

# MINUTES

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

April 15, 2009  
6:30 p.m.

**PRESENT:** John Barofsky, Chair; Claire Syrett, Vice Chair; George Brown, Mike Clark, Kate Davidson, Mary Ann Holser, Terry McDonald, Andrea Ortiz, George Poling, Joseph Potwora, Doug Smith, Jennifer Solomon, Betty Taylor, members; Mayor Kitty Piercy; City Manager Jon Ruiz; Assistant City Manager Sarah Medary; Library, Recreation, and Cultural Services Director Renee Grube; Central Services Director Kristie Hammitt, Public Works Director Kurt Corey, Becky Carlson, Public Works Department; Fire and Emergency Medical Services Director Randy Groves; Chief of Police Pete Kerns, Glen Svendsen, Eugene Police Department; Planning and Development Director Susan Muir, Scott Luell, Planning and Development Department; Dee Ann Raile, Kitty Murdoch, Karen Burling, Sue Cutsogorge, John Huberd, Pavel Gubanikhin, Financial Services.

**ABSENT:** Noah Kamrat, Chris Pryor, Alan Zelenka, members.

## **I. Committee Briefing & Discussion: FY10 \$12 Million General Fund Strategy**

Mr. Barofsky called the meeting of the Budget Committee to order. He welcomed those present and indicated it was an informal opportunity for members to hear more about the current fiscal situation.

Those present introduced themselves and briefly spoke to their concerns, frustrations, and hopes for the budget. Among the concerns expressed were the fact the City had yet to go through a priority-setting exercise and the Council had not discussed comprehensive tax reform.

City Manager John Ruiz assured the committee that he shared its interest in a priority discussion. He reviewed the handout materials provided to the committee.

Mr. Ruiz reviewed a document entitled *Chronology of the Estimated FY10 Operating Deficit for the City of Eugene General Fund*. Members asked questions clarifying the information presented as it regarded reduced revenues for fines and permits and the property tax collection rate.

Ms. Raile spoke to the issue of the property tax collection rate, saying that staff had projected a lower property tax collection rate but had not yet seen a decline; however, the projection took that down a percentage point in anticipation of a reduction.

Mr. Clark asked if the City had any control over the Property Tax Appeals Board or the standards applied, which he asserted were less than astringent. Ms. Raile indicated the City had no influence in that regard. She believed the Board of County Commissioners appointed the board. Mr. Ruiz indicated that staff would check and if the answer was different, provide that information to the committee.

Mr. Ruiz called the committee's attention to a spreadsheet entitled *General Fund Six-Year Financial Forecast FY10 Through FY15*. He called attention to the projected operating surplus in 2010 as a positive note. He said that the surplus assumed that the \$12 million realized in savings in FY10 would be ongoing

savings. About \$2.3 was one-time, and that savings must be found on an ongoing basis. The budget also assumed that the library levy was absorbed by the General Fund in 2012. There was also a \$3 million increase in expenditures associated with a projected PERS rate increase in FY12. Mr. Ruiz called attention to the Reserve for Revenue Shortfall and said it began to become the City's savings account in the future. It would provide some cushion. He suggested that over time the City would want to increase that to 8 percent of the budget. Mr. Ruiz said the City's financial capacity to add new programs would be extremely limited as a result. The FY10 budget maintained what was currently in place.

Responding to a question from Ms. Holser, Ms. Murdoch confirmed that in the past the General Fund had been used to support other funds but the City's ability to do that was increasingly limited. There were other funds that had cyclical ups and downs and staff had adjusted the spending levels for those funds. She noted that the workload associated with funds such as the Construction Permit Fund had also gone down.

Mr. McDonald clarified the revenue trend with Ms. Raile, who anticipated assessed value growth in all property categories except industrial. She attributed the drop between 2009 and 2010 to the loss of Hynix and noted the increase in revenue growth after that. Mr. McDonald hoped what he considered an optimistic forecast held true.

Mr. Barofsky acknowledged that the City had some struggling funds, including the Ambulance Transport and Road funds. However, he thought that the committee needed to consider all funds. He suggested that the committee might decide that revenues collected in funds other than the General Fund had to be used for other purposes. Mr. Ruiz pointed out that the City could use the General Fund to supplant other funds, but generally the reverse was not true because of the dedicated nature of those funds' revenues.

Mr. Ruiz referred the committee to the document entitled *FY10 Budget—General Fund \$12 Million Savings Plan*. He emphasized that the plan included funding that was not all yet actual realized dollars. He cited additional grant funding as an example. He believed the City could realize those grant dollars. Mr. Ruiz described each category of reductions and noted some of the listed examples. He emphasized that the intent of the reductions in many cases was to shrink the organizational footprint.

