



Memorandum

Date: May 20, 2013
To: Budget Committee Members
From: Mia Cariaga, Assistant Finance Director
Subject: May 23rd Meeting Materials

In preparation for the budget presentation on Thursday, May 23, 2013, please find an agenda attached. Also note that the meeting time has been changed to begin at **6:00 p.m.** in the Bascom-Tykeson Room and dinner will be available beginning at 5:30 p.m.

As you have probably noticed, the FY14 Proposed Budget document is an abridged version of the full adopted document. As in previous years, the City will produce the full document after City Council action in late June. If you need additional information that you do not find in the proposed document, please refer to the FY13 Adopted Budget; it is likely that the adopted document will provide necessary background information.

There are some new features in the FY14 Proposed Budget document:

- An explanation of General Fund reserves (page 17)
- A fund schedule for the General Fund main sub fund that includes budgeted amounts for Contingency, Reserves, and Unappropriated Ending Fund Balance (page 117)
- Fund schedules now show an estimate for Ending Working Capital in the FY14 Proposed column (example on page 119)

Hard copies of these items are provided to Budget Committee members only. These materials are available in their entirety online at www.eugene-or.gov/budget and www.eugene-or.gov/pw.

We look forward to seeing you on Thursday. If you have questions about the packet or meeting date, know that you will not be attending the meeting, or need other help, please call me at (541) 682-5408.



**Eugene Central Services
Finance**

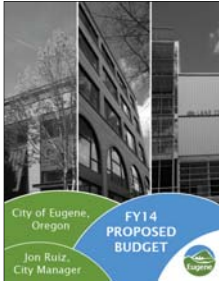

A G E N D A
EUGENE BUDGET COMMITTEE
Thursday, May 23, 2013
Downtown Library, Bascom-Tykeson Room
100 West 10th Avenue, 6:00 p.m. – 7:30 p.m.

- | | |
|----------------|--|
| 6:00-6:10 p.m. | I. Opening Remarks Laura Illig, Chair |
| 6:10-7:00 p.m. | II. City Manager's FY14 Proposed Budget Presentation Jon Ruiz, City Manager |
| 7:00-7:30 p.m. | III. Questions and Next Steps Committee Discussion |
| 7:30 p.m. | Adjourn |

We are committed to access for all participants. All events are held in wheelchair accessible rooms. For individuals who are hearing impaired, an interpreter, note taker or FM assistive listening system (if available) can be provided with one week notice prior to the event. Materials can be made available in alternate formats if requested in advance and are available on the City's website at www.eugene-or.gov/budget. To arrange for services or for more information about the session, please contact the Finance Division at (541) 682-5512.

City of Eugene FY14 Proposed Budget Presentation


Jon Ruiz, City Manager
May 23, 2013

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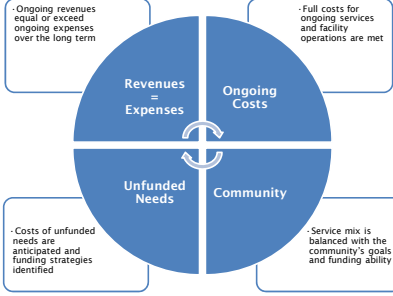
Council Goals

- Safe Community
- Sustainable Development
- Accessible and Thriving Culture and Recreation
- Effective, Accountable Municipal Government
- Fair, Stable and Adequate Financial Resources




2

Moving Towards a Sustainable Budget




- Ongoing revenues equal or exceed ongoing expenses over the long term
- Full costs for ongoing services and facility operations are met
- Costs of unfunded needs are anticipated and funding strategies identified
- Service mix is balanced with the community's goals and funding ability




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Focus First on Stability, Then on Sustainability

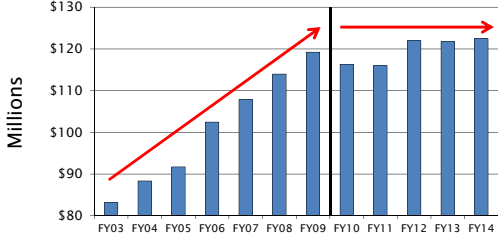


- Financial Stewardship**
 - Live within our means
 - Maintain adequate reserves
- Economic Prosperity**
 - Encourage development of new businesses and construction in order to create jobs and increase the tax base to contribute to long term financial stability
- Invest in Community Goals**
 - Reduce Property Crime
 - Fix the Streets
 - Revitalize Downtown
 - Support Human Services
 - Reestablish City Hall
- Cost Control**
 - Look for efficiencies and make footprint reductions
 - Slow growth in expenditures
 - Identify partnerships and other ways to reduce costs and maintain services




