



The Sunstone Room does not have public access. City staff will be in the library lobby from 5:15 to 5:30 pm to escort you to the room or call 541-682-5217 if no one is available.

A G E N D A

Budget Committee – Finance Investigative Team

Eugene Public Library
100 West 10th Avenue, Sunstone Conference Room, 3rd Floor
5:30 to 8:00 p.m.
Tuesday, October 8, 2013

Time	Item	Presenters
5:30 to 5:45	Introductions Review of Previous Work	Sue Cutsogeorge, Finance Director
5:45 to 6:15	Reduce or Eliminate Overtime	Pete Kerns, Police Chief Randy Groves, Fire Chief
6:15 to 6:30	Increase Assessed Property Values	Denny Braud, Urban Services Manager
6:30 to 6:45	Develop EWEB Site	Denny Braud, Urban Services Manager
6:45 to 7:00	Terminate Urban Renewal Districts	Denny Braud, Urban Services Manager Sue Cutsogeorge, Finance Director
7:00 to 7:15	Discontinue Multi-Unit Property Tax Exemption Program	Denny Braud, Urban Services Manager
7:15 to 7:30	Increase Northwest Natural Gas Franchise Fee by 1%	Twylla Miller, Senior Financial Analyst
7:30 to 7:45	Fund Capital Improvements with Bonds	Sue Cutsogeorge, Finance Director
7:45 to 8:00	Next Steps	Sue Cutsogeorge, Finance Director

Subsequent Meetings

Held at Library – 3rd Floor, Sunstone Conference Room

Thursday, October 10, 5:30 to 8:00

Thursday, October 17, 5:30 to 8:30

Tuesday, October 22, 5:30 to 8:00

Finance Investigative Team

Evaluation Matrix

Meeting 1: September 30, 2013

Evaluation Criteria	Eliminate Vacant Positions	Use More Volunteers at the Library	Increase Recreation User Fees	Increase Transient Room Tax	Create Special Districts to Increase Property Taxes
Is it legal?	Yes (if not a mandated position)	Maybe	Yes	Yes	Yes
Who must take action?	City Manager	City Manager	City Manager	City Council	City Council & Voters
Can it be in place for FY15 budget savings?	Yes	No	Yes	Yes	No
Is this a one-time or ongoing solution?	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Is it scalable?	Yes	Yes	Yes	Yes	Yes
Can the funds generated be used for General Fund purposes?	Yes (if a General Fund position)	Yes	Yes	30% of any increase could be used for non-tourism purposes	Yes - could free up Gen Fund dollars if City no longer provided the services to be provided by the new district
Can this item save money without reducing services?	No	Maybe	No	Yes	Yes
Will this item cause other costs to increase or revenues to decrease in the City's budget?	Maybe	Maybe	No	No	Maybe
Is this a longer-term solution, rather than an FY15 solution?	--	Yes	--	--	Yes
Additional FIT Comments		Use as a way to enhance services rather than achieve budget reductions		Consider impacts on homeless population. Can lower priced lodgings be exempt?	

Finance Investigative Team
Solutions Evaluation Matrix
Meeting 2: October 8, 2013

Evaluation Criteria	Reduce or Eliminate Overtime	Increase City Assessed Value	Develop the EWEB Site	Terminate Urban Renewal Districts	Eliminate the Multi-Unit Property Tax Exemption Program
Is it legal?					
Who must take action?					
Can it be In place for FY15 budget savings?					
Is this a one-time or ongoing solution?					
Is it scalable?					
Can the funds generated be used for General Fund purposes?					
Can this item save money without reducing services?					
Will this item cause other costs to increase or revenues to decrease in the City's budget?					
Is this a longer-term solution, rather than an FY15 solution?					
Additional FIT Comments					

**Finance Investigative Team
Solutions Evaluation Matrix
Meeting 2: October 8, 2013**

Evaluation Criteria	Add 1% to the NWNG Franchise Fee	Fund Capital Improvements with Bonds
Is it legal?		
Who must take action?		
Can it be In place for FY15 budget savings?		
Is this a one-time or ongoing solution?		
Is it scalable?		
Can the funds generated be used for General Fund purposes?		
Can this item save money without reducing services?		
Will this item cause other costs to increase or revenues to decrease in the City's budget?		
Is this a longer-term solution, rather than an FY15 solution?		
Additional FIT Comments		

Title: EPD Overtime Reduction/Elimination

Description: The Eugene Police Department (EPD) has 329 positions, four operating funds, and a FY14 General Fund (GF) budget of \$45.4 million. Of the FY14 GF budget, the \$1.324 million budget for Overtime (OT) and \$425,000 in fringe in which OT accounts for less than 3% of the overall GF budget. Overtime costs are spread between Police activities and 911/Communications Center activities.

Compared to the prior fiscal year, EPD has reduced the overtime expenses in the general fund in FY13 by approximately \$300,000 by changing staffing patterns. In addition, the lack of major seasonal events such as extended political protests or reduced homicides reduced the expense pattern. EPD's OT is being used efficiently and we have made progress reducing it. Unforeseen events will always happen and will require personnel to work OT to investigate, patrol, or staff vital operations.

All public safety departments throughout the nation need to use overtime to cover unforeseen events. Police Patrol Units as well as 911/Communications have established minimum staffing levels for both officer and citizen safety. The specialized nature of the work EPD does requires employees with specialized training and skills that are not able to be covered with a traditional temp service. EPD must use the employees that are certified to be in those positions to fill the need created from sick leave, vacation, or uncontrollable events. This requirement limits the ability of EPD to use alternatives to OT.

How could this idea help solve the FY15 budget gap? The funds saved from reducing or eliminating OT could be used to reduce the impact to the general fund although it is unlikely that OT could be eliminated for reasons stated above.

What are some potential benefits from this approach? By reducing overtime, EPD could potentially find new ways to keep the community safe within the constraints of regular work hours.

What are some drawbacks? The elimination of the \$1.324 million budgeted OT, equates to the reduction of 10.9 officers from the Traffic Enforcement Unit (TEU) and/or Detectives Units. There are currently 7 TEU officers and each TEU officer averages 777 arrests and citations per year. By eliminating this function, the City of Eugene would lose \$351,400 per year in citation revenue as well as the unit's impact on reducing traffic crashes. The lost revenue would require the reduction of 2.9 additional officers for a total reduction of 13.8 officers to cover financial losses and eliminated budgeted OT.

With regard to the Detective Units, EPD currently has 24 detectives and eliminating 10.9 positions would equate to 45% of the detective workforce. Any further reduction to detectives would significantly increase the threshold level for investigation. EPD would be able to investigate only the serious crimes and the minor crimes will be logged and investigated as time permitted.

Reductions or elimination of staff at the Communication Center would increase wait times for 911 and would impact the dispatch times of officers. Reduction of OT would reduce training opportunities for personnel as most training is now done on OT due to lack of coverage in regular work schedules.

What are the longer-term or indirect implications from this idea? By reducing or eliminating OT at EPD, the ability of the Police Department to provide services to the community would be impacted. There are events such as homicides, political protests, SWAT events, court dates, and sick leave that are not controllable. As an organization, EPD is not able to respond to unplanned events without having personnel respond outside their normal work hours. Reduction or elimination of OT will increase 911 wait times, decrease the amount and quality of crime investigations, reduce traffic enforcement, and decrease responsiveness to most calls for service and to major events which could result in a negative impact to public safety.

Title: Fire Department Overtime

Description: For FY14, Eugene Fire & EMS (EFD) has 199 FTE. The budget is \$33,037,746 with funding derived from four funds including the General Fund, Ambulance Transport Fund, Airport Fund, and the Construction and Rental Housing Fund covering plans review by a deputy fire marshal. A majority (76.3%) of the department's funding comes from the General Fund totaling \$ 25,205,228 with \$1,613,694 budgeted for overtime and \$484,108 in related fringe. The Ambulance Transport Fund provides (20.4%) totaling \$6,737,674 with \$833,848 budgeted for overtime and \$250,154 in related fringe. Overtime costs in all funds except the General Fund are reimbursed through fees including user fees and those charged for services such as medic standby. For example, all overtime associated with medical standby for the University of Oregon or other organizations is reimbursed.

EFD utilizes overtime in several ways including to maintain minimum staffing levels. The Department staffs three shifts of firefighters/medics on a rotating 24-hours on-duty, 48-hours off-duty schedule. Each shift has relief personnel to cover known vacancies such as scheduled vacation or holiday time. However, overtime is used to cover shift positions due to injury, sick, family leave, kelly days, and vacant positions. Personnel also receive overtime for holder-overs meaning their shift has been extended due a call for service that runs past shift change. Overtime is also used to cover emergency callback, which is used when additional personnel is needed for large-scale events or to relieve personnel that have been on an event for prolonged periods such as extreme weather events, large structure fires, or wildland fires. A majority of overtime is used for shift operations with the remaining covering support, training, and investigation activities.

How could this idea help solve the FY15 budget gap? Reducing or eliminating this line item could reduce the FY15 budget gap; however, as stated above, overtime is used as a staffing tool. Any reductions would equate to reduced service levels, which could result in increased response times and reduced levels of firefighter safety.

What are some potential benefits? Though a reduction in operational costs would be a benefit, it would result in either a reduction in service, which would increase community risk, or an increase in base level staffing which would add cost and be less efficient.

What are some of the potential drawbacks? The main drawback would be the closure of one or more fire companies each shift depending on the number of vacancies beyond what could be filled through base staffing and relief positions. This would create gaps in response coverage resulting in decreased response capacity, increased response times, and the assumption of greater community risk.

What are longer-term indirect implications from this idea? Longer-term implications would be a lower cost system but the community would experience increased morbidity and mortality as well as an unquantifiable increase in loss of property and adverse impact to the environment. In addition, the Fire Department's Insurance Services Office (ISO) rating would be adversely affected, increasing the cost of fire insurance in the community.

Fire Department Staffing and Overtime FAQs

1. How is Fire Department overtime dollars spent? The majority of overtime dollars spent are directed towards shift operations and used to maintain minimum shift staffing. Chart-1 and Chart-2 below show the distribution of overtime dollars spent for both the General Fund (GF) and Ambulance Transport Fund (ATF).

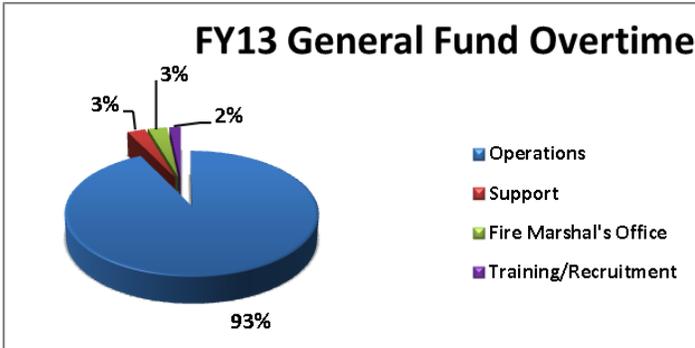


Chart-1

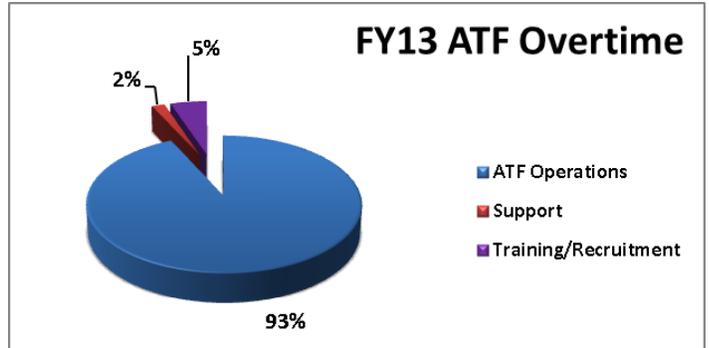


Chart-2

2. Has the Fire Department been able to reduce overtime costs in recent years? Yes, the Fire Department reduced its total utilization of overtime in FY13 by 8.64%. The Department's FY14 budget was subsequently reduced by \$230,000 taking this into consideration. Some of this reduction can be attributed to the elimination of the Urban Search and Rescue (USAR) program, some due to a reduction in time loss for on the job injuries; some is associated with a reduction in overtime utilized for training. In addition, some of the reduction can be attributed to the Department operating with a narrower margin of overtime dollars for unanticipated events. Chart-3 shows the cost of overtime in dollars for FY11, FY12, and FY13.



Chart-3

*NOTE: Fringe not included.

3. Is it more cost effective to just hire more firefighters and reduce the amount of overtime spent? We believe that the Fire Department is as close to the right balance between regular staffing and the use of overtime as we are going to get based on the current deployment. Although the overtime rate of pay is higher than the rate for straight time hours of worked, it should be recognized that there are marginal costs associated with adding additional FTE, e.g., health care, training, uniforms, and equipment. While employing additional relief FTE makes financial sense up to a certain level, over-hiring costs more during periods when the employee is not needed.

In addition, for each FTE there is a percentage of time associated with leakage. Leakage refers to that time when employees are not working for various reasons including the use of vacation time, sick leave, injury leave, military leave, and training. When overtime hiring is used to fill shift vacancies, it is used only on the days and hours actually needed.

4. What is the relationship between overtime and minimum staffing? Overtime is an essential tool in maintaining the Department's minimum staffing levels. Minimum shift strength for each shift is 44 firefighter/medics and two supervisors (Battalion Chiefs). Each shift has 54 authorized FTE but it is rare to be at full shift strength because of the way attrition occurs in comparison to how we recruit, hire, and train. It is much more cost effective for us to hire and train in groups of between 6 and 15 with 12 being the optimum number. This takes into account not only the capacity of the Recruit Training Academy, but the stations we assign probationary firefighter/medics to for their first year of continued training. The ratio of minimum staffing to authorized shift strength takes into consideration this fluctuation in shift strength. During periods when the Department is fully staffed, vacancies are filled more frequently using relief personnel. During periods when the Department experiences lower staffing, overtime is funded out of both the overtime budget and position vacancy savings from the vacant positions. Fire Department vacancies are never held for the purpose of padding the budget.

The 54/44 firefighters staff 11 fire stations including one station dedicated to the Eugene Airport and funded by the Airport Fund (511). The fire stations are geographically spread throughout the City to afford coverage and facilitate a rapid emergency response. Refer to Figure-1 below. Minimum staffing on a fire apparatus (engine or ladder truck) for Eugene is 3. Minimum staffing on a medic unit (ambulance) is 2. National standards for staffing recommend 4 firefighters per apparatus. At the same time, the only fire agencies in Oregon that staff with 4 firefighters are, Portland, Tualatin Valley and some companies within Clackamas Fire District 1. Salem, Hillsboro, Gresham, Medford, and Bend all staff with 3 personnel like Eugene. The Insurance Services Office (ISO), which grades a community's fire protection capability, considers 6 firefighters per apparatus full staffing. Very few fire service agencies nationwide staff at this level, none in Oregon.

5. What causes the Department to drop below minimum staffing levels? Many reasons cause daily vacancies including personnel lost through attrition, the use of vacation time, federal FMLA, State OMLA, sick leave, on the job injuries, military leave, court time, compassionate leave, certain training that requires either relief or working on one's day off, etc.

6. What would happen if the Department dropped below minimum staffing after assigning relief personnel and did not hiring any additional personnel on overtime? We would shut down one or more fire companies, depending on the number of vacancies, which would create a hole in the response system for that period of time. Fire stations are sited, and apparatus and personnel are deployed, to afford the community a web of coverage that reduces response times. Figure-1 illustrates our deployment and shows how stations are spread out. In addition, in the core areas of our community we deploy additional personnel and apparatus due to call volume and the central locations.

