



**April 24, 2008**

**Honorable Mayor Leiken, Budget Committee Members and Citizens of Springfield:**

## ***Budget Overview***

It is my pleasure to present the City of Springfield's Fiscal Year 2008-2009 budget.

The community continues to benefit from the strong leadership of the Mayor and City Council and the financial guidance of the Budget Committee. The local economy is steady relative to the national economy. The City of Springfield continues to redefine expectations. A housing slowdown and credit crunch may be impacting the rest of the country, but business in Springfield appears to be growing stronger. Many new firms have moved into Springfield, while other hometown businesses are redeveloping their existing facilities.

These factors have allowed the proposal of a Fiscal Year 2008-2009 (FY09) budget that protects community investments in buildings and equipment; begins to build a reserve fund to reduce the reliance on voter approved levies for basic services; and provides for additional staffing to address workload issues, meet federal and state requirements, continue economic growth, and take advantage of opportunities to generate revenue for city services.

This fiscal year, the proposed budget contains four major new initiatives that require significant funding commitments to accomplish:

- We have gone to the commercial lending market to finance the replacement of Fire Station #16, and repaying this loan over ten years will require annual debt service payments of roughly \$265,000;
- The replacement fund for our Fire and Life Safety emergency vehicles has not received adequate contributions in the recent past. The proposed budget dedicates \$300,000 per year to fund leases or otherwise provide for orderly replacement of the vehicles as they reach the end of their useful life;
- The proposed budget includes \$300,000 to be used toward addressing the deferred building maintenance problem as outlined in the Facilities Conditions Report prepared for Council in 2007 – a significant portion of this amount is contributed by the non-general funds;
- Lastly, \$250,000 of property tax revenue has been placed into a Local Option Levy Reserve within the General Fund. These funds will be accumulated over time and can provide the Council with the option of retiring all or a portion of a local option levy in the future, or used as a bridge if one of the current levies fails in the next renewal election.

Altogether, these new initiatives total roughly \$1 million in net General Fund expenses, and they will place the City in a better position to maintain our current assets and be prepared for future uncertainty.

While the proposed budget represents a positive step forward for the community, the steps being taken are small and conservative in anticipation of a slowing economy and anticipated future inflationary cost increases. The proposed budget does not include funding for many Departmental requests that represent improvements to services received by the citizens of Springfield. We will need to revisit these requests in future years.

Overall, the proposed budget reflects a continued conservative fiscal approach. The proposed budget for the general fund meets the objective of maintaining a balance between annual expenditures and revenues. The total expenditures being proposed for next year are lower than projected revenues resulting in the projected ending cash balance for June 30, 2009 to be just higher, \$4,392, than projected to be on June 30 of this year. The approximately \$9.4M that is estimated to be on hand on June 30, 2009 is an appropriate amount to meet the restricted and unrestricted cash reserve needs of the general fund.

The ambulance fund is in balance as the result of the City Council's approval of aggressive ambulance rate increases. With several exceptions, all other funds are in good financial health. Areas of concern include the street fund and growing pressure on the sewer and stormwater funds.

Five years ago, the City Council enacted a three-cent per gallon gas tax, intending for this tax to fund needed road repairs for some time into the future; however, construction prices have risen much faster than general inflation and some of our other revenue sources have declined over time. In addition, rising gas prices have caused some to drive less or purchase vehicles that get more miles per gallon. While this is admirable and desirable from an environmental point of view, it has had a significant impact on our local gas tax receipts since the revenue generated depends on the number of gallons of gasoline sold – as gasoline sales decline, so does our revenue. As the chart below shows, three years ago we had a healthy reserve balance in the Street Fund, but rising costs and slow revenue growth have put us in the position of potentially spending down the fund entirely in FY09 unless revenues or expenses change significantly. The Mayor and City Council have formed the Mayor's Street Preservation Task Force. The task force is in the process of reviewing the current condition of the city's transportation system. The City Council will use the input of the task force when making decisions regarding whether or not to seek additional revenue to maintain the city's transportation system. If additional revenue sources are not identified and implemented, it may require mid-year adjustments to the budget in order to stabilize the street fund.