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General Fund Operating Budget

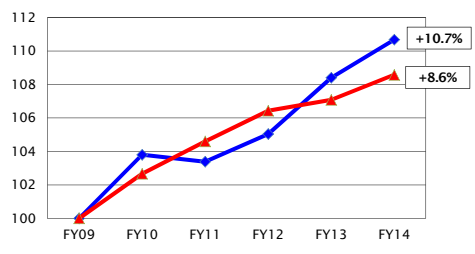


| | Average Annual Growth | Reductions Since FY09: \$24 Million 100 FTE |
|-------------|-----------------------|---|
| FY03 - FY09 | 6.2% | |
| FY10 - FY14 | 0.6% | |




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Wages vs. Inflation

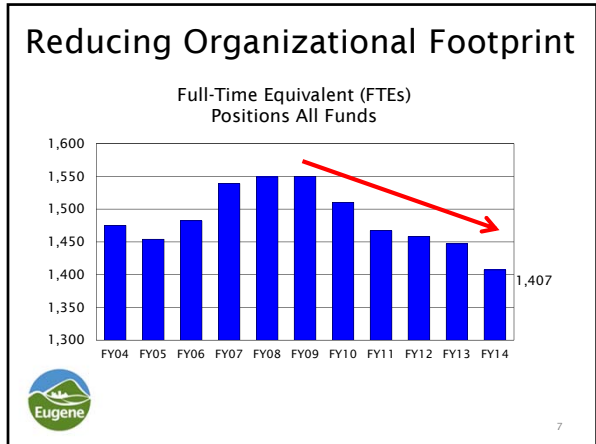


| Year | CPI-U (All Urban Consumers) | Weighted Average COLA |
|------|-----------------------------|-----------------------|
| FY09 | 100 | 100 |
| FY10 | ~104 | ~103 |
| FY11 | ~104 | ~105 |
| FY12 | ~106 | ~106 |
| FY13 | ~108 | ~107 |
| FY14 | ~111 | ~108.6 |

FY09 = 100



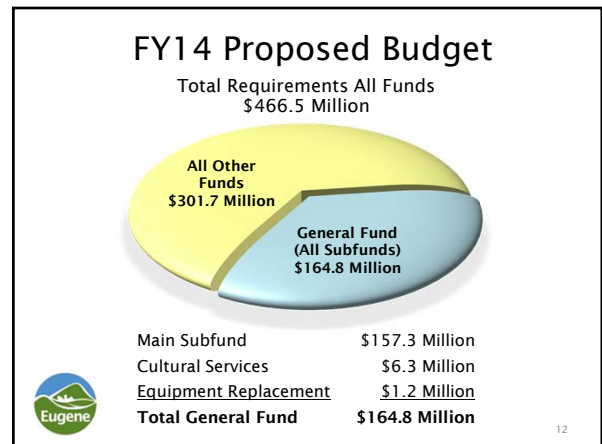
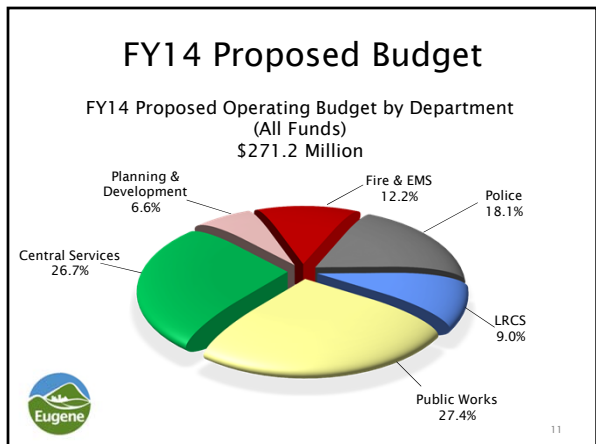
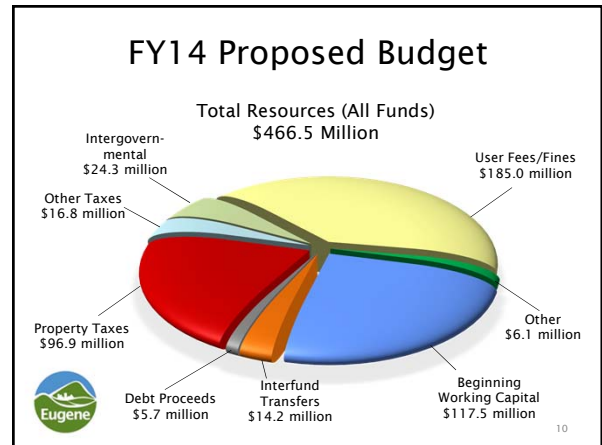
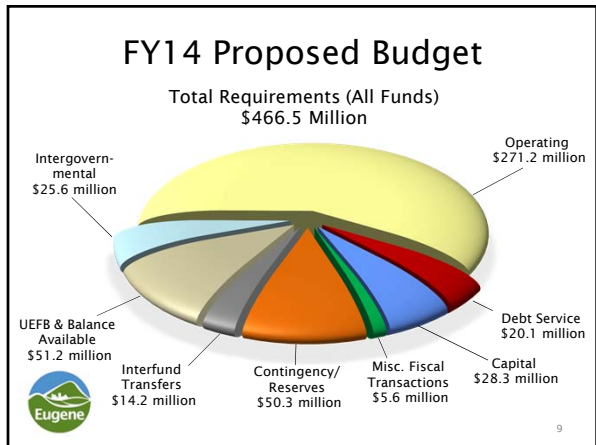
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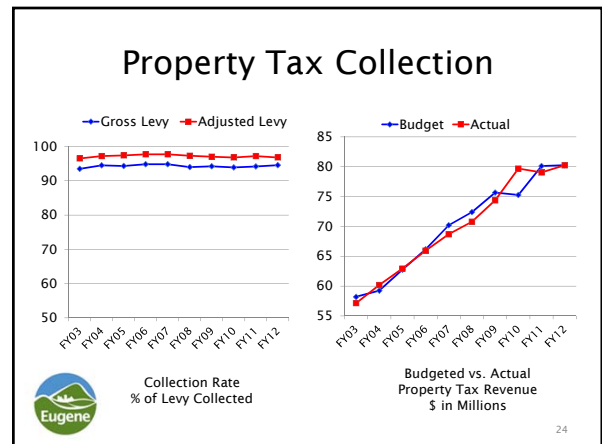
