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# City of Oakland

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February 3, 2026

Mr. Michael Martin, Lobbyist  
League of Oregon Cities  
1201 Court St. NE, Suite 200  
Salem, Oregon 97301

Re: Urgent Legislative and Administrative Action to Resolve Working Capital and Restore Small-City Water and Wastewater System Solvency

Dear Mr. Martin,

The City of Oakland, along with numerous other small municipalities across Oregon, with population under 1000 people, are facing a severe working capital and operational cash-flow crisis that is significantly hindering our ability to rebuild critical infrastructure damaged by the 2020 wildfires and subsequent disasters.

Currently, there is no viable financial mechanism to replenish working capital while undertaking urgent repairs and awaiting reimbursement from FEMA or other funding agencies. As a result, projects that could be completed within three years are now projected to take a decade or more. This delay not only jeopardizes public health and safety but also places an unsustainable burden on our limited municipal resources.

Compounding the issue, FEMA does not recognize working capital shortfalls or reimbursement delays as valid grounds for project extensions. Consequently, contracts are often terminated midstream and extension requests are denied, leaving cities like ours in a precarious position.

Several key challenges uniquely impact small cities, particularly those reliant on surface water sources:

1. Small cities have a limited number of utility customers, resulting in disproportionately high utility rates—often exceeding 300% of those in larger municipalities.
2. Property and road tax revenues are minimal, and tax compression laws further restrict our ability to generate additional revenue.
3. While grant funding is appreciated, the actual costs of infrastructure repairs and improvements frequently exceed available resources, making it nearly impossible to leverage grants without incurring significant debt.
4. FEMA's recent refusal to grant project extensions undermines the ability of small cities to manage financial demands from multiple project timelines, which often leads to the forfeiture of obligated funds due to short deadlines.

5. Since 2015, the City of Oakland has incurred over \$5 million in FEMA-eligible disaster recovery expenses. Although FEMA typically reimburses 75% of such costs, more than \$500,000 in approved reimbursements have been delayed for over a year, despite the submission and repeated review of all required documentation.
6. Small cities under a population of 1000 people typically rely on general and enterprise funds for working capital, with annual availability ranging from \$100,000 to \$300,000. When disaster recovery working capital demands exceed this capacity, essential services, such as maintenance, staffing, infrastructure upgrades, and other operations are sacrificed. While reimbursement within 60 days is manageable, delays of 365 days or more have devastating impacts on our financial stability. We are forced to divert funds from core services to cover disaster-related expenses while waiting for reimbursement.
7. It is understood that the long-term impacts of wildfires were previously unknown. Additionally, it is recognized that the State was not aware that municipalities such as the City of Oakland would be required to supply water to populations three times larger than the capacity of existing infrastructure due to failed wells and diminished groundwater availability following wildfires. These additional recipients often fall short of their compensation to the City for the services provided.

This untenable situation has escalated the crisis, threatening our ability to deliver essential services. Cities are left with two unacceptable choices: accept disaster-related degradation as the new normal—risking regulatory violations and public health—or attempt to complete multiple projects simultaneously, further straining already depleted working capital.

We respectfully urge the State to establish a revolving account where cities can borrow against federal obligations for validated expenditures until FEMA reimbursement is received.

Oakland's situation is urgent, and we are not alone. Many small cities across Oregon are grappling with similar challenges. Without immediate policy intervention and access to interim financing we face the prospect of curtailing essential services, deferring vital infrastructure repairs, and imposing unsustainable costs on a limited number of utility customers.

Your leadership is vital in addressing this pressing issue. With your support, we can avert municipal insolvency, safeguard public health and safety, and establish a resilient financial framework to support disaster recovery for small cities across Oregon.

We appreciate your prompt attention to this matter and stand ready to provide supporting documentation, financial data, and testimony as needed.



Mayor Bette Keehley on behalf of the Oakland City Council

cc: