

**CITY OF SPRINGFIELD
BUDGET COMMITTEE MEETING**

Tuesday, December 6, 6:30 p.m.
Emergency Operations Command Center
Springfield Justice Center
230 Fourth Street
Springfield, Oregon

AGENDA

- | | | |
|---|---------------|------------|
| A.) CALL TO ORDER | Chris Stole | |
| B.) ROLL CALL | Staff | 05 minutes |
| C.) OLD BUSINESS | | 05 minutes |
| D.) NEW BUSINESS | | 60 minutes |
| 1. City Manager's Overview | Gino Grimaldi | |
| 2. Budget Overview | Bob Duey | |
| E.) BUDGET COMMITTEE DISCUSSION AND DELIBERATIONS | Chris Stole | 20 minutes |
| F.) ANNOUNCE NEXT BUDGET COMMITTEE MEETING | | |
| 1. Tuesday, April 24th, 2012, 6:30 p.m. – Springfield City Hall | | |
| G.) ADJOURN | | |

Except for the first meeting of the Budget Committee, citizens' comments are normally scheduled under the agenda item "Business from the Audience" and are limited to three (3) minutes each. Because this is a work session for the Budget Committee to discuss budget process options and not a meeting for deliberation, there will be no public testimony taken at tonight's meeting. All subsequent meetings will have time scheduled for citizen input.

ATTACHMENTS

1. Committee Members
2. Briefing Memo
3. Presentation Slides
4. City of Springfield Quarterly Report

CITY OF SPRINGFIELD Members of the Budget Committee
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Christine Lundberg Mayor

Sean Van Gordon	Council Member	1
Hillary Wylie	Council Member	2
Sheri Moore	Council Member	3
Dave Ralston	Council Member	4
Marilee Woodrow	Council Member	5
Joe Pishioneri	Council Member	6

			<u>Appointed</u>	<u>Term Expires</u>
Chris Stole	Public Member	1	December 17, 2010	December 31, 2013
Terry Buck	Public Member	2	December 17, 2010	December 31, 2013
Pat Mahoney	Public Member	3	October 3, 2011	December 31, 2014
Garold Ropp	Public Member	4	November 21, 2011	December 31, 2014
Ken Hutchison	Public Member	5	December 3, 2009	December 31, 2012
Paul Selby	Public Member	6	December 3, 2009	December 31, 2012

**CITY OF SPRINGFIELD/FINANCE DEPARTMENT
MEMORANDUM**

Date: December 01, 2011
To: Members of the Springfield Budget Committee
From: Bob Duey, Finance Director

Subject: December 05 Mid-Year Budget Committee Meeting

BACKGROUND

I would like to first thank everyone for volunteering their time again this year to serve on the Budget Committee for the City of Springfield. When you arrive for this meeting you will see a lot of familiar faces as this will be the first time in well over a decade that all 12 members from the previous year are back to serve again in the same capacity. As finance director, I greatly appreciate the opportunity to have a sitting committee with the amount of City experience this particular group will have going into this year's budget process.

Location of the meeting

Please note that this meeting is going to be held at the Springfield Justice Center in the Emergency Operations Command Center (EOC) instead of the usual location in City Hall. It is located just one block to the west of City Hall at the corner of 4th Street and B Street (230 4th Street). The EOC is located on the second floor and can be found by either taking an immediate left at the top of the stairs or when getting off of the elevator veering left and going straight down the hallway.

This year's request to meet mid-year is intended to accomplish two purposes. First, with the economy still in a stubborn recovery mode, management continues to find that many of our key revenue sources have and are continuing to underperform expectations. For the General Fund, both the recently ended FY11 budget and the current FY12 budget are experiencing revenues behind expectations by \$500K. As budget preparations begin for the ensuing 2012/13 fiscal year management would like to take this opportunity to update both Councilors and lay members of the Budget Committee with information about how the City is fairing in the current year's cycle as well as the trended projections for next year. Management has already taken some mid-year action for FY12 to ensure that we are able to end the year in the financial position that was intended by the Budget Committee when you finished your tasks last spring. The table below shows the current cash flow projections for the City's General Fund

	FY11 <u>Actuals</u>	FY12 <u>Adopted</u>	FY12 <u>Sept Est</u>	FY12 <u>Nov Est</u>	FY13 <u>Trended</u>
GENERAL FUND					
Revenue Less Beginning Cash	\$30.70M	\$32.22M	\$31.72M	\$32.80M	\$32.2M
Operating Expenses	(\$30.13M)	(\$31.28M)	(\$31.29M)	(\$30.81M)	(\$32.6M)
Revenues Transferred Out	<u>(\$0.83M)</u>	<u>(\$0.95M)</u>	<u>(\$0.94M)</u>	<u>(\$1.19M)</u>	<u>(\$1.1M)</u>
	(\$0.26m)	\$0.00M	(\$0.51M)	\$0.80M	(\$1.5M)

Secondly, for the good news, the release of real market (rmv) and assessed value (av) numbers by the County in mid-November produced positive results for the City. Although, overall residential market value for housing continued to decline over the past year, the assessed value used for the levying of property taxes saw a rise of 3.6%. The Budget Committee last spring recommended that

the City take a very conservative approach for our inclusion in the annual budget and only forecast an increase of 0.5%. But, if the final numbers received were more positive we would possibly re-visit certain budget decisions.

As part of the agenda, management would like the opportunity to present to you the current financial picture for the City prior to heading into the budget developing process for next year. Then entertain a discussion with the Committee on whether or not any mid-year adjustments should be made in this year's budget based upon the increase in property tax revenues.

Conclusion

The management staff is presenting the information to the Budget Committee to encourage a dialogue that will help in the final preparation of the proposed budget for next year. It is obviously a challenging time for preparing a budget that has service demands as great as ever while being in a recession that is impacting many of the revenue sources that the City relies on. The need to make reductions in order to maintain a balanced budget can be approached from many ways and hearing from the Budget Committee is an important step in the process.