<b>Street Fund Annual Operating Budget</b>	<b>FY07 Actual</b>	<b>FY08 Estimated</b>	<b>FY09 Proposed</b>	<b>FY10 Projected</b>
Operating Revenue	\$ 5,264,520	\$ 4,446,983	\$ 4,581,722	\$ 4,716,066
Operating Expenditures	<u>5,532,849</u>	<u>4,995,797</u>	<u>5,230,088</u>	<u>5,853,958</u>
Annual Net Operations	(268,329)	(548,814)	(648,366)	(1,137,892)
Beginning Cash on Hand	1,967,679	1,699,350	1,150,536	502,170
Ending Cash on Hand	<u>\$ 1,699,350</u>	<u>\$ 1,150,536</u>	<u>\$ 502,170</u>	<u>(\$ 635,722)</u>

The Stormwater Facility Master Plan and the Wastewater Facility Master Plan are nearing completion, but early indications are that there is significant work to be done to address the deficiencies in these two systems. There are issues of capacity and structural deterioration that must be addressed to serve our current citizens and the growth that will inevitably occur. Current user rates and Systems Development Charges revenue will be insufficient to fund these deficiencies, so Public Works staff will be addressing the Council over the next several months to discuss options for financing this needed work. Based on our preliminary information, the budget as presented in this document assumes the *status quo* for projects and funding.

The General Fund is stable, as there is usually a lag between the state of the economy and when changes are seen in General Fund revenues. Inflation and low interest earnings will combine to impact the City's revenues and expenses over time. Since the state of the economy for FY10 is so uncertain, the proposed budget is more conservative than it might otherwise have been, leaving many worthwhile and needed City improvements unfunded.

<b>General Fund Annual Operating Budget</b>	<b>FY07 Actual</b>	<b>FY08 Estimated</b>	<b>FY09 Proposed</b>	<b>FY10 Projected</b>
Operating Revenue	\$28,735,949	\$30,139,686	\$31,691,022	\$33,124,028
Operating Expenditures	27,904,198	28,934,260	31,301,630	32,635,717
Other Expenditures	<u>0</u>	<u>0</u>	<u>385,000</u>	<u>235,000</u>
Annual Net Operations	831,751	1,205,426	4,392	253,311
Beginning Cash on Hand	7357,907	8,189,658	9,395,084	
Ending Cash on Hand	<u>\$ 8,189,658</u>	<u>\$ 9,395,084</u>	<u>\$ 9,399,476</u>	<u>\$ 9,652,787</u>

The annual budget, as proposed, is reflective of the Five Year Goals that were reviewed and adopted by the Mayor and City Council in February. The following items were added to the base budget to meet the Council Goals as identified:

**1. Provide financially sound, stable city government**

- Increased the City's financial auditor contract budget by \$15,000 to reflect current costs of this service (on-going).
- Authorized a loan of \$350,000 from the Development Assessment Fund to purchase an overdue upgrade of our existing financial management software and allocated \$15,000 annually from the General Fund to repay the loan (loan one-time, repayment on-going).
- Funded a community survey to determine support for and awareness of Library services at a cost of \$5,000 (one-time)

**2. Utilize resources efficiently and effectively to meet citizen needs for core services**

- Authorized \$36,000 in contractual services help to implement Continuous Process Improvement Management concepts Citywide and increase efficiency with existing staff (one-time).
- Allocated \$12,650 to update the city's existing personnel policies (one-time).

- Budgeted \$35,000 from the Insurance Fund to begin a wellness and fitness program in the Fire and Life Safety Department aimed at reducing on-the-job injuries and Workers Compensation claims (on-going).
- Increased the Billing and Collection expense line item in Municipal Court to pay a local collection agency. This expense returns \$4 in revenue for every \$1 spent on collections (on-going).
- Increased the travel and meeting expense line item in the City Managers Office by \$3,200 to enable one staff member to attend the Pacific Program for leadership development (one-time).

### **3. Maintain and improve transportation infrastructure and other city facilities**

- Created a budget of \$40,000 to fund needed repairs to the newly acquired Springfield Depot using Transient Room Tax funds (one-time).
- Authorized the use of \$350,000 in Booth-Kelly reserves to fund the replacement of the roof on the Gunderson building at the Booth-Kelly site (one-time).
- Allocated \$2,925 to correct Fire Code violations in the city's fire stations offset by increases in revenue (one-time).
- Created a new Police Custodian position (1.0 FTE) to help clean and maintain the new Justice Center building (on-going).
- Established a Building Preservation reserve using \$200,000 from the sale of the Sports Center Property (one-time) and established a mechanism to generate \$300,000 per year for building preservation activities (on-going)
- Increased the City Hall custodial budget by \$15,000 to backfill when current staff are unavailable. Funds could be used to contract with outside agencies or pay for overtime hours by existing staff (on-going).
- Added 0.9 FTE in the Public Works Transportation Division to increase two part-time positions to full-time (0.4 FTE Civil Engineer, 0.5 FTE engineering support). These positions are funded through the Street Fund and the SDC Administration Fund. (on-going)
- Added 2.0 FTE in Public Works Environmental Services Division to address increased demands for service – 1.0 is funded by MWMC and 1.0 is funded from the Drainage Fund (on-going).

