

AUGUST 2019

# 2019 UNFUNDED NEEDS ASSESSMENT

CITY OF EUGENE





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# **Unfunded Needs Assessment**

## **Purpose of the Unfunded Needs Assessment (UNA)**

The Unfunded Needs Assessment (UNA) is a compilation of significant unfunded financial challenges that the City of Eugene faces in providing current services and anticipated service needs as the community grows and the organization evolves. It is compiled by asking City staff throughout the organization to describe what they see as unfunded service needs in their respective areas.

This assessment reflects areas of focus driven by policy-level direction from City Council goal statements, direction given at Council work sessions and other methods. Community input also drives many of the UNA items through various master planning, neighborhood planning and other processes. The UNA is also informed by City workforce needs, staff planning and assessments, and professional analysis performed on infrastructure and capital projects, such as the pavement management plan and the Facility Condition Report.

The purpose of the UNA is to provide policymakers, City staff and citizens with a better understanding of the full range of unfunded needs throughout all of the service areas at a particular point in time. The results are designed to help inform the City's Executive Team, the Budget Committee and the City Council as they make financial decisions. It is also designed to provide information about the organization's priorities for financial discussions and how those priorities will advance important City plans, policies and goals.

The UNA is an assessment of current service areas and does not address potential new areas of service that may be desired by the community. There are a number of service challenges that the community as a whole faces, and the UNA does not attempt to define or collect all of those unfunded needs. As an example, there is a significant conversation in the community about meeting the needs of the unhoused population. While the City continues to expand and invest in programs and services to address this issue, there are substantial aspects of this service area that are addressed by regional partners such as Lane County and non-profit organizations.

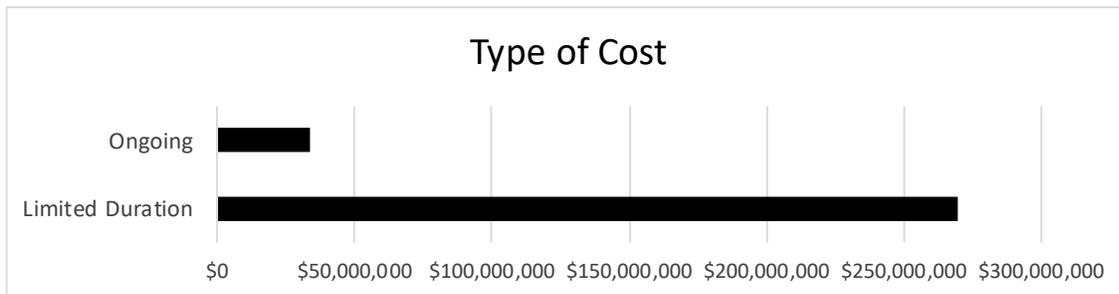
The UNA has been designed to provide stronger connections between selected projects and important policy initiatives and areas of focus as well as increased transparency, enhanced accountability and reduced complexity and redundancy.

The UNA is a snapshot in time and is updated periodically. In the interim, there will be items that get funded, high priority items that emerge that are not contained in this report and items that transform into different approaches to service provision. When the City Council requests a policy discussion on a particular topic, the UNA can be a starting place to compile data about those specific unfunded needs, but staff will also use their most current information to provide the City Council with the required background and a range of options.

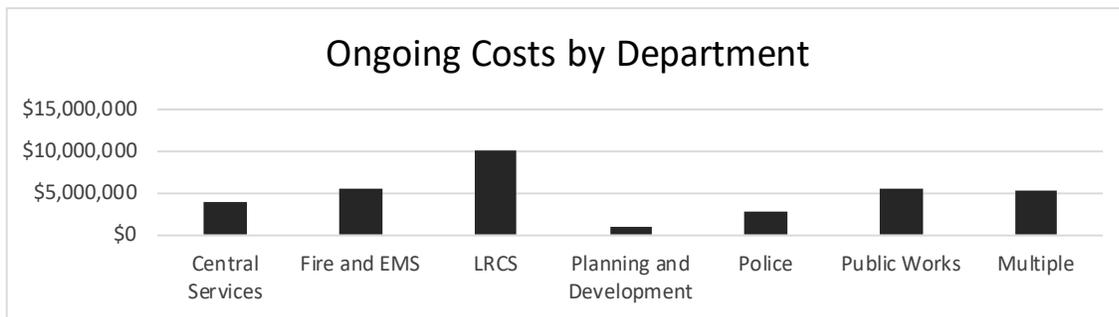
## Summary of the UNA Items

The UNA consists of 120 items. These items include unfunded capital projects, as well as program operations, and operations and maintenance expenses. There is no limit on the type, dollar amount or timing of projects included. The UNA identifies 112.09 Full-time Equivalent (FTE) positions across all categories.

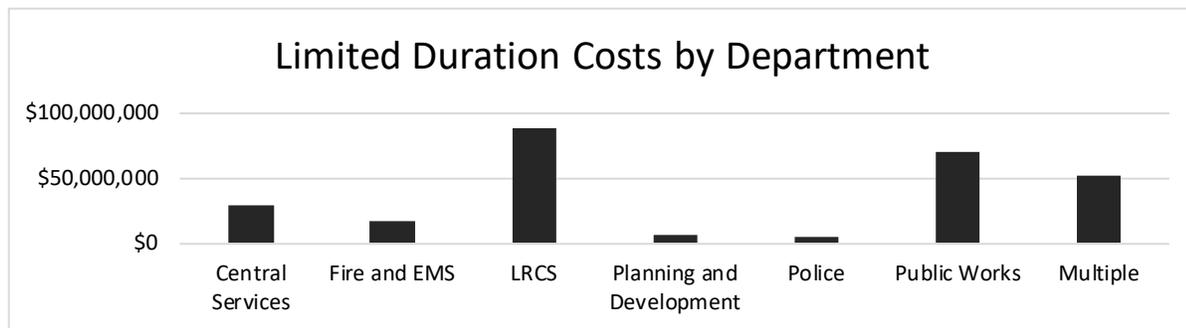
As can be seen in the chart below, the ongoing costs are not as significant as the limited duration costs. Approximately \$33.9 million of annual ongoing funding would be needed to pay for all of the items in the UNA. The limited duration or one-time costs are approximately \$269.5 million.



Ongoing costs are distributed throughout the various departments, with the Library, Recreation and Cultural Services Department (LRCS) having the largest need for ongoing resources at \$10.1 million. The single largest ongoing unfunded need is for the continuation of current service levels when the Parks and Recreation Operations and Maintenance Levy expires after 2023. This would total an estimated annual \$4.0 million across multiple departments.



Limited duration or one-time costs are mostly concentrated in LRCS. The largest unfunded projects in LRCS are for new or renovated community centers and pools, while large items in other departments include parks and transportation system needs, new fire stations, seismic retrofitting of bridges, and future phases of a regional multi-use sports complex.



## Executive Team Prioritization

The Executive Team uses the UNA, along with other processes and information, to make recommendations to the Budget Committee and City Council around funding for projects, programs, and operations and maintenance. Those recommendations reflect the Executive Team's prioritization of spending. Other ways that the Executive Team expresses their prioritization of spending and staff efforts are through ongoing discussions with the City Council about various programs, such as the updates the Council receives on the Community Safety Initiative and on downtown revitalization. The Executive Team strives to balance all of the priority programs, projects and services that the City Council has put forward, with the constraint that there is limited capacity to pay for all of the community and organizational needs.

During FY19, the Executive Team prioritized several UNA items as part of the Supplemental Budget that was presented to City Council in December 2018. Those included:

- Community Safety Initiative
- Downtown Operations
- Climate Recovery Ordinance Implementation
- Wastewater Equipment Replacement and Major Rehab

The FY20 Adopted Budget also includes funding for the following UNA-related items:

- Airport Police Officer staffing for new service to Chicago
- Airport Worker 2
- Animal Services contract
- Assistant City Attorney
- Atrium Building analysis, contracting and support
- CAHOOTS Hours increase
- Code Compliance staff capacity
- Community events partnership
- Downtown/Riverfront pedestrian wayfinding
- Equity in Contracting program
- Fire records management system and rostering program
- Fuel Reduction in Wildland Urban Interface Areas
- Human Resources analyst

- Municipal Court security
- Nuisance code revisions
- Permit review manager
- Permitting systems redevelopment
- Public Works Maintenance/Parks and Open Space Senior Financial Analyst
- Multicultural Liaison
- Downtown Riverfront Park and Plaza

***Community Safety Initiative:*** On September 26, 2018, City Council unanimously recommended a one-time, 18-month bridge funding strategy for the Community Safety Initiative. This strategy includes the following services: Police, Fire and Emergency Medical Services, homelessness, Municipal Court and prevention. The FY18 December Supplemental budget included \$8.6 million for this purpose, with the goal of finding an ongoing source of funding to expand community safety services provided by the City. The Community Safety Revenue Team, which included some City Councilors, the Chairs of the Budget Committee and Police Commission, as well as current and former Budget Committee members, met in the winter of 2018 to recommend an ongoing funding solution to the City Manager. The Revenue Team recommended a payroll tax to support \$23.6 million in community safety services on an annual basis. On June 10, City Council passed a payroll tax ordinance to provide ongoing, sustainable funding for city-wide public safety efforts, which will begin in FY21. The 2019 UNA has been updated from the FY20 Proposed Budget version to reflect this funding.

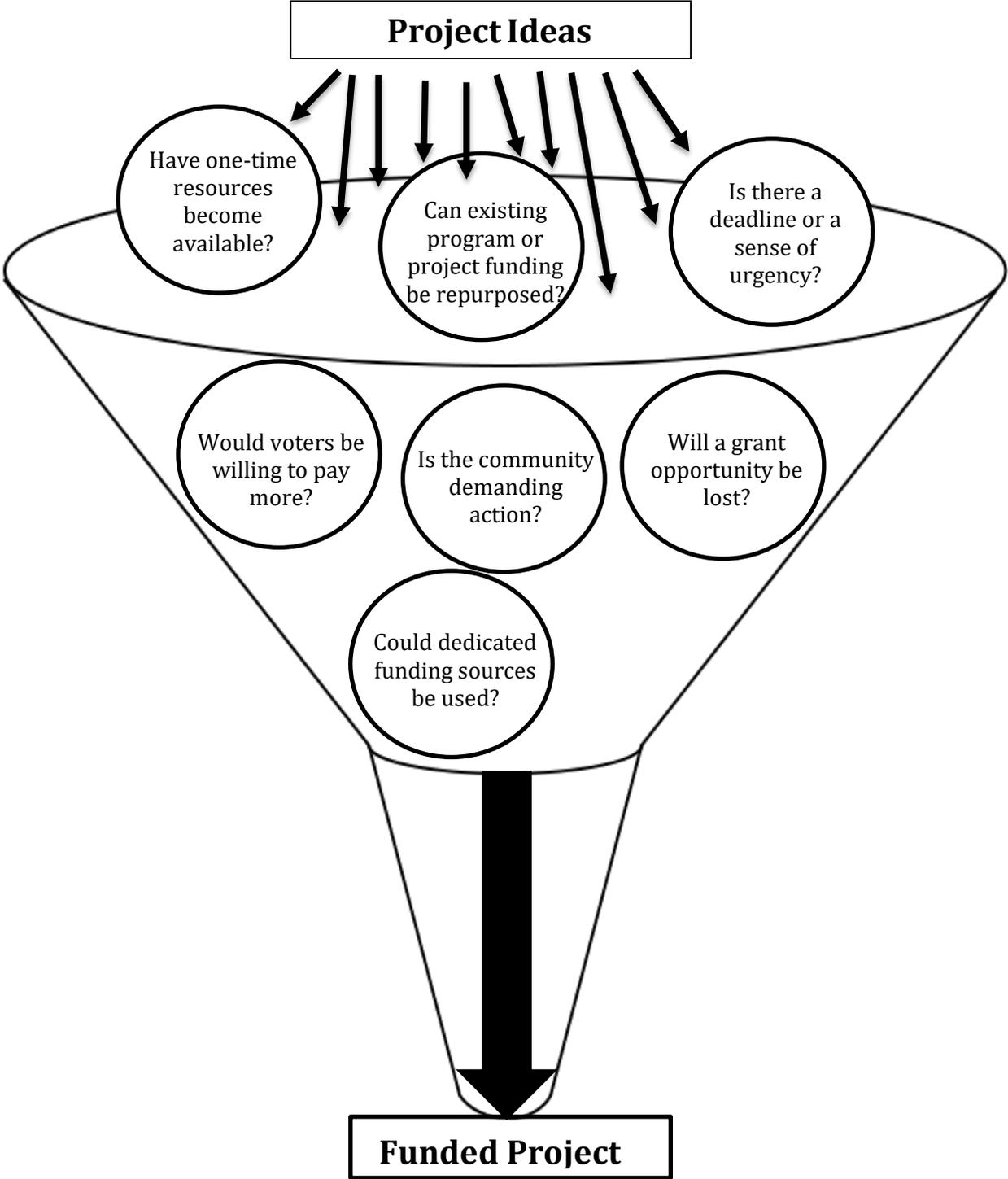
The Executive Team will continue to balance community needs including the City Council's focus areas such as the Climate Recovery Ordinance and Housing and Homelessness, among others. Some of the UNA items will become funded projects or programs over time, depending on a number of factors that are described in the following section.

