



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.

AGENDA

Budget Committee – Finance Investigative Team

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

Time	Item	Presenters
5:30 to 5:45	Opening Remarks	Sue Cutsogeorge, Finance Director
5:45 to 6:00	Capital Improvements Funded with Bonds	Sue Cutsogeorge, Finance Director
6:00 to 6:15	Reduce Support to Boards & Commissions	Pavel Gubanikhin, CS Administrative Financial Manager
6:15 to 6:30	Reduce City Newsletters	Pavel Gubanikhin, CS Administrative Financial Manager
6:30 to 6:45	Increase Purchasing/Contracting Partnerships	Jamie Garner, Senior Financial Analyst
6:45 to 7:00	Consolidate Services to Reduce Costs	Kristie Hammitt, Central Services Director
7:00 to 7:15	Repurpose Facility Reserve	Sue Cutsogeorge, Finance Director
7:15 to 7:30	Reduce Reserve for Revenue Shortfall	Sue Cutsogeorge, Finance Director
7:30 to 7:45	Additional Item TBD	
7:45 to 8:00	Wrap Up and Next Steps	Sue Cutsogeorge, Finance Director

Subsequent Meetings

Held at Library – 3rd Floor, Sunstone Conference Room (note: location may change)

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

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

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.

Title: Reduce Support to Boards and Commissions

Description: Members of the City Boards and Commissions (BCCs) support City operations and programs by advising the City Council and staff on a wide variety of subjects and by making recommendations on important policy issues. Community members' participation in the work of BCCs provides an important avenue for community engagement and communication. There are four types of Boards and Commissions: standing committees to the City Council, ad hoc committees, intergovernmental committees and department advisory committees. These committees are created by City Code, City Council action, state statutes, intergovernmental agreements or the City Charter.

City staff provide various services to support the work of the City Boards and Commissions, including the annual recruitment and selection process, orientation and training, scheduling and staffing meetings, preparing meeting information packets and meeting minutes, providing information to facilitate boards and commissions work, and performing other tasks as needed. Some of this work is performed centrally by the City Manager's Office staff, while other tasks are performed by the Departmental staff that serve as liaisons to the Boards and Commissions.

How could this idea help solve the FY15 budget gap? This idea has a limited potential to help solve the FY15 budget gap. There are currently no City positions that are dedicated full-time to supporting Boards and Commissions. The City Manager's Office staff and Departmental liaisons that provide BCC support perform these functions in addition to their other regular duties. For example, Finance staff that support the Budget Committee perform these tasks in addition to other workload associated with the development and management of the City's budget, as well as other financial management functions.

Additionally, functions performed by some of the Boards and Commissions are mandated by state law (e.g. Budget Committee, Planning Commission), intergovernmental agreements (e.g. Metropolitan Wastewater Management Commission, Lane Workforce Partnership) and the Eugene City Charter and/or City Code (Toxics Board, Civilian Review Board, etc.). The level of staff support provided to these bodies is largely driven by the legal requirements that may not be within the City Manager's control.

Savings may be realized by implementing this idea through incremental decrease in operating expenses, such as meals (which are no longer provided at most meetings), printing and mailing and office supplies associated with BCC work. The estimated City-wide savings would be in the under \$5,000 range.

What are some potential benefits from this approach? Potential benefits of this reduction are largely limited to a small ongoing decrease in materials and supplies budget.

What are some drawbacks? The effectiveness of the Boards and Commissions work and their ability to fulfill their respective functions may be significantly impacted as a result of this reduction. It would also reduce the opportunities for ongoing community engagement and feedback on important policy issues.

What are longer-term or indirect implications from this idea? Reduction in opportunities for community engagement through BCC work may have a negative long-term impact on policy decisions made by the City. It would also reduce the City's ability to leverage the extensive knowledge and experience offered by volunteer BCC members in addressing issues that are of importance to our community.