It will also be possible as management staff prepare for the first Budget Committee meeting on April 24th that there could be prepared alternative strategies, for reaching the financial target of having a balanced budget for FY13. If members of the Committee would like to see any alternative funding strategies for their consideration during the budget process, although management may not be able to prepare them for inclusion in the final proposed budget, they could be studied and included as an agenda item for discussion during the Budget Committee deliberations.



Agenda

➤ **CALL TO ORDER**

➤ **ROLL CALL**

➤ **OLD BUSINESS**

➤ **NEW BUSINESS**

1. City Manager's Overview

Gino Grimaldi

2. Budget Overview

Bob Duey

3. Budget Committee Discussion & Deliberation



Operating Revenue & Expenses

GENERAL FUND

Fiscal Year 2011

	Adopted Budget Less Beginning Cash	Mgt's February Year-End Estimates	Actual Year End	+ (-) Feb Estimates over Actuals
Operating Revenue	32,279,558	31,317,110	30,704,951	(612,159)
Operating Expenses	32,580,764	31,268,497	30,962,488	306,009
Balance	(301,206)	48,613	(257,536)	(306,149)



Operating Revenue & Expenses

STREET FUND

Fiscal Year 2011

	Adopted Budget Less Beginning Cash	Mgt's February Year-End Estimates	Actual Year End	+ (-) Feb Estimates over Actuals
Operating Revenue	5,218,518	4,718,123	4,785,646	67,523
Operating Expenses	5,269,919	5,031,607	4,797,323	234,284
Balance	(51,401)	(313,484)	(11,677)	301,807



Operating Revenue & Expenses

AMBULANCE FUND

Fiscal Year 2011

	Adopted Budget Less Beginning Cash	Mgt's February Year-End Estimates	Actual Year End	+ (-) Feb Estimates over Actuals
Operating Revenue	5,047,221	5,210,325	5,338,648	128,323
Operating Expenses	5,092,719	5,079,666	5,087,042	(7,376)
Balance	(45,498)	130,659	251,606	120,947



Operating Revenue & Expenses

SANITARY SEWER FUND

Fiscal Year 2011

	Adopted Budget Less Beginning Cash	Mgt's February Year-End Estimates	Actual Year End	+ (-) Feb Estimates over Actuals
Operating Revenue	6,342,994	6,464,009	6,641,402	177,393
Operating Expenses	7,286,117	5,275,879	5,087,014	188,865
Balance	(943,123)	1,188,130	1,554,389	366,259



Operating Revenue & Expenses

STORMWATER FUND

Fiscal Year 2011

	Adopted Budget Less Beginning Cash	Mgt's February Year-End Estimates	Actual Year End	+ (-) Feb Estimates over Actuals
Operating Revenue	5,230,012	5,568,575	5,636,751	68,176
Operating Expenses	4,872,046	5,125,488	4,645,675	479,813
Balance	357,966	443,087	991,076	547,989



Operating Revenue & Expenses

GENERAL FUND

Fiscal Year 2012

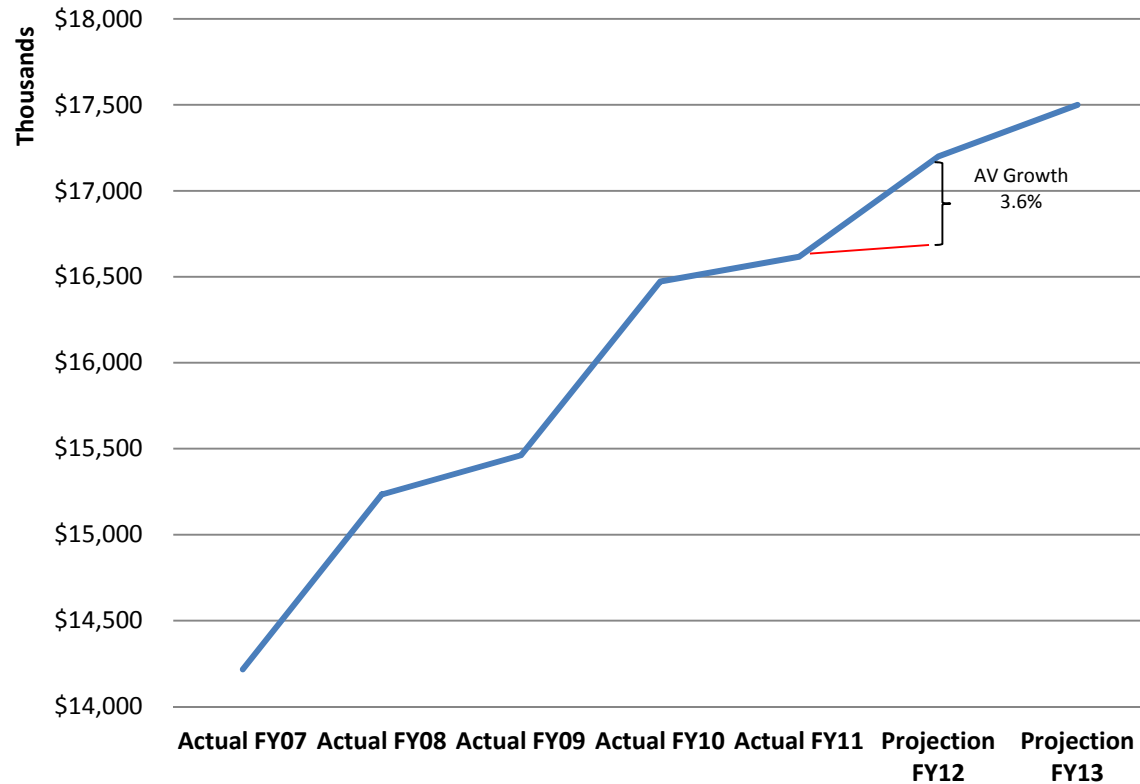
	Adopted Budget Less Beginning Cash	Mgt's September Year-End Estimates*	Actual Year End	+ (-) Year End Est over Adopted
Operating Revenue	32,223,954	31,721,395		(502,559)
Operating Expenses	32,223,735	32,234,100		(10,365)
Balance	219	(512,705)		(512,924)

* Sept estimates do not include any change in property tax revenue.



