Eugene Central Services
Finance

EUGENE BUDGET COMMITTEE
Tuesday, November 12, 2013
Bascom-Tykeson Room, Eugene Public Library
100 W 10th Avenue, 5:30 p.m. – 7:00 p.m.

5:30 – 5:35 p.m. **I. Minutes Approval**
Laura Illig, Chair

5:35 – 6:10 p.m. **II. Community Meetings Debrief**
Budget Committee members will debrief the process, results and insights from the community meetings.
Laura Illig, Chair

6:10 – 6:45 p.m. **III. General Fund Reserve Policies**
Staff will provide an overview of the General Fund reserve policies and Budget Committee members will discuss reserve levels.
Kristie Hammitt, Central Services
Sue Cutsogeorge, Finance

6:45 – 7:00 p.m. **IV. Next Steps**
Chair Illig will provide a reminder of the Committee's goal and ask Budget Committee members to provide feedback by November 15 to help the Process Team develop next steps.
Laura Illig, Chair

Next Meeting:
Monday, November 25, 2013, 5:30 p.m. – 8:00 p.m.
Bascom-Tykeson Room, Eugene Public Library, 100 W. 10th Avenue

The City of Eugene is 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 three business days' 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) 682-5022.

Central Services
Finance Division

City of Eugene
100 West 10th Avenue, Suite 400
Eugene, Oregon 97401
(541) 682-5589 PHONE
(541) 682-5802 FAX
www.eugene-or.gov

MEMORANDUM

Date: November 8, 2013

To: Budget Committee Members

From: Sue Cutsogeorge, Finance Director

Subject: General Fund Reserve Policies

At your July 23 workshop, questions were posed about General Fund Reserves:

- Is the 8% reserve target too much, too little?
- How do reserves help in managing financial uncertainty?

This memorandum presents some background information about the City' s reserves, policy issues around reserves, and rating agency information about reserves and fund balances. There are three basic reasons that a government budgets reserves. First is to set aside funds for a particular purpose, such as saving up for a known expenditure, like software or equipment purchases or future health care costs. Second is to provide a cushion in the event of financial strain, such as revenues coming in short or incurring emergency expenditures. Third is to provide for cyclical cash flow needs, which reduces or eliminates the need to borrow externally to fund operations and provides interest earnings to pay for some services.

Reserves are an important part of long-term fiscal planning for a government and the rating agencies expect that fiscally strong governments will adopt reserve policies and maintain an adequate level of reserves. Maintenance of reserves provides a government with financial flexibility to make thoughtful decisions in response to unexpected events.

Where is General Fund reserve information located in Eugene's Budget?
General Fund information is included on pages 272 and 273 of the FY14 Adopted Budget. Page 272 shows the General Fund reporting fund, consisting of the Main Subfund, the Cultural Services Subfund and the Equipment Replacement Subfund. Page 273 shows the Main Subfund, which is the part of the General Fund that the Budget Committee is focusing on for solving the budget gap.

What kind of General Fund reserves does Eugene carry?
Eugene carries several General Fund reserves, each of which serves a specific purpose. For the main subfund, there are three pieces of reserves:

- The **Unappropriated Ending Fund Balance** or UEFB was created primarily to ensure a positive cash flow during the period between the beginning of the fiscal year and the first receipt of property tax revenues in late fall without borrowing to meet expenses. Council policy requires the UEFB to be budgeted to equal two months of operating expenditures in the General Fund. In addition to the primary cash flow reasons for carrying UEFB, ancillary benefits are that it generates interest earnings that are used to fund programs, and it has a positive effect on the City's bond rating.
- **Reserve for Revenue Shortfall** provides a cushion for the General Fund in the event that revenue receipts are lower than forecast. This reserve was originally set up to buffer the impacts of revenue volatility from the Hynix plant under the Measure 50 property tax system. Current practice is that this reserve is used to be the balancer for the General Fund, with any surpluses being deposited into and any deficits funded from this reserve.
- **Reserve for Property Tax Appeals:** With several large taxpayers having pending appeals of their property values, this reserve is in place to provide a cushion in the event that there is a significant reduction in revenues from the appeal activity.

For the reporting fund, the Cultural Services and Equipment Replacement subfunds are also included in the calculation of reserves and fund balances.

What are Eugene's current reserve policies?
The City's Financial Management Goals and Policies include several pieces that together constitute Eugene's reserve policies. These policies address, to varying extents, the need to carry reserves, the appropriate level of reserve, the use of reserves and the rebuilding of reserves when they have been drawn down. A complete listing of the City's Financial Management Goals and Policies is found in the FY14 Adopted Budget document beginning on page 69. Relevant reserve policies are included as Attachment A.