### **4. Expand the Springfield economy through commercial and industrial development which creates family wage jobs**

- Provided an additional \$65,000 to complete work associated with the Commercial and Industrial Buildable Lands study (one-time).

### **5. Enhance public safety in Springfield**

- A Local Option Levy Reserve of \$250,000 has been created to provide options for Council regarding the future of levy funding for public safety services (on-going).
- Authorized an annual contribution of \$300,000 to fund replacement of emergency Fire and Life Safety vehicles (on-going).
- Increased funding of \$29,220 for Judge Pro-Tem positions in the Municipal Court to address succession planning and the possibility of two courts operating simultaneously in the new Justice Center to be offset by an increase in Court revenue (on-going).
- Funded Paramedic recertification expenses of \$105,000 using resources from the General Fund and the Ambulance Fund (on-going).
- Added 1.0 FTE to replace a Court Clerk that was previously eliminated as a budget-cutting measure. Position will be funded via increased Court revenue (on-going)
- Created a \$5,000 line item to fund hiring a special prosecutor, as needed, when the City Prosecutor has a conflict of interest in a case. Funded by Court revenue (on-going)

- Increased the budget for indigent representation by \$2,163 to be funded by Court revenue (on-going).
- Authorized the Municipal Court to pursue becoming a State-certified Court of Record. This would reduce the number of times appeals end up in Circuit Court, and so would save the city money. The cost is \$16,906 and would be funded by increased Court revenues (one-time).
- Allocated \$35,000 to pay for temporary housing costs for Firefighters while the new facility is under construction (one-time).
- Budgeted \$10,000 to move Police Department supplies, equipment and records from the existing facility to the new Justice Center building (one-time).
- Authorized the purchase of a Multi-Function Scanner/Copy Machine/Fax Machine and a Label Maker for Municipal Court – offset by increased Court revenue (one-time).
- Created a new limited duration position of Ambulance Enterprise Marketing Specialist (1.0 FTE) to be self-supporting through increased revenue generation (one-time).
- Authorized the purchase of a Multi-Function Scanner/Copy Machine/Fax Machine for the City Prosecutor – offset by increased Court revenue (one-time)

#### **6. Facilitate the redevelopment of Springfield**

- Increased the current Planner position in the City Managers Office from .7 FTE to 1.0 FTE, using funding from the two urban renewal districts (on-going).
- Staffing (2.0 Civil Engineer FTE) and contractual services were increased to support the update of the Glenwood Comprehensive Plan. Funding will come from the Glenwood Urban Renewal District (on-going).

#### **7. Partner with citizens and other public agencies to leverage resources**

- Authorized an additional \$13,665 to fund an increase in our Fire and Life Safety dispatch contract with the City of Eugene beyond our standard inflationary adjustment (on-going).
- Budgeted an additional \$3,822 beyond our standard inflationary adjustment to fund an increase in our jail contract with Lane County. An increase in court revenue will cover the cost (on-going).

#### **8. Preserve our hometown feel as we grow**

- An appropriation of \$39,750 to begin the implementation of recommendations coming from the Community Imaging Project (two-year project).

# ADDENDUM TO THE CITY MANAGER'S BUDGET MESSAGE

## **Summary of Actions of the Budget Committee and City Council Adopting the FY09 City Budget June 16, 2008**

A summary of the actions taken by the Budget Committee and City Council in adopting the FY09 annual budget is provided in the following addendum to the City Manager's Budget Message.

### **Budget Committee Action – FY09 Approved Budget**

The City Manager's Proposed Budget totaled \$346,213,368 and 449.45 FTE. At the May 13, 2008 Budget Committee meeting, the Committee approved the FY08 Proposed Budget with specific changes. These changes increased expenditures by \$22,095,502 and increased reserves by \$21,041,102. Total FTE increased by 2.0. The budget as approved included the following changes by the Budget Committee:

### **Springfield Museum**

The Springfield Museum requested an increase of \$10,000 to their normal \$35,000 subsidy. They also requested and were approved for a one-time increase of \$12,000 for special projects and programs. These changes will appear in the City Manager's Office budget.

