

**Budget Committee Meeting
Minutes
May 4, 2011 6:00pm
Civic Center Council Chambers, 1175 East Main Street**

CALL TO ORDER

The Budget Committee Meeting was called to order at 6:01 p.m.

ROLL CALL

Mayor John Stromberg, Committee Members Keith Baldwin, David Chapman, Dee Anne Everson, Douglas Gentry, Chuck Keil, Michael Morris, David Runkel, Russ Silbiger, Dennis Slattery, Roberta Stebbins, and Lynn Thompson were present, and Carol Voisin arrived at 6:25 p.m. Greg Lemhouse was absent.

PUBLIC INPUT

None.

CAPITAL IMPROVEMENT PLAN

Mike Faught, Public Works Director, Betsy Harshman, Management Assistant, and Terry Ellis, Public Works Superintendent, presented the Public Works Departmental Budget. Mr. Faught acknowledged the assistance of Jeff Rehbein in the Ashland/Roseburg comparison figures and materials.

Mr. Faught reviewed the FY 2012 Proposed Budget (see slide). He noted the Water Fund of \$4,954,888 does not include Conservation or Ashland Fire & Rescue (AFR) as this will be important in the Ashland/Roseburg comparisons, and the Capital Improvement Fund of \$4,164,180 is not the Capital Improvement Program, it's only the Park's improvements and Fire Station #2. All Budget line items total \$25,487,567. He then did an overview of the CIP FY 12-17 (see slide) showing \$51,795,500 as unfunded projects that he viewed as significant.

Mr. Faught went over the FY 12 CIP by Division (see slide). He highlighted Administration and Facilities at \$3.4 million, Parks and Recreation at \$2 million, IT at \$465,000, Transportation and Local Improvement District (LID) \$2.3 million. Some projects within the budget will be recommended to be rolled over.

WATER FUND COMPARISON

Mr. Faught moved to the Budget Over Time (see slide) breaking down the different funds in detail. He noted the trending since 2008 in total Personal Services has remained flat. 2008 Materials and Services reflects cut backs with materials, supplies and staff during the budget crisis. Looking at Total Capital Outlay trend compared to Roseburg, the City is not spending sufficient funds on the water capital side. Debt service trend remained flat.

Mr. Faught reviewed the water system's comparisons (see slide). He noted Ashland's population at 21,505 and Roseburg at 21,816, which is not their entire service area. They also service outside the city limits. He noted Ashland has fewer employees for a similar sized system, service connections for Ashland is 8,654 with Roseburg at 10,844, plant capacity for Ashland is 7.5 million gallons per day (MGD), Ashland's Water Supply Study expands to 10-11 MGD, and Roseburg at 12 MGD with plans to go to 18 MGD. A big difference in the two cities is that Roseburg does not have a Conservation Program or AFR. There was Committee discussion on Ashland's watershed and dam compared to Roseburg's

water coming directly out of the Umpqua River and costs associated to the differences and the distribution of staffing.

Mr. Faught reviewed the water strategy for systems comparison to Roseburg (see slide). CIP and Debt service were removed for operations to compare. Roseburg is related to production, distribution and administration and Ashland divisions are supply, treatment and distribution as well as Conservation and AFR. He moved to the rate comparison table –non irrigation (see slide) comparing monthly single family residential customers with Roseburg at \$27.48 to Ashland's \$28.27. Rate Comparison with irrigation (see slide) shows Roseburg at \$31.89 and Ashland at \$34.54. Roseburg's rates are based on elevation.

Mr. Faught reviewed resources comparison (see slide). He noted charges for services are \$4.8 million for Ashland and \$4.6 million for Roseburg and the Grants category is the AFR work for the Fire Chief. Total resources for Ashland are \$8,435,403 and Roseburg at \$9,689,628.

Water fund appropriations compared to Roseburg was discussed (see slide). Highlighted differences were Supply and Treatment Divisions for Ashland at \$836,939 and Roseburg at \$1,044,972, Distribution, Administration and Operating Budget were relatively similar. A big difference noted is Ashland's Capital Outlay at \$677,000 and Roseburg \$2,997,000. Roseburg with no debt service/financing, AFR or Conservation categories. The classification comparison slides were reviewed with Committee discussion on the Personal Services difference.

