



Council Study Session

July 31, 2023

Agenda Item	Enterprise Funds - Ending Fund Balance Review	
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Item Type	Requested by Council <input checked="" type="checkbox"/> Update <input type="checkbox"/> Request for Direction <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Public Hearing <input type="checkbox"/> New Business <input type="checkbox"/> Old Business <input type="checkbox"/>	

SUMMARY

During the recent budget process, there was interest by Council to review the ending fund balance policies for the Enterprise Funds. This presentation includes the input from Enterprise Fund Department Heads: Scott Fleury, Public Works Director; Tom McBarlett, Electric Director; Jason Wegner, DoIT Director.

POLICIES, PLANS & GOALS SUPPORTED

Sound fiscal policies are central to a successful and strategic long-term approach to financial management.

BACKGROUND AND ADDITIONAL INFORMATION

The presentation will review the fund balance policies of the City's Enterprise Funds in conjunction with best practices, GFOA (Government Finance Officers Association) guidance, and the policies of other municipalities as examples. We will also discuss current and long-term operations for the enterprise funds, as well as the current environment/landscape of operating these utilities, and how that is considered in the determination of the ending fund balance reserves.

It is important to also note that in conjunction with the approval of each biennium budget, rate setting and rate analysis are performed for each enterprise fund. This in-depth process using consultants and subject matter experts considers policy requirements, current and future debt and contingencies.

The City's current Enterprise Funds with their respective reserve policy are:

- Water Fund – 25% average annual expenditure of prior three years + debt/legal requirements
- SDC Water Fund – N/A
- Wastewater Fund – 25% average annual expenditure of prior three years + debt/legal requirements
- SDC Wastewater Fund – N/A
- Stormwater Fund – 20% average annual expenditure of prior three years
- SDC Storm Water – N/A
- Electric Fund – 25% average annual expenditure of prior three years + debt/legal requirements
- Telecommunications Fund – 20% average annual expenditure of prior three years + debt/legal requirements

Please note that the SDC enterprise funds were not effective until July 1, 2023. Additionally, a contingency appropriation is budgeted for non-recurring expenditures of 3% of annual operating expenditures for the Water, Wastewater, Stormwater, Electric, and Telecommunications Funds.





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FISCAL IMPACTS

Fiscal impacts of establishing appropriate reserve levels for enterprise funds would include the ability/capacity to weather large financial outflows. If not set sufficiently, it may weaken the enterprise when an unforeseen emergency and/or changes in economic conditions occur. Fiscal impacts might also include the effects on rates to the utility rate payers if the enterprise cannot adequately absorb non-recurring expenditure or emergency-types of events.

DISCUSSION QUESTIONS

The following are questions and/or discussion items that Council may choose to dialogue on with regards to the policy review.

- Review of the current reserve policies for each fund
- Discussion of GFOA guidelines and other comparable policies
- What constitutes appropriate use of reserve funds?
- How does debt coverage and credit rating play into these levels?
- Discussion of the City of Ashland's specific risk attributes – climate impact, wildfires, and other changes in economic conditions
- Discussion of the City's staffing levels currently and during the past few years and how that impacts the enterprise fund balances
- How do national/global impacts such as COVID, inflation, supply chain pressures impact ending fund balance for enterprises?
- How has City of Ashland's reserve policies affected rate increases?
- Discussion of the City's current initiatives this biennium in the Water Fund, Electric Fund, and Telecommunications Fund
- Department Head input on current reserve policies
- What are the Council's specific goals as it relates to changing the current reserve levels? Can those goals be met through current appropriation and/or planning?

SUGGESTED NEXT STEPS

Depending on the outcome of the discussion, Council may choose to leave the current policy in place or some derivation of changing the restriction levels. More information may be needed by the Department Head of any one specific enterprise fund to discuss impacts to operations or long-term planning by changing the policy.