What do the bond rating agencies say about reserves and reserve policies?
The rating agencies evaluate local governments to determine how stable the financial condition has been and is expected to be over time. Financial stability is very important in evaluating a government's ability to make debt payments, which is the primary concern of rating agencies. Even during periods of fiscal strain, the rating agencies look to governments to manage their financial situation to maintain some level of reserves.

According to the rating agencies, one of the critical components of strong and stable financial management is the adoption of clearly defined reserve or fund balance policies. But a policy alone isn't sufficient to ensure financial stability. The government must follow its policy and maintain reserves at an adequate level.

The rating agencies are most concerned with General Fund balances, because those represent the flexible funds that an organization has most discretion to spend on any public priority. While their focus is on the General Fund, rating agencies also look at reserve levels in other funds, because some of those reserves may be available to help the government respond to unexpected financial conditions. The action of moving reserves from one fund to another fund alone does not change the overall financial strength or stability of an entity.

The rating agencies also view the use of one-time revenues to fund on-going services as an undesirable financial practice. Use of reserves to maintain services might be appropriate when there is a one-time or short-term budgetary imbalance. Over-reliance on nonrecurring revenues to pay ongoing expenses over a longer period of time is considered a sign of fiscal distress, however, since it undermines future financial flexibility and exacerbates structural imbalances.

What does Moody's say about Eugene's fund balance levels?

Moody's Investors Service last published a report on Eugene's rating in November 2011. They deem the City's fund balance levels to be a key factor in assigning the "Aa1" rating. At that time, Moody's stated that the rating was based upon: "…the city's large tax base, *sound financial performance demonstrated by strong fiscal management*, and a modest debt burden." They indicated as a strength: "Strong fiscal management includes *maintaining sound reserve levels* and long-term budgetary planning." They note in a section entitled, "What Could Make the Rating Go Down" that "a *significant deterioration of the city's financial position, relative to peers*", would potentially result in a downgrade.

Why do the rating agencies look at accounting fund balances rather than budgeted reserves?

The rating agencies look at fund balances when they examine an issuer's financial situation. They examine an issuer's Comprehensive Annual Financial Report for this analysis. The CAFR is prepared in a standard way across jurisdictions and provides the rating agencies with actual results on a consistent basis.

"Fund balance" is an accounting term that describes the amount of resources remaining in a fund at the end of the fiscal year, and it represents the differences between revenues and expenditures over the life of the fund. Certain factors that affect fund balance, such as revenue or expenditure accruals or other Generally Accepted Accounting Principles (GAAP) adjustments, are determined by accounting standards and the full effect of these adjustments may not be known until months after the end of the fiscal year.

Both "fund balance" and "reserves" are terms that are used to describe a government's commitment for future uses, including providing a cushion for weathering financial emergencies. Fund balance is an historic look, while reserves are prospective. The Budget Committee and City Council have direct control over the amount of reserves that are budgeted. Budgetary reserves are a way of ensuring, to the extent possible, that a government ends a fiscal year with a minimum level of fund balance. Rating agencies look at budgeted reserves as a way to discern the intent of the issuer for the current or upcoming year's budget.

What is the right level of General Fund reserve or fund balance?

From the rating agency perspective, there is no "one size fits all" answer to how much General Fund reserves are sufficient for every jurisdiction. An analysis of reserves is one component of the overall analysis of a municipality's creditworthiness. That analysis also takes into account other financial factors, debt burden, economy and administrative factors. Together those factors create an overall picture of an entity's ability and willingness to pay its debts.

The determination of the appropriate level of fund balance will take into account several factors, among others:

- What has the fund balance history been in the recent past? What has been the overall trend – up, steady, or down?
- How much do other similarly-sized, similarly-rated jurisdictions maintain in fund balances?
- What are the anticipated uses of the reserve and how much is needed to cover those anticipated uses?

Rating agencies and other financial professionals generally recommend that a fund balance or reserve target be stated in terms of percentage of annual revenues or expenditures, rather than as a static dollar amount. In this way, the reserve level will change as the budget changes.

Moody's Investors Service usually looks at fund balance as a percent of revenues. In a balanced budget, revenues and expenditures will be approximately equal, so the difference between calculation methods should not be a major factor over a long time period. For a government that generates large surpluses or one that is in a deficit spending situation, there could be differences in the appropriate ratio level depending on whether revenues or expenditures is used as the measure of fund balance. Eugene's reserve policies are based on a percentage of expenditures because the reserves are designed to ensure that a particular level of expenditures can be covered in the event that revenues fall short.

The appropriate level of fund balance should be related to the degree of risk associated with revenues and revenue sources, the likelihood of major contingencies and the amount needed to respond to them. It should also be related to the organization's history and the experience for similar jurisdictions.

What circumstances might warrant use of reserves? What's the actual history of risk for those events or needs?

The **UEFB** is set aside primarily to meet annual cash flow requirements. Because property taxes are paid largely in November, while payroll and vendor expenses are incurred starting in July, incoming revenues are not sufficient to cover costs from July through November. The UEFB provides the funding to make those payments in a timely fashion.

Attachment B compares the UEFB and Reserve for Revenue Shortfall amounts to the minimum cash balance in the General Fund for the past five years. The minimum cash balance at the end of October has ranged from a high of $14 million to a low of $3 million. In all years, this minimum cash balance was significantly below the budgeted UEFB, meaning that cash flow borrowing would have been necessary to pay bills if it were not for the UEFB. In addition, two of the last five years had a minimum cash balance of less than the RRSF. If there had been no RRSF, the General Fund's need for cash flow would have been exceeded by the UEFB in those years.

The **Reserve for Revenue Shortfall** is set aside for unanticipated financial emergencies or developments, such as:

- Property Tax Revenue Changes: Property taxes account for 65% of General Fund revenues, so any changes in this source can have a significant impact on the health of the fund. Since the onset of the recession starting with the closure of the City's largest taxpayer, Hynix, property tax revenues have grown at a slower pace than prior to the recession. On average, property assessed values were growing at about 4.5% per year prior to the recession, and only 2.1% per year since. This slowing of property value growth has significantly contributed to the structural deficit. Property tax collection rates have been high in recent years, at between 94-95%. Even during the recessionary period beginning in 2008, collection rates have remained steady. It is not, however, guaranteed to remain that way and the City has, in fact experienced drops in collection rate from time to time. Property tax collection rates have ranged from 86% in FY86 to just less than 95% in the past few years. Holding a RRSF has helped the organization weather the slowing of property tax revenue growth by allowing time for examination of alternate ways to balance the budget, including the attempt in early 2013 to enact a City Service Fee and the current process being undertaken by the Budget Committee to look for stable solutions for the FY15 budget.

- Revenue Volatility: The recession has also hit other revenue sources hard over the past few years. Prior to the recession, other revenues were growing at an annual average of 2.1% per year and since the recession the annual average has actually declined by 0.7% annually. Examples of other revenues that have decreased include: right of way use fees, state shared revenue, court fines and interest earnings. The RRSF can provide a financial buffer so that if revenues come in short during the year versus projections, the organization does not have to begin immediately cutting services.

- PERS Rate Fluctuations: Rates for the Public Employees Retirement System have fluctuated significantly due to market factors, litigation and legislative reforms. FY14 PERS rates have been established based on legislation passed during 2013; that legislation has been challenged in court. It is likely that the pending lawsuit will take about a year to be settled. The RRSF can help bridge significant uncertainty and fluctuations in retirement system rates while such lawsuits are pending, or until the organization can re-size appropriately.

- Large and Unanticipated One-Time Expenditures: From time to time, the City experiences large, unanticipated one-time expenditures. Examples would be results of adverse litigation, change in state or federal requirements, or natural or man-made disasters. The amount that might be needed in such an event is impossible to estimate, since it would depend on the type and amount of the one-time need.

The **Property Tax Appeals Reserve** is set aside for large appeals. Each year, taxpayers have the opportunity to appeal the value of their property. Successful appeals from large taxpayers have two effects: first, there is the immediate effect of a revenue reduction from any refunds;

second, there is the on-going effect from a reduced assessed value for the taxpayer. The Property Tax Appeal Reserve acts as a cushion to absorb the impact of those large refunds and a way to transition the service system if needed when large taxpayer values are reduced as the result of an appeal.

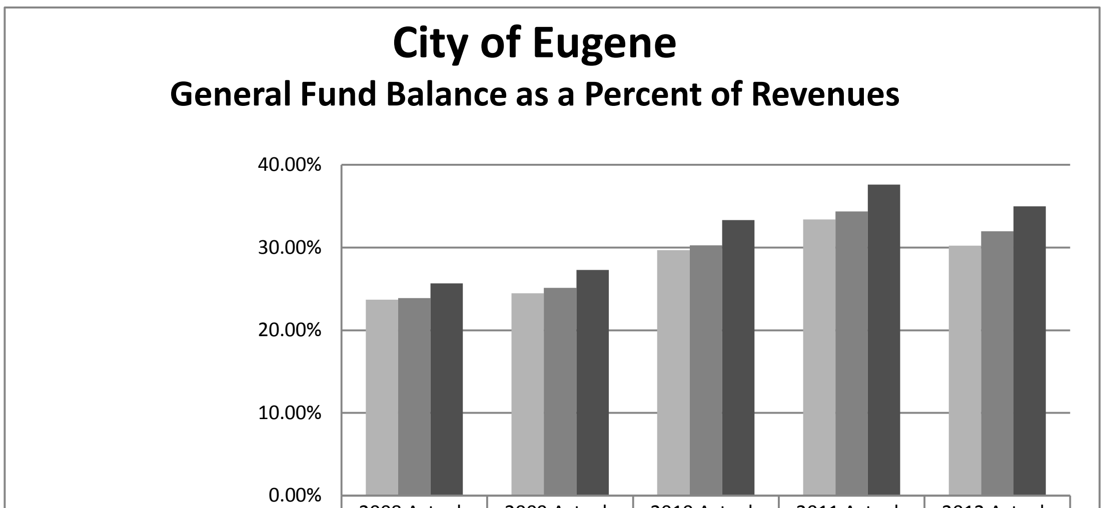
What's Eugene's history with General Fund balances?

