

CITY OF SPRINGFIELD, OREGON

City Manager's Office



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It is my pleasure to present the City of Springfield's proposed Fiscal Year 2022 (FY22) budget.

Last year, the budget was prepared during the beginning of the COVID-19 global pandemic which created some uncertainty in calculating the impact to the City's financial position. Consequently, the City adopted a FY21 budget that was very conservative and included expenditure cuts in anticipation of an overall contraction to the local economy.

Impact of COVID-19

Although COVID-19 has significantly impacted local businesses the overall impact to the City so far has not been catastrophic. Some of the factors that helped reduce the impact of COVID-19 are:

- The City's primary source of revenue, property taxes, remained stable over the past year. The housing market has continued to be robust within the City and region.
- 2020 included the most residential development in Springfield since 2008 including more than 2,600 building, plumbing and electrical permits issued.
- Although many City staff worked remotely in 2020, core services remained in place. Keeping staff and the community safe and reducing the spread of COVID-19 was paramount. Although some employees contracted the virus, all of them recovered and returned to work.

Though the City maintained core services there was a \$4.4 million estimated loss to the General Fund, Street Fund, Transient Room Tax Fund and Ambulance Fund as a result of COVID-19.

The City of Springfield and our local community has demonstrated the resilience and creativity to adapt to uncertainty and move forward as we experience some encouraging progress in what was otherwise a difficult year. The Oregon Health Authority has reported that over two million vaccine doses have been administered statewide and as of April 19, all Oregonians over the age of 16 are eligible to receive a vaccine (<https://covidblog.oregon.gov>).

On March 11, 2021, the American Rescue Plan (ARP) was signed into law by President Biden. Cities in Oregon will directly receive over \$680 million (www.orcities.org/resources/reference/arp). These funds will be provided over two distributions and will be available through December 31, 2024. The amount of funding the City will receive has yet to be determined. One complicating factor is the possibility of a portion of the funding being earmarked for Willamalane Park and Recreation District. This is a new development in the funding roll out and the City is closely monitoring the issue in coordination with Willamalane Park and Recreation District.

Additional direction is expected from the federal government regarding the use of ARP funding; a short list of what these funds can be used for includes:

- Responding to the COVID-19 public health emergency;
- Offsetting lost revenues to provide essential government services; and
- Water, sewer and broadband infrastructure.

The funding cannot be spent on:

- Reducing taxes by legislation, regulation or administration; and
- Deposits into pension funds (www.orcities.org/resources/communications/bulletin/american-rescue-plan-1).

Because of the circumstances described above, this funding is not reflected in the proposed FY22 budget. In order to complete the budget by legally required timelines it is the recommendation of the Budget Team to submit the budget as completed to the Budget Committee. Once the City's funding amount is clear – minus any potential pass through funding to Willamalane Park and Recreation District – staff will bring forward funding recommendations to the City Council as a supplemental budget adjustment. In general, staff will be looking for ways to offset losses to the General Fund as well as making capital improvements that will reduce the need for more costly repairs in the long term. Investments that will result in economic development – such as broadband infrastructure – will also be a high priority for recommendation to the governing body.

Summary

The City of Springfield employs a conservative yet realistic approach to budgeting. When creating projections and estimates, the City uses multiple data sources to develop scenarios that are as close to “real time” as possible. We believe this methodology results in a more accurate representation of the City's financial condition.

While the five-year forecast presented to Council in 2020 still showed a significant structural imbalance in the City's finances with expenditures outpacing revenues, actions taken by Council and City staff to hold down costs are having a positive impact. Additionally, the two-year infusion of ARP funds could help create a buffering effect on the overall forecast. In order to effect this change, the City would need to prioritize projects that will help stabilize the General Fund.

We experienced a modest increase in property taxes in FY21 of 1.4% over the previous year due to two significant property valuation appeals that settled in FY20 and resulted in the property values being lowered. We projected a similarly modest increase of 1.1% in FY22, anticipating an increase in delinquent property tax payments to the County as a result of the COVID-19 pandemic. Additionally, the pandemic impacted other funds that influence the General Fund. We experienced a significant decrease in transient room tax revenues in FY21 of 21% from the previous year. We are projecting a rebound in FY22 with a 42% increase over the previous year's budget. The health of the Transient Room Tax Fund plays an important role in the health of the General Fund as just over half the revenue of this fund is transferred to the General Fund in support of public safety. Finally, in the Ambulance Fund, transport fees were also down in FY21 by 6% from the previous year. We are projecting a rebound of transport fees in FY22 and are estimating an increase of 8.2% over the previous year's budget. The Ambulance Fund also plays an important role in the health of the General Fund as revenue growth has not kept pace with expenditure growth and as a result, we are projecting a transfer of almost \$700,000 from the General Fund to the Ambulance Fund in FY22 to keep the Fund solvent. Paying close attention to revenue and making sure revenue grows with inflation is an important part of the City's long term financial health.