Mr. Faught moved to Water Fund Administration FY 2012 proposed budget (see slides). Internal Charges and Central Service Fees were discussed and the details of each of these user fees and the impacts to the water fund.

Mr. Faught addressed a line item comparisons spreadsheet handout (see handout) detailing the line items that are over \$50,000, not including administration and personnel costs. Central Services, contracted projects, water treatment and chemicals, use of facilities charge line items were reviewed and compared to Roseburg.

The Committee questioned the reasons for raising rates when the community is practicing water conservation. Mr. Faught answered that fixed operational costs base continues, regardless of how much water is sold. The City has a limited water supply and conservation is a supply option. Choices are: do we look outside of Ashland for a water source in the future, or constrict the amount of water being used in the long term. Part of the reason for being upside down in base charge, the City is 60% on the tier system and 40% on the base charge, as most sales are in summer months. If there is less water sales, the department is not covering the base charges. The Water Master Plan will be looking at whether those rates are appropriate, if distribution is appropriate or should be adjusted. The Committee discussed the short term and long term challenges and that a short term increase could avoid a long term major capital expenditure. The Committee stressed the importance of the community understanding all the factors involving a rate increase and the City's responsibility to communicate this information.

Mr. Faught spoke to the Distribution spreadsheet and noted a big difference in comparison is fleet maintenance with Ashland at \$66,340 and Roseburg \$8,500 and was not able to get the detail on this Roseburg figure. The franchise tax and use of facilities line items were discussed and it was not clear where these fell under the Roseburg budget.

Ms. Voisin inquired of Mr. Silbiger what he thought was gained from this comparison study as he had requested it. He highlighted Ashland spends more in the supply side, but, does have a conservation program. Roseburg's electricity use is much higher due to their system. There are no glaring areas that Ashland is out of line or they are out of line. He stated he was happy with the comparison and detail. It

was noted there are no major differences in fee structures and that Roseburg has a much larger industrial base. The Committee moved to end the comparison portion of the meeting.

Mr. Faught addressed the work we see coming in FY 2012 (see slide) He highlighted: completion of the Water Master Plan, Federal Energy Regulatory Commission (FERC) Part 12 Hosler Dam Safety Analysis, Reeder Reservoir Improvements and silt removal of east and west forks.

Mr. Faught moved to the Performance measures (see slide) for Public Water Works. This is mainly driven by Federal Requirements/Standards for drinking water. Goal for customer response is within two hours 100% of the time and noted that data has not been collected in the past. Emergency calls and repairs that are unplanned is currently at 64%, some involving capital replacement repair and maintenance. This is a result from deferring capital projects. Mr. Stromberg inquired about the general condition of the infrastructure for the water system. Mr. Faught answered that deferring of timely pipe replacement results in responding to water leaks multiple times.

Mr. Chapman asked if all the hydrants had been tested. Mr. Ellis responded that testing of all hydrants was completed in February. The ones that were in need of repair were repaired on the spot. Hydrants are checked annually and maintained. Mr. Faught added that the Water Master Plan is working on recommendations for the system, looking at the age of the system, the different type of pipes, and the strategy to pay for it and the Plan should be available by December.

Mr. Faught spoke to the Performance to Budget (see slide). He advised the proposed budget enables staff to meet most desired outcomes, however, this is dependent on revenue and there was a \$400,000 shortage in revenue last year and capital projects were cut. Engineering staff is struggling to meet all the Federal requirements associated with the City's Dam.

Mr. Faught discussed the Significant Budget Changes for FY 2011 – Water Fund (see slide). He highlighted the continued capital improvement projects being deferred is critical, Crowson II Water Reservoir was moved to unfunded and TID Pump Station improvements deferred to 2014. 2011CIP projects being carried over include: \$50,000 Reeder Reservoir improvement, \$18,000 for plant security fencing was removed from the budget and \$61,000 to complete the Water Master Plan.

Ms. Thompson asked if this budget includes the additional 5% increase on top of the 10%. It was determined that it does. Mr. Faught spoke to the shortage of \$400,000 below revenue projected last year, the Department is struggling to meet operational needs and his Supervisors advise the operational costs have been cut to the bone.

The Committee discussed factors such as higher sales in the summer, the deferred maintenance needs, long term plans, meeting fixed costs, need for sufficient reserve funds to cover operational needs when there is lower water sales, and the City may be making some unpleasant decisions forced upon it by events, rather than by any decision made on rates short term based on amount of water sold.

