

MINUTES

Eugene Budget Committee
Bascom-Tykeson Room—Eugene Public Library—100 West 10th Avenue
Eugene, Oregon

April 27, 2011
5:30 p.m.

PRESENT: Claire Syrett, Chair; Shanda Miller, Vice Chair; John Barofsky, George Brown, Mike Clark, Pat Farr, Terry McDonald, Andrea Ortiz, George Poling, Chris Pryor, Ramin Shojai, Doug Smith, Betty Taylor, Alan Zelenka, members; Mayor Kitty Piercy; City Manager Jon Ruiz; Assistant City Manager/Planning and Development Director Sarah Medary; City Attorney Glenn Klein; Central Services Director Kristie Hammitt; Fire and Medical Emergency Services Chief Randy Groves; Public Works Director Kurt Corey; Library, Recreation, and Cultural Services Director Renee Grube; Karen Burling, Mia Cariaga, Myrnie Daut, Sue Cutsogorge, Pavel Gubanikhin, Larry Hill, Twylla Miller, Central Services Department.

ABSENT: Mary Ann Holser, Budget Committee member.

I. OPENING REMARKS

Ms. Syrett called the meeting of the Eugene Budget Committee to order. She noted that Ms. Holser could not attend and the committee had lost a member who moved outside of the City limits. She added *Review of the Work Plan* to the agenda as an item following item II and renumbered remaining agenda items accordingly.

II. MINUTES APPROVAL

Mr. Poling, seconded by Mr. Clark, moved to approve the minutes of February 2, 2011 Budget Committee meeting. The motion passed unanimously.

III. REVIEW WORK PLAN

Ms. Syrett reviewed the work plan.

Mr. Poling, seconded by Ms. Ortiz, moved to approve the committee work plan. The motion passed unanimously.

IV. GENERAL FUND FORECAST

Ms. Miller and Ms. Cutsogorge were present for the item. Ms. Miller first shared a pie chart showing aggregated revenue sources for the City's General Fund, noting that 64 percent of the fund came from property taxes. She shared trends for General Fund revenue sources between fiscal years (FY) 1998 and 2010 that indicated an average annual increase of 3.9 percent. Ms. Miller then highlighted the decline in anticipated growth in property tax revenues for FY11 (1.5 percent instead of projected 4.2 percent) and

attributed it to the loss of industrial property tax revenues. Staff projected a 3 percent growth rate for FY12 but Ms. Miller acknowledged the true growth rate would not be known until fall of 2011. For that reason, growth in the out-years of the forecast was maintained at 3 percent.

Mr. Shojai and Mr. Zelenka arrived during the presentation.

Ms. Miller noted the potential impact of two large property tax appeals (Hynix and Comcast) currently in court. Staff proposed to set aside \$1 million in reserves in the FY12 budget due to uncertainty of the final resolution of the appeals. The Comcast appeal had a potential ongoing impact of \$600,000, and staff had reduced future revenue forecasts accordingly.

Ms. Miller provided an overview of General Fund expenditures and highlighted cost trends for salary, fringe benefits, health care, and retirement between FY98-FY10.

Ms. Cutsogeorge reminded the committee that PERS (Public Employees Retirement System) rates were adjusted every two years, and the rates for FY12 are based on valuations from FY09, which reflected significant market losses that occurred in 2008. Staff included an increase of 6 percent in FY14 in the forecast and held rates flat in the outer years of the forecast.

Ms. Cutsogeorge then shared a graph entitled *Baseline Financial Model—Combined Tier 1/Tier 2, OPSRP Base Contribution Rate* and explained it illustrated the volatility that existed in the PERS system. The PERS actuary who prepared the graph had indicated half the scenarios resulted in base rates for PERS reaching 20 percent of payroll by FY16.

Ms. Cutsogeorge presented the General Fund forecast and reported that the deficit had grown compared to the previous forecast. She compared anticipated revenues and expenditures between FY11 and FY17 and said that staff expected expenditures to exceed revenues over that period, which highlighted the importance of adequate reserves. The City's reserve target for the General Fund was 8 percent. Ms. Cutsogeorge said current projections indicated if the City spent all its reserves they would be exhausted by FY14, which was not sustainable.