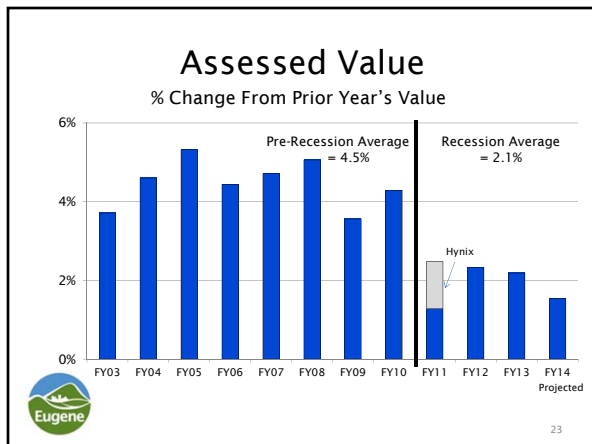
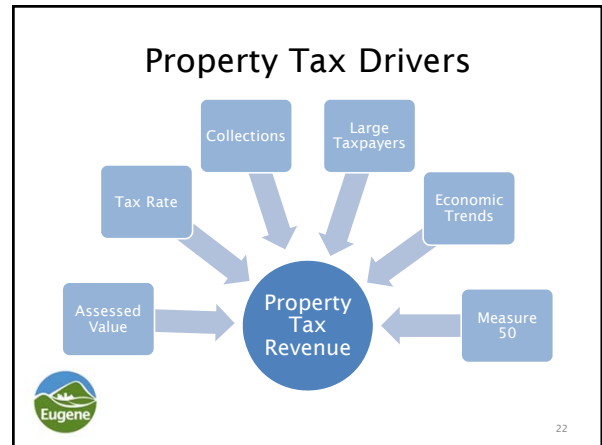
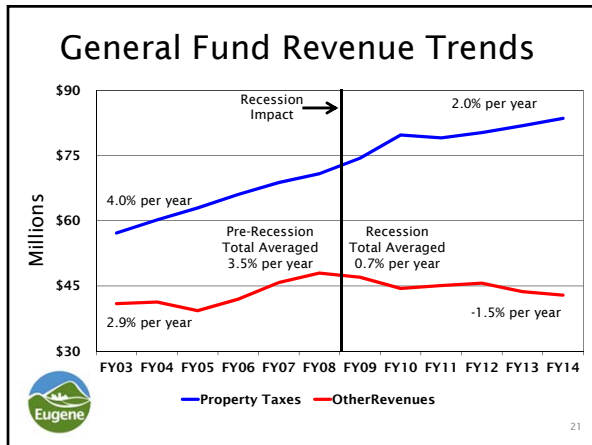
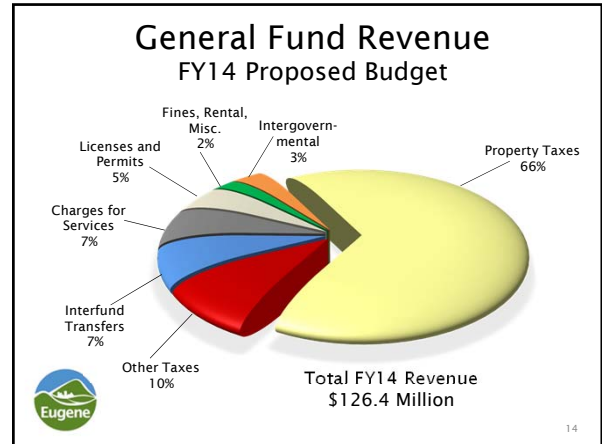
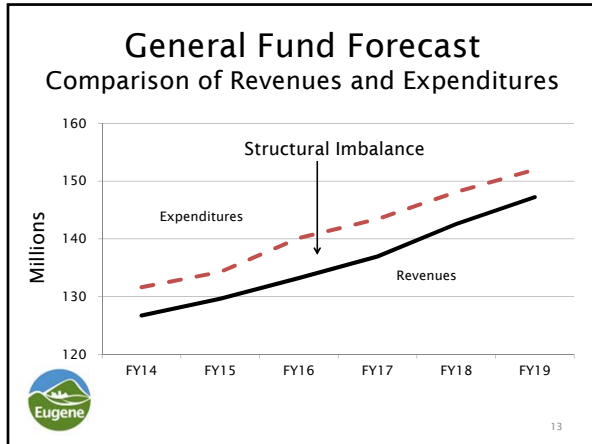