REFERENCES & ATTACHMENTS

Attachment #1: City of Ashland Financial Policies, approved by Council 5/16/23

Attachment #2: Statement of Resources, Requirements and Changes in Fund Balance as of May 31, 2023 for the following funds – Water, Wastewater, Stormwater, Electric and Telecommunications

Financial Management Policies

The Financial Management Policies apply to fiscal activities of the City of Ashland.

Objectives

The objectives of Ashland's financial policies are as follows:

- To enhance the City Council's decision-making ability by providing accurate information on program and operating costs.
- To employ revenue policies that prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
- To provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City's credit rating and financial wellbeing.
- To ensure the legal use of all City funds through efficient systems of financial security and internal control.

The City of Ashland does not discriminate in providing services, purchasing goods or services, and in matters of employment.

Investments and Banking

All City funds shall be invested to provide—in order of importance—safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. One hundred percent of all idle cash will be continuously invested in accordance with State law and recommended government finance industry standards.

The City of Ashland has a Banking Policy of authorized signatures, including facsimile signatures for banking services on behalf of the City of Ashland that is part of this document and is labeled Attachment 1 (one).

The City of Ashland has a detailed Investment Policy and is part of this document is labeled Attachment 2 (two).

Accounting

- The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law and in compliance with Government Accounting Standards Board (GASB)

statements. The City will issue a Comprehensive Annual Financial Report (Audit report) each fiscal year. The Annual Comprehensive Financial Report (ACFR) shows fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.

- An independent annual audit will be performed by a certified public accounting firm that will issue an official opinion on the annual financial statements and a management letter as needed or required detailing areas that need improvement.
- Full disclosure will be provided in financial statements and bond representations.
- The accounting systems will be maintained to monitor expenditures and revenues on a monthly basis with thorough analysis and adjustment of the biennium budget as appropriate.
- The accounting system will provide monthly information about cash position and investment performance.
- The City will seek to meet all standards to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA) annually.

Budgetary Policies

- The budget committee will be appointed in conformance with state statutes. The budget committee's chief purpose is to review the city manager's proposed budget and approve a budget and maximum tax levy for City Council consideration. The budget committee may consider and develop recommendations on other financial issues as delegated by the City Council.
- "The Budget Committee Reference Guide" is part of this document and it is Attachment 3 (three).
- The Citizens' Budget Committee services an important service with high visibility within our Ashland community, and it contributes to the community's mood, tone of communications and behavior. It is important that all members are aware of their leadership roles and community influence. The following are the ground rules for the meetings:
 - Keep an open mind
 - Be respectful
 - Don't interrupt
 - Stay on topic
 - It is ok to disagree

- Raise your hand to speak
 - Allow others to speak before speaking again
 - Be prepared
 - Support the relationship to and with the city (fiduciary responsibility)
- The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources. Appropriation of fund balance or retained earnings will be solely for the purpose of one-time expenditures such as capital projects.
 - The City budget will support City Council goals and priorities and the long-range needs of the community.
 - In contrast to the line-item budget that focuses exclusively on items to be purchased (such as supplies and equipment), the City will emphasize the use of goals and programs to:
 1. Structure budget choices and information in terms of programs or operating units and their related work activities and impact on constituents and the community,
 2. Provide information on what each program or operating unit is committed to accomplish in long-term goals and in short-term objectives, and
 3. Measure the degree of achievement of program or operating unit objectives (performance measures).
 - The City will include multi-year projections in the budget document of at least three years beyond the biennium.
 - To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes, generally accepted accounting principles, and government finance industry standards.
 - The City will allocate direct and administrative costs to each fund based upon the cost of the other fund providing these services to the recipient fund. The City will recalculate the cost of administrative services regularly to identify the impact of inflation and other cost increases.
 - If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any governmental fund, the City will transfer not less than 20 percent of the gain to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less

than 20 percent to fund capital projects.

- If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any enterprise or internal service fund, the City will commit not less than 10 percent of the gain to net earnings, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- The City will seek to meet all standards for each adopted budget to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association.

