

**CITY OF SPRINGFIELD/FINANCE DEPARTMENT
MEMORANDUM**

Date: April 7th, 2021
To: Members of the Springfield Budget Committee
From: Nathan Bell, Finance Director
Subject: Agenda Packets for April 27th, 2021

I would like to thank each of you in advance for volunteering your time to help review the Proposed Budget for the City. The first meeting is scheduled for Tuesday, April 27th and will again be virtual due to the ongoing COVID-19 pandemic.

Committee Roster, Officers and Bylaws

In the first section of your FY22 Proposed Budget document (Attachment 15), there is a listing of the members of this year's committee. Ten of the Committee's twelve members are returning to help with the process. Our new community members will be from wards three and four and will be appointed in an upcoming Council meeting on April 19th.

Every year, the Committee is required by Oregon Budget Law to elect a Chairperson. Our Committee historically has also chosen to elect a vice-chair to be available when the chair is absent. Councilor Pishioneri is currently our Chairperson from last year and will be asked to open the meeting. Upon election, the new Chair will preside over the remainder of the meetings.

You are also being asked again to serve on the Budget Committee for the Springfield Economic Development Agency (SEDA). As a separate agency, SEDA is required to follow Oregon Budget Law in the manner similar to your role on the City's Budget Committee for the City's two urban renewal districts. The SEDA Board is comprised of the six City Councilors, the City's Mayor, and one County Commissioner. To ensure equal representation between elected officials and appointed members, the SEDA Budget Committee is comprised of those eight individuals plus the six community members from the City's Budget Committee plus two additional members from the corresponding districts.

Bylaws for the Budget Committee are established by the Council and were last reviewed and updated in March of 2016 (Attachment 3). Bylaws set forth the structure of the committee in the organization. They state what rights the members have within the organization and what limitations are put on boards and officers. The bylaws address the attendance policy that matches the language in the Council Operating Policies and Procedures and are in accordance with Oregon Local Budget Law ORS294.414.

Online Department Presentations

To allow for more meeting time dedicated to budget discussion and for the convenience of the Budget Committee, department directors have pre-recorded their presentations for review prior to the night of April 27th. These presentations are meant to provide the Committee with a summary of each department's operating budget, prior year accomplishments, coming year initiatives, and future considerations. Finance staff has posted the presentations to the City website and will email a link to Committee members.

Agenda Packet Information

This agenda packet contains a lot of information that will be discussed over the three scheduled meetings. It is not anticipated that you will have reviewed all of the information prior to this meeting. The packet is organized around the following guidelines:

The first item of the evening is a training on the City's budget process which includes an introduction to Oregon Budget law, roles and responsibilities, and an overview of the City's financial structure. This is followed by the presentation of the annual budget message by the City Manager. The budget message is included as part of the legal document (Attachment 15) published by the City that contains both a overview of the budget as well as departmental detail. The written budget message is located immediately after the Reader's Guide in the first section of the document.

The first 12 pages after the budget message of Attachment 15 are intended to inform the reader of the structure of the budget and the comparison with previous years. The middle section and bulk of this document is a more detailed look at the budget by department. Behind the department sections is city-wide information that includes such topics as property tax levies, use of reserves, total City FTE, and a glossary.

New for FY22 is a report starting on page 18 of Attachment 15 which provides a detailed breakdown of FTE by department and position for the prior four fiscal years.

Citywide Budget Overview (Attachments 1-2): This memo (Attachment 1) is intended to help explain how the overall budget is organized. The Overview Presentation (Attachment 2) provides an overview of the entire budget with an emphasis on Fund health and major trends influencing the organization.

Department Operating Budgets (Attachments 4-13): These attachments are specific to each department and are copies of each department's budget summary memo and PowerPoint presentation. For example, the Human Resource Department proposed budget is contained in Attachment 9 and refers to information that is contained in Attachment 15 for the Human Resource Department.

Appendix –Stoplight Reports: Stoplight reports provide a more detailed look into the specific line item expenditures proposed for FY22. Views can be by accounting fund, by department, by program, or by revenue and expense categories.

Budget Overview

As of the date of this memorandum, we are now over a year into the COVID-19 pandemic and approaching another Budget Committee process that will be conducted virtually. With vaccinations beginning in the late fall of 2020 and accelerating the past couple of months, hope is on the horizon. Additionally, with the passage of legislation containing recovery funds for local governments, there is the potential to recover revenues lost as a result of the pandemic. However, there remains the risk of lingering long-term impacts, the potential resurgence COVID mutations resistant to current vaccines, and concerns around inflation. As you read through this year's budget, keep that context in mind.

In a council work session this past January, Finance Department staff shared a updated five-year General Fund forecast that demonstrates a significant structural budget deficit seriously impacting City services unless proactive action is taken. The main drivers of the deficit are slow revenue growth, increasing personnel costs largely related to increasing pension costs, and a struggling Ambulance Fund that requires growing support from the General Fund. While these issues existed previously, the COVID-19 pandemic added another challenge. Along with this forecast, staff put forward potential reductions to address the long-term deficit and incorporated some of those reductions into the FY22 proposed budget on Council's direction. While much uncertainty remains, I feel confident that we will address the financial challenges and prevail with ingenuity, discipline, and fortitude.

In approaching the Fiscal Year 2022 budget, our focus is on long-term sustainability. Our General Fund Reserve remains healthy and we are building a rainy-day reserve in the Insurance Fund to help offset the impact of future PERS rate increases. With the promise of Federal recovery funds that could offset lost revenues from the immediate negative financial impact of the pandemic, the resulting healthy financial position of the City allows us time to research and implement longer-term solutions and make course correcting adjustments in the FY22 budget and future years rather than crisis-cuts today.

The FY22 proposed budget is not status quo, it contains smart cuts and strategic investments. We again asked departments to keep their materials and services budgets flat and unmet needs requests had to pass a high criterion of significant need. While the FY22 budget does draw down the General Fund reserves by just over \$1.1 million, the projected ending reserve balance is still within the range of best practice for a reserve balance and slightly above our target of 20% of operating expenditures.

Based on our current projections, the City's reserve will dip into an unhealthy range in FY23 and get worse over time. It will be our challenge to find ways to continue current services in the future, adequately save for and maintain City assets, and invest in new infrastructures to meet the needs of our growing community, while maintaining adequate reserves to protect our fiscal health.

As you read through this document and listen to department presentations, please keep in mind some of the challenges we are facing, such as:

- COVID-19 financial impact

- Backlog of deferred maintenance on infrastructure (buildings and streets)
- Addressing the unfunded liability of the City's retirement plan
- Expenditure growth outpacing revenue growth
- Infrastructure needs related to UGB expansion
- A shortage of affordable housing

These are big challenges, but not insurmountable. City staff takes our role as fiscal stewards seriously. While we may strive for perfection, we need to size the services and solutions to the size of our community and tax base. It will be our role in Finance and your role on this committee to assure we are delivering the right level of service in a sustainable way. It is our job to ask questions, challenge the status quo, and hold departments accountable for the dollars they spend and the services they deliver.

Conclusion

If you have any questions about the information or the process prior to the meeting on Tuesday, April 27th, please do not hesitate to contact either myself by phone at 726-2364 or email at nbell@springfield-or.gov or contact our Budget Officer, Neil Obringer, by phone at 736-1032 or email at nobringer@springfield-or.gov. Either of us would be more than willing to meet with you prior to that time.