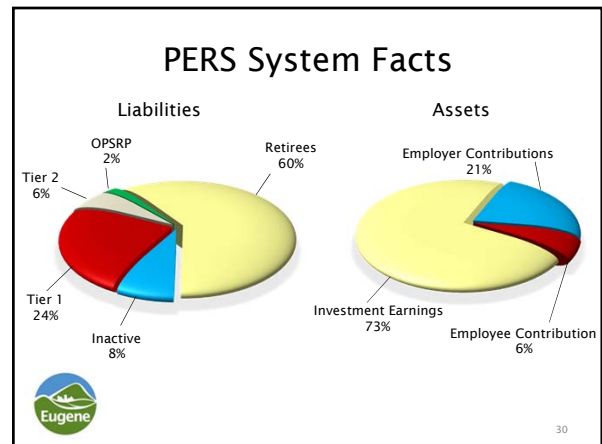
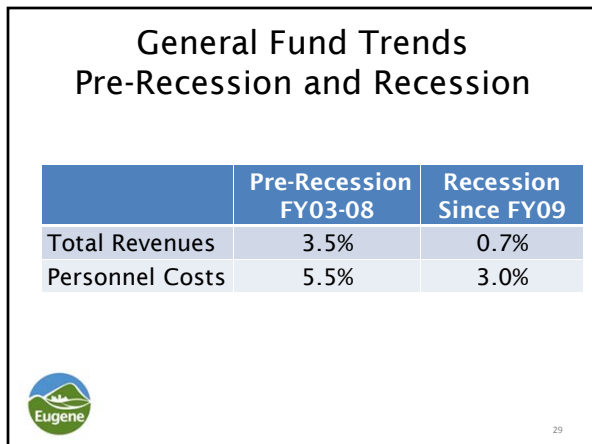
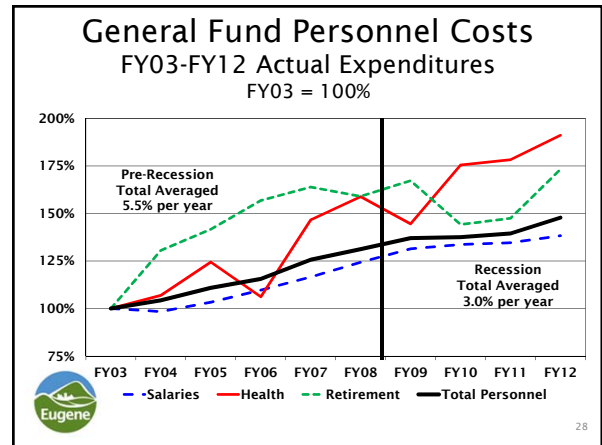
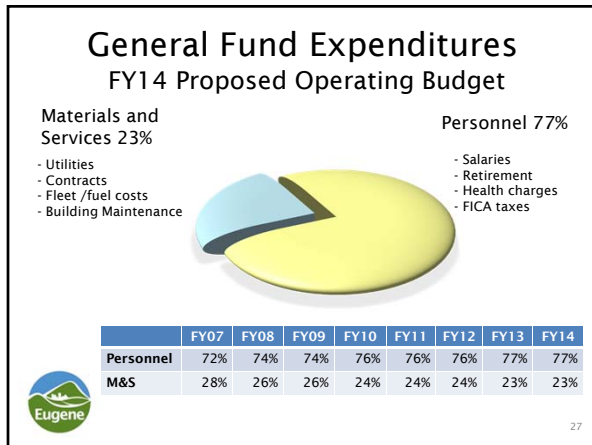
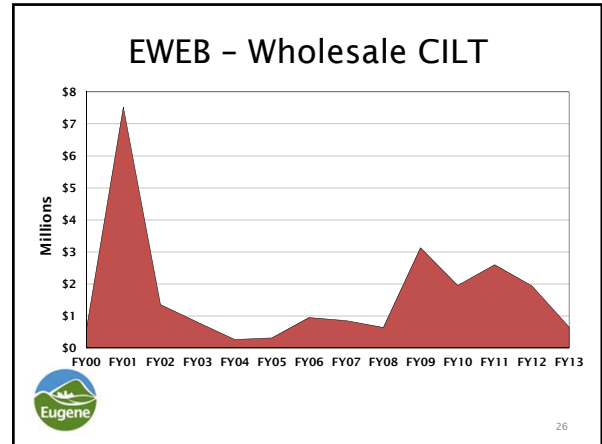
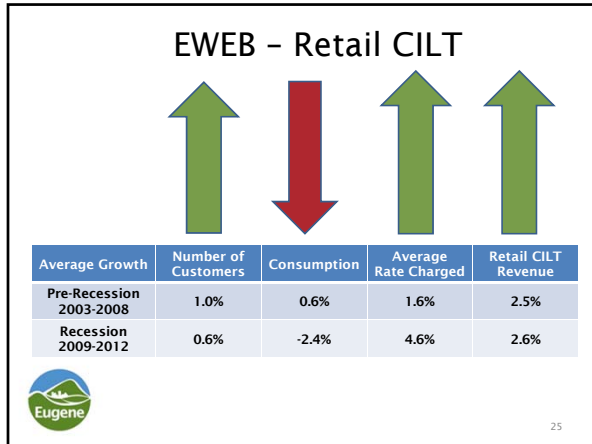
Status of Funds