One factor that the rating agencies look at when assigning a rating is the fund balance history of the municipality. A drop in the level of fund balance or reserves is considered a potential sign of fiscal distress, unless the municipality has declared fund balances to be too high, and the drawdown of fund balance is part of a deliberate strategy to bring balances in line with what has been determined to be an appropriate level for that municipality.

Since the start of the recession, Eugene's General Fund (main subfund) fund balance (on a budget basis) has ranged from 23.7% to 33.4% of General Fund revenues, as shown in the following graph. This is the portion of the General Fund that has the 25% target fund balance and, as can be seen, the balance dropped below the target level in 2008 and 2009. Fund balances for the reporting fund on a budget and GAAP basis are shown for information purposes but these balances do not have a specific target.

What do other cities do?

Moody's produces periodic studies showing comparative fund balance levels for various groups



	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals	2012 Actuals
Main Subfund - Budget Basis	23.68%	24.48%	29.70%	33.38%	30.23%
Reporting Fund - Budget Basis	23.90%	25.13%	30.28%	34.37%	31.96%
Reporting Fund - GAAP Basis	25.67%	27.28%	33.34%	37.59%	34.97%

of municipalities. The median ratio analyses prepared by Moody's are relatively consistent for cities with double-A ratings and population in the range of Eugene's, as can be seen in the following chart. In general, fund balance as a percent of revenues is in the high 20% to low 30% range over the period, regardless of the specific population under examination. It is interesting to note that the median General Fund balance as a percent of revenues has increased since the start of the recession. Any one year does not tell the full story, and rating analysts look at trends for the issuer versus its own past history, and trends for the issuer versus peers. The GAAP basis fund balance for the reporting fund is what Moody's looks at when comparing Eugene to other jurisdictions or median ratios.

General Fund Balance as a Percent of Revenues

	FY08	FY09	FY10	FY11	FY12
All US cities	29.8%	28.9%	27.9%	29.7%	32.0%
US cities rated Aa	29.1%	28.7%	29.6%	30.9%	32.4%
US cities rated Aa with 100,000 to 500,000 population	23.8%	22.1%	22.1%	23.5%	24.2%
Eugene (Aa1)*	**25.7%**	**27.3%**	**33.3%**	**37.6%**	**35.0%**

**General Fund, Reporting Fund, GAAP Basis.*
Source: Moody's Investors Service; for cities rated by Moody's and that have data reported in a CAFR.

Moody's provided an analysis of financial results for Oregon cities for fiscal years 2008 through 2012. The report sets out General Fund balance as a percent of revenues for each city, as well as an average for all Oregon cities included in the report. Below is a chart that summarizes the information for all Oregon issuers with a population above 50,000. As can be seen, Eugene had ratios below the median for all Oregon cities in FY08 and FY09, but above the median for all Oregon cities in FY10 through FY12.

General Fund Balance as a Percent of Revenues

	FY08	FY09	FY10	FY11	FY12
Beaverton (Aa1)	48.1%	53.1%	54.2%	51.1%	32.3%
Bend (Aa1)	18.3%	19.8%	32.8%	43.4%	47.4%
Corvallis (Aa1)	29.5%	15.7%	4.9%	2.7%	7.7%
EUGENE (Aa1)	**25.7%**	**27.3%**	**33.3%**	**37.6%**	**35.0%**
Hillsboro (Aa1)	37.1%	23.6%	21.1%	24.2%	25.7%
Medford (Aa1)	42.6%	35.9%	38.8%	36.3%	N/A
Salem (Aa1)	13.5%	18.0%	21.8%	22.1%	20.9%
Springfield (Aa1)	30.3%	23.9%	25.3%	24.7%	24.2%
Tigard (Aa1)	41.0%	31.0%	25.4%	26.6%	27.5%
Portland (Aaa)	23.2%	23.8%	16.9%	17.1%	13.8%
All Oregon Cities	**30.4%**	**28.3%**	**29.2%**	**32.9%**	**32.1%**

Source: Moody's Investors Service; for Oregon cities rated by Moody's and that have data reported in a CAFR.