General Fund Revenue

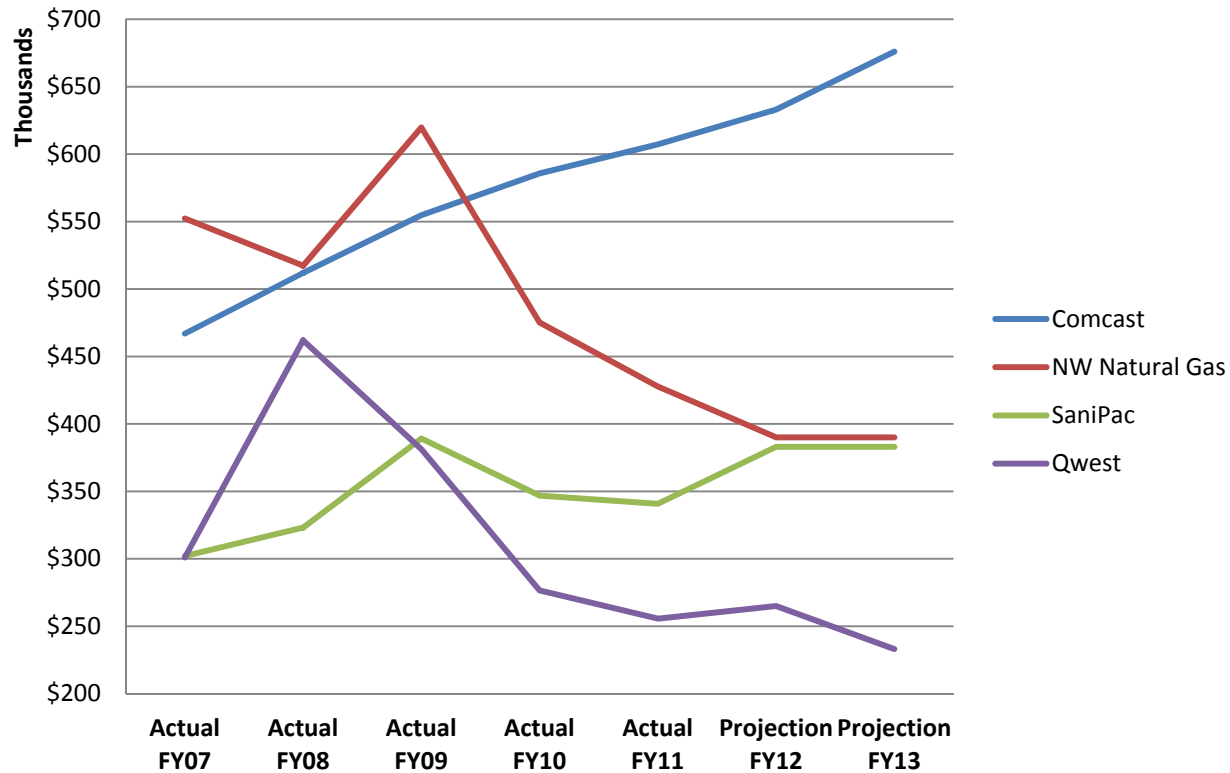
Property Taxes





General Fund Revenue

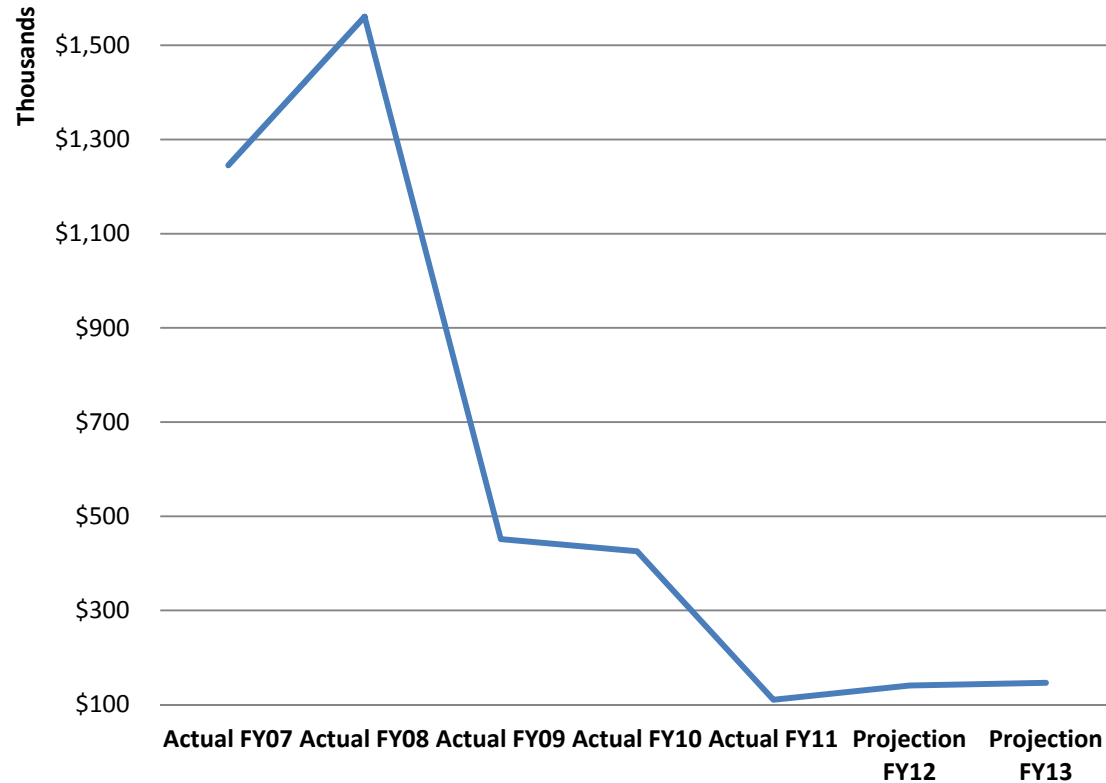
Franchise Fees





General Fund Revenue

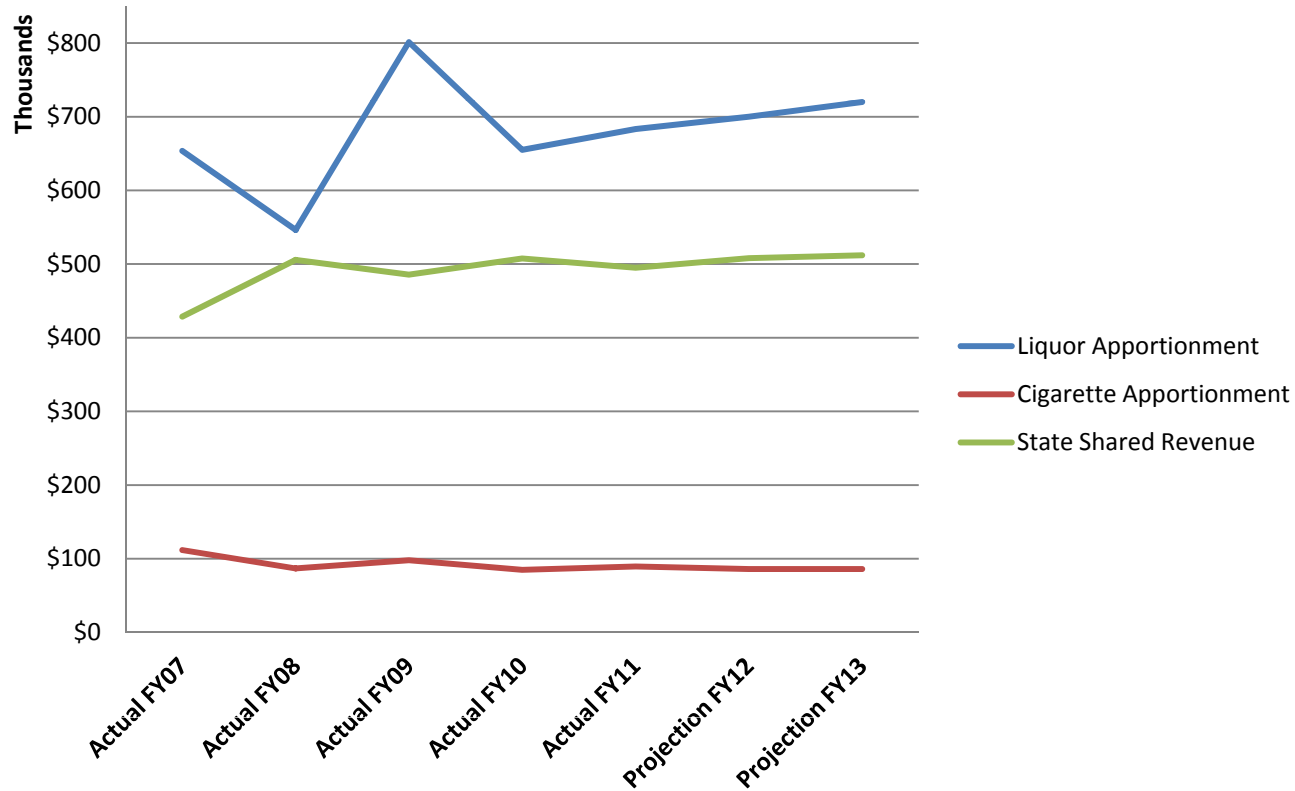
Planning Fees





General Fund Revenue

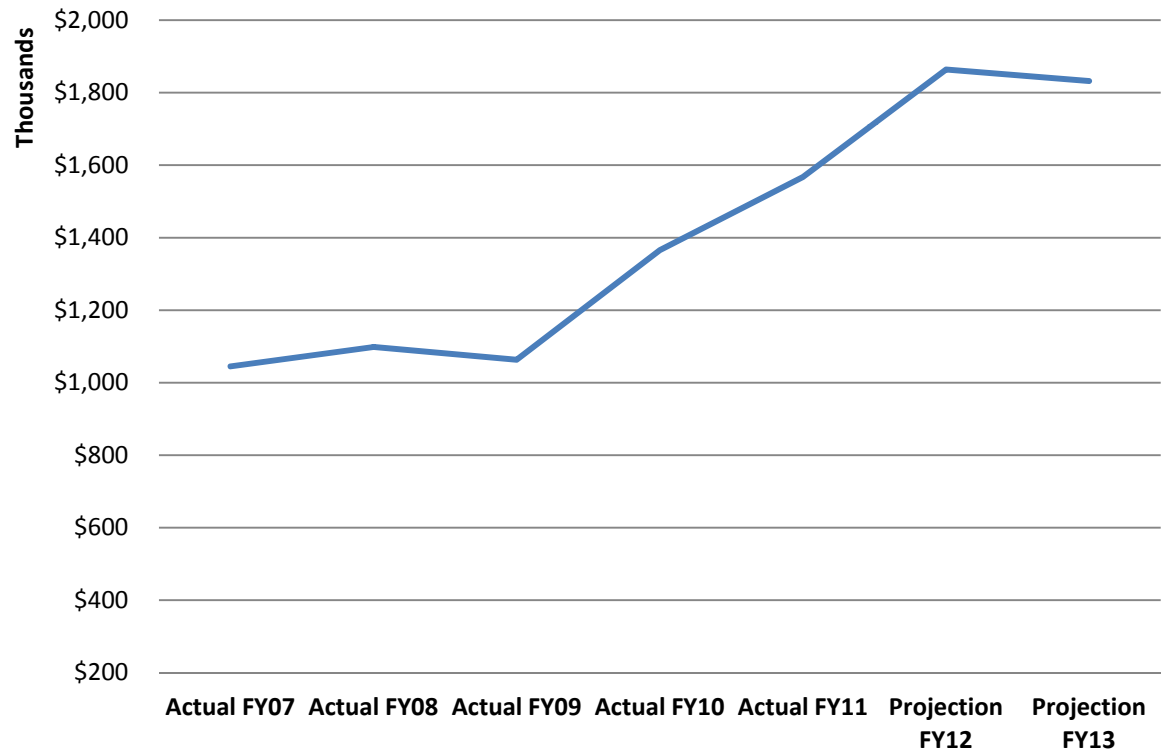
State Shared Revenue





General Fund Revenue

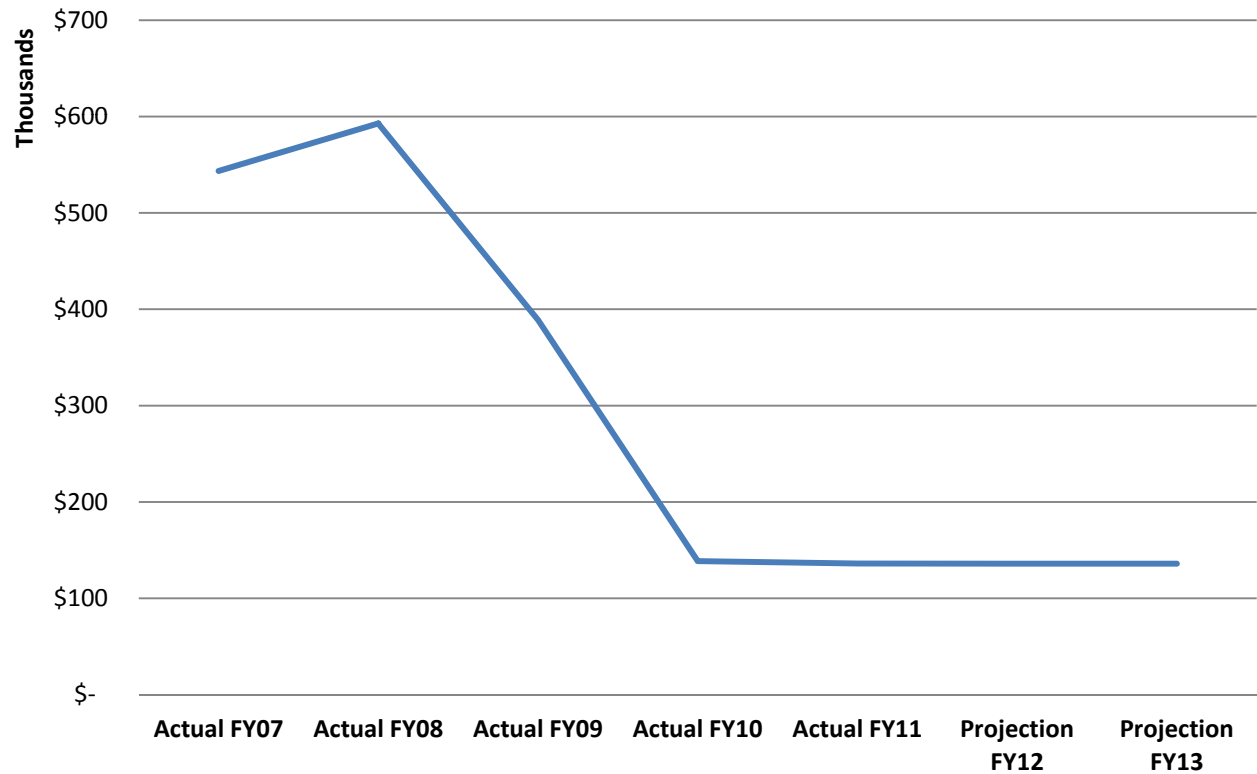
Municipal Court Revenues





General Fund Revenue

Interest Income





FY12 Mid-Year Adjustments

General Fund

TRENDED SHORTFALL

Beginning Cash on 7/1/11 for FY12	\$ (306,000)
Trended Revenue Shortfall FY12	(512,000)
Projected FY12 Resource Loss	<u>\$ (818,000)</u>

Solutions

FY12 Increased Property tax \$'s over estimate	\$ -
Adjustments to internal charges for proprietary funds	200,000
Savings on Jan 2012 medical insurance rates	85,000
Reduction in transfer to jail operations fund	120,000
Savings from Voluntary Separation & Furlough Programs	-
Savings from vacant position management	326,000
Savings on fuel cost over estimates	62,000
Receipt of additional HUD funds	25,000
Total Solutions	<u>\$ 818,000</u>

Remaining Balance	\$ -
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Budget Committee Meeting Dec 6th, 2011



FY12 Current Property Tax Revenue

Actual Assessed Valuation Growth FY12 is 3.6% (estimated at 0.5%)

Projected FY12 General Fund Property Tax Revenue is \$17.2M (\$500K greater than amount budgeted)

Option 1 - Budget Committee May Discussion

Mid-year hire of community service officer

Mid-year hire of police officer (no COPS Fast grant)