V. CITY MANAGER'S FY12 PROPOSED BUDGET PRESENTATION

City Manager Jon Ruiz first enumerated the developments occurring downtown and emphasized their positive nature. He assured the committee that the decisions it made last year in regard to investments in public safety were moving forward and they would be maintained in the FY12 budget. City Manager Ruiz said staff attempted to minimize the budget's impact on community services because people relied more on the services provided by the City during poor economic conditions. Staff had also attempted to minimize the impact of the budget on employees by avoiding layoffs, which had a negative impact on the local economy.

City Manager Ruiz noted the impact of the recession on the budget as well as the impacts of absorbing the library levy inside the General Fund and PERS increases. He said staff was also working with the structural imbalance in the budget created by the past use of one-time dollars for ongoing expenses.

City Manager Ruiz reminded the Budget Committee about the FY11 budget strategies, which were: 1) stabilize the budget; 2) reduced General Fund costs by \$17 million over the course of two fiscal years (FY10 and FY11); 3) minimize service impact to the community; 4) make strategic investments; 5) eliminate positions with minimal layoffs; and 6) build reserves.

City Manager Ruiz then shared data regarding the number of Full-Time Equivalent (FTE) positions per capita between FY03 and FY12 to demonstrate the decrease in FTE growth. He emphasized the points made by Ms. Cutsogeorge regarding the City's reserves and said the City had purposely not closed the entire gap in the FY12 budget to ensure the City could move forward on its initiatives and be thoughtful about closing the gap in future years.

City Manager Ruiz presented the FY12 Proposed Budget and highlighted the strategies staff proposed to use to balance the budget, which included setting aside funds by under spending budgets by 1 percent in FY11, reducing department budgets by 1.8 percent in FY12 and maintaining the reduction in future years, reallocation of costs from the General Fund to other funds to reflect workload changes, and funding strategic investments. City Manager Ruiz reviewed the strategic investments, which included additional jail beds, the addition of a Climate and Energy Analyst position, Equity and Accessibility coordination, ongoing funding for the downtown clean-up crew, and one-time support for the Ambulance Transport Fund.

City Manager Ruiz shared the outlook for the City's major funds and highlighted the poor conditions of the Ambulance Transport and Parking funds.

City Manager Ruiz reviewed the City's goals as it worked toward long-term financial sustainability, which included the development of a portfolio of services that reflected community needs; closing the General Fund gap; sustainable funding for the City's infrastructure; and the ability to address other unfunded needs. He anticipated more discussion and work was needed to achieve the City's goal of a sustainable budget.

VI. INFORMATION REQUESTS, NEXT STEPS

Responding to a question from Mr. Clark about the increase in the Parking Fund transfer, City Manager Ruiz reminded the committee that \$740,000 from the Parking Fund had been freed up for Downtown Public Safety Initiative by using urban renewal funds to cover the cost of the parking garage debt service.

Mr. Clark determined from Ms. Miller that the amount forecasted for the Eugene Water & Electric Board Contribution In-Lieu of Taxes (CILT) took into account future rate increases and was based on the most recent information provided by the EWEB staff.

Mr. Clark determined from City Manager Ruiz that the forecast did not account for the property taxes that might result from any future expansion of the urban growth boundary (UGB) to accommodate industrial development. Mr. Clark asked if that information could be provided to the Council when it discussed the subject of expanding the UGB. City Manager Ruiz believed it would be challenging and somewhat speculative to attempt to quantify that information because of the many different scenarios for UGB expansion that existed. He said he would give the matter further thought. Mr. Clark encouraged City Manager Ruiz to provide the Council with his "best guesstimate."

Responding to a question from Mr. McDonald, Assistant City Manager Medary said she would provide the committee with the percentage reduction anticipated for HOME funds. Mr. McDonald asked if the County had projected further declines in property tax collections. City Manager Ruiz indicated staff would follow up with an answer.

Responding to a question from Mr. McDonald, City Manager Ruiz said the City allocated \$1.035 million in the FY11 budget to the Human Services Commission for that body to allocate and that amount remained the same in the FY12 budget. In addition, the City had directed about \$700,000 in FY11 to designated

uses, some of which was also allocated by the HSC. There had also been a supplemental annual allocation of about \$125,000 toward social services made over the last two years. He recalled that staff added a second CAHOOTS van to the FY11 budget at an ongoing cost of \$250,000 to \$300,000. The total amount devoted toward social services in the FY12 budget was about the same but included the costs of the second CAHOOTS van.