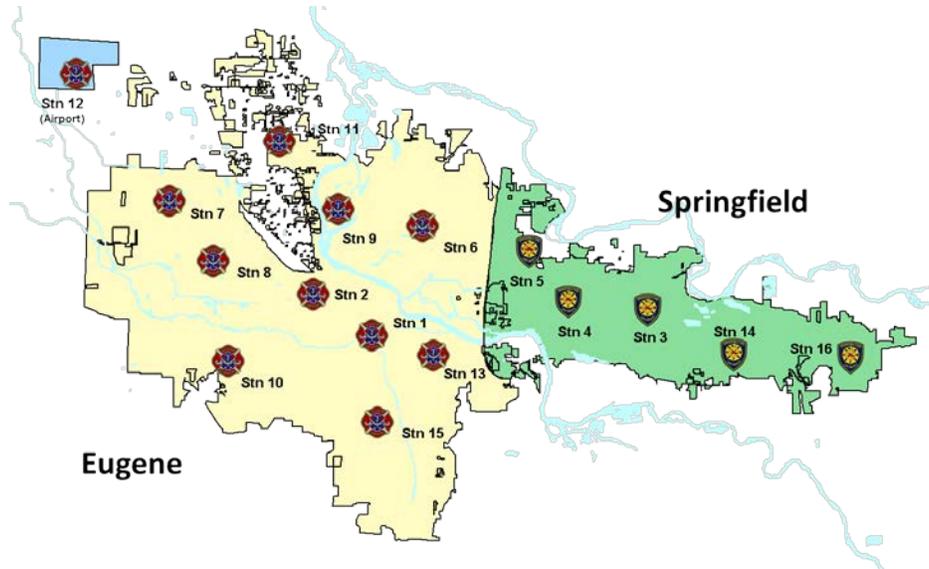
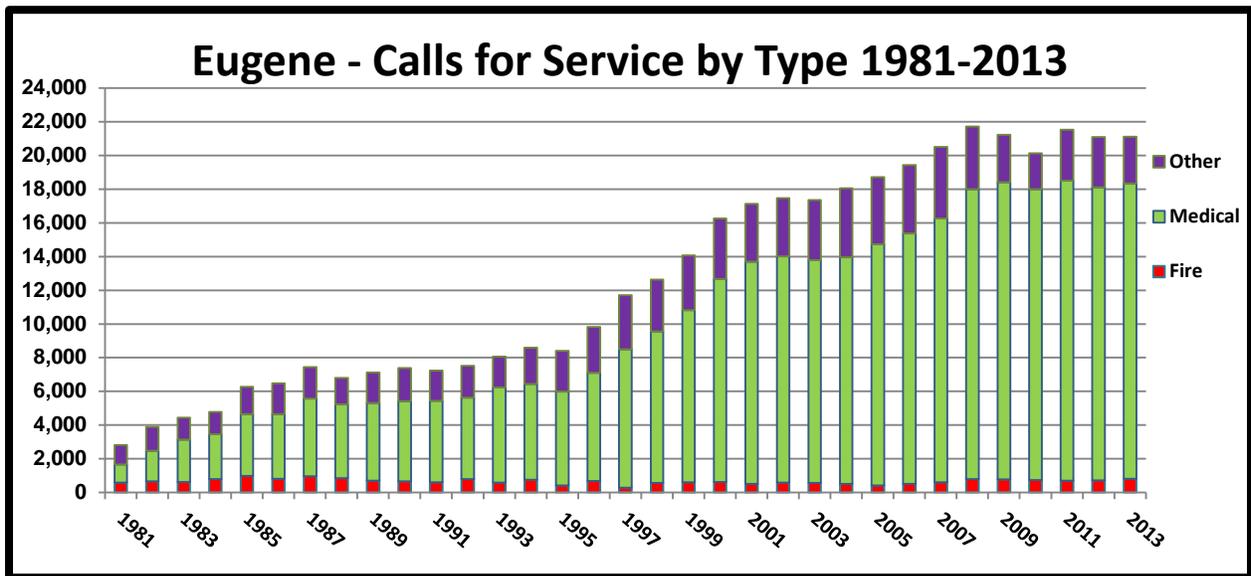


Figure-1

7. Why not staff with fewer than 3 firefighters and keep the apparatus in service and the fire station open? Staffing with fewer than 3 firefighters becomes both a safety issue and a capability issue. Firefighting, rescue work, and delivering emergency medical services are labor and equipment intensive operations.

8. Can we get by with fewer fire stations and fire crews? The Fire Department will always provide the best emergency response system we can within the budget we are given to work with. At the same time, the Fire Department's minimum staffing level today places only one more firefighter on the street each day than we had in 1981. In addition, our population has increased by over 50% and our call volume has increased by about 700% since 1981. We have also expanded our role during this time by adding hazardous materials response, water rescue and specialized rescue. Emergency medicine has also become much more sophisticated so that patients are now treated and stabilized in the field prior to being transported to the hospital. In addition, national standards have been created and expanded to require more firefighters to be placed on certain emergency scenes. This has added greatly to our ability to protect and service the public. It has also added a greater margin for firefighter safety. Since 1981, we have become more efficient and due to necessity, we have eliminated a substantial amount of the routine work fire crews used to perform. In addition, increased population, densification, traffic congestion, traffic calming and skinny streets all serve to slow our response. The Table below shows the increase in calls for Fire Department service in Eugene since 1981.



The dip in calls for FY09 and FY10 are associated with our public/private partnership with Rural Metro Ambulance Corporation. We partnered with Rural Metro as a cost avoidance strategy and utilize this company to provide much of our basic and intermediate level non-emergency transport service. In addition, the downturn in FY12 is associated with our reconfiguration of our County designated Ambulance Service Area (ASA). In partnership with Lane Rural Fire/Rescue, now the Lane Fire Authority following a merger with Lane County Fire District #1. In the reconfiguration, we developed more of an urban/rural split between the two ASAs. Both the public/private partnership and reconfiguration of our ASA were recommendations from the Joint Elected Officials Task Force on Ambulance Transport. These strategies have also helped us bring our expenditures back within our revenue levels for at least the short-term. The decrease in Eugene call volume is not due to fewer 9-1-1 calls for service. This trend continues to increase every year.

