



CITY of THE DALLES

313 COURT STREET
THE DALLES, OREGON 97058

(541) 296-5481
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TO: Budget Committee
THROUGH: Nolan Young, City Manager
FROM: Kate Mast, Finance Director
DATE: April 30, 2013

ISSUE: Review of current City Water and Sanitary Sewer Discount Program and agreement with the Community Action Program (CAP) office to administer that program.

BACKGROUND: The City currently has in place an agreement with the Community Action Program (CAP) office, dated April 13, 2000. This agreement is set to be continuous until the time that either of the parties gives thirty (30) days notice of change or termination.

Under the current agreement, the City pays CAP \$3.00 per application to administer our program. Applicants must reapply each year to ensure that they still qualify for the program.

This agreement calls for consideration of annual adjustments to either the discount amounts and/or the income levels for applications, or the fees, that may be presented in writing to the City on the first of January for the following fiscal year. Resolution No. 03-023, adopted April 14, 2003, made several changes to the Wastewater side of the program, including approving "the use of the criteria used by the Northern Wasco County PUD to determine eligibility for the program." That was a good move because it allowed CAP to use their LIEAP (Low Income Energy Assistance Program) criteria more consistently for the programs they administer. The Resolution also adjusted the discount rate, using as a base the original 10% and 35%. It authorized increases in the discount percent rates to keep the dollar amount that the eligible participants paid at the same level regardless of rate increases. However, it makes monitoring the program somewhat confusing because the actual discount rates are nowhere near 10% or 35% anymore.

We did an analysis of these programs in January before the water rate increase in March. At that time we had 107 accounts participating in the "10%" discount, and 76 accounts participating in the "35%" discount.

The table below shows the number of customers in each discount level, the rates for each service that were effect in January, the discounted amount, the difference between the actual rate and the discounted rate, and the actual percent of the discounts.

	# of Accounts	Current Rate	Program Name	Discounted Rate	Difference (Savings)	Actual Discount %
Inside Water & Sewer		91.73				
	72		10%	39.98	51.75	56%
	60		35%	29.43	62.30	68%
Inside Water Only		47.88				
	0		10%	22.50	25.38	53%
	3		35%	16.25	31.63	66%
Outside Water Only		71.81				
	1		10%	33.75	38.06	53%
	0		35%	24.38	47.43	66%
Inside Sewer Only		41.85				
	33		10%	15.48	26.37	63%
	11		35%	11.18	30.67	73%
Outside Sewer Only		71.15				
	1		10%	19.02	52.13	73%
	2		35%	26.33	44.82	63%

Debt Balance Estimates as of June 30, 2013		General	Streets	Water	Water ARRA	Wastewater	Airport	Urban Renewal	QLife	Totals
Oregon Investment Board Loan (OIB)		-	181,614							181,614
Wastewater Revenue Bond						4,115,310				4,115,310
Water Revenue Bond				7,246,637						7,246,637
Airport - Port of TD Loan							178,096			178,096
2008 FFCCO Bond		1,524,489	1,155,200	483,144		483,144				3,645,977
2009 FFCCO Bond		728,245		391,217		83,710		8,880,000		10,083,172
Oklahoma State Bank Lease/Purchase			49,990							49,990
ARRA Loans					6,535,242					6,535,242
Airport Loan from Klickitat Co. #1							250,000			250,000
Airport CERB Loan - Klickitat Co.							280,000			280,000
Airport Loan from Klickitat Co. #2							300,000			300,000
QLife Columbia Bank Loan									343,229	343,229

Fund/Program Totals	2,252,734	1,386,804	8,120,998	6,535,242	4,682,164	1,008,096	8,880,000	343,229	33,209,267
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City of The Dalles, Oregon
Fiscal Year 2013-2014 Budget
WATER UTILITY FUND SUMMARY