| | |
|------------------------------------|---------|
| General Fund | Stable |
| Other Funds: | |
| Airport Fund | Stable |
| Ambulance Transport Fund | Caution |
| Construction & Rental Housing Fund | Caution |
| Parking Fund | Caution |
| Road Fund | Stable |
| Stormwater Fund | Stable |
| Wastewater Fund | Stable |

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PERS Reform

Past Reforms

- 1996 - Create Tier 2
- 2003 - Create OPSRP

2013 Reforms

- COLA
- Out of State Tax Remedy

Other 2013 Legislation

- Defer Rate Increases

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City of Eugene PERS Statistics

| | FY13 | FY14 | Change |
|--------------------------------|----------------|----------------|---------------|
| Rates as a % of Payroll | | | |
| Tier 1 & 2 | 14.03% | 17.10% | 3.07% |
| OPSRP General | 10.18% | 12.26% | 2.08% |
| OPSRP Police & Fire | 12.89% | 14.99% | 2.10% |
| Total PERS Cost | | | |
| All Funds | \$18.2 million | \$20.3 million | \$2.1 million |
| General Fund Only | \$11.0 million | \$12.1 million | \$1.1 million |

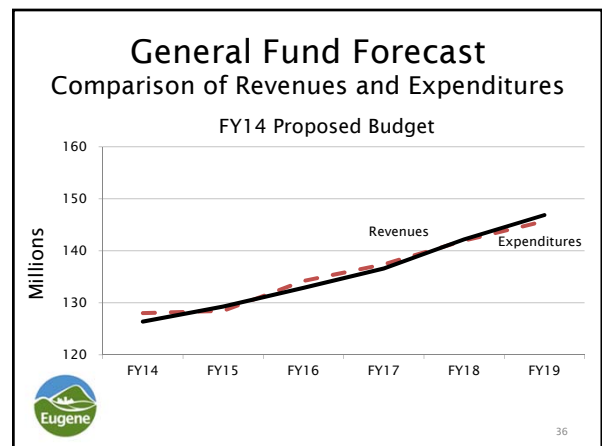
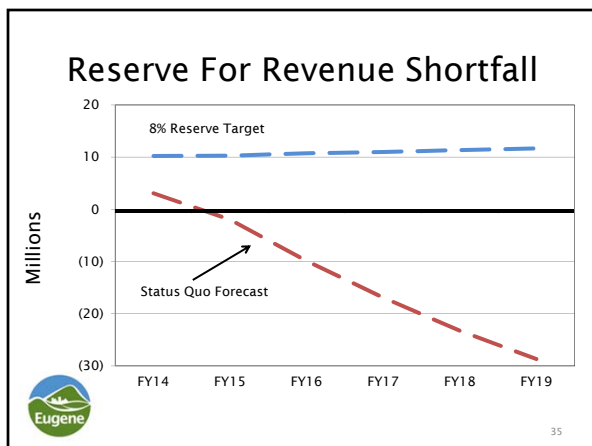
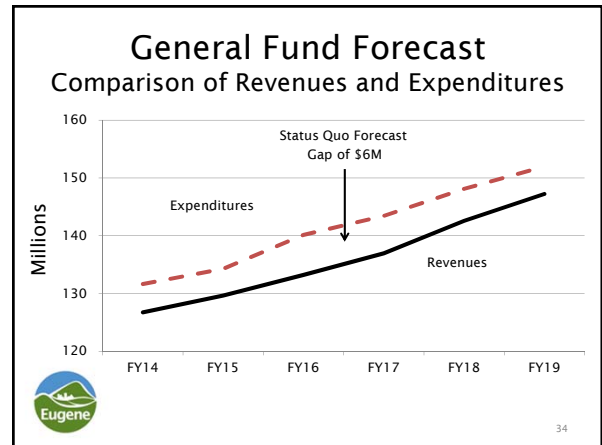
Potential Savings from SB822 ↗

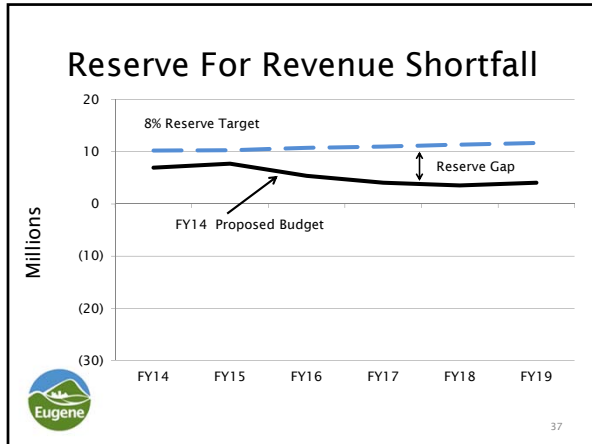
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General Fund Forecast

- Purpose:
 - Long-term focus
 - What-if analysis
 - Make adjustments
- Financial Goals
 - Revenues ≥ Expenditures
 - Reserve Target: 8% of Gen Fund Expenditures

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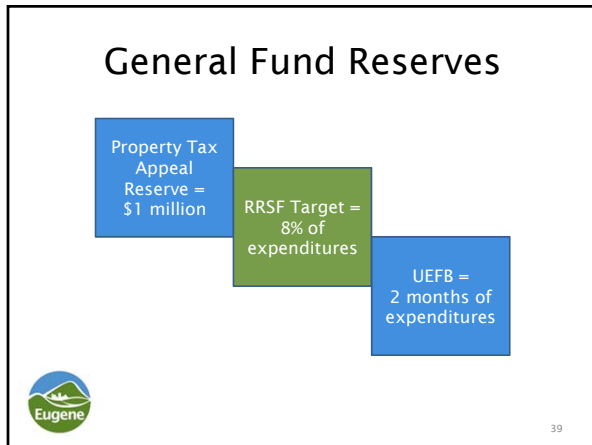


Why do we budget reserves?

- To provide financial flexibility
- To provide a cushion for emergencies.
- To provide for cyclical cash flow needs.
- To save up for a large project or purchase over time.
- To meet legal requirements.
- To demonstrate prudent financial management practices to the rating agencies and bondholders.