Boards & Commissions Supplemental Information

Board, Commission or Committee Type	Current Boards and Commissions
<p>Standing Committees are mandated by state law, City Charter or City Code; they make recommendations to the City Council on policy issues and may advise City staff on specific operational matters.</p>	<ul style="list-style-type: none"> • Budget Committee • Sustainability Commission • Human Rights Commission • Planning Commission • Historic Review Board • Police Commission • Civilian Review Board • Toxics Board
<p>Intergovernmental Committees are usually formed as a result of agreements signed between the City of Eugene and other governmental agencies. In some cases, the City Council appoints citizens to represent Eugene on these regional bodies. City Councilors also serve as representatives on some committees.</p>	<ul style="list-style-type: none"> • Housing Policy Board • Lane Regional Air Protection Agency • Lane Workforce Partnership • Metropolitan Wastewater Management Commission • Whilamut Citizen Planning Committee
<p>Department Advisory Committees are administrative in nature and report to department staff and not to the City Council. Department advisory committees are typically re-evaluated every two years to determine whether the need for these committees still exists.</p>	<ul style="list-style-type: none"> • Bicycle and Pedestrian Advisory Committee (BPAC) • Cultural Services Advisory Committee • Eugene Redevelopment Advisory Committee • Library Board • Neighborhood Matching Grant Department Advisory Committee • Public Art Committee • Rental Housing Department Advisory Committee
<p>Ad Hoc Committees are usually authorized by the Mayor or the City Council to address specific emerging or priority issues. In most cases, the Mayor recommends and appoints members to these groups. The duration of the committees and their scope of work are also limited based on their specific purpose.</p>	<ul style="list-style-type: none"> • Amazon Headwaters Committee • Financial Investigative Team • Human Services Subcommittee • Mayor’s Blue Ribbon Committee on Homelessness

Title: Eliminate Some City Newsletters

Description: The City communicates to both external and internal stakeholders using a variety of media, including the website, electronic and printed newsletters, social media, press releases, MetroTV, and a number of other channels. As part of the ongoing budget reductions, the City has significantly reduced the number of printed newsletters in order to reduce printing and mailing costs. Additionally, the City has been utilizing the functionalities provided by its new website platform to expand the number and frequency of electronic communications, and has significantly expanded its social media presence. The vast majority of City newsletters are now only available in electronic format.

Examples of newsletters that are being provided in hard copy include the Stormwater Connections (funded from the Stormwater Fund), Eugene Outdoors (Parks and Open Space newsletter funded from the General Fund, Road Fund, and Stormwater Fund; reduced in FY09 from semi-annual to annual) and the Recreation Guide (General Fund-supported; mailed only by request, with a limited quantity available in hard copy at libraries and recreation centers). More than 12,000 residents use the virtual Recreation Guide available online. Because there are no positions dedicated exclusively to newsletter production, the primary savings associated with eliminating newsletters would be in printing and mailing costs. The scope of this reduction would not include neighborhood association newsletters, which are included in the community engagement services reduction to be considered by the Budget Committee.

How could this idea help solve the FY15 budget gap? This idea could have a small impact on solving the FY15 budget gap by reducing General Fund printing and mailing costs by an estimated \$5,000 to \$10,000 annually, assuming that all remaining printed General Fund newsletters are eliminated.

What are some potential benefits from this approach? This reduction would have a small positive environmental impact by saving paper and other resources associated with printing and mailing City newsletters.

What are some drawbacks? Eliminating printed newsletters would reduce the frequency of the City's interaction with the community members. Citizens who have limited or no internet access would not be able to receive the information they are currently receiving via printed newsletters. Eliminating the remaining printed copies of the Recreation Guide would have a significant impact on Recreation revenues and program access, particularly for senior citizens, residents without internet access and those new to the community. Printing and distributing Stormwater Connections newsletter helps the City meet its NPDES* permit requirements related to public education and receive flood insurance discounts under the National Flood Insurance Program. Eliminating the Parks and Open Space newsletter may have a negative environmental impact by reducing the opportunities for public education and outreach on environmental preservation issues. It would also limit the City's ability to update the community on bond fund progress and grant funded initiatives, both of which build relationships for future support.

What are longer-term or indirect implications from this idea? Elimination of printed newsletters will require the City to adjust its public communication and outreach efforts in order to communicate with stakeholders who previously relied on the information provided via newsletters. The City has committed to increasing community partnerships and volunteerism. Eliminating printed newsletters may be counter-productive to effectively promoting and encouraging those activities on an ongoing basis.

* NPDES – National Pollutant Discharge Elimination System

Title: Increase Purchasing / Contracting Partnerships

Description: Increase use of cooperative procurements by the City's Purchasing Office. Oregon Revised Statutes (ORS) 279A.200 - 279A.225 allows for the use of cooperative procurements by public agencies. Cooperative procurements are purchases made by a public agency by piggybacking on another public agency's competitively solicited contract. The primary cooperative procurement program used by the City is the Oregon Cooperative Procurement Program (ORCPP) through the State of Oregon. The City's Purchasing Office has also used contracts from Western States Contracting Alliance (WSCA), U.S. Communities, Houston-Galveston Area Council (H-GAC), National Joint Powers Alliance (NJPA), The Cooperative Purchasing Network (TCPN), National Intergovernmental Purchasing Alliance (National IPA), General Services Administration (GSA), and others. Recent cooperative purchases made by the City include two sewer combo trucks (approximately \$800,000 from the NJPA contract) and the new police patrol vehicles (approximately \$650,000 from the ORCPP contract). The City's Purchasing Office also participates in vendor fairs at the University of Oregon and national conferences.