9. Much of the use of overtime seems to be directed towards maintaining minimum staffing due to response times. Why are shorter response times so critical? Brain death begins to occur in a pulseless/apneic patient at about 4 minutes, and fire flashover occurs within 5 minutes of the incipient stage of a fire. Because of these and other factors, rapid intervention is critical in medical emergencies, fire suppression and rescues. Figure-2 below graphically depicts the decrease in survival rate associated with the speed with which emergency medical intervention is initiated to a pulseless, apneic patient. Figure-3 shows the time-temperature curves associated with fire development. Once a fire reaches the point of flashover, occupant survivability decreases significantly and property loss and environmental damage increases exponentially. Flashover is simply the sudden and rapid spread of fire through the air caused by the ignition of smoke, fumes, or the off-gassing of surrounding objects.

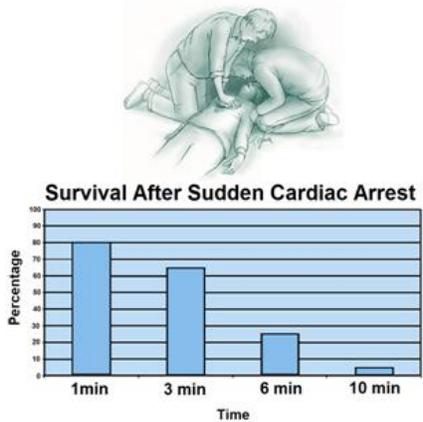


Figure-2

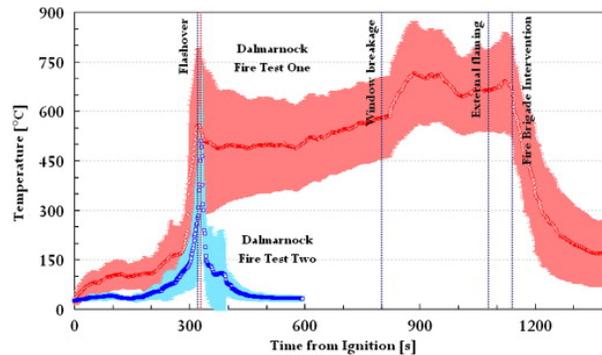


Figure-3

10. What legal requirements or standards for response apply to staffing and overtime? The National Fire Protection Association (NFPA) establishes industry standards that have become the standard fire service agencies are held to in court. This is especially true for firefighter safety and survival issues. In addition, many NFPA standards have been adopted by both Federal and State Occupational Safety and Health Administration (OSHA), through federal code (CFR) and Oregon Statute (ORS) or Administrative Rules (OAR). In addition, overtime compensation is regulated through the federal Fair Labor and Standards Act (FLSA), and the Contract between the City and the International Association of Firefighters (IAFF) Local 851.

11. How does the filling of firefighter vacancies effect staffing and the use of overtime? The Fire Department generally recruits to fill vacant firefighter positions in the fall, tests in the winter, and starts its fourteen-week Recruit Firefighter Training Academy in March. This is so that we can place the new probationary firefighters on shift by summer to help with peak leave usage. We have found that this timing of hiring and training is the most cost efficient and effective practice in filling our vacancies. This past year, since we were uncertain whether or not we would retain Engine 2 (Whiteaker Station), we did not begin the Recruit Academy until July. This is the absolute worst time of the year to hire and will cause our FY14 overtime numbers to jump higher. At the same time, we would have a difficult time getting our new firefighters to leave secure employment when their status and security were unknown. At the same time, if the decision were made to postpone the Academy, we would find ourselves behind the hiring curve. For example, five firefighters have already left this year and more will be leaving in the coming months. Therefore, with the recruit firefighters who just graduated on October 4th, we are still down 5 FTE in our Shift Operations Division.

Title: Increase Assessed Property Values

Description: Attracting new development in targeted areas and taking actions that increase density by stimulating redevelopment of underutilized property could have a long-term, positive impact on assessed property values. Strategies to accomplish this objective include land use actions, economic development actions, and provision of tools and incentives that invest in desired forms of development and redevelopment. Example land use actions include rezoning properties to facilitate development/redevelopment, simplification of the land use code to remove unnecessary barriers to development/redevelopment, and strategic expansion of the Urban Growth Boundary (UGB) for industrial zoned land. Example economic development actions would include continued implementation of the Regional Economic Development Prosperity Plan and limited investments to extend infrastructure to development sites. Example tools and incentives include short-term enterprise zone tax exemptions to encourage new industrial investment, Urban Renewal districts, and tax exemptions to encourage new multi-unit housing development.

It would take approximately \$1 billion of new assessed value to generate approximately \$6 million in annual City property tax revenue.

How could this idea help solve the FY15 budget gap? Actions taken to increase assessed property values would not have immediate FY15 benefits, but could have longer-term benefits.

What are some potential benefits from this approach? Actions within this strategy work to stimulate new investment, job creation, higher wage levels, expanded housing options, growth of the tax base, and improvement in the overall, long-term economic outlook for community members.

Land use actions would utilize property within existing UGB more efficiently, have positive impacts on service delivery costs, and decrease the need for UGB expansions. These actions have already been identified and are supported through the comprehensive Envision Eugene community vision, and they require limited City expenditure to implement. A modest expansion of the UGB for mid-large size industrial uses provides economic opportunities that are currently not afforded due to a restricted industrial land supply.