FY10/11	FY11/12	FY12/13		FY13/14	FY13/14	FY13/14
<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revenue/Cost Centers</u>	<u>Proposed</u>	<u>Approved</u>	<u>Adopted</u>
				<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
2,131,553	1,903,532	1,842,120	BEGINNING BALANCE	1,281,795	-	-
4,710,663	4,255,281	4,390,705	REVENUES	4,912,261	-	-
398,175	765,255	1,050,050	OTHER SOURCES	1,260,050	-	-
7,240,391	6,924,068	7,282,875	TOTAL RESOURCES	7,454,106	-	-
1,086,974	1,344,264	1,287,406	WATER TREATMENT	1,338,541	-	-
1,502,009	1,476,047	1,948,955	WATER DISTRIBUTION	1,897,343	-	-
3,524,296	1,352,446	1,216,626	WATER DEPT CAPITAL RESERVE FUND	953,703	-	-
6,113,279	4,172,757	4,452,987	TOTAL EXPENDITURES	4,189,587	-	-
-	-	227,780	DEBT SERVICE	233,952	-	-
1,700,373	2,061,662	2,155,612	TRANSFER OUT	3,007,251	-	-
-	-	446,496	CONTINGENCY	23,316	-	-
-	-	-	UNAPPROPRIATED ENDING BAL	-	-	-
1,700,373	2,061,662	2,829,888	TOTAL OTHER USES	3,264,519	-	-
7,813,652	6,234,419	7,282,875	TOTAL EXPENDS & OTHER USES	7,454,106	-	-
(573,261)	689,649		FUND TOTAL		-	-



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BUDGET ISSUE PAPER CITY OF THE DALLES

BUDGET YEAR AFFECTED	DEPARTMENT(S) AFFECTED	BUDGET DOCUMENT REFERENCE NUMBER
FY 2013-14	Public Works - Street	13-017

TO: Budget Committee

FROM: Nolan K. Young, City Manager

DATE: April 30, 2013

ISSUE: Street Maintenance needs

City Council Goal: Goal 4A: Investigate funding options for street projects.

BACKGROUND: The City has varying degrees of responsibility for approximately 88.20 miles of streets within the City limits of the following types:

- Asphalt concrete – 70.38 mi
- Chip seal – 3.24 mi
- Gravel – 10.82 mi
- Unimproved (public roads) – 3.76 mi

In the proposed 2013-14 budget, the Street Fund's (Fund 5) new revenue is supported from four primary funding sources as follows: State Motor Vehicle Shared Revenues (52%), Local 3-cent Gas Tax (28%), Water Fund 3% Surcharge (9%), and the Wastewater Fund 3% Surcharge (9%).

On April 1, 2013 the City Council held a workshop on street maintenance funding issues. Members of the budget committee were invited, and many attended this meeting. At that workshop we discussed how limited resources, over the last decade or more, have created a backlog of maintenance needs.

Since 2002 60% of the City streets have deteriorated from a condition of very good or good to fair to poor. At the workshop we discussed the value of a preventative

maintenance program. However, the back log of streets in fair or poor condition prevents us from adequately implementing a preventative maintenance program without falling further behind on our regular maintenance needs.

Increase Maintenance Options: We have identified two options to address the deteriorated condition of city streets, both of which require additional funding.

Attachment A is a list of potential future street funding sources.

1. Increase annual maintenance as funds become available. Under this approach we would adopt one or more of the potential funding sources from Attachment A and each year we would prioritize projects as funds allow.
2. Issue Bonds. This approach would involve selecting a funding source, and using that revenue stream to pay back bonds. Utilizing the upfront money provided by bonds would allow us to catch up on much of the deferred maintenance and allow us to use the current street revenue to implement a strong preventative maintenance program.

Staff recommends Option 2: Issue Bonds. We have identified the following funding source alternatives under this option and listed them in order of staff recommendation.

Alternative 1 (Staff recommends) Gas tax increase: The gas tax increase would be implemented January 2, 2014 (earliest allowed). Under this option the Council would place on either the September or November 2013 ballot a 1, 2 or 3 cent gas tax for either a 10, 15 or 20 year term.

Table 1 identifies the estimated amount of revenue each tax would raise and the estimated Bond amount for different terms of retirement.

Table 1: Gas Tax Increase				
	Annual Revenue	10 year Bond	15 year Bond	20 year Bond
Gas Tax Increase 1 cent	\$ 150,000	\$ 1,200,000	\$ 1,600,000	\$ 2,000,000
Gas Tax Increase 2 cents	300,000	2,400,000	3,300,000	4,000,000
Gas Tax Increase 3 cents	450,000	3,600,000	5,000,000	6,100,000

If the bond amount is over \$3.6 million, we recommend doing the improvements over a five year period and issuing two different bonds. We are concerned about our capacity to do \$6 million worth of improvements in the two to three years in which you generally have to spend bond money.

Alternative 2 Cell Phone Tax: Under this option the City would adopt a 7% cellphone tax that could raise about \$180,000 per year. This \$180,000 would allow us to obtain another \$2.5 million, 20 year bond. This small amount would only be able to address a portion of the current problem and would require that we concentrate mainly on arterial and collector streets. This could be combined with some other increase to address more needs.