How could this idea help solve the FY15 budget gap? Cooperative procurements are already extensively utilized by the City's Purchasing Office wherever practical and reasonable. A directive to increase usage of cooperative procurements would most likely produce negligible results due to their current prevalence.

What are some potential benefits? Agencies that use cooperative procurements frequently experience the benefit of reduced prices due to economies of scale. This is especially true when purchasing from large national cooperative procurement contracts. When multiple public agencies use the same cooperative procurement contract it can also result in an indirect standardization of equipment, services and/or policies, increasing efficiency in collaboration between these agencies. Additionally, use of cooperative procurements eliminates some duplication of effort by the agency's employees by reducing the number of solicitations issued. This results in savings in personnel costs as employees can shift their attention to other projects.

What are some drawbacks? Small, local, disadvantaged or minority/woman-owned businesses often find it difficult to compete against larger corporations in a national solicitation process. Using more cooperative procurements could result in a drop in revenue for these businesses, conflicting with Council's goal for Sustainable Development. Additionally, there are often fees associated with making a cooperative purchase, either assessed to the public agency (usually through membership fees to the cooperative purchasing consortium) or the vendor that receives the contract (generally a percentage of sales). Cooperative procurements often lack flexibility in contract terms and products/services. Cooperative procurements cannot make material changes to the original contract, which may mean less advantageous contract provisions or a limited selection of products that may be less expensive but provide less value to the City.

What are longer-term or indirect implications from this idea? Eugene has established itself as a progressive city in regard to sustainability. Many of the City's sustainability initiatives are introduced and reinforced via competitive solicitations issued by the City's Purchasing Office. These solicitations can induce vendors to modify their business practices in order to acquire a contract with the City. Most cooperative procurements do not provide an exact reflection of the City's goals and vision and may instead enforce contrary ideals. Decreasing the number of competitive solicitations issued by the City diminishes the opportunity to affect change through progressive business practices in the vendor community.

Title: Consolidate Services

Description: Similar services among government jurisdictions may be consolidated with the goal of reducing expenses while preserving service levels. Degrees of consolidation can be achieved, from coordination and collaboration through functional consolidation, or it may extend to full legal consolidation of services. Municipal services are typically staff-dependent. Some savings can result if operational efficiencies and any economies of scale are achieved, but significant savings would rely primarily upon the reduction of personnel costs. Whether this could be achieved without reducing services would need to be considered.

Consolidation efforts sometime succeed and sometimes do not. Eugene is engaged in several successful collaborative efforts with other jurisdictions including:

- emergency communication systems,
- metropolitan wastewater program, and
- consolidation of fire services with Springfield.

Eugene has also experienced difficulties with maintaining some other consolidated services between jurisdictions, for instance animal services. It is important to have a clear focus and defined objective that are in alignment with both organizations in order to be successful with consolidation efforts.

Prior to a consolidation effort, a careful analysis of the operation and finances of the subject services needs to be done. There needs to be a favorable political environment for the consolidation, and a thorough understanding needs to be achieved of the organizational cultures and existing labor agreements affecting the services.

How could this idea help solve the FY15 budget gap? It is not likely that significant savings could be expected from a consolidation strategy in time to affect the FY15 budget gap. Consolidation of services requires careful analysis and a significant amount of time and effort to implement. For instance, the Fire merger with Springfield was began in July 2010, but is now progressing towards full consolidation.

What are some potential benefits? In a best outcome, consolidation could improve service efficiencies and reduce costs, while preserving service levels for the participating jurisdictions.

What are some drawbacks? The savings from operational efficiencies and economies of scale that are achieved may be marginal, and substantial savings may require reduction of service-related personnel costs with accompanying reduction in services. Maintaining a consolidated service involving different jurisdictions may be difficult if jurisdictions have varying priorities and financial abilities.

What are longer-term or indirect implications from this idea? Degrees of service consolidation, short of legal consolidation, will always be subject to reassessment and alteration resulting from political or financial changes within the participating jurisdiction.