Tools and incentives that encourage new investment can increase the feasibility of industrial, commercial, and multi-family housing development in areas that have been identified as desired areas for industry and increased commercial/residential density. For example, urban renewal, MUPTE, and other tools have recently been used to leverage investments of over \$200 million in the downtown core. Additional commercial and multi-family housing in the downtown core and along transit corridors reduces reliance on the automobile, grows the tax base, protects existing neighborhoods from new density, and reduces the need for UGB expansions for residential and commercial development.

What are some drawbacks? Up-front City investment (for example: short-term tax exemptions, urban renewal investments, infrastructure investments, staff time related to code amendments) are required for this strategy. If increased assessed value occurs because of new residences or businesses being constructed within City limits, that development will require provision of City services, which could result in additional budget allocations for those services.

What are the longer-term or indirect implications from this idea? The framework for implementation of this idea is included in various adopted plans that involved significant public input, including Envision Eugene, the Downtown Plan, the Regional Prosperity Economic Development Plan, and the Climate and Energy Action Plan. Successful implementation of these plans is expected to achieve increased assessed property values, but will require a long-term commitment to the tools and strategies identified within the plans. (Also, see response to potential benefits.)

Title: Develop the EWEB Site

Description: Implementing the EWEB Master Plan (developing that property in accordance with the plan) will provide additional property tax revenue in the long term. The EWEB Master Plan is the community's vision for the riverfront culminating from a comprehensive public input process. City Council held a work session on the Riverfront Urban Renewal District on September 11, 2013. A portion of that work session included a prospective cost-benefit analysis for implementation of the EWEB Master Plan based on a set of build-out assumptions. Specifically, the analysis considered the potential outcomes that might result from a theoretical investment of approximately \$15 million in Riverfront Urban Renewal funds. The information below is based on that work.

How could this idea help solve the FY15 budget gap? There is no scenario that would provide immediate FY15 financial benefit.

What are some potential benefits from this approach? Based on a number of assumptions related to a mixed-use development scenario for the EWEB riverfront property, the following outcomes have been identified:

- \$2 million new annual property tax revenue upon completion of the Master Plan
- Eight acres of new public open space
- Over 300 new housing units totaling \$80 million in new construction
- 121,000 square feet of new commercial/office/retail totaling \$30 million in new construction
- Adaptive reuse of historic buildings
- 650 construction jobs and 700 new permanent jobs
- Densely develops land within the existing Urban Growth Boundary, creating public service and public infrastructure cost efficiencies, alleviating development pressure on single-family neighborhoods, and limiting future Urban Growth Boundary expansion
- Significant cultural, educational, and health benefits from access to and open space along the Willamette River
- Environmental benefits provided through enhanced storm water treatment, riparian river edge enhancements, and reduction in vehicle miles traveled
- Advances the Regional Prosperity Economic Development Plan by enhancing the regions identity with an iconic waterfront development

What are some drawbacks? Implementation of the EWEB Master Plan will face significant financial challenges, and will require substantial public and private investment. It is not likely that development of the EWEB property will proceed without a commitment of resources from the public to remove redevelopment barriers (for example, access to the site, park space along the river, infrastructure, environmental contamination). The City does not own the EWEB property; therefore, timing of the sale and the selection of a purchaser/developer is not totally in the City's control. Additionally, current economic conditions will likely result in the private sector taking a more conservative approach regarding the pace of development on the property, which will create incremental new property tax revenue over time.

What are the longer-term or indirect implications from this idea? Implementing the EWEB Master Plan can advance many of the goals identified in Envision Eugene, the Downtown Plan, the Regional Prosperity Economic Development Plan, and other community-wide planning efforts. These include compact urban development, limiting future Urban Growth Boundary expansion, providing ample

economic opportunities for all, climate change and energy resiliency, protection of neighborhood livability, and protection and restoration of natural resources. (Also, see outcomes identified above).

The EWEB property in its current condition is primarily a tax-exempt, vacant, industrial brownfield immediately adjacent to the Willamette River. Although there are many challenges associated with redevelopment, the fact that it is the only downtown property immediately adjacent to the river creates the potential for high-value uses. Additionally, transformation of the property consistent with the EWEB Master Plan has the potential to stimulate other private development in the surrounding area. Similar to the transformational Urban Renewal Agency investments recently made in the Downtown District, the Riverfront Urban Renewal District's financial resources have the capacity to remove barriers to redevelopment as an incentive for private investment. Elimination of the Riverfront Urban Renewal District (a topic discussed in a separate FIT summary) would require that other sources of public funds be used to make the investments necessary to achieve the outcomes associated with private development of the EWEB property. No other source of public funds is identified at this time.

Title: Terminate the Urban Renewal Districts

Description: There are two existing urban renewal districts, the Downtown District and the Riverfront District. City Council could terminate one or both of the urban renewal districts which would increase revenue for the City's general fund, but decrease the overall revenue received by the City and Urban Renewal Agency combined. (See pages 359-387 of the FY14 Adopted Budget for more information on the Urban Renewal Agency.)

The Downtown District plan is nearly complete, with the primary activity limited to paying off remaining debt. The Riverfront District goals are to stimulate appropriate redevelopment in the EWEB Master Plan area; promote redevelopment of public and private properties in the area around the Wayne Morse Federal Courthouse; and improve connections between the core of downtown, the riverfront area and the University of Oregon. The Riverfront District is scheduled to expire in 2024.