Mr. McDonald said the County's budget crisis meant its ability to fund social services in FY12 would be seriously curtailed. He also noted the impact of decreased federal and State funding. Mr. McDonald acknowledged it was difficult for him to see the CAHOOTS expenditure knowing it would add a significant burden to the providers. City Manager Ruiz indicated the committee would hear a presentation on social services at an upcoming meeting.

Mr. Smith said he supported the proposed budget and the effort to maintain existing service levels. He believed that the manager and his staff were up to the task of balancing the budget. He clarified his requests for information, saying he sought information on aquatic and recreation uses to determine that service demand remained high, and sought information on the extra help budget for greater understanding of how temporary employees are utilized.

Ms. Ortiz requested more detail on the City's contract for ambulance transport with Rural/Metro partnership.

Speaking to the expenditure for a second CAHOOTS van, Mr. Farr suggested spending more money on a second van would not do much good if the van had nowhere to take people to for assistance.

Speaking to the recommendation to phase out funding for the Safe & Sound Program, Mr. Barofsky asked if the operators of the program had been informed of the decision. Assistant City Manager Medary believed that they had but staff would confirm that.

Mr. Barofsky advocated for committee examination of the risk and benefits portion of the budget. He had questions about some of the City's liabilities, such as Other Post Employment Benefits (OPEB). City Manager Ruiz suggested that Mr. Barofsky meet with Risk Services Director Myrnie Daut to discuss his questions so staff could be better prepared when the committee looked at those issues.

Ms. Shanda Miller asked why other sources of revenue were declining. Ms. Twylla Miller said there were hundreds of revenue sources included in this category and various reasons for their decline; in aggregate, they had declined 2.2 percent over a ten-year period.

Ms. Miller asked for a clarification about reserves, unappropriated ending fund balance (UEFB) and contingency included in the FY12 proposed budget. Ms. Cutsogeorge explained the difference between reserves and UEFB, noting that the latter is used to better manage the City's cash flow throughout the fiscal year. She also indicated that contingency is budgeted at \$100,000 per year for unexpected expenditures.

Ms. Miller said that she was looking forward to more information on the Safe & Sound Program.

Ms. Miller expressed disappointment that the FY12 proposed budget does include any performance measurement data. She noted that staff had provided outcomes, but she thought it would be good to see five-year trends along with those outcomes and anticipated she might request some of that trend data.

Mr. Zelenka looked forward to hearing more about the recommendation for the Safe & Sound Program.

Mr. Zelenka was pleased to see taxes were going down somewhat due to the expiration of the Library Local Option Levy. He also noted the decline in FTE per capita, which was the lowest the community had experienced since the 1980s. He expressed appreciation that the manager included the strategic investments in the budget. Responding to a question from Mr. Zelenka about the stability of the Road Fund, City Manager Ruiz said there was a stable revenue funding source for operations and maintenance, but it would require additional funding to ensure fund sustainability. Mr. Zelenka requested a status report on the road maintenance backlog.

Ms. Syrett recalled that staff had provided the committee with information about the status of the Ambulance Transport Fund the previous year and suggested that it provide the committee with that information again for context. She also wanted more information about the Safe & Sound recommendation and expressed appreciation for Mr. Farr's remarks about the need for services for those transported by CAHOOTS vans. She wanted to know the impact of the expenditure on social services funding. Ms. Syrett also asked for information about the increase in parking security costs mentioned on page A.8 of the proposed budget and for details on the expenditures associated with the proposed \$5.1 million for vehicle replacement.

Responding to a question from Ms. Syrett, City Manager Ruiz indicated staff proposed no further reductions to animal services.

Mr. Shojai concurred with Ms. Miller's request for performance benchmarks. He also noted he had done some research on how Eugene compared with other communities in certain service areas based on the data from the ICMA Center for Performance Measurement and requested assistance from staff in framing that information before he presented it to the committee.

Mr. Smith commended the City's decision to stop printing the recreation guide.