What is an appropriate minimum fund balance for Eugene?

Based on the information provided about the City's fund balance history, fund balance levels in other jurisdictions, potential financial risks to revenues, and the potential uses of an emergency fund, the City has targeted to budget sufficient reserves to achieve a minimum fund balance of 25% of General Fund expenditures. There are two components: an Unappropriated Ending Fund Balance equal to two months of expenditures (16.7% of expenditures) plus a Reserve for Revenue Shortfall equal to 8% of General Fund expenditures. Actual fund balance will likely be higher than this minimum level due to carryover projects (reserve for encumbrance and reappropriations) and other factors.

If the City's bond rating is downgraded as a result of drawing down reserve levels or other factors, what happens?

The City has held a very high bond rating from Moody's for more than 50 years. General Obligation bonds are rated "Aa1" and limited tax obligations are rated "Aa2".

The bond rating is a key factor that determines the interest rate that the City will receive on borrowings.

If the City's bond rating was downgraded one notch, it would drop to "Aa2" for G.O. bonds and "Aa3" for limited tax obligations. Under current market conditions, this would probably mean about a 20 basis point higher interest rate (or 0.20%). For a $10 million bond, this would translate into additional cost to taxpayers of about $13,000 per year, or $260,000 over a 20 year period. The interest rate difference can change over time due to market conditions.

What can't be quantified, but should be mentioned, is the setting of a downward trend. As the bond market perceives the credit quality of an issuer is going down, it will take a larger interest rate penalty than if the issuer has been at a particular rating level for a while. It isn't possible to estimate the cost of this effect, but it is important to remember that downgrades tend to make bondholders wary about investing in a downgraded entity for a while.

Attachment A

Eugene's Current Reserve Policies

The City's Financial Management Goals and Policies include several pieces that together constitute Eugene's reserve policies. These policies address, to varying extents, the need to carry reserves, the appropriate level of reserve, the use of reserves and the rebuilding of reserves when they have been drawn down.

- **Policy B.6.** *(Cash Balance and Financing)*

Each fund will maintain an adequate cash balance, borrow internally from another City fund, or, as a last resort, borrow externally to provide for cash flow requirements.

- **Policy B.7.** *(Unappropriated Ending Fund Balance)*

In order to maintain a prudent level of reserves in the General Fund and any local option levy funds, the target amount of Unappropriated Ending Fund Balance (UEFB) to be budgeted shall be at least two months of operating expenses (excluding reserves and contingency).

- **Policy B.8.** *(Replacement Accounts)*

The City will develop and fund replacement accounts for the City's fixed assets.

- **Policy B.10.** *(Reserve Accounts, Non-Departmental)*

Non-Departmental Reserve accounts will be used for non-departmental resources designated for specific purposes. Appropriation by City Council is required prior to expenditure of funds.

- **Policy B.11.** *(Marginal Beginning Working Capital)*

The highest priorities for use of Marginal Beginning Working Capital (difference between Actual Ending Working Capital in the prior year and Budgeted Beginning Working Capital in the current year) are: General Capital Projects Fund; Unappropriated Ending Fund Balance (up to target amount as defined in Policy B.7); General Fund Contingency, (not in priority order).

- **Policy C.6.** *(Non-Recurring Revenue)*

Except for local option levies approved by the voters, the City will use non-recurring revenue on limited-duration services, capital projects, equipment requirements, or services that can be terminated without significant disruption to the community or City organization.

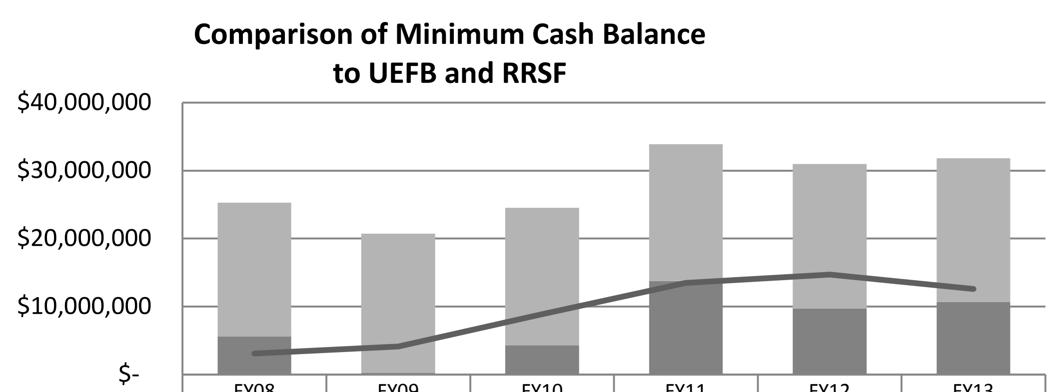
Attachment B

Minimum General Fund Cash Balances

The chart below compares the budgeted amount for Unappropriated Ending Fund Balance and Reserve for Revenue Shortfall each year to the minimum cash balance experienced in the General Fund that year. The purpose of this chart is to demonstrate that without maintaining a UEFB, the General Fund would be in a cash deficit position each year, and was briefly in a cash deficit in some years even after holding a UEFB.   In those cases, the RRSF was available to help buffer the cash flow needs.