Hold in reserve for FY13 budget

Option 2 - Increase Cash Carry-Over with Targeted Expenditures

One-time capital purchases or service enhancements

Increase uncollectable rate from 5.9% to 6.4%

Hold in reserve for FY13 budget

Option 3 - Increase Cash Carry-Over

Hold in reserve for FY13 budget

	FY12	FY13	FY14
Mid-year hire of community service officer	\$ 43,000	\$ 86,000	\$ 86,000
Mid-year hire of police officer (no COPS Fast grant)	\$ 56,000	\$ 112,000	\$ 112,000
Hold in reserve for FY13 budget	\$ 401,000		
Option 2 - Increase Cash Carry-Over with Targeted Expenditures			
One-time capital purchases or service enhancements	\$ 200,000	\$ -	\$ -
Increase uncollectable rate from 5.9% to 6.4%	\$ 100,000	\$ 100,000	\$ 100,000
Hold in reserve for FY13 budget	\$ 200,000		
Option 3 - Increase Cash Carry-Over			
Hold in reserve for FY13 budget	\$ 500,000		
	Funded with AV	Funding not identified	



Budget Preparations FY13

Emerging Issues

	<u>ISSUE</u>	<u>DURATION</u>	<u>EST RANGE OF COSTS</u>
	Fire merger progresses forward	Ongoing	Under study
	Fire merger halted	Ongoing	\$200K to \$400K annually
	Public Works Asset Management System	One-time	\$984,000
		Ongoing	\$203,000 annually
	Building maintenance and rehab program	Ongoing	\$80K to \$500K annually
	AIRS Replacement	One-time	\$500K over 3 years
		Ongoing	Savings \$100K annual Year 4
	Share Point hardware/software	One-time	\$95K
		Ongoing	.25 FTE
	Virtual Private Network for remote access	One-time	\$30K to \$50K
		Ongoing	\$3K annually
	Expiration of COPS Grant FY14 for 3 officers	Ongoing	\$320K annually
	Fire Appratus Purchases	Ongoing	\$250K to \$500K annually
	Increase in PERS 2014	Ongoing	\$1.1M to \$2.2M annually
	Renewal of Police/Court/Jail Levy	Ongoing	Expires 6/30/13
	Transportation Capital Bond	Ongoing	Add'l options under discussion

Budget Committee Meeting Dec 6th, 2011



FY12 Adopted Budgets

Property Tax Supported Operating Funds

All Property Tax Supported Operating Funds	General Fd	Police/Court/Jail Levy		Fire Levy	Total
		Police/ Courts	Jail Operations		
Current Revenues					
Current Taxes	\$ 16,680,219	\$ 2,648,023	\$ 1,215,222	\$ 1,275,934	\$ 21,819,398
Other Revenue	15,543,725	80,000	961,625	38,000	16,623,350
Total Revenue	32,223,944	2,728,023	2,176,847	1,313,934	38,442,748
Expenses					
All Expenses	32,223,735	2,627,564	2,599,345	1,537,852	38,988,496
FY12 Annual Operating Surplus/Deficit	\$ 209	\$ 100,459	\$ (422,498)	\$ (223,918)	\$ (545,748)



Cash Flow Projections

General Fund	FY 11 Actuals	FY 12 Adopted	FY 12 Sept Proj	FY13 Nov Proj
Total Revenue Less Beginning	\$ 30,704,951	\$ 32,223,954	\$ 31,721,395	\$ 32,200,000
Operating Expenditures	(30,132,509)	(31,277,136)	(31,287,501)	(32,600,000)
Less Transfers to:				
<i>Jail Operating Fnd</i>	(473,121)	(675,000)	(675,000)	(525,000)
<i>Ambulance Fund</i>	-	-	-	-
<i>Street Fund</i>	(35,065)	(39,224)	(39,224)	(360,000)
<i>Transient Room Tax Fund</i>	(86,578)	-	-	-
Station #16 Debt Service	(235,215)	(232,375)	(232,375)	(232,000)
Annual Over(Under) Revenue to Expenses	\$ (257,536)	\$ 219	\$ (512,705)	\$ (1,517,000)



Cost of Living Increases Per Employee Agreement

	FISCAL YEAR BEGINNING					
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	
IAFF	2% (7/01) 2%(1/01)	0.0%	TBD	TBD	TBD	Mediation, impasse declared
SPA	2.0%	2.8%	0.0%	1%-3%	2%-4%	Tied to CPI-U Portland, currently 2.6%
SEIU	0.0%	0.0%	1.5%	1.5-3%	TBD	Tied to CPI-U Portland, currently 2.6%
AFSCME	0.0%	2% (12/31)	1.5%	TBD	TBD	
Non-Union	0.0%	0.0%	0.0%	TBD	TBD	

Note: On January 1, 2011 the City began implementation of it's Class & Compensation Study for non-public safety employees (AFSCME, SEIU and Non-Union). Labor agreements for the two unions completed during the past two years often included cooperative language between and City and the unions on the transition period of moving employees from the old plan to the new plan, including cost-of-living and anniversary date merit adjustments'.



Quarterly Financial Outlook

Overview

The *Quarterly Financial Outlook* report summarizes revenue and expenditure projections for the General Fund and other major operating funds of the City of Springfield. This report is provided in combination with the September 2011 monthly financial statements, which report monthly and year to date actual revenues and expenditures. The projections in the *Quarterly Financial Outlook* are prepared by the Finance Department and will be updated quarterly or as new information is available throughout the year.