Mr. Smith said he had been surprised to see the amount the City spent on extra help in service areas outside recreation. He suggested that some of the duties performed by extra help could be folded into the responsibilities of existing employees for ongoing costs savings.

Mr. Barofsky asked why there is a large increase in the Information Services Fund reserves and what those reserves were intended for.

Mr. Clark noted and commended a ten percent increase in parking revenues between FY11 and FY12.

Mr. Clark suggested that staff schedule a presentation on the impact of Lane County budget reductions on the Eugene's public safety system. City Manager Ruiz suggested that discussion might have to occur subsequent to Budget Committee discussions because the County might act on its budget too late for the impact of those decisions to be clearly understood.

Ms. Miller asked for information about the large increase in expenditures for fleet and radio communications services reflected on page C.71 of the proposed budget.

VII. PUBLIC COMMENT

Sven Erik Wahlroos, Vice President of Eugene Fire Fighters Local 851, spoke of the importance of a rapid and aggressive attack on interior residential fires to reduce loss of life and property damage. Three variables affected the outcome of a structure fire: crew size, response time, and fire growth rate. A delayed response, in conjunction with inadequate resources, reduced the likelihood of controlling a fire in time to

prevent damage and loss of life and increased danger to fire fighters. He said the impact of the City Manager's recommended 1.8 percent reduction in General Fund dollars for department budgets would mean the loss of a fire company at the Whiteaker Fire Station. He asked the committee to restore those reductions.

Jerry Smith spoke about the impact of reductions in Temporary Assistance to Needy Families (TANF) on Lane County families. There were 2,700 families in Lane County receiving TANF assistance, and 400 to 500 families would lose assistance on July 1. He anticipated people would be impacted in a variety of ways, including the loss of their homes, and in the form of increased abandonment and abuse. No shelter would be available for many families. He announced a meeting scheduled for May 3 at 3 p.m. at First Christian Church for further discussion of the situation.

Mr. Smith read a statement on behalf of **Ruth Duemler**, who advocated for the committee to allocate funding for portable toilets and trash bins for homeless campers. She also advocated for more shelter for teens and more spaces for homeless campers as she expected more people to become homeless as a result of reductions in social service funding.

Ms. Syrett closed the public comment period.

VI. INFORMATION REQUESTS, NEXT STEPS (continued)

Mr. Barofsky expressed concern about the impact of the City Manager's proposed 1.8 percent reduction and requested information on how the departments planned to implement the reduction. He said while such an approach sounded good, the ramifications might be negative. He suggested such reductions should be referred to the committee for review if they exceeded a certain threshold. Mr. Ruiz clarified that a fire company would be repurposed to become a medical unit. Three company officer positions would be eliminated. The reduction would not lead to closure of the station.

Ms. Ortiz asked the City Manager to help her identify \$50,000 in the budget to fund portable toilets and trash removal for 50 more homeless camping spaces.

Ms. Taylor expressed concern about the impact of the proposed reduction on the Fire and Emergency Medical Services Department and wanted more information. Mr. Ruiz indicated that the staff will provide more information on the specifics of the FY12 budget reductions.

Mr. Pryor expressed appreciation for the public testimony. He characterized public safety and social services as two fingers on the same hand. He suggested the committee discuss how to meet the City's social service goals within its budgetary constraints.

Mr. Zelenka also wanted to know more about the impact of the Fire & EMS reduction. He requested more information about the Parking Fund, in particular how the City is planning to increase revenues when it had established the free parking zone in the downtown area. He suggested the lost revenue from downtown was being replaced by increased revenues around the University of Oregon and the arena parking district.

Ms Zelenka asked if the staff can provide an updated forecast for the Ambulance Transport Fund.

Mr. Barofsky indicated that he is concerned about the Budget Committee work plan and the amount of time allocated to review of the FY12 proposed budget. Ms. Syrett concurred and suggested that meeting ending times should be extended to 8:30 pm to accommodate additional Budget Committee discussions.

Mr. Barofsky indicated that the appointed members of the committee do not have as many meetings as City Councilors, and that additional time may be needed to discuss the budget.

Mr. McDonald requested that the social services presentation is rescheduled from May 11 to May 10, because he will be absent on May 11.

VIII. ADJOURN

Ms. Syrett adjourned the meeting at 7:20 p.m.

(Recorded by Kimberly Young)