The 2019 UNA also includes a new table that provides updated information on items included in the 2018 UNA that were fully or partially funded.

Based on feedback from the Budget Committee, the 2019 UNA has been updated to identify items that are related to the Technical Assistance Collaborative (TAC) report. Due to the timing of both the report's release and the creation of the UNA, the inventory currently includes only two items related to the TAC recommendations: CAHOOTS Hours Increase and Homelessness Services Support. The full TAC report is available at [www.eugene-or.gov/DocumentCenter/View/45881/TAC-Report\\_Final](http://www.eugene-or.gov/DocumentCenter/View/45881/TAC-Report_Final).

# How an UNA Item Becomes a Funded Project

The path from an idea to a funded project is not a standardized, linear process. It can take a variety of different forms and go through many different potential processes. The graphic below is meant to capture some of those things that could occur along the path to funding an idea as a concrete program or project.



## Potential Funding Sources

The determination of which revenue is appropriate for which kind of program or project can be complicated in municipal government. Many of the revenue streams are restricted as to their use. There are a wide variety of potential options for the range of projects and programs represented in the UNA. Below is a brief explanation of some of those options.

There are other constraints on the selection of a potential funding option, including the economic environment in the community, the City's financial situation, competing needs for a funding source and other factors. When evaluating a particular funding source, the following factors are typically considered:

- Legality and precedence
- Revenue yield and stability
- Administrative effort
- Timeline
- Equity; fairness and indirect impacts
- Nexus of revenue source to spending
- Political feasibility

Funding for capital projects may come from one-time resources, while funding for programs, operations and maintenance should come from ongoing revenues. Some examples of each type of funding source are listed below.

### Potential One-Time Funding Sources

- Grants
- Donations
- Property sales
- Legal settlements
- General Obligation Bond approvals
- Local Option Property Tax measures (5 years for operations and 10 years for capital)
- Marginal Beginning Working Capital (unanticipated carryover balances from the prior year)

### Potential Ongoing Funding Sources

- Reprioritization of existing resources
- Alternate revenue sources described in the Budget Committee's 2014 Revenue Team Report:

Admissions Tax  
Bicycle Registration Fee  
Business Gross Receipts Tax  
Business License Fee  
City Service Fee  
Commuter Tax  
Corporate Income Tax  
E-Cigarette Tax

Heavy Vehicle Tax  
Luxury Tax  
Motor Vehicle Rental Tax  
Paper Bag Fee  
Parking Tax  
Payroll Tax  
Personal Income Tax  
Red Light Cameras

Restaurant Tax  
Sales Tax  
Solid Waste Collection Fee  
Special Districts  
Transient Room Tax  
Increase Utility Consumption Tax  
User Fees & Service Charges

# Debt Capacity

This section discusses the affordability of future bond issues for capital projects. There are many capital projects listed in the UNA that could be funded with bond proceeds. There are two ways to look at debt capacity: the first is to look at the capacity to issue debt under legal constraints, and the second is to look at the affordability of that debt recognizing there is a limit to the City’s ability to repay obligations.

The City has used only about 2% of its more than \$801 million of legal debt capacity for General Obligation bonds as of June 30, 2018. The City’s Budget Committee has determined that it would not be prudent for the City to issue debt up to that legal limit. The City has Financial Management Goals and Policies that include the following debt management guidelines. These guidelines were reviewed and approved by the Budget Committee in February 2004.

These limits define the City’s affordable level of debt. The following table shows the estimated levels for the City’s debt affordability ratios as of June 30, 2018.

