requested, the public comments will be at the beginning of each meeting to provide for public input on the budget to the Committee as it reviews the funds by category. The staff will digest the feedback of the Committee and prepare a draft resolution in accord with the Committee wishes for deliberation and final recommendation approval at the May 11 meeting along with consideration of the tourism grant subcommittee recommendations.

While the structural shortfall is a critical focus of the budget and the City's Manager's Recommended BN2021-2023 Budget includes steps toward addressing some elements of the shortfall, the Budget Committee's role is to focus on the current budget. Summarized, the Budget Committee recommends the amounts for line items, but does not determine how the City operates within that budget.

The City may tell the Committee how operations will change to stay within the budget, and Committee members may have suggestions on how to operate based upon a member's experience and community involvement. However, these suggestions are not part of a binding motion. The Committee may recommend to City Council that they evaluate certain policy decisions or explore other actions.

Some sample motions consistent with the Budget Committee's advisory role:

- I move to reduce the Parks General fund appropriation by \$100,000.
- I move to reduce the General Fund expenditures by \$100,000 and recommend the City Council consider more services in public safety.
- I move to make the following change to the city manager recommended budget: decrease general fund expenditures by \$100,000 and reduce use of fund balance by \$100,000.
- I move to decrease electric utility user tax revenues by 10% with a corresponding decrease in expenditures.
- I move to maintain Parks total funding the same as prior year and offsetting that increase over the proposed budget by reducing other General Fund expenditures.
- I move to decrease the property tax rate by 0.01 and accordingly reduce General Fund expenditures by \$28,111 in FY2022 and \$29,095 in FY2023, and suggest that capital improvements (but not repairs) be deferred for one year.

- I move to reduce the General Fund revenues by the \$100,000 from marijuana taxes and \$100,000 in expenditures and to increase the Housing Fund revenues by \$100,000 from marijuana taxes and reduce the revenues shown in the proposed budget for that fund by removing the proceeds of property sales.

Examples of motions not consistent with the Committee’s role:

- I move to reduce the Parks General Fund by reducing the PERS contribution for employees in the Parks Operational Division.
- I move to reduce the General Fund operating departments by \$100,000 and to direct staff to create a new program to.....(trying to emphasize that this is for Council)
- I move to decrease the central services personnel by 3 positions, increase the salary of the public works director, outsource the human resources department, and force the city to abandon these five specific CIP projects.

12) If the Streets Fund receives Franchise Fees, what is the likelihood of funding debt as shown on page 208.

- A. The increasing dedication of franchise fees revenue to the Streets Fund builds a sustainable funding stream and reserve balance sufficient to support approximately \$9 million in debt after FY2023 and continue to fund smaller capital improvements concurrently. This assumes approximately \$600,000 in debt service payments over a 20-year issue at a conservative 3% interest rate. The specific terms of any debt issue and the planned projects would need further exploration particularly in terms of timing and market conditions.

	<b>FY2022-23</b>	<b>FY2023-24</b>	<b>FY2024-25</b>	<b>FY2025-26</b>
% of Franchise Fees	20.00%	25.00%	35.00%	50.00%
Streets Capital Funding	620,899	749,900	1,049,861	1,499,801

13) What is the funding of Parks over time, what happens with lower F&B?

- A. The Recommended Budget includes a reduction in property taxes concurrent with the growth in Food & Beverage tax (F&B) revenues being allocated to the Parks Commission. The intent is to keep the Parks Commission funding relatively stable while the Food & Beverage Tax revenues recover from the COVID-19 pandemic and to create a formal structure for more effective planning. As with the rest of the City, the Parks Commission would see a reduction in FY2022-23. However, this may be somewhat mitigated if F&B revenue recovers more quickly than projected. As F&B grows, the Parks Commission can rebuild its fund balance and continue its capital plans.



Parks	FY2021-2022	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Food & Beverage- existing	511,724	562,897	703,621	773,983	812,682	853,316
Food & Beverage- additional	-	1,643,658	2,054,573	2,260,030	2,373,032	2,491,683
Property Tax	5,505,942	3,492,075	3,339,920	3,323,863	3,164,982	3,164,983
<b>TOTAL General sources</b>	<b>6,017,666</b>	<b>5,698,630</b>	<b>6,098,114</b>	<b>6,357,876</b>	<b>6,350,696</b>	<b>6,509,983</b>
Difference		(319,036)	399,484	259,762	(7,180)	159,287
% Difference		-5.79%	7.26%	4.72%	-0.13%	2.89%
% of Total City millage	44.15%	28.00%	26.00%	25.00%	23.00%	23.00%

