

April 29, 2003

Honorable Mayor Leiken, Budget Committee Members and Citizens of Springfield:

## **BUDGET OVERVIEW**

We begin FY 2003-04 with a sense of optimism being shored up by our community's successful passage of two public safety measures which means our citizens feel City government is listening to their needs, their priorities and focusing on improving our services. New voter approved funding will enable our Fire, Police and Municipal Court operations to provide an enhanced service package that reaches out to previously under met or underserved pockets of our service system and community. This new funding – four year local option levies – is established as separate budgetary reporting funds and as such, resources are dedicated and earmarked to match what the City has promised the voters.

What remains is the continued fiscal challenge being placed upon our existing service system. Community demand for services and activity levels have risen faster than our financial ability to satisfy these demands. Like all governmental entities, the City of Springfield is being called upon to meet the needs of our community with a shrinking ability to fund such needs. It is no surprise FY 02-03 has been a challenging budget year in light of the growing popularity of our services when matched against the overall resources available to us.

For various reasons, this challenge has provided further incentive for staff to come together as a unified team in order to bring about the extent of expenditure reductions represented in the FY 03-04 Proposed Budget. As you recall, in last year's budget message, I cautioned that while there were many subjective reasons for optimism in our community, hopes and dreams must first be matched with fiscal reality if we are to truly have a stable service delivery system. The storm clouds on our horizon, mentioned in last year's budget message, certainly have arrived and left the City with a darkened fiscal future. The FY 03-04 Proposed Budget is our strongest effort to date to meet the significant budget challenges that await us.

# ADDENDUM TO THE CITY MANAGER'S BUDGET MESSAGE

## Summary of Actions of the Budget Committee and City Council Adopting the FY04 City Budget June 16, 2003

A summary of the actions taken by the Budget Committee and City Council in adopting the FY04 annual budget is provided in the addendum to the City Manager's budget message.

### **Budget Committee Action – FY04 Recommended Budget**

The Budget Committee made various adjustments to the FY04 Proposed Budget to respond to citizen input and to reflect new information received during the budget process resulting in the FY04 recommended (approved) budget, as follows:

#### **1. Responding to citizen input**

The Budget Committee added additional funding to two service areas that had been reduced in the City Manager's Proposed FY04 Budget:

##### General (Fund 100)

###### Intergovernmental Agreements (City Manager's Office)

- ◆ Approved ongoing funding of \$53,688 to restore reduced funding for specific intergovernmental contracts. Funding resources and budget transactions for the funding were as follows: increasing departmental operating budget (materials and services) by \$53,688 and decreasing non departmental budget (reserves) by \$53,688.

###### D.A.R.E. Program Funding and Increased FTE (Police Department)

- ◆ Approved 1.0 FTE and ongoing funding of \$90,000 for D.A.R.E. Program. Funding resources and budget transactions for the program were as follows: increasing current revenues by \$45,000, increasing departmental operating budget (personal services; materials and services) by \$90,000 and 1.0 FTE and decreasing non departmental budget (reserves) by \$45,000.

##### Museum (Fund 203)

###### Museum Gap Funding (one time) (Development Services Department)

- ◆ Approved one time funding (FY04) of \$16,993 for Museum operations support which restores the proposed reduction in city support to the museum operating budget. Funding resources and budget transactions for the gap in funding were as follows: increasing current revenues by \$16,993, and increasing departmental operating budget (personal services) by \$16,993. Museum Board will report to Council at each quarter regarding progress of the Board to secure ongoing funding to replace lost City support.

Bancroft (Fund 305)

Provide funding source for Museum Gap Funding (one time)

- ◆ Approved one time resource (FY04) of \$16,993 for Museum operations support. Funding resources and budget transactions for the one time funding were as follows: increase non departmental budget (interfund transfers) by \$16,993 and reduce non departmental budget (reserves) by \$16,993.

**City Council Action Taken**

City Council adopted the FY04 Approved Budget with no additional changes.

**Final Budget Adoption**

At the June 16, 2003 regular meeting, the City Council held a public hearing on the FY04 recommended budget and after making the changes summarized above, adopted the FY04 City Budget. The following table provides a summary of the final adopted budget.