The minimum cash balance shown in the chart below is the balance as of the end of October. It should be noted that a significant amount of property tax revenue is received at the end of November, so the month-end cash balance is positive. During November, however, spending continues to occur at a rate of about $2-$2.5 million per week. Therefore, the actual minimum cash balance actually occurs during the month of November, but the City's financial systems are not set up to report on a daily basis for that purpose. As of the date of this memo, the General Fund cash balance was at about $8 million (down from about $12 million at the end of October), with the first property tax receipts not likely to arrive for another two to three weeks.

If Eugene did not budget a UEFB, the City would have to borrow money either internally or externally in order to pay for services during the July to November time period prior to when the large property tax payments are received. This would cost money, as the City would have to pay interest on the amount borrowed. For external borrowings, banks charge fees and the City would have to pay for bond counsel and other out of pocket costs. In addition, the General Fund would lose the benefit of interest earnings on the UEFB amount, which are currently used to pay for General Fund services.



	FY08	FY09	FY10	FY11	FY12	FY13
UEFB	$19,690,000	$20,490,000	$20,200,000	$20,153,224	$21,260,000	$21,150,000
RRSF	$5,581,574	$252,974	$4,314,334	$13,749,360	$9,734,639	$10,655,727
Minimum Cash Balance	$3,105,917	$4,152,052	$8,885,469	$13,506,866	$14,720,568	$12,579,197

M I N U T E S

Eugene Budget Committee
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

September 16, 2013
5:30 p.m.

Committee Members Present: City Council Members George Brown, Betty Taylor, Mike Clark (*via conference phone)*, Claire Syrett, Chris Pryor, Alan Zelenka, Greg Evans; Budget Committee Citizen Members Laura Illig (Chair), Mark Rust (Vice-Chair), Ken Beeson, Robert Clarke, Chelsea Clinton, Will Shaver, Jill Fetherstonhaugh, Marshall Wilde

Committee Members Absent: City Council Member George Poling

CALL TO ORDER

Chair Illig called the meeting to order at 5:30 p.m.

Chair Illig recognized the work of Pavel Gubanikhin in his role as a Senior Budget Analyst for the City, and wished him well in his new position in Central Services Administration.

Councilor Evans arrived at 5:34 p.m.

I. INTRODUCTION

Chair Illig discussed the general time, process and goals for the upcoming Budget Committee meetings occurring before the end of the year.

II. COMMUNITY MEETINGS PLAN

Chair Illig described the process that the Budget Committee will conduct to develop strategy options for balancing the FY15 budget. Work will include community meetings, a Finance Investigative Team (FIT), a Revenue Team, media outreach and public hearings.

The FIT will bring together community members and Budget Committee members to review proposed budget solutions using a standardized evaluation matrix. The Revenue Team will bring together members from the original Meeting the Challenge Task Force (MTC) along with several members of the Budget Committee and other community members to review prior efforts to evaluate viable new General Fund revenue sources.

The Committee discussed the community meetings plan and recommended that using high schools as meeting locations would be a good approach.

III. POTENTIAL BUDGET SOLUTIONS

Councilor Zelenka arrived at 6:21 p.m.

The Committee brainstormed potential additional ideas to add to the FIT review list.

IV. MINUTES APPROVAL

MOTION AND VOTE: Councilor Pryor, seconded by Councilor Syrett, moved to approve the minutes from the February 7, 2013; February 21, 2013; May 23, 2013; May 28, 2013; May 30, 2013; June 3, 2013; June 5, 2013; and July 23, 2013 Budget Committee meetings. PASSED: 15:0.

ADJOURN

The meeting adjourned at 6:55 p.m.

Respectfully submitted,

Jessica Mumme,
Program Coordinator, Finance Division

M I N U T E S

Eugene Budget Committee
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

September 23, 2013
5:30 p.m.

Committee Members Present: City Council Members George Brown, Betty Taylor, Mike Clark, Claire Syrett, Chris Pryor, Alan Zelenka, Greg Evans, George Poling; Budget Committee Citizen Members Laura Illig (Chair), Mark Rust (Vice-Chair), Ken Beeson, Robert Clarke, Chelsea Clinton, Will Shaver, Jill Fetherstonhaugh, Marshall Wilde

Committee Members Absent: None

CALL TO ORDER

Chair Illig called the meeting to order at 5:30 p.m.