Ms. Thompson noted the Water Fund in 2006 had \$5 million in excess of EFB policy requirements and then that starts dropping. It was noted the \$5 million was borrowed and carried forward and \$2 million had been spent on capital improvements. Mr. Morris inquired about a \$2.6 million bond issue item. Mr. Faught responded it was planned to borrow the money, but did not do it and cut the capital projects. Ms. Voisin asked if all of the 2003 Revenue Bond had been spent, referencing a remaining balance of \$2,578,000? Mr. Tuneberg responded that all money borrowed has to be spent in two years on the projects it was borrowed for.

Mr. Faught moved on to Wastewater Fund overtime (see slide). He pointed out Personal Services and Materials and Services have remained flat, except for the budget crisis and cuts in 08/09. Debt service has remained flat and Capital Outlay has increased, with very little Capital Outlay in 09/10.

Mr. Faught addressed the work we see coming in 2012 – Wastewater (see slide). He highlighted the completion of the Master Plan, which includes the Temperature Project utilizing shading and environmental tools rather than mechanical tools. Projects for the Wastewater Treatment Plant include Phase II Membrane Filtration as the Department will be receiving a low interest rate of 3%, revolving loan funds from the DEQ. There is an opportunity of a 1% loan for the Temperature Project if it goes forward, and reducing the Membrane project also to 1%. Other work includes the Treatment Plant Project for UV system upgrade and membrane blower replacement and Collection System for the Ashland Creek Sewer line replacement.

Mr. Faught moved to Performance measures for Wastewater (see slide). Number of sewer overflows in 2010 was five, since then zero. National Pollutant Discharge Elimination System (NPDES) is the permit with the State and Federal governments with zero violations for the last two years. Unplanned sewer repairs in 2010 were 14%, to date zero. The percentage of emergency calls answered within one hour will be addressed going forward. Performance to budget-Wastewater slide was addressed. Mr. Faught expressed his concerns about operational needs not being met and the affect of deferred capital projects. Mr. Keil inquired about where the lack of sufficient capital would show up in not meeting goals. Mr. Faught answered that if the Plant is not being upgraded, or there are sewer line breaks, NPDES violations could result.

Mr. Faught spoke to the significant budget changes from FY 2011-Wastewater. He highlighted the Phase II Membrane replacement depends on financing, Ashland Creek sewer line replacement, the Nevada Street Pump Station project has been deferred, UV system upgrade and the Membrane blower project.

Mr. Faught continued to the Street Fund Operations Budget overtime (see slide). Personal and Materials Services remained flat. Significant Capital Projects mostly represent Federal Recovery Grant funds and did not come out of City funds. Moving to the work coming for the Street Fund in FY 2012 (see slide), he reviewed the major projects: Crowman Central Blvd., Laurel Street Railroad Crossing, Willow Wind Pedestrian Crossing flashing lights on East Main, street overlays and slurry seal are preventive maintenance. He reviewed the internal work by street crews for slurry seal preparation, patching, pothole repair, sign maintenance and sweeping and the Ashland Creek Water Quality Improvement Project on Water Street.

Ms. Stebbins questioned the \$1.3 million in bond proceeds coming in and what is that for? Mr. Faught answered that it was designated for the Fielder Street LID project.

Mr. Faught moved to the Performance Measures for Streets (see slide). He noted this is Federally controlled and sign imagery has to do with the reflectability of a sign and the percentage of street markings completed must be done annually. Accident data was reviewed and it was noted vehicle related accident reports come from the DMV. Repair of pot holes within 72 hours of notification continues at 100%.

Performance Measures - Storm Water (see slide) was reviewed. Percentage of days that the Stream was closed due to e-coli contamination stayed at 0%. There was Committee discussion regarding the medallion markings at all storm drains, the use of volunteers versus staff for this task and the educational value it offers to the Community when using volunteers. Mr. Faught continued to the Performance to Budget (see slide) and the budget allows PW to meet most of the outcomes, but deferred Capital Projects remains an issue. The City previously did a study that showed it is \$2.0 million behind on Capital

Projects and there is an ongoing need of lifecycle replacement projects. The Stormwater Collection budget covers operations, but the need for Capital Projects to meet regulatory requirements and compliance remains a concern.