#### Requested Action

Fund 208 - Increase expenditures	\$22,000
Decrease reserves	\$22,000

### **Transient Room Tax Grant Program**

Prior to 2001, the City had a grant program using a portion of Transient Room Tax funds to support local organizations in tourism-generating activities. This program was reestablished for FY09 using \$60,000 of Transient Room Tax reserves. These one-time changes will appear in the City Manager's Office budget.

#### Requested Action

Fund 208 - Increase expenditures	
Chamber of Commerce	\$4,000
Kidsports	\$5,000
National Academy of Artistic Gymnastics	\$8,000
Springfield Museum	\$3,000
Emerald Empire Art Association	\$5,000
Regional Sports Center	\$17,451
Adelante Si	\$5,000
Willamalane Parks and Recreation	\$12,549
Decrease reserves	\$60,000

### **Intergovernmental Agreements**

The Information Technology Department requested \$59,200 to purchase software tools necessary to monitor and maintain the City's 200+ computer databases on 20 database servers. This change will appear in the Information Technology Department's budget, and includes one-time expenses (approx. \$47,350) and on-going expenses (approx. \$11,850).

#### Requested Action

Fund 100 -	Increase expenditures	
	League of Oregon Cities	\$3,701
	Lane Council of Governments	\$633
	LRAPA	\$1,911
	Decrease reserves	\$6,245

### **Local Sewer Bonds**

The Budget Committee authorized \$21 million in Local Wastewater Revenue Bonds to fund capital projects that are mandated by the State of Oregon and/or the Federal government. This money is only a placeholder and is offset by a corresponding increase in reserves, meaning the bonds cannot be sold, and the money cannot be spent, without further Council action. This change will appear in the Public Works Department's budget.

#### Requested Action

Fund 409 -	Increase expenditures	\$21,000,000
	Decrease reserves	\$21,000,000

### **Marcola Meadows**

After the Proposed Budget was prepared, the City entered into a three year agreement with a developer to expedite the processing of his land use application. The first \$750,000 will be deposited into the General Fund, and a portion distributed to the Special Revenue fund to fund the planning activities. The balance will remain in the General Fund. Roughly \$175,000 will appear in the Public Works budget and \$185,000 will appear in the Development Services budget. Development Services will also receive two FTE.

#### Requested Action to Increase Existing Appropriation

Fund 100 -	Increase revenues	\$750,000
	Increase transfers	\$360,502
	Increase reserves	\$389,498
Fund 204 -	Increase revenues (transfer from General Fund)	\$360,502
	Increase expenditures (Public Works)	\$175,065
	Increase expenditures (Development Services)	\$185,437

### **Fire Station #16 Debt Service**

The City will need to secure a loan from a commercial bank to fund the rebuilding of Fire Station #16. The City anticipates at least one loan payment will be required in FY09, so has budgeted sufficient funds to make that payment. This on-going change will appear in the Non-Departmental budget.

Requested Action

Fund 100 -	Increase expenditures	\$265,000
	Decrease reserves	\$265,000

**Fixing Data Entry Errors**

Three of the changes approved were to correct data entry errors contained in the Proposed Budget. In one case the budget was reduced and returned to reserves; in the other, revenues were correspondingly reduced. In the third case, sufficient funds were not budgeted, so the required funds were re-budgeted from reserves.

Requested Action

Fund 201 –	Increase reserves	\$9,188
	Reduce expenditures	\$9,188
Fund 204 –	Reduce revenues	\$15,000
	Reduce expenditures	\$15,000
Fund 707 –	Reduce reserves	\$4,339
	Reduce expenditures	\$4,339

**City Council Action – FY09 Adopted Budget**

Oregon Budget Law allows the City Council to adopt changes made to the budget approved by the City's Budget Committee, within guidelines. These guidelines include being able to increase total expenditures within a fund by not more than \$5,000 or 10% of the estimated expenditures to the fund (whichever is greater). There is no limit on the amount by which a fund can be reduced.

At the June 16, 2008 regular meeting, the City Council held a public hearing on the FY09 Approved Budget and adopted the FY09 City Budget with no further changes. The following table provides a summary of the final Adopted Budget.

<b>Adopted FY09 Budget</b>	
Operating Budget	\$ 77,519,518
Capital Budget	131,498,159
Non-Departmental Budget	<u>159,291,193</u>
<b>Total</b>	<b>\$ 368,308,870</b>