Fund Balance Policy

General Fund

The General Fund accounts for all financial resources not accounted for in other funds. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Administration, Human Resources, Legal, Finance, Public Works Support and Facilities, Parks, Innovation and Technology Information Systems, City Recorder, Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, and the Department of Community Development and payments for services provided by other funds. This fund uses the modified accrual method of accounting.

- The General Fund will maintain an unrestricted and undesignated balance no less than 16.67% percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- At such time as the unrestricted and undesignated balance exceeds 50 percent of the average annual expenditures of the prior three years, the City will transfer not less than 20 percent of the overage to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If at any time the unrestricted and undesignated balance should fall below 16.67% percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3

percent of the average annual operating expenditures over the prior three years.

Special Revenue Funds

Special Revenue funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. Special Revenue funds account for transactions using the modified accrual method of accounting.

Reserve Fund. This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events. As established by Resolution 2010-18, amended by Resolution 2020-09, and clarified by Resolution 2020-26. The resolution is a part of this document and is Attachment 4 (four).

Community Development Block Grant Fund. This fund was established in 1994-1995. The fund accounts for the Block Grant and related expenditures.

- A fund balance policy is not needed since this fund works on a reimbursement basis and proceeds are restricted by federal guidelines.

Street Fund. Revenues are from the state road tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets.

- The Street Fund will maintain a committed balance of annual revenue of at least 15 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 15 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

SDC Street Fund. The System Development Charges for Transportation are in this fund. System Development Charges are a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers.

Tourism Fund. Revenues are from the Transient Lodging Tax and expenditures are restricted by ORS 320.350.

Housing Fund. Revenue is earmarked in this fund to affordable housing by Ordinance and the

dedicated funds are to be used to support affordable housing priorities through receipt of donations and dedicated revenue streams, including but not limited to donations, grants, sale of surplus City property, or any other revenue sources approved by the Ashland City Council or the people of Ashland.

Airport Fund. Revenues are from airport leases and fuel sales. Expenditures are for airport operations.

- The Airport Fund will maintain a committed balance of annual revenue of at least 10 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 10 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- No portion of the Airport fund balance is restricted for specific uses.
- Many of the Airport assets have restrictions placed on them by the Federal Aviation Administration. None of the current revenues are pledged to outside lenders.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Capital Projects Funds

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds, Internal Service Funds, Special Assessment Funds and Trust Funds). Capital projects funds use the modified accrual method of accounting.

Capital Improvements Fund. This fund accounts for revenues from grants, unbonded assessment payments, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short-term borrowing and unbonded assessments. Expenditures are for construction, property and equipment acquisition and replacement, improvements and related purposes including facility maintenance, and the repayment of short-term debt principal and interest incurred in financing improvements. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of

annual operating expenditures.

Parks Capital Improvements Fund. The Parks Capital Projects Fund is managed by the Ashland Parks & Recreation Commission per City Charter. This fund is used to account for resources from grants and inter-fund transfers that are to be expended for major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

SDC Parks Fund. The System Development Charges for Parks are in this fund. System Development Charges are a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Expenditures and revenues are accounted for using the modified accrual method of accounting. All bond issues and notes are separated in the accounting system.

- All of the monies within the Debt Service fund are restricted for Debt service until the specific debt is repaid in full. ORS prohibits cities from borrowing this money for any other purpose.

Enterprise Funds

Enterprise funds account for the following operations: (a) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

Water Fund. This fund accounts for water operations. Revenues are from sales of water, other charges for services, and miscellaneous sources. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

- The Water Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amounts held to comply with debt covenants or legal requirements. This is the minimum

needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.

- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

SDC Water Fund. The System Development Charges for Water are in this fund. System Development Charges are a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers.

Wastewater Fund. This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

- The Wastewater Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

SDC Wastewater Fund. The System Development Charges for Wastewater are in this fund. System Development Charges are a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers.