<b>Adopted FY04 Budget</b>	
Operating Budget	\$ 54,852,577
Capital Budget	\$ 24,467,599
Non-Departmental Budget	\$ 59,527,064
<b>Total</b>	<b>\$ 138,847,240</b>

Because policy leaders and staff take a multi-year approach to budgeting, we have not been caught unprepared for this budget challenge. A clear example of this prudent planning is the \$359,296 in accelerated revenue receipts and expenditure reductions implemented on January 1, 2003, to shore up our financial stability. My proposed budget also reflects the budget directives given to me by the Mayor and Council over the past year and discussed at the most recent goal setting session. The key elements of this multi-year budget plan include a combination of time limited resources to the General Fund as well as reductions and ongoing savings to the General Fund. Because of cost constraints implemented this past year, as well as receipt of increased revenue over budgeted funds, our estimated FY 02-03 projected deficit declined from an expected \$1.7 million to just above \$413,000, as shown in Table 1.

The unusual occurrence of all four City labor contracts being renegotiated for July 1, 2003, along with a significant PERS rate adjustments, caused the City to again be facing a predicted \$1.8 million deficit on July 1, 2004 as indicated in the projected FY03-04 column. While disappointing, this is not unusual in public budgeting experiences. You make the best assumptions and forecast you can then adjust as new and better information becomes available. While budgeting is certainly a dynamic process as evidenced by the chart below, I am pleased to report that the recent actions taken by our organization, as reflected in our most recent projections, have eliminated this once expected \$1.8 million deficit.

<b>Table 1: General Fund</b>				
	<b>Estimated FY 02-03</b>	<b>Projected* FY 03-04</b>	<b>Cumulative Actions Taken</b>	<b>Proposed FY 03-04</b>
Projected Revenue	\$ 22,619,086	\$ 23,062,091	\$ 983,540	\$ 24,045,631
Projected Expenditures	\$ <u>23,032,499</u>	\$ <u>24,862,595</u>	\$ (816,964)	\$ <u>24,045,631</u>
<b>Balance</b>	\$ <b>(413,413)</b>	\$ <b>(1,800,504)</b>	\$ <b>1,800,504</b>	\$ <b>0</b>

*\*projected 10/02*

## **HOW DID WE BALANCE THE BUDGET AND ELIMINATE THE DEFICIT?**

Public Budgeting is simple in theory but difficult in practice. All anyone needs to know is the desired work activities to be completed and the extent of resources available, or able to be generated, to fund these activities. In practice, this gets more difficult because opinions vary about what should or should not be accomplished, as well as how such work activities should be accomplished and who should pay for the services.

To simplify this, each year the Mayor and City Council hold an annual goal setting session to review progress on existing Council goals as well as set new five year goals and one year targets. This year's session was held in January 2003 and produced the following:

### **City Council Goals, 2003 – 2008**

- ◆ Provide financially sound, stable City government.
- ◆ Utilize resources efficiently and effectively to meet citizen needs.
- ◆ Expand the Springfield economy by creating family wage jobs.
- ◆ Increase the City’s Assessed Valuation.
- ◆ Continue to make Springfield a safe community.
- ◆ Provide affordable quality services.
- ◆ Participate in a renaissance for Springfield.
- ◆ Partner with citizens and other public agencies.
- ◆ Preserve our hometown feeling as we grow.

### **Top Priority One Year Targets**

Glenwood Development  
 Gateway Area Transportation Management  
 Springfield Millrace Ecosystem Restoration  
 Downtown Redevelopment

### **High Priority One Year Targets**

Comprehensive Plan: Periodic Review  
 Nodal Designations  
 Natural Resources Inventory  
 Environmental Services Agency Code Amendments  
 Jasper Natron Development  
 TEAM Springfield

With these goals in mind, along with the Council adopted fiscal strategy mentioned earlier in this budget message, the City’s Executive Managers went to work to eliminate the forecasted \$1.8 million General Fund deficit for FY 03-04. The results are shown in Table 2 which detail the major expenditure reductions and revenue enhancements associated with our budget balancing effort.

**Table 2: FY 03-04 General Fund Balancing Strategy**

<b>Expenditure Reductions</b>	<b>FTE</b>	<b>Amount</b>	<b>Comments</b>
<i>Net Changes to Departmental Budget Authority:</i>			
City Manager's Office	-	\$ (111,862)	Cut managing for results; IG support; gen council support; INET
Development Services Department	(1.10)	\$ (83,748)	Transfer FTE to Booth-Kelly; Riverbend
Finance Department	(1.20)	\$ (85,583)	Eliminated FTE; discontinue GFOA budget participation
Fire and Life Safety Department	-	\$ (59,341)	Cut cap outlay - move to G. O. Capital Bond Fund; reduce m&s
Human Resources Department	(0.70)	\$ (42,252)	Eliminated FTE
Information Technology Department	-	\$ (8,359)	Add FTE/Police and cut FTE office support; reduce m & s
Legal and Judicial Services	(1.00)	\$ (48,793)	Eliminate FTE - shift to Police Levy Fund; reduce m&s
Library Department	-	\$ (55,996)	Reduce extra help funding; reduce book budgets; extend computer useful life
Police Department	(5.00)	\$ (335,722)	Cut cap outlay/m&s move to GO Capital/Spec Rev Fund; cut FTE move to IT; cut 2.0 DARE Program; cut 2.0 grant backed FTE.
Public Works Department	(1.12)	\$ (54,013)	Eliminate 1.0 FTE; transfer .12 to other funds
<b>Expenditures Total – General Fund Only</b>	<b>(10.12)</b>	<b>\$ (885,669)</b>	