<b>Debt Affordability Ratios</b>	<b>As of June 30, 2018</b>	<b>Policy Limit</b>
Net direct debt as a percent of real market value	0.05%	Maximum of 1%
Percent of net direct debt retired within 10 years	60%	Minimum of 50%
Annual debt service on all General Fund-backed debt as a percent of General Fund expenditures*	0.03%	Maximum of 10%

\*Excluding pension bonds

Net direct debt includes all of the City’s General Obligation bonds except 30% of the Atrium bonds. The City excludes Pension Bonds from the definition of net direct debt.

The City’s debt ratios have an impact on its credit rating. The City is rated “Aa1” by Moody’s Investors Service and has maintained a double-A rating since 1957. When Moody’s last evaluated the City’s credit, it was noted that the City’s credit strengths included the low debt burden with an above-average repayment schedule.

As of June 30, 2018, there was \$64.2 million of total debt and \$14.2 million of net direct outstanding. This leaves about \$253 million of additional capacity for debt issuance within the policy limits. The City issued an additional \$28.6 million in bonds in February 2019 as part of the Parks and Recreation Bond approved by voters in the May 2018 election. The City has identified about \$235 million of unfunded capital projects in the UNA. The projects would likely require some debt issuance in order to be fully funded. There is not sufficient debt capacity available to pay for all of the unfunded capital projects listed in the UNA, and for a number of reasons, it is not prudent to utilize the City’s full debt capacity. This means that careful choices will remain regarding the use of debt to help meet the City’s unfunded capital needs.

## **UNA Categorization**

There are 120 items in the 2019 UNA that are arranged in the categories as listed below. In this iteration of the UNA, staff has identified a primary category for each UNA item. While an UNA item may be cross-functional, it will only be included in the primary category to simplify the presentation and provide greater transparency on the areas of focus.

### **Areas of Focus**

Over a quarter of the items in the UNA are connected to an area of focus identified by the City Council. Areas of focus highlighted in the 2019 UNA include strategic investments in the work surrounding the Climate Recovery Ordinance (CRO) and Housing and Homelessness.

***Climate Recovery Ordinance (CRO):*** Staff have been working on CRO implementation since its adoption in 2014. Progress in 2018 includes a progress report on the Climate and Energy Action Plan (CEAP) and drafting a new Community Climate Action Plan known as CAP 2.0. The focus of the CAP 2.0 project is to continue to foster the actions of the City, as well as the community's agencies, companies and organizations in moving toward carbon neutrality, reduced fossil fuel use and adapting to climate change. If sufficient funding were identified, several UNA items would provide ways to move forward with the CRO goals. Examples include hiring staff to help manage and coordinate CRO implementation, including elements of the CAP 2.0 update and community-wide engagement in CRO implementation, and supporting community adoption of electrification of homes, adoption of electric vehicles, development of transit ridership programs, waste diversion of organics and increased recycling and reduction of greenhouse gas emissions.

***Housing and Homelessness:*** The City has made several strategic investments over the years in the areas of housing and homelessness. Affordable housing projects, neighborhood planning, growth monitoring and economic prosperity projects will maintain or expand the ability of the City to meet the needs for various housing types, for the right people, in the right places and reduce housing cost burdens while upholding Envision Eugene pillars. The focus on homelessness is to increase the number of known places to sleep or shelter, while also increasing non-shelter programs through youth homelessness programs, Human Services funding, coordination with regional and state partners, and identifying temporary shelter options.

### **Services and Infrastructure**

The remaining UNA items are categorized in the following categories: Existing Services, Future Demands, and Infrastructure.

***Existing Services:*** These unfunded needs support current services provided by the City and include funding gaps in existing programs, replacement of equipment and systems, and continuing current service levels. Projects include the continuation of the Parks and Recreation Operations and Maintenance levy and the Library levy after they expire (FY23 and FY21 respectively), minimum Fire staffing, 911 staffing continuity, full expansion of the Community Court program and addressing the shortfall in the General Fund Equipment

Replacement program.

***Future Demands:*** This category highlights new and emerging needs identified due to growth in service areas and changes in technology as City staff position the organization to be responsive to needs of a growing region. Projects include construction of additional fire stations, data center disaster recovery, development of new community centers and pools, and renovation and expansion of the fourth floor of the downtown library building.

***Infrastructure:*** This grouping highlights funding needed for the preservation and maintenance of City owned infrastructure such as buildings, streets, and bridges. Projects include pavement preservation backlog, wastewater system rehabilitation, seismic assessment of City buildings and upgrades to parking garages as well as retrofitting or replacement of critical bridges and replacing the fleet facility.