Mr. Potwora arrived during Mr. Ruiz's review of the savings plan.

Mr. Clark asked if any of the 25 positions that were to be eliminated would be police patrol positions. Mr. Ruiz said not at this time; however, he pointed out that there were still discussions to occur and staff had not finalized the recommendation. He hoped to have all the positions identified by July 1.

Ms. Holser determined from Ms. Murdoch that the cost of living adjustments (COLAs) built into employee contracts were based on the prior year's Consumer Price Index.

Responding to a question from Ms. Ortiz, Mr. Ruiz confirmed that at this point, it was his hope not to lay any employees off. Ms. Ortiz said that just because the City did not want to lay off employees did not mean that would not occur. Mr. Ruiz agreed. He conceded a larger deficit could change the situation, but reiterated at this point, there were no layoffs proposed. He suggested that the City might find that an occupied position was not necessary, but would offer the occupant of that position another job. He said the City was considering also offering limited severance packages to employees whose positions could potentially be eliminated for the long-term.

Ms. Ortiz asked if a legislation being pushed by Verizon in the current legislative session would adversely affect the amount coming to the City from telecommunications-related franchise fees. Mr. Ruiz did not think so, but Ms. Hammitt agreed to look into the issue.

Ms. Syrett encouraged City staff to seek more grant funding than it needed given the tendency of granting agencies to grant less.

Ms. Syrett anticipated the University of Oregon would also ask its employees for voluntary furloughs. She encouraged Mr. Ruiz to ask employees of the American Federation of State, County, and Municipal Employees (AFSCME) to support voluntary furloughs. Mr. Ruiz indicated that discussions with the union was ongoing and he believed the reaction was generally positive.

Mr. Smith expressed appreciation for the manager's perspective on the savings plan as it had generated many questions for him. He asked how much of the savings plan was ongoing. Mr. Ruiz said that currently, \$9.7 million represented ongoing savings. The remaining amount would have to be converted to ongoing savings. Mr. Smith asked if exempt employees would be asked to forego a COLA even if union employees declined to do so. Mr. Ruiz suggested that COLAs were one way to achieve savings; another approach was for every employee to take a two-week furlough. If the City staff was to be a team, he believed that everyone should experience both the good and bad, and it was his intent that all employees would share in that sacrifice. He suggested that there might be different ways of getting to the same goal with each individual work unit.

Mr. Smith determined from Fire Chief Groves that the increased revenue anticipated for the Fire and Emergency Services Department was gained by training employees from other police agencies.

Mr. Smith agreed with Ms. Syrett about increasing the amount of grant requests. He did not think that local governments were going to see much of the stimulus funding as he expected the State and school districts to get the largest share.

Mr. Smith concurred with the approach being suggested in regard to layoffs. He suggested that it be extended to internal job recruitment as positions could be brought back at a later time. He wanted the City to be socially responsible and not place the deficit on the public through increased fees and service reductions or on employees by job losses. Mr. Ruiz noted that very few fee increases were being contemplated. Mr. Smith did not want to see new fees or increases in existing fees, and suggested the potential of reducing fees by one or two percent as a way to recognize residents' economic situation and encourage them to continue to use City facilities. He thought that in better times, fees could be raised. Mr. Ruiz noted the council's support for an increase in the haulers fees.

Mr. Poling recalled that the Council Committee on Intergovernmental Relations recently discussed proposed legislation related to the right-of-way that would preclude a municipality from charging telecommunications companies for the use of its right-of-way, leading to the complete loss of all telecommunications-related funding. He suggested that Intergovernmental Relations Director Brenda Wilson could bring the committee up to date.

Mr. McDonald commended the proposed approach to the budget.

Mr. McDonald determined from Ms. Grube that the Library Foundation had committed to the funding for books reflected in the proposed budget. He asked if turning off computers was systemic throughout the organization, or if it occurred automatically. Mr. Ruiz indicated that staff would be responsible for turning off their computers, and staff was tracking energy savings from that and adjusting the temperature in City owned- and operated buildings.

Responding to a question from Mr. McDonald about the savings being realized from moving to an in-house legal counsel, Mr. Ruiz clarified that the amount shown was a net savings. He said that the amount involved was relatively small because the City still contracted for a great deal of its legal work. A protocol

would be developed for the use of in-house versus out-house legal assistance. Mr. McDonald believed the protocol could be used to increase the amount of savings and encouraged Mr. Ruiz to develop it soon.

Responding to a question from Mr. McDonald about what the City was doing in regard to the additional federal and State grant opportunities currently available, Ms. Grube said her department was actively working to identify opportunities for grant applications. A team had been formed to identify programs that might be eligible for grant funding. At this point, she did not have a targeted amount to offer the committee, but anticipated each program area would have a targeted amount. Mr. McDonald asked who determined what grant applications went forward. Ms. Grube said that staff would not apply for grants that it did not have the ability to write or the resources to support.