Controlling expenses is also important to the long term financial health of the City. The majority of expenditure increases occur in wages and fringe benefits. Wages are designed to retain and attract employees and are projected to increase approximately 1.5% in FY22. Increases to fringe benefit costs over the past few years have been primarily driven by the cost of the Public Employee Retirement

System (PERS). PERS contributions are projected to increase approximately 6% in FY22. The City has been able to control other fringe benefit costs, such as health insurance and workers compensation costs, to mitigate the impact of the PERS increases. City departments were again asked to keep their Materials and Services budgets flat over FY21. This is the third year in a row we have asked this of them and it proves to be challenging with inflation and contractual service increases outside their control.

Major Change Highlights

The proposed budget for FY22 contains reductions that could be taken without a serious detriment to community services. Additionally, there are a few areas that required additional resources or sustained funding in order to maintain service level or address increased workload. Noteworthy changes are listed below:

City Managers Office: Reallocate funding of 50% of Assistant City Manager position to the Utility Fund to reflect the oversight role of that position. Public Works departments have been reporting to the Assistant City Manager since August, 2019.

Development and Public Works: This budget adds one Vactor (vacuum) truck at a one-time cost of \$400,000 to the Equipment Replacement Fund. Additionally, the budget proposes extending a limited duration Senior Planner through June 30, 2022. This one-time addition of \$88,000 from the General Fund, Sanitary/Storm water and SDC funds will retain current service levels in the Community Development division rather than losing the Senior Planner position.

Fire/Life Safety: One Billing Tech position was eliminated after the retirement of the individual in that position and results in a reduction of \$106,000 in personnel services in the Ambulance Fund.

Information Technology: A proposed reduction in materials and services from the Information Technology Department will result in a \$100,000 savings to the General Fund.

Library: The City Library has two positions that were at risk of being defunded. In order to maintain current services levels and retain employees this budget proposes the following:

- Change an Outreach Specialist from limited duration to permanent status and increase to full-time. The resulting addition of \$71,000 will be funded through Transient Room Tax and the position will be dedicated 50% to supporting the Springfield History Museum. Prior to this change, only one employee supported the museum.
- Reallocate Library Tech position from Special Revenue Fund to the General Fund. This addition of \$42,000 in General Fund support will be added to the Library's base budget to maintain services levels. Prior to this change, the Library Tech position was funded through the Special Revenue Fund which is derived from community donations and is not sustainable over time.

Police: This budget proposed the elimination of one Community Service Officer position and one Records position for a total reduction of \$191,000 from the General Fund. These two positions have been vacant for several years so there will be no service level reduction to the community.

Citywide: There were two reductions made in order to help address the structural deficit in the General Fund. The first was eliminating a \$400,000 transfer to the Building Preservation reserve and the second was eliminating a \$100,000 transfer to the ADA reserve. It is not advisable to continue to defer restoring the Building Preservation and ADA reserve funds as the City has a significant backlog in

deferred maintenance to its buildings. When the City receives ARP funding, staff will be requesting the restoration of these funds.

Looking Ahead

It is important to be vigilant regarding the issues and needs that impact the future of the City. The following are some of those issues:

COVID-19: Lane County remains in the “moderate” risk level; we must remain vigilant to mitigate the spread of the virus. The looming possibility of a more restrictive risk level remains a threat and would be detrimental to the physical and economic health of our community and organization. Vaccinations and protective practices are the best tools we currently have to combat the virus. The City will continue its cautious approach when returning employees from the telework environment and increasing access to City facilities.

Infrastructure: The City is on track with the projects identified as part of the 2018 General Obligation Bond to fund street repairs. While this was an important step to address the street repair backlog, there are still numerous capital projects that require attention. Many of the City’s owned buildings require significant repairs and these repairs should be given priority consideration for ARP funding.