Attachment 4



Priority Driven Budgeting

Overview

The philosophy of priority-driven budgeting is that resources should be allocated according to how effectively a program or service achieves the goals and objectives that are of greatest value to the community. It is a flexible step-by-step process to budget scarce resources. It would:

- ✓ Identify our most important strategic priorities
- ✓ Allocates funding to most important strategic priority
- ✓ Provides transparency of community priorities
- ✓ Creates solutions



Budget Calendar

Important Dates

- Jan 2012 Departments input budget request into System
- March 5th – 9th Department presentations to budget team
- Budget Committee Meetings
 - ✓ April 24th
 - ✓ May 1st
 - ✓ May 8th
 - ✓ May 15th
- June 18th FY13 Budget to Council for approval

Budget Committee Meeting Dec 6th, 2011



Overview

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Executive Summary

The state of the economy continues to be of primary concern as the new fiscal year progresses. The revenues we highlight for the period ending September 30, 2011, are provided to offer some insight on the state of the local economy. Development plays a large role in the City's economy and is therefore our primary focus. Planning fees, building code fees, and system development charges are useful indicators on the current and future state of development in the City. We also touch on transient room tax revenues - a good indicator on the state of tourism in the region, and Booth Kelly lease revenue – a good indicator on the state of commercial real estate.

Revenues

- Planning fee revenues totaled \$30,700 for the period as compared to \$52,800 for the same period in the prior year. This decrease of \$22,100 (42%) can partly be attributed to the modification of the fee schedule which has substantially lowered fees on larger projects. In addition, the City has seen an increase in locally driven small scale projects as opposed to some of the larger projects of the past. As an interesting point of comparison, planning fees totaled \$143,400 for the same period in 2008, at the height of the housing bubble.
- Building code fee revenues totaled \$143,100 for the period as compared to \$61,500 for the same period in the prior year. This increase of \$81,600 (133%) can be primarily attributed to a single development and not an indication of any larger trend. Building code fees totaled \$230,800 for the same period in 2008.
- System development charges totaled \$393,000 for the period as compared to \$129,000 for the same period in the prior year. This increase of \$264,000 (205%) can again be primarily attributed to a single development and not an indication of any larger trend.
- Transient room tax revenues totaled \$189,000 for the period as compared to \$168,000 for the same period in the prior year. This increase of \$21,000 (12.5%) can be primarily attributed to the opening of the Hilton Garden Inn.
- Booth Kelly lease revenue totaled \$97,300 for the period as compared to \$84,900 for the same period in the prior year. This increase of \$12,400 (14.6%) can be attributed to a reduction in vacancies, leaser retentions, and program process improvements.

Outlook

- With a third consecutive quarter of positive job growth in 2011, the regional outlook is generally improving, but at a very slow rate. Unemployment has decreased from 11.0% in August 2010 to 9.6% in August 2011. The housing market shows signs it has hit bottom in terms of housing starts, but prices may continue to fall with foreclosures and delinquency rates still relatively high. We will continue to see a correction in the housing market through the end of 2011.

State Economic Risks

- Revenue shortfalls in all three government levels, including local government, continue to put pressure on governing bodies to balance budgets while maintaining services.
- An increase in the Commodity Price Inflation index - food prices are near their 2008 highs and oil prices have topped \$100 a barrel. The risk is how this will impact businesses and if commodity price inflation will lead to general inflation.
- Credit markets are easing with lower interest rates, however, consumers and businesses are still having difficulty getting loans.

General Fund

Top 10 Revenues	Budget	YTD Actual*	% Received	Revised Projection	% of Budget
Current Taxes	16,680,219	-	0%	16,680,219	100%
SUB In-Lieu-of-Tax	1,802,892	451,941	25.1%	1,804,000	100%
Municipal Court Revenues	1,934,620	362,768	18.8%	1,802,201	93%
Rainbow Fire Protection	1,117,852	-	0%	1,117,852	100%
Liquor Apportionment	700,000	129,475	18.5%	700,000	100%
Comcast Franchise	630,000	155,857	24.7%	630,000	100%
State Revenue Sharing	508,000	119,774	23.6%	508,000	100%
EWEB In-Lieu-Of-Tax	501,000	74,891	15%	525,000	105%
Sanipac Franchise Fee	397,000	-	0%	345,000	87%
NW Natural Franchise Fee	390,000	84,731	21.7%	450,000	115%
Total Top 10 Revenues	24,661,583	1,379,437	5.6%	24,562,272	99.6%

*Throughout this report, YTD Actual balances represent revenues and expenditures received through September 30, 2011. The City records revenues and expenditures on a cash-basis of accounting for the months of July through May and converts to a modified-accrual basis of accounting for the month of June. This may result in a lower percentage received of some revenues for the first eleven months of the year.

Top 10 Revenues – The top 10 revenues make up 77% of the total General Fund operating revenues. Additional information on the current collections and projections are noted below.

Current Taxes – The first collection of current year property taxes occur in November. As of the date this report, the County's Assessor's Office has not released an updated forecast on 2012 property tax collections.

SUB In-Lieu-of-Tax – This is a monthly payment made by the Springfield Utility Board in lieu of property taxes as authorized by Oregon statute and in an amount negotiated by the two agencies. The FY12 projection was increased to reflect the results of this negotiation.

Municipal Court Revenues – FY12 projections were revised downward to reflect lower than expected FY11 receipts .

Rainbow Fire Protection – The first payment of 50% of contract is due on December 31st.

Liquor Apportionment – Liquor revenues are paid monthly. Collections are on track to meet budget.

Comcast Franchise – Franchise fees are paid quarterly, typically in the month following the quarter-end. Collections are on track to meet budget.

State Revenue Sharing – State revenue sharing payments are received quarterly, typically in the month following the quarter-end. Collections are on track to meet budget.

EWEB In-Lieu-of-Tax – This is a monthly payment made by the Eugene Water and Electric Board in lieu of property taxes as authorized by Oregon statute and in an amount negotiated by the two agencies. The FY12 projection was increased to reflect the results of this negotiation.

Sanipac Franchise Fee – Franchise fees are paid quarterly, typically in the month following the quarter end. FY12 projections were revised downward to reflect a declining trend in fee revenue over the previous two years.

NW Natural Franchise Fee – Franchise fees are paid quarterly, typically in the month following the quarter end. FY12 projections were revised upward to reflect an increasing trend in fee revenue over the previous two years.