Councilor Zelenka arrived at 5:31 p.m.

I. COMMUNITY MEETINGS PLAN

Mia Cariaga, City Manager's Office, spoke about the outline for the community meetings, based on feedback from the Budget Committee at the September 16, 2013 meeting. A video will be filmed this week which will be featured at the start of each community meeting. The proposed agenda includes Budget Committee members introducing themselves and explaining their role, and then small group discussions will be facilitated by Budget Committee members, with a report back to the larger group, and time for questions and answers. Members were asked to sign up to participate at specific community meeting dates.

II. COUNCIL GOALS UPDATE

City Manager Jon Ruiz provided an update on the Council Goals discussion, which took place on September 18, 2013. For the FY15 budget, the City Council has agreed to continue using the current Council Goals for budget discussions.

III. COUNCIL GOALS DISCUSSION

Budget Committee Discussion:

- Members of the Committee shared their thoughts and made comments on the current Council Goals.

IV. POLICY DISCUSSION

Budget Committee Discussion:

- Committee members discussed the policy question, "Should we balance services or prioritize them? With either approach, how do we make decisions that achieve Council Goals and have the least impact on the community?"

ADJOURN

The meeting adjourned at 6:56 p.m.

Respectfully submitted,

Jessica Mumme,
Program Coordinator, Finance Division

M I N U T E S

Eugene Budget Committee
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

October 14, 2013
5:30 p.m.

Committee Members Present: City Council Members George Brown, Betty Taylor, Mike Clark, Claire Syrett, Chris Pryor, Alan Zelenka, Greg Evans, George Poling; Budget Committee Citizen Members Laura Illig (Chair), Ken Beeson, Robert Clarke, Chelsea Clinton, Will Shaver, Jill Fetherstonhaugh, Marshall Wilde

Committee Members Absent: Budget Committee Citizen Member Mark Rust

CALL TO ORDER

Chair Illig called the meeting to order at 5:30 p.m.

I. UPDATE ON PROGRESS AND UPCOMING MEETINGS

Chair Illig thanked the Finance Investigative Team (FIT) members for their dedication, and time spent helping with the budget process.

Mia Cariaga, City Manager's Office, provided Committee members with the final schedule and information relating to the Budget Committee Community Workshops occurring at local high-schools through the month of October.

Kristie Hammitt, Central Services Executive Director, provided a brief update on the work the FIT Team has completed, and what remains to be discussed. There are 31 items the Team has been working through. There are two meetings left, October 17th and October 22nd, for the Team to complete their work, which will be presented in summary format to the Budget Committee at a later date.

II. REVIEW FY14 PROPOSED BUDGET REDUCTION DECISION MATRIX

City Manager Jon Ruiz presented slide materials pertaining to the FY14 Proposed Service Reductions, discussing the six criteria that were utilized:

- Remaining funded services represented 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.

Councilor Zelenka arrived at 5:54 p.m.

Budget Committee Discussion:

- Members of the Committee shared their thoughts and made comments on the proposed service reductions matrix for FY14 and the criteria used.

III. POLICY DISCUSSION – ASSET MAINTENANCE

Kurt Corey, Public Works Director, presented slides to the Committee on the City's asset maintenance objectives, and information on current gaps in funding for asset maintenance activities.

Budget Committee Discussion:

- Committee members discussed the policy question, "How should maintenance of our assets fit into a sustainable budget and be weighed against other service priorities?"

ADJOURN

The meeting adjourned at 6:59 p.m.

Respectfully submitted,

Jessica Mumme,
Program Coordinator, Finance Division

M I N U T E S

Eugene Budget Committee
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

October 28, 2013
5:30 p.m.

Committee Members Present: City Council Members George Brown, Betty Taylor, Mike Clark, Claire Syrett, Chris Pryor, Alan Zelenka, Greg Evans, George Poling; Budget Committee Citizen Members Laura Illig (Chair), Ken Beeson, Robert Clarke, Chelsea Clinton, Will Shaver, Jill Fetherstonhaugh, Marshall Wilde

Committee Members Absent: Budget Committee Citizen Member Mark Rust

CALL TO ORDER

Chair Illig called the meeting to order at 5:31 p.m.

Councilor Evans arrived at 5:33 p.m. Councilor Zelenka arrived at 5:35 p.m.

I. FIT MEETING DEBRIEF

Citizen Member Beeson provided a general overview of what occurred during the five Finance Investigative Team (FIT) meetings. The FIT final report is available on the City's website.

Jen Bell, community FIT member, shared feedback and insights on the meeting process.