Mr. Faught reviewed significant budget changes from FY 2011 – Street Fund (see slide). He noted the Croman Central Blvd. \$1 million project is 100% grant funded, listed the projects that had been carried over and a new project not in CIP is the Audible Pedestrian Signal Project that is funded by a Community Development Block Grant (CDBG). Mr. Morris asked if the \$1 million covered the total cost of the Croman Central Project. There was Committee discussion on the project, estimated costs, the design is not completed, ODOT's input and funding. Ms. Bennett added that the developer will have to pay any excess. Mr. Faught continued to the Ashland Creek Water Quality Project being reduced from \$100K to \$50K due to work already done, The B-Street Yard Project is being carried over and requires \$30K to finish, and the Beach/Mountain Creek Project has been deferred due to lack of funds.

Mr. Faught addressed the significant budget changes from FY 2011 (see slides) for Administration and Engineering and the Cemetery and advised there were no significant changes. The Airport's entitlement and Federal Aviation grants are not in the budget and will roll those funds into the following year. Facilities includes Fire Station II at \$3 million, the Police department building improvements, and carried over \$160K for the ongoing Service Center Roof Project. The Equipment budget reflects adopted equipment replacement schedule, including \$75K for new aerial photos for the Geographic Information Systems (GIS) Program and Utility Billing Software at \$250K.

Mr. Slattery focused on the Unfunded CIP amount reflected in the Overview for projects, which includes deferred maintenance, and asked Mr. Faught what he sees changing that allows the City to address this in a responsible fashion. Mr. Faught responded that the Master Planning process he has been promoting is the avenue to get to that answer. Each of the Master Plans are looking at total capital needs and how it is going to be paid for in the long term, what the rates need to be in the future and what is the best strategy to get the us there. The Committee discussed the consequences of unfunded capital projects that might get forced upon the City because of failures, system requirements and regulatory violations and that these concern will be addressed in the Master Plan. Ms. Bennett added that the Police Station item is unfunded and not in the Budget.

Discussion about Next Week

Martha Bennett, City Administrator, and Lee Tuneberg, Administrative Services and Finance Director, addressed the Committee that, given the short period time until the next meeting, it would be helpful to know what they would like to deliberate on, noting Add Packages and Tax Rates were assumed.

Ms. Voisin advised it would be helpful to know what the City's debt is, where it is and when it is due. Mr. Tuneberg offered a sheet detailing all debt instruments, principal and interest, but noted the Budget is only appropriating for next year. The debt service is identified in the Budget Message in total.

Mr. Keil expressed the word "unfunded" is not a good word in terms of a budget and how do we get rid of it. Ms. Bennett responded that \$52 million is too large of a number for our Community, utility and facilities services. A City should always have aspirational needs for improvements that exceeds its ability to pay, or you are a community in decline or have overtaxed its residents. Capital planning will be discussed as the Master Plans are adopted.

Mr. Stromberg said he would like to talk about the PERS assessment, how much it is, what it is going for, is it permanent or temporary and the prospects of more happening in the future and additionally a change in financing of health benefits.

Mr. Baldwin would like the possible high risk events due to deferred CIPs identified.

Ms. Thompson noted the Committee has no control over rates and generally focuses on the General Fund. She spoke to the proposed budget comparisons and building up reserve funds and setting a strategy. She questioned where is the \$718,000 coming from for this fund? Would like to see what funds are contributing to reach that number. Second issue is, do we want to budget to create conservative overages as the City typical ends up with larger EFBs than is anticipated. She went on to give a history of what taxes were raised.

Mr. Runkel pointed out the budget assumes a \$1.1 million increase in utility rates for consumers between water, wastewater and electricity. He would like to see them come up with a way to offset that; suggesting a tax cut. Ms. Bennett offered to give a dollar equivalent of what that represents in terms of property taxes and it can be up for discussion. She further stated that this is a proposed budget that she recommends.

Ms. Everson would like the Committee to focus on what their responsibilities are and talk about budget add packages and where we are on tax rate and questions that are relevant to the Budget.

ADJOURNMENT

The Budget Committee Meeting was adjourned at 8:17 p.m.

Respectfully submitted,
Peggy Carson
Temporary Administrative Secretary