Electric Fund. The Electric Fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental revenues. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, franchise tax, and

related purposes.

- The Electric Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- Debt service reserves are included in the Electric Fund balance. This portion of the Electric Fund balance is restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Telecommunications Fund. The Telecommunications Fund accounts for the revenues and expenditures of the Ashland Fiber Network.

- The Telecommunications Fund will maintain a minimum balance of 20 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- Debt service reserves are included in the Telecommunications Fund balance. This portion of the Telecommunications Fund balance is restricted and shall not be used in determining the minimum fund balance.
- The city will budget a contingency appropriation to provide for unanticipated non-recurring expenditure. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Stormwater Fund. Revenues are from charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and construction of storm drains.

- The Stormwater Fund will maintain a committed balance of annual revenue of at least 20

percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.

- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

SDC Stormwater Fund. The System Development Charges for Stormwater are in this fund. System Development Charges are a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers.

Internal Service Funds

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

Insurance Services Fund. Revenues in this fund are from service charges from other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Insurance Services Fund will maintain an unrestricted and undesignated balance of 50% of the average annual expenses of the prior five years or \$500,000 whichever is more. This is the minimum needed to maintain the City's insurance programs and provide for uninsured exposures.
- If at any time the unrestricted and undesignated balance should fall below \$500,000, the City will work to restore the balance in no less than two years with not less than one third of the shortfall being restored within each year.
- No portion of the Insurance Services Fund balance is legally restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than

3 percent of annual operating expenditures.

Equipment Fund. This fund is used to account for the maintenance and replacement of the City fleet of vehicles and specified equipment. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- The Equipment Fund will maintain a minimum balance calculated to sufficiently fund equipment replacement as determined by use of the replacement value schedule and not less than 20 percent of the average annual operating expenditures of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below the sum of 20 percent of the average annual operating expenditures of the prior three years and 30 percent of the replacement value of in-service equipment and vehicles, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- No portion of the Equipment fund balance is legally restricted for specific uses. The City rents equipment at rates that include the replacement cost of the specific piece of equipment.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Trust and Agency Funds

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.

Cemetery Trust Fund. The Cemetery Trust Fund is a non-expendable trust fund that uses the accrual basis of accounting. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the cemetery fund for operations.

- No minimum fund balance policy is recommended.

Revenues

- The City will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the City's control, estimates will be conservative.
- The City will make every effort to maintain a diversified and stable revenue base to protect its operation from short-term fluctuations in any one revenue source.
- The City will establish charges for enterprise funds that fully support the total cost of the enterprise. Utility rates will be reviewed annually. Rates will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will identify user fees to the direct beneficiaries of City services to recover all of the full cost of providing that service and compare with existing rates. All user fees will be reviewed biannually to ensure that direct and overhead costs are recovered in the percentage approved by City Council.
- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will work aggressively to collect all delinquent accounts receivable. When necessary, collection procedures will include termination of service, submission to collection agencies, foreclosure, and other available legal remedies.

Expenditures

- The City will provide employee compensation that is competitive with comparable public jurisdictions within the relative recruitment area. Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personnel Services.
- The City is committed to maintaining and improving the productivity of its staff by providing a proper working environment, adequate equipment and supplies, and appropriate training and supervision.
- A Social Service appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall General Fund revenues.
- Tourism appropriation will be included in the proposed Tourism Fund Budget. This appropriation will increase or decrease relative to the overall Transient Lodging Tax Revenues.

Purchasing

- The City will purchase materials, supplies, and equipment through a competitive process that provides the best product for the least cost.
- The City will adhere to all State of Oregon and local requirements for purchasing goods and services. The City will also review policies and procedures at least annually for adherence with industry best practices.

Capital

- The City will provide for adequate maintenance of equipment and capital assets. The City will make regular contributions to the Equipment Replacement Fund and the City Facilities budget to ensure that monies will be available as needed to replace City vehicles and facilities.
- Future operating costs associated with new capital improvements will be itemized, projected, and included in the long-term budget forecast.
- The City will determine and use the most appropriate method for financing all new capital projects.
- Special accounts dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.
- The Capital Improvement Plan (CIP) will encourage a level capital replacement schedule and anticipate future capital needs. The CIP will present identified needed capital projects for a minimum of six years into the future and include known major projects requiring debt obligations to support them for a minimum of fifteen years into the future.

Debts

- The City will not use long-term borrowing to finance current operations.
- Capital projects, financed through bond proceeds, will be financed for a period not to exceed the useful life of the project.
- Whenever possible, enterprise debt will be self-supporting. Regardless of the type of debt issued, the City will establish a one-year reserve for all self-supporting debt.
- The City will seek to maintain level debt service payments over the duration of an issue and consider the level of debt obligations across funding sources when recommending types and amounts of debt instruments.

- The City will keep the final maturity of general obligation bonds at or below 20 years, with the exception of water supply and land acquisition that will be limited to 30 years.
- The City will maintain a debt coverage ratio, i.e. net revenue to debt service of at least 125% for every debt issue.
- The State of Oregon limits non-self-supporting obligation debt to three percent of the real market value of all taxable property within the City boundaries.
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure its access to credit markets.
- The City will maintain good communications with bond rating agencies about its financial condition.

Risk Management

- The City will provide an active risk management program that reduces human suffering and protects City assets through loss prevention, insurance, and self-insurance.
- The risk management program will be reviewed at least annually to assure levels of primary and secondary coverage are consistent with City priorities and needs.
- The risk management function will conduct regular meetings of the City Safety Committee, including representatives from each operating department, to review incidents and consider activities or initiatives to reduce the City's loss experience and to enhance safety of City human and physical resource.

Attachment #2

City of Ashland Statement of Resources, Requirements, and Changes in Fund Balance as of May 31, 2023

	Fiscal Year 2023		Budget to Actual		Fiscal Year 2022		Actual Percent Collected / Expended
	Fiscal Year 2023	2nd Year of Biennial	Percent Collected / Expended	Actual to Actual Year-over-Year Change	Fiscal Year 2022 Year-To-Date Actuals	Fiscal Year 2022 End-of-Year Actuals	
	2nd Year Actuals	Budget				Prior Fiscal Year	
670 Water Fund							
Charges for Services - Rates	\$ 7,728,916	\$ 8,840,000	87.4%	100.5%	\$ 7,686,662	\$ 8,399,651	91.5%
Charges for Services - Misc. Service Fees	39,598	90,000	44.0%	64.6%	61,254	67,573	90.6%
System Development Charges	142,451	150,000	95.0%	58.8%	242,151	204,411	118.5%
Interest on Investments	271,998	92,800	293.1%	481.9%	56,439	65,754	85.8%
Miscellaneous	264	26,000	1.0%	7.4%	3,577	4,104	87.2%
Other Financing Sources	1,366,794	17,545,800	7.8%	N/A	-	-	N/A
Total Revenues and Other Sources	9,550,022	26,744,600	35.7%	118.6%	8,050,081	8,741,494	92.1%
Public Works - Conservation	97,817	283,670	34.5%	86.1%	113,599	127,393	89.2%
Public Works - Water Supply	827,302	4,121,215	20.1%	79.4%	1,042,532	1,142,413	91.3%
Public Works - Water Supply Debt	127,843	127,776	100.1%	100.1%	127,775	127,775	100.0%
Public Works - Water Distribution	3,428,722	4,867,942	70.4%	102.0%	3,360,064	3,686,295	91.2%
Public Works - Water Distribution Debt	269,195	269,197	100.0%	100.7%	267,260	267,260	100.0%
Public Works - Water Treatment	3,320,195	15,555,295	21.3%	261.2%	1,271,167	1,411,805	90.0%
Public Works - Water Treatment Debt	73,195	75,195	97.3%	100.7%	72,662	72,662	100.0%
Public Works - Reimbursement SDC's	-	150,000	0.0%	N/A	-	-	N/A
Public Works - Improvement SDC's	353,936	2,131,200	16.6%	196.1%	180,458	269,059	67.1%
Public Works - Debt SDC's	33,633	33,390	100.7%	100.7%	33,390	33,390	100.0%
Debt Service	-	180,574	0.0%	N/A	-	-	N/A
Transfer Out (General Fund to AFR)	50,000	50,000	100.0%	100.0%	50,000	50,000	100.0%
Contingency	-	232,004	0.0%	N/A	-	-	N/A
Total Expenditures and Other Uses	8,581,839	28,077,458	30.6%	131.6%	6,518,908	7,188,052	90.7%
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	968,183	(1,332,858)	172.6%	63.2%	1,531,174	1,553,442	98.6%
Beginning Fund Balance	14,299,291	11,518,403	124.1%	112.2%	12,745,849	12,745,849	100.0%
Ending Fund Balance	\$ 15,267,473	\$ 10,185,545	149.9%	106.9%	\$ 14,277,024	\$ 14,299,291	99.8%
Reconciliation of Fund Balance:							
Restricted and Committed Funds		1,162,197					
Unassigned Fund Balance		\$ 14,105,276					