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Reserve for Revenue Shortfall Target

Target:

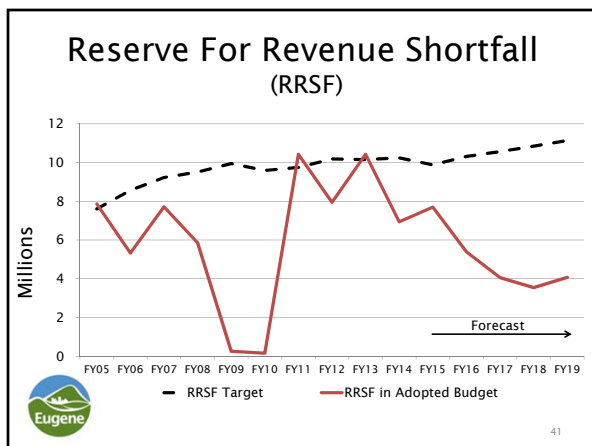
- 8% of Expenditures

Factors Considered:

- Revenue/Expenditure Risk
- Reserve History
- Other Similar Entities
- Rating Agency Guidance

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Bond Rating Comments

From Moody's Investors Service in October 2011:

"The City of Eugene has been ahead of the curve in terms of reducing its cost structure versus many other jurisdictions."

Credit Strengths

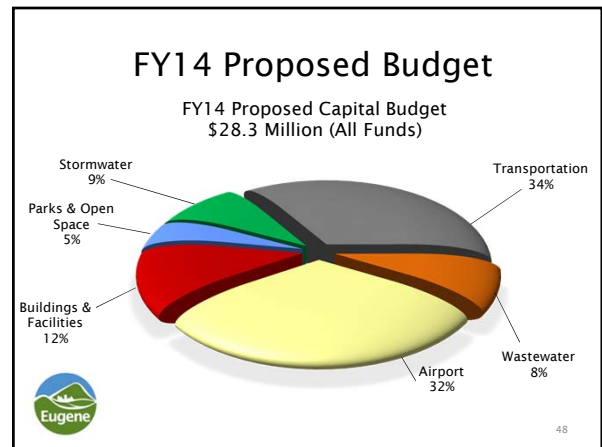
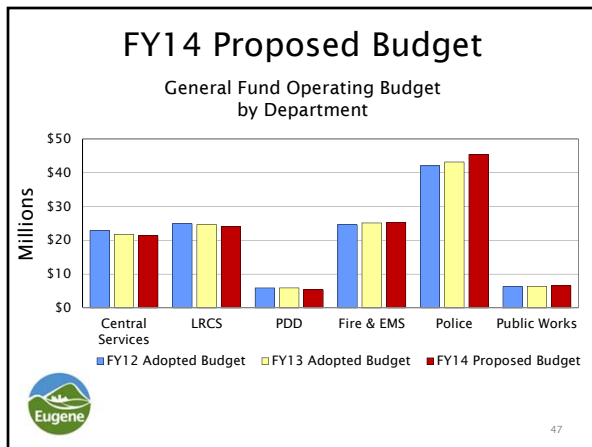
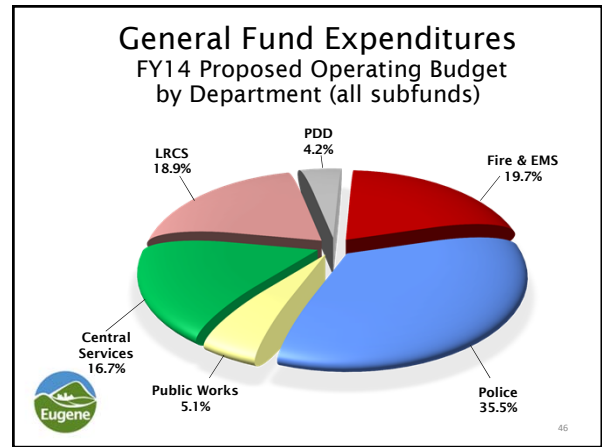
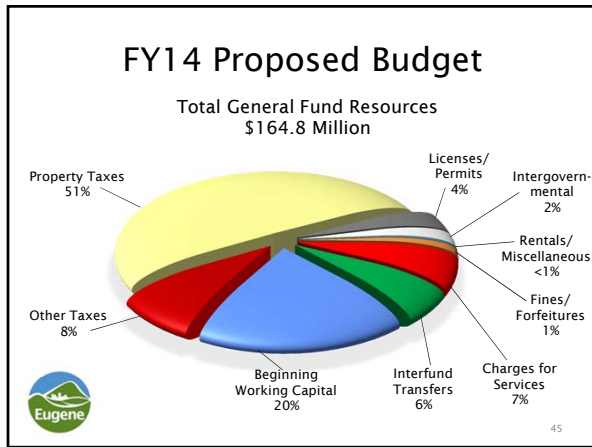
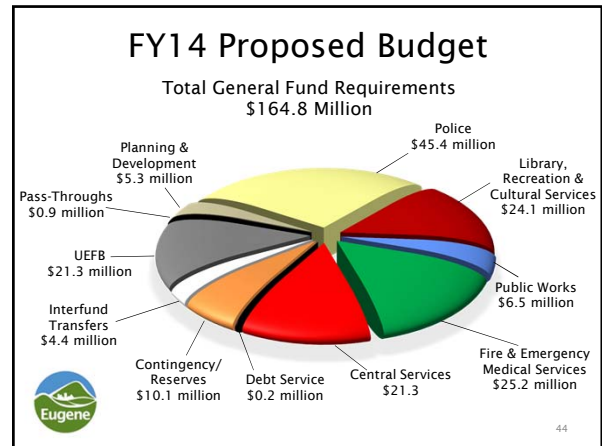
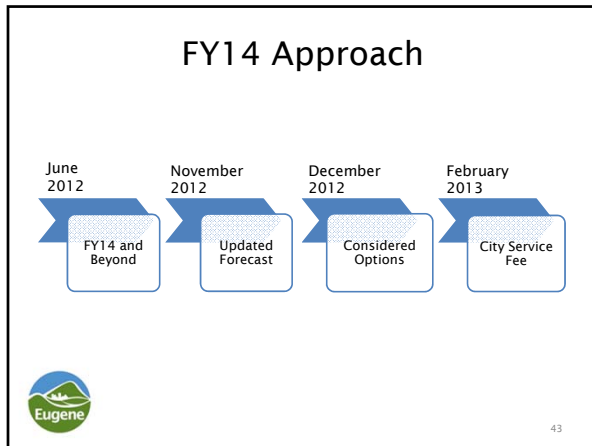
- strong fiscal management
- maintaining sound reserve levels
- long-term budgetary planning