Budget Committee Discussion:

- FIT members briefly shared their thoughts on the FIT meetings and the process.
- Members of the Budget Committee asked questions about next steps and provided feedback on the final report.

Chair Illig thanked the entire FIT team and all staff involved in the process.

II. NON-GENERAL FUNDS

Central Services Executive Director Kristie Hammitt and Finance Director Sue Cutsogeorge provided an overview of the non-general fund types to the Budget Committee.

Budget Committee Discussion:

- Members of the Committee provided insights and made comments on the Non-General Funds matrix.

Chair Illig provided information on the Community Budget meetings occurring at local high-schools. The next meeting will be at Willamette High School on October 29th, and the final meeting will be at Churchill High School on October 30th. The community is encouraged to attend.

ADJOURN

The meeting adjourned at 6:33 p.m.

Respectfully submitted,

Jessica Mumme,
Program Coordinator, Finance Division

Eugene Central Services
Finance

Correspondence from

Members of our Community

October 28, 2013

Dear City Council and Budget Committee members,

Our city budget is of concern to many and I was pleased to be included in the Finance Investigative Team. I found the staff presentations informative and well done but enough time for study and questions was not given to really understand how changes could be made. The last meeting had 18 pages of information emailed at 8 pm on Monday for 5 pm discussion on Tuesday.

With what appears as a doubling of service to the public in last years CAFR Report I hope we all recognize that enough funding has already been removed from our library and I encourage no further reductions. Their over 500 volunteers are providing additional help but paid staff are important. Human Services are also serving more as our community's First Family and low cost housing find increasing homelessness and job loss. These services now can only serve a part of the needs of our citizens in Eugene and any cut would be tragic. More funding is needed.

After Portland's success hiring a performance auditor to evaluate staff hours and procedures I urge the city to also hire a performance auditor. An outside evaluation is important for the budget. The number of managers per staff members might be reduced or hours changed to also avoid overtime charges.

Annexing Santa Clara and River Road is overdue along with any other land in the Urban Growth Boundary. This might be an expense at first but future taxes bring a fairness to our community and the city services enjoyed by everyone.

Bonds for city buildings including the city hall would have eliminated our more expensive route with renting and remodeling the county rooms for our temporary city hall and continuing to rent for some city services after a smaller city hall is constructed.

The tax assessment of property must be reviewed with claims that identical homes having different appraisals, high end properties under appraised, and two story homes appraised as one story homes.

My final request is to consider terminating the Multi-Unit Property Tax Exemption. We are overbuilt with student housing and many long time rentals are seeking occupants throughout the city, especially in the University District.

I have to add that I was pleased to attend the City Club program "Making Great Cities, Democracy plus Design" and learn that the architects in our city are working to create a more beautiful city. This is long, long overdue!

I urge the city to consider to create a city of beauty but also one with deep concern for the needs of our citizens at this time when it is difficult for many.

Ruth Duemler

To City Budget Committee:

You have asked for input into the budget. As a City Taxpayer for 50 years here is my input.

We tax payers are getting hit from every level of government, Federal, State, County, School Districts, EWEB, etc. for additional taxes, fees rates. It feels like a war zone to us tax payers. Please no additional fees or taxes. Live within your existing revenue like we have to. Do not create additional homeless people. I just got hit with an increased property tax bill s did all my neighbors. Retired people can barely pay existing taxes.

Get back to basics. Eliminate unnecessary items from the budget such as:

1) No more programs that simply encourage more homeless people to come to Eugene from all over the United States adding to the cost of local Government.
2) Eliminate recreation programs that are already provided by the private sector such as white water rafting. I just saw a big fancy 15 passenger City of Eugene van pulling a large trailer of rafts. I realize its probably partially supported by fees.
3) More services especially Public Works and Parks Maintenance could be done by private sector cheaper. Do more contracting and eliminate costly PERS positions.
4) Greatly reduce the amount of travel to conferences by employees. I know a couple of City employees that are always complaining their bosses are off to the East coast for another convention. Completely unnecessary.
5) Eliminate the Planning and Development Department. The necessary services of that Department could easily be transferred into Public Works or the Central Services Department. You could save thousands of dollars in management costs by doing that.
6) There are many other opportunities to consolidate Divisions and Departments. Parks and Public Works Maintenance were once one Division. Then a few years ago it was decided to make Parks Maintenance a separate Division and hire another high priced manager. WHY? This is just one example of where management costs could be greatly reduced
7) My city employee friends tell me there are big elaborate parties held on City time any time a manager or supervisor retires. They are forced to attend these parties. Eliminate the funding for all these type of events. Let the employees provide services for the tax payer. Do these parties after working hours.

These are just a few ideas from me and my tax paying neighbors. I am sure someone that was an efficiency expert could fine many other ways to balance the budget without additional fees or taxes.

Sincerely
Mary Robinson