Major Governmental Activities

Street	Budget	YTD Actual	%
Revenues:			
Operating	5,572,850	938,347	17%
Beginning Cash	2,307,259	2,163,228	94%
Expenditures:			
Operating	5,148,977	1,203,631	23%
Capital Projects	2,327,544	11,412	.5%
Transfers Out	10,374	10,374	100%
Reserves	393,214	-	0%

Jail Operations	Budget	YTD Actual	%
Revenues:			
Operating	286,625	28,809	10%
Transfers In	1,890,522	168,750	9%
Beginning Cash	565,112	670,147	119%
Expenditures:			
Operating	2,599,345	560,860	22%
Reserves	142,914	-	0%

Building Code	Budget	YTD Actual	%
Revenues:			
Operating	998,500	224,083	22%
Beginning Cash	504,648	572,216	113%
Expenditures:			
Operating	1,275,022	261,433	21%
Transfer Out	54,100	13,525	25%
Reserves	174,026	-	0%

Enterprise Activities

Sanitary Sewer	Budget	YTD Actual	%
Revenues:			
Operating	7,427,913	1,361,181	18%
Transfers In	2,250,000	2,250,000	100%
Beginning Cash	23,936,680	24,442,022	102%
Expenditures:			
Operating	3,223,331	671,354	21%
Capital Projects	12,922,898	39,668	.3%
Debt Service	2,164,818	184,587	9%
Transfers Out	2,295,662	2,295,662	100%
Bond Reserves	1,713,531	-	0%
Reserves	11,294,353	-	0%

Storm Drainage	Budget	YTD Actual	%
Revenues:			
Operating	5,893,530	1,065,958	18%
Transfers In	2,106,000	2,106,000	100%
Beginning Cash	16,130,690	17,701,000	110%
Expenditures:			
Operating	4,328,977	801,680	19%
Capital Projects	9,943,819	375	0%
Debt Service	706,963	538,263	76%
Transfers Out	2,131,648	2,131,649	100%
Misc	708,050	0	0%
Reserves	6,310,763	0	0%

Booth-Kelly Fund	Budget	YTD Actual	%
Revenues:			
Operating	1,398,687	306,042	22%
Beginning Cash	867,184	976,816	113%
Expenditures:			
Operating	362,178	22,034	6%
Capital Projects	439,000	-	0%
Debt Service	919,317	229,828	25%
Reserves	545,376	-	0%

Ambulance Fund	Budget	YTD Actual	%
Revenues:			
Operating	5,050,629	1,351,867	27%
Beginning Cash	130,659	251,606	193%
Expenditures:			
Operating	5,077,594	1,154,442	23%
Reserves	103,694	-	0%

OREGON OUTLOOK

According to the State of Oregon's Office of Economic Analysis' (OEA's) September 2011 Economic and Revenue Forecast, Oregon has experienced broad based job gains in natural resources, construction, manufacturing, and services. However, the wood products industry, and other durable and non-durable goods continue to experience job losses with 2.1%, 0.7% and 13.1% job losses respectively. As the job market continues to improve, the unemployment rate has edged down slowly and stands at 9.5%. Metropolitan regions are faring better than rural regions, with the Portland area experiencing the lowest unemployment in the state and the Bend area seeing the highest unemployment. The surge of job growth is seen as a bright spot against the weak housing market and rising commodity prices like food and oil.

Outlook for revenue growth in Oregon is threatened by the uncertainty surrounding the present recovery of regional job markets. Loss of federal timber payments threatens county programs while they find replacements for this dwindling revenue source. This will be imperative as any loss of public services could have adverse impacts on economic recovery activities. On a positive note, Oregon exports are on the rise and signs are starting to emerge that the housing market has hit bottom.

Current Unemployment

Current Unemployment	<u>USA</u>	<u>OREGON</u>	<u>Eugene/Springfield MSA</u>
Unemployment Rate (August 2011)	9.1%	9.3%	9.5%
Unemployment Rate (August 2010)	9.5%	10.5%	11.0%

*Rates are seasonally adjusted Source: Oregon Employment Department

Local Housing Market

Springfield's Housing market continues to struggle and appears to be recovering slower than other parts of the economy. Signs have emerged that the housing market has hit bottom in terms of housing starts (new homes built), however, prices may continue falling.

Factors that are suppressing the local housing market are the high number of foreclosures, a weak sales rate as houses are spending an increasing amount of time on the market before sale, and tight mortgage lending restrictions that are making it more difficult to obtain a bank loan. The OEA forecast describes the dismal housing market as one of the largest hurdles to a sustained economic recovery.

Projections of Housing Starts

Projection of Housing Starts	Calendar Year		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Oregon (in thousands)	7.6	7.5	8.0
% Change	0.6%	-0.2%	8.1%

*Source: Oregon Economic & Revenue Forecast May 2011

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Springfield	122	57	60
% Change	NA	-53%	5%

*Source: City of Springfield Development Services Department

RESERVE OUTLOOK FOR MAJOR OPERATING FUNDS

Reserves are used to avoid cash flow interruptions from unexpected events, absorb revenue fluctuations, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment grade bond rating.

For the 1st quarter of FY12, the forecast of reserves for the major operating funds are as follows:

Major Operating Funds	Projected Operating Reserves	% of Operating Budget	% Required by the City's Reserve Policy
General Fund	7,257,504	23.2%	-
Street Fund	159,562	3.3%	-
Jail Operations Fund	142,914	5.5%	-
Building Code Fund	174,026	13.6%	-
Sanitary Sewer Operations Fund	2,703,487	90.8%	-
Ambulance Fund	103,694	2.0%	-
Storm Drainage Operations Fund	2,202,513	51.8%	-
Booth-Kelly Fund	124,590	34.4%	-

Please note that this list only represents major operating funds of the City of Springfield. The reserves set aside for debt service, capital projects, equipment replacement, and risk management are not included in this list.