How could this idea help solve the FY15 budget gap? If City Council were to terminate the districts, the City would receive approximately \$840,000 (FY13 est.) for the Downtown District and \$360,000 (FY13 est.) for the Riverfront District in annual property tax revenue. The City would also receive a one-time cash deposit of tax increment funds on-hand in both of the districts, as determined by the Lane County Treasurer. The City would receive approximately 39% for the General Fund and 7% for the G.O. Bond Fund. Any non-increment funds would be retained by the City. The timing of district termination and receipt of additional tax funds and one-time cash deposits will depend on the laws and rules governing district termination. It is not clear whether this could occur in time to help solve the FY15 budget gap.

What are some potential benefits from this approach? Provides increased general fund revenues (ongoing and one-time).

What are some drawbacks? Terminating the Downtown District would violate the bond contract the Agency signed to fund a portion of the Lane Community College Downtown Campus project and refinance the Broadway Place parking garages debt. In addition, it would eliminate funding for: a) \$500,000 for improvements to the Park Blocks for the Farmers' Market, one of the yet to be completed specific projects approved in the 2010 Downtown Urban Renewal Plan Amendment, and b) administering the Downtown Revitalization Loan Program. The loan program is a primary tool used to stimulate redevelopment of properties and tenant storefronts within the Downtown District.

Terminating the Riverfront District would eliminate the primary financial tool to make critical public investments that will be needed to implement the EWEB Master Plan and connect downtown to the riverfront and University areas. In the long-term, redevelopment of the EWEB property, and areas adjacent to the property, have the potential to generate significant public benefit, including new, long-term property tax revenue. (See separate FIT summary "Develop the EWEB Site."). If public resources are not available through the Riverfront District, the future benefits of the EWEB property redevelopment would be at risk.

For 4j's local option levy, terminating the urban renewal districts would reduce annual school district revenues (in excess of \$100,000 each year) due to the state property tax system (Measure 5 tax rate compression).

What are the longer-term or indirect implications from this idea? Compact urban development in the central core is a fundamental goal of Envision Eugene, the Downtown Plan, the Regional Prosperity Economic Development Plan, and the Climate and Energy Action Plan; and Urban Renewal is a primary tool that is used to advance this goal. If a district is terminated, the tool will not be available for future use and other public resources and tools would need to be considered to implement the community-wide objectives included in these plans.

Recent downtown redevelopment in excess of \$200 million was stimulated by Downtown Urban Renewal investments. This is an example of how urban renewal can be used to create longer-term public benefits. With the exception of the \$500,000 identified in the Downtown District for Farmer's Market site improvements, the Downtown District Plan does not allow for any further capital expenditures or staffing (other than the loan program) costs for projects within the Downtown District. Although it is assumed that there will be additional projects and needs within the downtown core, no alternative funding source has been identified at this time.

Title: Eliminate the Multi-Unit Property Tax Exemption (MUPTE) Program

Description: The MUPTE program provides a 10-year property tax exemption on qualified, new multi-unit housing projects that occur within a specific targeted area (currently the Downtown Plan Area), are determined to be infeasible without the exemption, meet program requirements, and are reviewed and approved by the City Council. Council has suspended the MUPTE program through July 2014 to provide time necessary to consider modifications to the program.

How could this idea help solve the FY15 budget gap? Terminating the MUPTE program would not generate revenue. The projects currently receiving or approved to receive tax exemptions cannot be terminated (except if the project becomes ineligible based on the approval conditions provided in the individual resolutions). To be eligible, a project must demonstrate that it would not be built but for the benefit of the tax exemption. As such, eliminating the MUPTE program would not provide new taxable value because it is assumed that new development would not occur.

What are some potential benefits from this approach? There are no financial or other public benefits.

What are some drawbacks? This approach would eliminate one of the primary tools designed to promote desired density that is not likely to occur within targeted locations if the market is left to its own devices. MUPTE is an identified tool for implementing Envision Eugene, for continued implementation of the Downtown Plan, and for the Climate and Energy Action Plan objectives related to increasing density in the urban core and along high-capacity transit corridors (20-minute neighborhoods). In the short-term, projects would not be built but for the tax exemption and many of the community's goals would not be realized.

In the long-term, the City would continue to collect property taxes on underdeveloped properties with little to no tax value and would not benefit from the long-term increased tax revenue from MUPTE projects. For the eleven MUPTE projects that are now paying full property taxes (the exemption has expired), total annual property taxes in excess of \$500,000 are being paid. These properties paid a total of approximately \$34,000 before they were redeveloped.

In the absence of MUPTE, new multi-unit housing would more likely locate on less expensive greenfield land on the periphery, resulting in the extension of new infrastructure and less efficient City service delivery costs. New construction dollars and construction jobs would be unrealized in cases where projects could not move forward in the absence of MUPTE.

What are the longer-term or indirect implications from this idea? Currently, 47% of all Eugene residential renters are experiencing a "housing cost burden", meaning they pay more than 30% of their income for housing and utilities. This percentage of burdened renters is much higher than the national average. Our community continues to experience low and stable vacancy rates that put upward pressure on housing costs. An increase in housing supply stimulated by MUPTE could help stabilize rents over time; therefore, helping with housing affordability generally.

The community has favored a more urban form of transit-oriented development focused along corridors, recognizing that more dense mixed-use, walkable neighborhoods provided numerous community, economic, and environmental benefits. By encouraging new, multi-unit housing within the downtown core area, and potentially along major corridors, the MUPTE program is designed to protect neighborhood livability and reduce pressure on future Urban Growth Boundary expansion for residential lands. The more compact, centralized pattern of development encouraged by MUPTE has positive environmental impacts that result from reduced vehicle miles traveled and positive impacts on the City's cost of providing infrastructure and delivering services that are more centrally located. Encouraging multi-unit housing along major corridors supports transportation infrastructure investments (for example, EmEX) that have been made or are planned to be made.