Police: The environment of law enforcement is evolving on a national scale with communities calling for greater transparency and accountability. The FY21 budget funded the purchase of Body Worn Cameras and in-car video cameras for the Springfield Police Department (SPD). In May, 2021 SPD will begin using this technology and although this is a positive change it will nonetheless require ongoing funding to maintain the program. There will be an impact to SPD resources to ensure that footage is not only used for the administration of justice but also for the department to refine its policies and practices. Additionally, there will be an impact on the Municipal Court and Finance Department as the Court adapts to this technology.

Another aspect of police accountability is the continued follow up on external assessments of the SPD. The department is currently reviewing recommendations for improvement in policies, practices, procedures and training and it is likely there will be future costs associated with these recommendations. For instance, implementing a separate complaint and use of force reporting and tracking system will likely require an investment in specialized software and training.

Eugene Springfield Fire: The cities of Eugene and Springfield operate within a combined structure for fire services. This structure was initiated in 2010 and needs further development. Additionally, the cities are conducting a national search for a new Fire Chief for Eugene Springfield Fire (ESF). The upcoming changes at ESF will likely have policy and budgetary implications.

42nd Street Levee: The levee, constructed in 1959, provides flood control benefits to about 24,000 people, 7,500 structures and approximately \$4 billion in property value. The levee has significant deficiencies and the City has advocated for several years for funding (approximately \$40 million) to make improvements. The project was included within the Water Resources Development Act (WRDA) of 2020 and is a high priority for the Army Corps of Engineers Portland District. We are working with our federal delegation to advocate for project funding.

Fiscal Stability: The City of Springfield has a structural imbalance within its General Fund. Simply put, the cost of providing services exceeds the available funding which would likely result in the erosion of

critical reserves. In the past the City has addressed this imbalance by cuts, particularly to staffing. However, this approach is not sustainable for the long term. The City is now at the point where any significant budget cuts will create service reductions. Ultimately, it will take a combination of efforts to course correct. Departments must continue to critically examine services to ensure the core functions of the City are at appropriate levels. While departments continue to scour for efficiencies, the governing body should also consider new revenue sources. While the ARP funding could help back fill the City's lost revenue due to the pandemic, it will not remedy the General Fund structural imbalance – we will continue working on solutions.

Staffing Levels: As mentioned above, the City has sustained staffing cuts over several years including in the proposed FY22 budget. To use a sports analogy, the City does not have bench strength. Critical roles in the City do not have backup and the COVID-19 pandemic should serve as a warning. As an organization, we did not experience a significant outbreak of the virus but we may not be as fortunate in the future. Additionally, demands on staff are increasing while staffing levels remain the same (or are reduced). This creates consequences such as decreased morale, burnout, and the negative effects of stress. City staff take tremendous pride in our practical, no-frills culture but it is equally important to ensure that our employees are healthy and performing optimally.

Diversity, Equity and Inclusion: There is substantial research that shows that diversity brings many advantages to an organization such as increased creativity and better problem-solving abilities (www.weforum.org). Employees with diverse backgrounds bring their own perspectives, ideas and experiences that help us serve the diverse needs in our community. Diversity in the work environment is about more than gender identity, race and ethnicity – it also includes education, socioeconomic background, sexual orientation, cultures and physical ability. The City has made progress in fostering an environment that embraces diversity, equity and inclusion but this effort will need to continue – it is a critically important part of making Springfield a welcoming and inclusive community.

Conclusion

The past year has been challenging to our nation, state and community and we are still mired in the COVID-19 global pandemic. I want to acknowledge our employees who have been working throughout this crisis. Our police, fire and public works employees deserve extra recognition for their commitment to our community as they have been at greater risk due to the nature of their jobs.

There have also been changes in the elected body at the City that have brought new perspectives to the City Council. I want to thank the Mayor and Council for their commitment and service to our community.

Preparation of the budget is truly a team effort. I would like to thank those that helped prepare the budget. I would like to give special thanks to Nathan Bell, Neil Obringer, Niel Laudati and Mary Bridget Smith for the leadership role they have played in the preparation of this budget. I also want to thank all of the Department Directors and administrative staff that helped develop the budget. With that, I formally submit the Fiscal Year 2022 budget for your consideration.



Nancy Newton
City Manager