Mr. McDonald expressed the hope that as the grant process moved forward, staff would find itself in the situation of having to sort through grants because he maintained if it did face that issue, it would represent a change in thinking inside of staff. He suggested that staff would go through a conversion of “well, I know the money is there, you’re just going to have to find it” to “I guess I’m going to have to find the money and this is one way to do so.”

Ms. Medary noted that the City Council’s Committee on Intergovernmental Relations, which included Ms. Taylor, Ms. Ortiz, and Mr. Poling, evaluated and approved the City’s grant applications.

Mayor Piercy clarified that the City did not have departments competing to submit grants.

Ms. Solomon determined from Ms. Murdoch that the City’s Rental Housing Program would be placed in its own fund, which would realize savings for the General Fund.

The committee took a brief break. Ms. Taylor left during the break.

Responding to a question from Mayor Piercy, Mr. Corey clarified the proposal to use federal funding to supplant the current General Fund for alternative modes. He believed the City could use that funding for two years without a problem. Mayor Piercy encouraged the City to consider not only savings in vehicle purchases but its sustainability goals as they related to transitioning to vehicles that operated with different fuel sources.

Mayor Piercy expressed appreciation for the concept of voluntary furloughs.

Mayor Piercy thought it was possible to both shrink the organization and keep people employed. She thought that Mr. Ruiz had expressed himself well when he said that the budget problem would not be solved by eliminating positions. She said that part of the community’s economic goals included keeping people employed, and there was a cost to having people unemployed as well.

Mayor Piercy assured the committee that City staff was working hard to secure grants.

Speaking to the use of consultants, Mayor Piercy said she frequently heard from the public that the City should use its own talent, and when it discovered it needed a particular talent it lacked, it should hire someone with the talent or arrange to educate a staff person to learn that talent.

Mr. Potwora asked if it was just as likely a police officer or fire fighter could be furloughed as another employee. Mr. Ruiz said that in a team, everyone plays, and to him that meant that all 1,600 City employees needed to sacrifice their fair share. He said that might look different for different employees based on bargaining agreements and other factors. He said that in terms of priorities, he considered the budget to represent the priorities that the majority of the community wanted to see expressed or the council

would have been changed by the citizens. However, Mr. Ruiz believed that the City still needed to have that priority discussion because that could further inform the council in its decision making. When he went out to the community, he heard calls for funding police and public safety as well as for funding parks and open space. He believed there was a balance to be achieved.

Mr. Potwora respectfully disagreed. He did not think all City employees were equal from a citizen's perspective. When the tough decisions had to be made, he would look to the City's highest priority services.

Mr. Potwora said he had never participated in a budget process involving such a large funding gap where people did not have the will to face some tough decisions, like reducing the organizational footprint more than 25. It sounded like some of the savings the committee was looking at would have to be reconsidered in fiscal year 2012. He suggested that if the City could save 12 percent of the budget with a minimal impact on employee numbers that fact argued the budget had a lot in it that it should not have had in the first place. He hoped the committee could be mentally prepared further reductions because he did not think the City would find the needed funding through grants.

Mr. Ruiz said when the City started the budget process, people did not think the City could savings without reducing employees. However, it had been able to find savings without doing so. He said he was just not ready to take that route yet.

Ms. Holser was not generally supportive of outside consultants. She thought the City had talent and should provide the opportunity for its employees to learn and grow.

## **II. FY10 BUDGET REVIEW PROCESS AND AGENDA**

Mr. Barofsky reviewed the budget meeting schedule and proposed budget review process.

Mr. Potwora asked how spending priorities were set. Mr. Barofsky offered an example of how citizen input affected the budget in the past. Mr. Ruiz discussed how Council input affected City priorities for service delivery.

Mr. Barofsky noted the set time for public input at all meetings of 7 p.m.

Mr. Barofsky said that the process for motions was still being developed. Ms. Syrett invited input.

Mr. Clark asked if the committee members would be asked to suggest reductions or a revenue source if they proposed additions. Mr. Barofsky suggested that more senior committee members would have an advantage in that regard and he did not want to discourage creative approaches that might fill a community need. However, he would stress that it was easier to persuade the body to support an addition if a funding source was named, and he would ask that question of proposed additions.

Mayor Piercy thanked staff and recognized the work it had done to identify savings. She thought the public should know building on sacrifice of employees.

Ms. Murdoch invited e-mailed suggestions for agenda topics and issues. Ms. Syrett had heard interest in information about other funds.

Mr. Clark requested information about the County's budget picture.

Mr. Barofsky adjourned the meeting at 9 p.m.

*(Recorded by Kimberly Young)*