Title: Increase Northwest Natural Gas (NWNG) Franchise Fee

Description: NWNG currently holds a franchise with the City of Eugene for use of the public right of way. As compensation for the franchise, NWNG pays the City 5% of its gross revenues earned in Eugene. The current franchise expires in October 2019 and contains five year “reopeners” in which either party can ask to renegotiate terms of the franchise, with the opportunity for the next reopener occurring in 2017 (FY18).

Natural gas franchise fees in Oregon typically range from 3% to 5% with a few cities that have 5.94% fees. In some cases those fees consist of a 3% general franchise fee and a 2.94% privilege tax that is then dedicated to a specific purpose. There is one city that has a 7% fee; however the cities that have fees over 5% tend to be much smaller with annual franchise revenues under \$350,000.

Eugene budgeted to receive approximately \$1,575,000 in franchise revenue from NWNG in FY14. Since FY09, however, NWNG has reduced their customer rates causing a \$400,000 reduction in annual franchise revenue to the City of Eugene from FY09 to FY13.

The City could negotiate a higher rate of 6% at the next reopener in October 2017, but NWNG would have to agree to those terms. Based on current activity it is estimated that this increase could bring an additional \$280,000 to the GF annually.

How could this idea help solve the FY15 budget gap? Due to the constraints of the current franchise this idea could not be enacted to address the FY15 budget gap.

What are some potential benefits from this approach? While it cannot address the FY15 budget gap, this idea could provide additional on-going revenue to the General Fund in the future.

What are some drawbacks? Public Utility Commission administrative rules (OAR 860-022-0040) allow gas utilities to absorb privilege taxes and franchise fees up to 3% in their base rates as a normal operating expense. For taxes or fees imposed by cities in excess of the 3%, gas utilities are required to pass that excess tax or fee on to the rate-payers in that community and disclose the pass-through amount on the customer’s bill. This increase would make Eugene’s franchise fee one of the highest in the state.

Additionally, by reopening the franchise, other franchise terms could be placed on the table for discussion which could be potentially detrimental to the City based upon what those ideas entail.

What are the longer-term or indirect implications from this idea? Setting equal rates charged on all utility providers does not ensure a level playing field. For example, while EWEB pays 6% on electricity sales in CILT (contribution in lieu of taxes) to the City, EWEB and NWNG are not like providers and operate with different market constraints. EWEB is exempt from property taxes, while NWNG pays both local property taxes and a franchise fee based on gross revenues. Also, natural gas is a “fuel of choice” while electricity is delivered to every home in the community. These types of considerations are taken into account when the franchise is negotiated.

Title: Capital Improvements Funded with Bonds

Description: Capital improvements include land, structures, facilities, machinery, equipment or furnishings having a useful life of longer than one year. Most medium to large size governments finance capital improvements through a combination of “pay-as-you-go” financing and issuing debt.

Pay-as-you-go financing allows an organization to avoid incurring interest and debt issuance costs while preserving financial flexibility. Under this approach, the organization sets aside cash balances to fund future capital improvements. There are no annual debt payments in the organization’s operating budget, leaving more flexibility to respond to unexpected events and scale capital expenditures if needed. Eugene pays for most of its routine capital expenditures using this method.

The City could fund capital improvements with bonds that are paid from existing revenues. This approach requires a funding source to repay the bonds, as well as to pay for debt issuance costs. This type of borrowing spreads out the project’s cost over several years which may make some high cost projects attainable in the short term. This was the approach the City used for the Eugene Public Library. It would not make financial sense to replace current pay-as-you-go capital financing with non-voter approved bonds as that would only serve to increase the cost of the projects without any other benefits.

For certain large projects, such as acquisition of parks and street repairs, Eugene has used general obligation bonds (G.O.) that are approved by voters. These bonds allow the organization to accomplish a greater amount of capital projects by using additional property taxes authorized by the voters to repay bonds. Instead of contributing to future capital improvements through annual general fund capital transfers, the City could ask voters to approve general obligation bonds for these improvements.

How could this idea help solve the FY15 budget gap? If G.O. bonds were approved by voters, this idea would provide up to \$2.5 million in annual revenue towards the budget gap, and could potentially offset the \$900,000 that may be available for capital from unanticipated year-end carryover funds (Marginal Beginning Working Capital). The capital improvements to be G.O. bond funded would meet the definition of costs that could be funded with G.O. bonds under state laws.

What are some potential benefits from this approach? This approach could free up annual, on-going revenues to be used for other general fund purposes.

What are some drawbacks? Voter approval would be required for general obligation bonds in order to receive additional funding for capital projects. There is a cost associated with issuing debt as most transactions require the use of financial advisors, bond counsel and rating agencies. This would entail incurring election costs as well. The City has debt policies that limit the amount of debt that can be outstanding, so the ability to fund routine capital improvements would have to be weighed against other potential borrowing needs to ensure that policy limits were not exceeded.

What are the longer-term or indirect implications from this idea? General capital improvements are typically comprised of smaller projects instead of a single project that voters can connect with; therefore, it may be difficult to pass the bond measure to pay for these projects. In addition, Moody’s Investors Service, the City’s bond rating agency, cites the City’s low debt burden as one of the positive factors in assigning the current Aa1 bond rating. Adding significant amounts to the City’s debt burden by starting to fund routine capital projects with bonds could be a red flag to the rating agency and might have future negative rating impacts.