What could cause the City's rating to decline?

- significant deterioration of the City's reserve balances

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Closing the Gap: Footprint Reductions

| Category | Amount |
|------------------------|--------------------|
| Overtime | \$653,000 |
| Materials and Supplies | 175,000 |
| Software Changes | 150,000 |
| Library Fees | 22,000 |
| TOTAL | \$1,000,000 |

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Closing the Gap: Service Reductions

- Remaining funded services represent a balance of items designed to address all of the Council goals.
- They can be reduced rather than eliminated.
- They could realistically be provided by others, albeit at reduced levels or access.
- They could be efficiently restored if funding becomes available.
- Services that pay for themselves are not included, such as athletics.
- Services that cannot practically be provided by somebody else are not included, such as adaptive recreation.

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Closing the Gap: Service Reductions

FY11

(Detailed list of FY11 budget items and adjustments)

FY13

(Detailed list of FY13 budget items and adjustments)

FY12

(Detailed list of FY12 budget items and adjustments)

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Closing the Gap: Service Reductions

| Service | Amount | FTE |
|--|--------------------|--------------|
| Fire Engine and Crew | \$700,000 | 6.0 |
| Four Police Detectives | 400,000 | 4.0 |
| Second CAHOOTS Van | 300,000 | N/A |
| Teen Court Program | 100,000 | 1.0 |
| Homeless and Human Services - Human Services Commission and Looking Glass Station 7 Youth Center | 600,000 | N/A |
| Branch Library at Sheldon | 300,000 | 3.05 |
| Branch Library at Bethel | 300,000 | 2.95 |
| Downtown Library (one day a week) | 500,000 | 5.0 |
| Sheldon Pool | 400,000 | 3.25 |
| Recreation Programs and Services | 300,000 | 3.55 |
| Neighborhood Park Restrooms | 100,000 | 0.5 |
| Parks Maintenance | 500,000 | 4.8 |
| Equity, Human Rights, Neighborhoods and Sustainability | 800,000 | 5.75 |
| TOTAL | \$5,300,000 | 39.85 |

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Focus on the Future

Financial Stewardship

- Live within our means
- Maintain adequate reserves

Economic Prosperity

- Encourage development of new businesses and construction in order to create jobs and increase the tax base to contribute to long term financial stability

Invest in Community Goals

- Reduce Property Crime
- Fix the Streets
- Revitalize Downtown
- Support Human Services
- Reestablish City Hall

Cost Control

- Look for efficiencies and make footprint reductions
- Slow growth in expenditures
- Identify partnerships and other ways to reduce costs and maintain services

Focus first on stability, then on sustainability

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FY14 Proposed Budget

- Narrows General Fund gap through ongoing reductions
- \$1 million in footprint reductions
- \$5.3 million in service reductions
- Continues work on Council and community goals

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Council Goals

- Safe Community
- Sustainable Development
- Accessible and Thriving Culture and Recreation
- Effective, Accountable Municipal Government
- Fair, Stable and Adequate Financial Resources