*m&s = materials and services*

**Table 2: FY03-04 General Fund Balancing Strategy – continued**

Revenue Enhancements	Amount	Comments
Cash Carryover	\$ 359,296	FY03 acceleration of FY04 strategy: revenues (\$252,960) and expenditures (\$106,336). To Mayor and Council in FY03.
Current Revenues:		
<i>Increases to Existing Revenues:</i>		
Cost recovery on plan review fees	\$ 100,000	Required to meet cost recovery mandate
Admin fee - vehicle impoundment	\$ 4,000	
<b>Increase to existing revenues</b>	<b>\$ 104,000</b>	
<i>Increases to One Time Revenues:</i>		
Transfer from TRT Fund (museum cut)	\$ 16,993	Transfer savings from reduced FTE. Phase out support - 4 yrs.
Increase Bancroft Transfer	\$ 81,919	
Establish one time transfer from EMS Fund	\$ 150,000	Revised lower cost transferred back to fund as savings
Establish one time transfer from Insurance Fund	\$ 50,000	
<b>Increase from one time revenues</b>	<b>\$ 298,912</b>	
<i>Add New Fees:</i>		
Annexation Fee	\$ 60,000	
Development Consultant Fee	\$ 50,000	
<b>Increase from new fees</b>	<b>\$ 110,000</b>	
<b>Revenues Total – General Fund Only</b>	<b>\$ 872,208</b>	

<u>RECAP</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>COMMENTS</u>
Expenditure Reductions	(10.12)	\$ 885,669	Includes 4.0 FTE associated with program revenues
Revenue Enhancements		\$ 872,208	
<b>Overall General Fund Balancing Effort</b>		<b>\$1,757,877</b>	
Less: Loss of revenues due to program cuts		\$(265,807)	School Resource = \$122,807 DARE = \$90,000; INET = \$53,000
<b>Net Change: General Fund</b>	<b>(10.12)</b>	<b>\$1,492,070</b>	

When these major changes are coupled with numerous smaller budget adjustments and the prudent use of reserves, we find that the proposed General Fund is expected to grow by only 3.6% from the FY 02-03 Adopted Budget (see Table 3).

<b>Table 3: General Fund – FY 03-04 Proposed versus FY 02-03 Adopted</b>				
<b>Category</b>	<b>FY 03-04 Proposed Budget</b>	<b>FY 02-03 Adopted Budget</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<u>Departmental Operating</u>				
Personal Services	\$ 19,899,143	\$ 18,984,443	\$ 914,700	4.8%
Materials and Services	\$ 3,869,772	\$ 3,924,703	\$ (54,931)	-1.4%
Capital Outlay	\$ 92,785	\$ 119,777	\$ (26,992)	-22.5%
<b>Departmental Operating Budget</b>	<b>\$ 23,861,700</b>	<b>\$ 23,028,923</b>	<b>\$ 832,777</b>	<b>3.6%</b>
<u>Non Departmental – Operating</u>	\$ 3,576	\$ 3,576	\$ -	0.00%
<b>Total Operating Expenditures</b>	<b>\$ 23,865,276</b>	<b>\$ 23,032,499</b>	<b>\$ 832,777 *</b>	<b>3.6%</b>
<b>Non Department – Non Operating</b>	<b>\$ 4,913,943</b>	<b>\$ 3,501,445</b>	<b>\$ 1,412,498</b>	<b>40.3%</b>
<b>Total Budget - All Requirements</b>	<b>\$ 28,779,219</b>	<b>\$ 26,533,944</b>	<b>\$ 2,245,275</b>	<b>8.5%</b>

\*General Fund balancing strategy contributed a reduction of \$885,669 to the General Fund.