City of Ashland
Statement of Resources, Requirements, and Changes in Fund Balance
as of May 31, 2023

	Fiscal Year 2023		Budget to Actual		Fiscal Year 2022		Actual Percent Collected / Expended
	Fiscal Year 2023	2nd Year of Biennial	Percent Collected / Expended	Actual to Actual Year-over-Year Change	Fiscal Year 2022 Year-To-Date Actuals	Fiscal Year 2022 End-of-Year Actuals	
	2nd Year Actuals	Budget				Prior Fiscal Year	
675 Wastewater Fund							
Taxes	\$ -	\$ -	N/A	0.0%	\$ 38	\$ 38	98.9%
Charges for Services - Rates	5,840,422	6,040,000	96.7%	101.4%	5,762,115	6,301,095	91.4%
Charges for Services - Misc. Service Fees	-	150,000	0.0%	0.0%	(3,174)	(3,174)	100.0%
System Development Charges	117,689	-	N/A	86.9%	135,489	91,772	147.6%
Interest on Investments	140,589	86,700	162.2%	421.5%	33,357	38,811	85.9%
Other Financing Sources	2,123,852	2,858,650	74.3%	541.7%	392,037	672,428	58.3%
Total Revenues and Other Sources	8,222,614	9,135,350	90.0%	130.1%	6,319,862	7,100,970	89.0%
Public Works - Wastewater Collection	2,118,537	2,793,623	75.8%	102.0%	2,077,287	2,259,032	92.0%
Public Works - Wastewater Collection Debt	45,256	46,057	98.3%	98.3%	46,056	46,056	100.0%
Public Works - Wastewater Treatment	6,642,746	5,714,038	116.3%	215.5%	3,082,179	3,734,655	82.5%
Public Works - Wastewater Treatment Debt	128,251	128,797	99.6%	99.6%	128,797	128,797	100.0%
Public Works - Improvements SDC's	119,736	1,331,350	9.0%	82.2%	145,662	165,385	88.1%
Contingency	-	184,274	0.0%	N/A	-	-	N/A
Total Expenditures and Other Uses	9,054,527	10,198,139	88.8%	165.2%	5,479,981	6,333,925	86.5%
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(831,912)	(1,062,789)	21.7%	-99.1%	839,881	767,045	109.5%
Beginning Fund Balance	8,336,733	5,932,421	140.5%	110.1%	7,569,688	7,569,688	100.0%
Ending Fund Balance	\$ 7,504,821	\$ 4,869,632	154.1%	89.2%	\$ 8,409,569	\$ 8,336,733	100.9%
Reconciliation of Fund Balance:							
Restricted and Committed Funds		2,228,374					
Unassigned Fund Balance	\$ 5,276,447						