Alternative 3 Electric PUD Franchise fee Increase: Under this option the franchise fee would be increased from 3% to 5% shown on Attachment A. Table 2 below shows the anticipated revenues and the amount of improvements that could be addressed over a 10,

15 or 20 year bond.

Table 2: Electric PUD Franchise Fee Increase

	Annual Revenue	10 year Bond	15 year Bond	20 year Bond
PUD Franchise Fee Increased to 4 %	230,000	1,800,000	2,500,000	3,100,000
PUD Franchise Fee Increased to 4.5%	345,000	2,800,000	3,700,000	4,600,000
PUD Franchise Fee Increased to 5 %	460,000	3,700,000	5,100,000	6,200,000

Alternative 4 General Obligation Bond (Property Tax): The City could go to the voters at the November election with a \$3 to \$6 million bond for a 10, 15, or 20 year term (see Table 3).

Table 3 Property Tax Increase

Bond Amount	10 year Bond	15 year bond	20 year Bond
3,000,000	0.391	0.285	0.232
4,000,000	0.518	0.380	0.312
5,000,000	0.656	0.476	0.391
6,000,000	0.786	0.571	0.465

We recommend against a property tax approach because of the following reasons:

1. Property tax is the only source some tax districts have to handle Capital Improvement (i.e. Parks & Rec; Schools; College; Fire District). We have tried to not compete for those dollars.
2. Local property taxes are already high.
3. Property tax only charges property owners and no other users of the street system.

Staff Recommendation:

1. Staff recommends that the Council directs staff to identify a capital improvement plan in which streets could be done for \$3.5, 3.6, 5 or 6.1 million for the City Council to consider bringing a gas tax increase measure to the voters.
2. Look at different amounts and direct staff to pursue either Northern Wasco County PUD franchise fee increase or cellphone tax.

ATTACHMENT A

Potential Future Street Fund Assistance

1. Local 3 Cent Gas Tax: The City's local gas tax raises about \$450,000 for the Street Fund operations (about \$150,000 for each 1 cent of tax). The current rate of 3 cents/gallon was set in the mid-1980's and has not been changed. The Oregon 2009 Transportation Bill prevents the City from increasing its local gas tax rate until after January 2, 2014.
2. Cell Phone Tax: Several Cities have adopted or are considering a Telecom tax that expands the franchise fee charged to the historic telephone provider to new alternative methods, including cellular, wireless, cable and modems. We estimate a 7% cell phone tax could raise about \$180,000 per year.
3. Northern Wasco County PUD Fee: The fee is currently at 3%, where most cities tax the local utilities 5%. Many of utilities subject to a 5% tax are private whereas the PUD is a public utility. One-half of a percent raises approximately \$115,000. This would replace the natural gas funds in the General Fund. If we increase the PUD fee, we may also want to consider increasing the 3% we charge our water and sewer utilities; each one-half percent increase would raise an additional \$44,000 for street maintenance.
4. Dedicated funding for streetlights: Streetlight expenses are proposed to be \$90,953 in FY 2013-14. We could either:
 - a. Transfer funds from the General Fund. Some cities do fund streetlights from the General Fund. We would need either to replace that revenue or decrease General Fund programs.
 - b. Another option for streetlight funding is to operate the street lighting as a utility and add it on to the utility bill, as we have with storm water.
5. NW Natural Gas franchise fee: The General Fund includes \$87,000 per year from this source. If we choose to move the NW Natural Gas franchise fee from the General Fund we would need to replace that revenue stream or reduce General Fund programs.
6. New Chenoweth Water PUD Franchise Fee only: The City has the authority to charge the PUD a franchise fee on revenue derived from services delivered over City annexed Right of Ways. We currently charge our water system a 3% fee. It would seem equitable to charge this PUD the same fee. This would raise approximately \$28,000 per year. The water PUD has been experiencing financial challenges.

City BUDGET ADJUSTMENT WORKSHEET
FISCAL YEAR 2013-14

ITEM	FUND	REVENUE	EXPENDITURE
Budget Officer Recommended Changes			
1. a. Enterprise Zone Fee	General	55,000	
b. Council: YouthThink	General		8,000
c. Contingency	General		47,000
d. State Share pass through		(71,500)	
e. Wasco County 911 State Share			(71,500)
2. a. Urban Renewal Contributions	Special Grants	61,326	
b. Loan/Bond Proceeds	Special Grants	(61,326)	
3. a. Beginning fund balance	Water	60,000	
b. WD Capital Projects	Water		60,000
Committee Approved Changes:			
City Hall: Gitchel Building	General		1,000
Contingency	General		(1,000)