## FY 03-04 PROPOSED BUDGET – ALL FUNDS

Turning to the overall FY03-04 Proposed Budget (including the General Fund) the Proposed Budget is \$138,785,247 which is \$6.4 million less than the FY 02-03 Adopted Budget. The *operating* budget grew by \$3.7 million over the FY 02-03 Adopted Budget or 7.3% growth, while the capital budget increased by just 2.5% (\$594,569). The greatest shift in categories occurred in the non department budget which was \$10,772,224 less than in FY 02-03, as shown:

<b>Categories:</b>	<b>FY 03-04 Proposed</b>	<b>FY 02-03 Adopted</b>
Department Operating Budget	\$ 54,691,896 *	\$ 50,958,804
Capital Budget	\$ 24,467,599	\$ 23,873,030
Non Department Budget	<u>\$ 59,625,752</u> **	<u>\$ 70,397,976</u>
<b>Total Requirements:</b>	<b><u>\$138,785,247</u></b>	<b><u>\$ 145,229,810</u></b>

\* Includes \$2,565,168 additional funding from Public Safety Levies (Fire and Police Local Option Levies).

\*\* Eliminated FY03 non-recurring one time transfers not required in FY04.

All things considered, I believe the proposed budget does a good job of holding the line on increased costs and reducing our overall expenditure level while responding to adopted TEAM Springfield community goals and those City goals adopted by our Mayor and City Council last January.

While this budget document does not specifically deal with the upcoming fiscal distress of the City's Street Fund and Emergency Medical Services Fund, these funds will be discussed in depth during Budget Committee deliberations. It is important the Budget Committee members understand how fragile these funds are as we head into another budget year.

In summary, with all the actions taken over this past year and proposed for next year, the composite view of the proposed budget is as follows:

<b>Department Budget:</b>	<b>FY 03-04 Proposed</b>	<b>FY 02-03 Adopted</b>	<b>Dollar Change</b>	<b>Percent Change</b>
City Manager's Office	\$ 877,276	\$ 1,068,570	\$ (191,294)	-17.9%
Development Services Department	\$ 4,022,051	\$ 3,928,107	\$ 93,944	2.4%
Finance Department	\$ 1,002,863	\$ 1,024,643	\$ (21,780)	-2.1%
Fire and Life Safety Department	\$12,313,192	\$10,903,000	* \$1,410,192	12.9%
Human Resources Department	\$ 970,307	\$ 970,789	\$ (482)	0.0%
Information Technology Department	\$ 1,103,137	\$ 1,109,615	\$ (6,478)	-0.6%
Legal and Judicial Services	\$ 1,273,322	\$ 1,108,178	* \$ 165,144	14.9%
Library Department	\$ 1,247,053	\$ 1,239,346	\$ 7,707	0.6%
Police Department	\$10,927,746	\$ 9,233,806	* \$ 1,693,940	18.3%
Public Works Department	<u>\$20,954,949</u>	<u>\$20,372,750</u>	<u>\$ 582,199</u>	2.9%
<b>Total Operating Budget</b>	<b><u>\$54,691,896</u></b>	<b><u>\$50,958,804</u></b>	<b><u>\$ 3,733,092</u></b>	<b><u>7.3%</u></b>

\* The voter approved four year local option levies contributed \$2,565,168 in additional operating funds, or 68.7% of the overall increase in the total operating budget, as follows: Fire Department = \$932,200 and 9.0 FTE; Police Department = \$1,462,312 and 20.0 FTE; Legal and Judicial Services = \$170,656 and 2.0 FTE. The total operating budget would have increased only 2.3% without the additional levy funding.

## CONCLUSION

Like last year's budget, this year's proposal is certainly not a "status quo" proposal. We are prudently making structural adjustments in expenditure levels so that annual expenditures more closely match expected revenues, thereby lessening our future reliance on reserve funds. While more work is needed over the next few years, this year's proposal is a very good step towards balancing our basic service budget.

While we have made good progress in balancing our General Fund, there continues to be great fiscal challenges facing our Street Fund and Emergency Medical Services Fund. As in FY 02-03, these funds will continue to need special attention in FY 03-04 so that these important services do not have to compete for limited General Fund dollars.

In closing, I would again like to thank members of our City Organization for their hard work and commitment to public service. I do not take such commitment lightly. Through numerous contacts and networking throughout Oregon, it becomes apparent what a special place we have here in the Springfield employee family. While our mettle will be tested over the next few years as we reduce services and attempt to still provide excellent customer service, I remain convinced that our proud organization will respond in a smart and caring way - such is our culture and tradition.

Finally, I also want to express my appreciation and gratitude to both the Mayor and City Council. Your leadership and service to our community is noticed and appreciated by City staff and valued by our citizens. In a recent national citizen survey comparing Springfield with numerous other cities, Springfield ranked in the top 20% for listening to its citizens, welcoming citizen involvement, overall direction of the City and value received for taxes paid. Certainly, these are impressive numbers and well deserved.

Sincerely,

Michael A. Kelly  
City Manager