City of Ashland
Statement of Resources, Requirements, and Changes in Fund Balance
as of May 31, 2023

	Fiscal Year 2023		Budget to Actual		Fiscal Year 2022		Actual Percent Collected / Expended
	Fiscal Year 2023	2nd Year of Biennial	Percent Collected / Expended	Actual to Actual Year-over-Year Change	Fiscal Year 2022 To-Date Actuals	Fiscal Year 2022 End-of-Year Actuals	
	2nd Year Actuals	Budget				Prior Fiscal Year	
680 Stormwater Fund							
Charges for Services - Rates	\$ 733,800	\$ 769,600	95.3%	100.9%	\$ 727,148	\$ 793,847	91.6%
System Development Charges	13,567	35,000	38.8%	57.0%	23,789	33,287	71.5%
Interest on Investments	36,537	10,000	365.4%	473.0%	7,725	8,992	85.9%
Total Revenues and Other Sources	<u>783,904</u>	<u>814,600</u>	<u>96.2%</u>	<u>103.3%</u>	<u>758,663</u>	<u>836,126</u>	<u>90.7%</u>
Public Works - Storm Water Operations	601,263	1,102,538	54.5%	89.4%	672,871	722,578	93.1%
Public Works - Storm Water Operations Debt	11,350	11,550	98.3%	98.3%	11,550	11,550	100.0%
Public Works - Storm Water SDC's	-	275,000	0.0%	0.0%	12,120	12,120	100.0%
Contingency	-	37,173	0.0%	N/A	-	-	N/A
Total Expenditures and Other Uses	<u>612,613</u>	<u>1,426,261</u>	<u>43.0%</u>	<u>88.0%</u>	<u>696,541</u>	<u>746,248</u>	<u>93.3%</u>
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	171,291	(611,661)	128.0%	275.7%	62,122	89,878	69.1%
Beginning Fund Balance	<u>1,867,493</u>	<u>856,106</u>	<u>218.1%</u>	<u>105.1%</u>	<u>1,777,615</u>	<u>1,777,615</u>	<u>100.0%</u>
Ending Fund Balance	<u>\$ 2,038,784</u>	<u>\$ 244,445</u>	<u>834.0%</u>	<u>110.8%</u>	<u>\$ 1,839,737</u>	<u>\$ 1,867,493</u>	<u>98.5%</u>
Reconciliation of Fund Balance:							
Restricted and Committed Funds	(49,085)						
Unassigned Fund Balance	<u>\$ 1,989,699</u>						

City of Ashland
Statement of Resources, Requirements, and Changes in Fund Balance
as of May 31, 2023