Title: Repurpose the Facility Reserve

CORRECTED

Description: The Facility Reserve was created by City Council in 2001 as a way to save for City Hall related projects. The original intention was to supplement the Facility Reserve with voter-approved bonds to build City Hall. The current intention is to rebuild City Hall with a scaled-back design, without asking voters for additional dollars. City Council decides when to place money in the reserve, and the money in the reserve can be spent at City Council's discretion. Over the past dozen years, the Facility Reserve has accumulated \$39.2 million and spent \$30.5, leaving \$8.7 million for the current City Hall rebuild project. City Council appropriated \$750,000 of that amount in June 2013 for design costs. The Budget Committee had a presentation on the Facility Reserve at their May 28, 2013 meeting and the webcast from that meeting is available online for review.

Money in the Facility Reserve has mainly come from one-time funding sources. The largest was a \$15.4 million telecommunications lawsuit, followed by unanticipated Contributions in Lieu of Tax revenue from EWEB during the energy crisis in 2001 of \$7.3 million. From FY03 through FY09, the City set aside annual funding to pay for the City Hall project through a "capitalization charge" added to Facilities Rates, but that was discontinued in FY10 as a budget balancing measure. There are no ongoing dollars being directed to the Facility Reserve at the current time.

The Facility Reserve has contributed to or paid for several important City Hall related projects over the years, as well as being used for other purposes. Over \$20 million has been used to build or equip public safety functions that were moved out of the old City Hall building, including the Property Control/Forensic Evidence facility on Roosevelt Blvd, Fire Station #1 at 13th & Willamette, and the Police Headquarters on Country Club Road. City Council also dedicated funds to plan for the next City Hall (\$2.7 million), to fund road repairs (\$6.5 million), and to balance the General Fund budget in FY04 (\$900,000), as well as for some smaller miscellaneous expenditures.

How could this idea help solve the FY15 budget gap? The Facility Reserve balance of ~~\$8.7~~ **\$7.9** million could be used on a one-time basis to pay for General Fund services.

What are some potential benefits? The Facility Reserve balance could fund services for a temporary period of time.

What are some drawbacks? There are drawbacks to both the General Fund and the City Hall project. Using one-time dollars to fund General Fund services does not solve the ongoing budget gap. The Facility Reserve is the main funding source for the current rebuilding of City Hall. If those dollars are not available for this project, the timeline and scope of the project would be seriously impacted.

What are longer-term or indirect implications from this idea? Using one-time dollars to fund services "kicks the can down the road" and will result in larger budget gaps to be addressed in future years. The current City Hall is vacant and fenced off, creating both aesthetic and safety issues in the core of downtown. Leaving City Hall vacant for a longer period of time will be counter-productive to the efforts the City has taken in recent years to revitalize downtown. Finally, the City would have to continue to pay lease costs for the City Council and City Manager's Office which would likely increase the budget gap.

Title: Reduce the Reserve for Revenue Shortfall

Description: The Reserve for Revenue Shortfall (RRSF) was created in FY98 after passage of changes in property tax system from Measure 50, which resulted in, among other impacts, less predictable property tax revenues for the General Fund. The RRSF provides the General Fund with flexibility to weather unexpected financial events. Having such reserves is considered a prudent financial management practice for governments, and has allowed the Budget Committee to take time to make thoughtful decisions in tough budget times.

The target balance for the RRSF has been set at 8% of expenditures. This level was determined after significant research and analysis prepared in 2008 for the Budget Committee. Several factors were taken into account in arriving at that figure, including an analysis of the potential risks that could be mitigated by maintaining the reserves, comparisons with other similar cities, and rating agency guidelines. The reserve stands at \$4.9 million for FY14, which represents 3.8% of General Fund expenditures, well below the target level.

How could this idea help solve the FY15 budget gap? The Reserve for Revenue Shortfall balance of \$4.9 million could be used on a one-time basis to pay for General Fund services.

What are some potential benefits? The Reserve for Revenue Shortfall could pay for General Fund services for a temporary period of time.

What are some drawbacks? Using one-time dollars to fund General Fund services does not solve the ongoing budget gap. Without maintaining a RRSF balance, the City might be put in a position to have to immediately start reducing services in the event of an unanticipated financial event, such as closure of a large employer or revenues budgeted higher than actual receipts.

What are longer-term or indirect implications from this idea? Using one-time dollars to fund services “kicks the can down the road” and will result in larger budget gaps to be addressed in future years. Drawdown of the RRSF will reduce General Fund balances, and this could have a negative impact on the City’s very high Aa1 bond rating. A reduction in bond rating would translate into increased costs for taxpayers when they approve bond measures for important community projects.