	Fiscal Year 2023 2nd Year Actuals	Fiscal Year 2023 2nd Year of Biennial Budget	Budget to Actual		Fiscal Year 2022 Year- To-Date Actuals	Fiscal Year 2022 End-of-Year Actuals	Actual Percent Collected / Expended
			Percent Collected / Expended	Actual to Actual Year-over-Year Change			
			Current Fiscal Year				
690							
Electric Fund							
Intergovernmental	\$ 12,618	\$ 210,000	6.0%	25.1%	\$ 50,308	\$ 50,308	100.0%
Charges for Services - Rates	16,422,694	18,408,531	89.2%	101.9%	16,109,765	17,375,916	92.7%
Charges for Services - Misc. Service Fees	376,677	268,000	140.6%	121.8%	309,355	316,209	97.8%
Interest on Investments	101,796	25,000	407.2%	657.0%	15,494	18,608	83.3%
Miscellaneous	334,689	302,000	110.8%	558.0%	59,979	63,231	94.9%
Total Revenues and Other Sources	17,248,474	19,213,531	89.8%	104.3%	16,544,900	17,824,272	92.8%
Administration - Conservation	767,811	1,122,936	68.4%	111.0%	691,415	762,029	90.7%
Electric - Supply	4,891,141	7,738,500	63.2%	76.9%	6,356,989	6,775,000	93.8%
Electric - Distribution	8,162,220	8,152,647	100.1%	116.6%	6,999,751	7,656,603	91.4%
Electric - Transmission	755,811	1,127,500	67.0%	83.3%	907,184	1,002,989	90.4%
Debt Service	-	243,663	0.0%	0.0%	21,850	21,850	100.0%
Contingency	-	551,557	0.0%	N/A	-	-	N/A
Total Expenditures and Other Uses	14,576,984	18,936,803	77.0%	97.3%	14,977,189	16,218,471	92.3%
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	2,671,490	276,728	965.4%	170.4%	1,567,711	1,605,801	97.6%
Beginning Fund Balance	5,023,947	4,963,035	101.2%	147.0%	3,418,146	3,418,146	100.0%
Ending Fund Balance	\$ 7,695,437	\$ 5,239,763	146.9%	154.3%	\$ 4,985,857	\$ 5,023,947	99.2%
Reconciliation of Fund Balance:							
Restricted and Committed Funds							
Unassigned Fund Balance	<u>\$ 7,695,437</u>						

City of Ashland
Statement of Resources, Requirements, and Changes in Fund Balance
as of May 31, 2023

	Fiscal Year 2023		Budget to Actual		Fiscal Year 2022		Actual Percent Collected / Expended
	Fiscal Year 2023	2nd Year of Biennial	Percent Collected / Expended	Actual to Actual Year-over-Year Change	Fiscal Year 2022 To-Date Actuals	Fiscal Year 2022 End-of-Year Actuals	
	2nd Year Actuals	Budget				Prior Fiscal Year	
695 Telecommunications Fund							
Charges for Services - Rates	\$ 2,584,310	\$ 2,847,836	90.7%	101.2%	\$ 2,553,518	\$ 2,780,392	91.8%
Charges for Services - Misc. Service Fees	-	5,100	0.0%	N/A	-	-	N/A
Interest on Investments	49,821	12,330	404.1%	542.9%	9,177	10,849	84.6%
Miscellaneous	-	-	N/A	N/A	456	456	100.1%
Total Revenues and Other Sources	<u>2,634,131</u>	<u>2,865,266</u>	<u>91.9%</u>	<u>102.8%</u>	<u>2,563,151</u>	<u>2,791,697</u>	<u>91.8%</u>
Personnel Services	670,809	919,425	73.0%	103.2%	649,822	717,620	90.6%
Materials & Services	924,691	1,148,608	80.5%	103.3%	894,893	982,284	91.1%
Capital Outlay	36,813	126,250	29.2%	N/A	-	-	N/A
Debt - Transfer to Debt Service Fund	473,067	516,073	91.7%	99.5%	475,581	518,816	91.7%
Contingency	-	10,936	0.0%	N/A	-	-	N/A
Total Expenditures and Other Uses	<u>2,105,380</u>	<u>2,721,292</u>	<u>77.4%</u>	<u>104.2%</u>	<u>2,020,296</u>	<u>2,218,720</u>	<u>91.1%</u>
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	528,751	143,974	367.3%	97.4%	542,855	572,977	94.7%
Beginning Fund Balance	<u>2,683,911</u>	<u>2,030,348</u>	<u>132.2%</u>	<u>127.1%</u>	<u>2,110,934</u>	<u>2,110,934</u>	<u>100.0%</u>
Ending Fund Balance	<u>\$ 3,212,662</u>	<u>\$ 2,174,322</u>	<u>147.8%</u>	<u>121.1%</u>	<u>\$ 2,653,789</u>	<u>\$ 2,683,911</u>	<u>98.9%</u>
Reconciliation of Fund Balance:							
Restricted and Committed Funds							
Unassigned Fund Balance	<u>\$ 3,212,662</u>						