



April 24, 2007

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

Budget Overview

In the Mayor's State of the City address given in January, his theme was Return on Our Investment. As I move into my second year as Springfield's City Manager, I echo his sentiments, particularly as they relate to reinvesting for our future. That theme of reinvestment has guided the development of this proposed budget.

I was fortunate to rejoin a City that has been soundly managed and governed for many years. Through that careful stewardship, our City staff has managed to maintain a high level of customer service even as budgets were trimmed and positions were eliminated during difficult times. Now that the economy is on a growing trend, it is incumbent on me and the Executive Team to examine where prior cuts have limited our ability to provide top quality service and where short-term reductions have had long-term impacts. Two examples would be our Public Works Maintenance staffing that has been held constant even as our infrastructure to be maintained has grown by 20% in some cases, and our lack of dedicated funding for building maintenance that has caused some of our facilities to fall into serious (and sometimes dangerous) disrepair.

When times are good, our first priority must be to make sure we're taking good care of the assets we already have. Over the past year, I believe we have taken two important steps toward this end. For the Budget Committee last year, the Executive Team developed lists of their respective departments' immediate, intermediate and long-term key issues. These lists provide the next link that connects Council Goals, Council one-year priorities, and departmental strategic plans to the budget process. These lists articulate the tools the Departments will need to have in order to address the Councils' One-Year Targets and longer-term goals. I have asked the Executive Team to update those lists for the Budget Committee this year.

Also this year, we completed a Priority of Services exercise with the City Council, Budget Committee and Executive Team. This was a first step to identify the City service priorities of the Council and of the community. The process will be refined and reexamined, but it provided some good information and future versions will, over time, play a bigger role in directing how available resources get allocated to City programs.

The proposed FY 07-08 is a *status quo* budget; however, I have asked the Executive Managers to continue the process of funding some of the re-investment that has been deferred over time. I have also chosen to prudently use reserves to fund some of these one-time investments. As the economy continues to grow, we will need our City assets to be in sound condition to meet the needs of our current citizens and the citizens of tomorrow.

The Process

This proposed FY08 budget is driven by the Council's existing public policies and goals, and built on parameters established by the Budget Committee and current revenue projections. On January 9, 2007, the Council met to review Council goals for the current year and to set new five-year goals and priority action items for the next year. Their goals are as follows:

City Council Goals, 2007 – 2012

- ◆ Provide financially sound, stable city government
- ◆ Utilize resources efficiently and effectively to meet citizen needs for core services
- ◆ Maintain and improve transportation infrastructure and other city facilities
- ◆ Expand the Springfield economy through commercial and industrial development which creates family wage jobs
- ◆ Enhance public safety in Springfield
- ◆ Facilitate the redevelopment of Springfield
- ◆ Partner with citizens and other public agencies to leverage resources
- ◆ Preserve our hometown feel as we grow

On February 13, 2007, the City's Budget Committee met to review the long-range financial projections for the City and provide policy direction to staff to assist them in formulating the budget for the coming year. At that meeting, City staff presented the results from the Priority of Services exercise the Council and Budget Committee completed in December. The lists of Departmental Key Issues from FY07 were also reviewed, and the Committee was reminded how some of those issues had been addressed in the Adopted Budget:

- The budget for the City Manager's Office remained status quo except for an increase in the budget for Council travel and meeting expenses and added a half-time Planner I position to assist with Glenwood planning.
- Development Services and Public Works created a 5% permit surcharge to fund an electronic document imaging program, including a dedicated half-time staff position.
- Development Services contracted with a former employee to complete the formatting of the development code.
- Finance began the work necessary to move the City from a monthly payroll cycle to bi-weekly.
- Voters passed the operating levy for the Fire and Life Safety and Police Departments providing funding for current operations and future jail staffing.
- The Fire and Life Safety Department increased training personnel and materials to maintain certification, and added 1.5 FTE to assist in Ambulance Billing.
- Fire and Life Safety contracted with a consultant to complete a Standards of Cover study.
- The Police Department retained their Hispanic Outreach Coordinator.
- Information Technology replaced a Programmer Analyst III position with a Help Desk/PC Support position
- Court implemented a document imaging program which will increase revenue and decrease hands on paper work

The financial forecast presented to the Budget Committee at that meeting anticipated a shortfall in the General Fund of approximately \$200,000 for FY08. At that meeting, my Finance Director, Bob Duey reported that the shortfall was based on very conservative assumptions and that the actual balance of revenues to expenses would likely be positive for the first time in many years. The General Fund also has a reserve balance of more than \$2.1 million in excess of dedicated reserves, contingency and working capital needs. The following is the most recent projection for the General Fund:

Table 1: General Fund – Long-Range Projection					
<u>Annual Operating Budget</u>	FY07 Estimated	FY08 Proposed	FY09 Projected	FY10 Projected	FY11 Projected
Total Revenue less Beginning Cash	\$ 28,016,828	\$ 29,024,157	\$ 29,800,000	\$ 30,800,000	\$31,700,000
Less Operating Expenditures and Interfund Transfers	<u>-28,110,452</u>	<u>-28,743,992</u>	<u>-29,700,000</u>	<u>-30,900,000</u>	<u>-32,100,000</u>
Annual Net Operations	(\$ 93,624)	\$ 280,165	\$ 100,000	(\$ 100,000)	(\$400,000)
FY08 Additional One-Time Outlays					
CMO – Disaster Preparedness Drill		(\$ 7,000)			
HR – Class and Compensation Study		(\$ 40,480)			
Police – Regional AIRS Project		(\$ 189,517)			
Fire – Records Management		<u>(\$ 239,840)</u>			
Annual Revenue Over (Under) Expenditures	(\$ 93,624)	(\$ 197,032)	\$ 100,000	(\$ 100,000)	(\$400,000)
Plus Beginning Cash on Hand (July 1)	<u>\$7,357,907</u>	<u>\$7,264,283</u>	<u>\$7,067,251</u>	<u>\$7,167,251</u>	<u>\$7,067,251</u>
Total Year-End Cash on Hand (June 30)	\$ 7,264,283	\$ 7,067,251	\$7,167,251	\$7,067,251	\$6,667,251
Less Dedicated Reserves and Operating Transfers	-361,989	-320,470	-320,470	-320,470	-320,470
Less Contingency and Working Capital	-4,200,000	-4,300,000	-4,400,000	-4,600,000	4,800,000
Year End Non-Dedicated Resources Available	\$ 2,702,294	\$2,446,781	\$2,446,781	\$2,146,781	\$1,546,781

When developing the budget for the coming fiscal year, the Executive Team utilized the following concepts:

1. Revenues

Expand revenues where possible. Where reasonable, ensure that costs are recovered from users. In most cases, fee increases should at least keep up with inflation.

2. Reserves

Non-dedicated reserves are an appropriate source to fund one-time expenses that cannot be absorbed within normal departmental budgets. Staff should only use reserves when doing so would not jeopardize the health of the City.

3. Expenditures

In critical areas, the addition of staff positions will be considered; particularly where service delivery has suffered due to understaffing or when adding staff is needed to accomplish Council Goals.

Continuing a process began last year, each Department Director was asked to examine their proposed service-level requests carefully and to weigh their recommendations as they relate to the long-term health and vitality of the City organization. We identified several long-term categories of needs that have been either deferred or received less attention in the past. The themes listed below emerged as critical to the long-term health of the City and the services we provide. Each Department has been asked to develop a plan to begin addressing the issues that are most pertinent to their department. The key issues identified include:

- ◆ **Replacement**

Some of the City's largest, most expensive vehicles will soon be at the end of their useful life, and it has not been financially possible to adequately fund for their replacement. The financial impact of their replacement will be significant.

- ◆ **Rehabilitation**

In the last several decades, the citizens of Springfield have made significant investments in the City's built infrastructure, including City Hall, maintenance facilities, fire stations and the police station. Budget cuts over the past ten years have led to a deferral of needed maintenance on many of these buildings and these deferrals have led to the failure of some building systems requiring large and unanticipated expenditures. An on-going infusion of capital is needed to address critical maintenance issues and begin to "catch up" on addressing small problems before they become large problems.

- ◆ **Recruitment/Retention**

As with many cities and corporations, long-time employees are retiring at an unprecedented rate. Replacing these employees with talented and experienced personnel will require competing for them in the employment marketplace. In several recent instances, the City has been unable to recruit a sufficient pool of qualified applicants to replace staff who have left. Specialized and certified positions are particularly difficult to recruit in a financially competitive environment.

- ◆ **Reserves**

Over the past several years, we have used reserves from non-General Fund to temper the need for service reductions. In some cases, those reserves are nearing depletion. As this happens, we lose an important component of our budget-balancing strategy. Reserves also provide the needed financing for large capital projects or unanticipated expenses that cannot be funded out of current resources. Limited reserves restrict our ability to respond to opportunities and/or emergencies in a timely manner.

- ◆ **Revenues**

Many of our traditional sources of income are stagnant, shrinking, or at risk. Specifically, property tax revenues have been slow to grow, in spite of the recent building boom; franchise fees are waning as more people move away from the businesses that pay franchise fees (for example, the move from land-line telephone service to cell service); County Road Tax money is shrinking, and State Shared Revenues were nearly co-opted by the legislature in previous sessions. Over the next several years, the City will need to identify sources of revenue that respond quickly in economic boom-times, and examine opportunities to recover costs.

◆ **Responsiveness**

As times change, citizens will request new or different services from the City. The City continues to seek grants that allow us to expand service provision, meet specific, critical needs and fund pilot projects. Staff are constantly searching out new revenue sources to support the Council's goals.

◆ **Reliance on Levies**

To align our funding allocations with the City's service priorities, it is critical that our core services have a stable source of revenue. We will continue to search for a method to fund police and fire services from General Fund revenues and retire the current operating levies.

With those concerns in mind, we began our budget preparation cycle. As we began our discussions, the City was fortunate to have current contracts with AFSCME, OPEU and SPA (although the SPA COLA was not known). We also had good news on our PERS costs and health insurance rates. With most of the personnel costs known, the members of the Executive Team were able to submit budget proposals with a degree of certainty regarding available funding.

Following the guidelines above, they addressed some high-priority needs I have chosen to include in the base budget. Several of the items added to the base budget were to address the Council's Priority 1 services as identified in the Priority of Services exercise. They include:

- Add four Maintenance Apprentices and a half-time Clerk to address infrastructure maintenance needs (Street, Sewer and Drainage Funds).
- Add a Design/Construction Coordinator to assist in the design and construction of additions to the City's transportation system (Street and SDC Funds).
- \$75,000 to replace worn emergency equipment for the Fire and Life Safety Department (General Fund).
- \$20,000 to fund purchase of Tasers for the Police Department (General Fund).
- Add a fourth Deputy Fire Marshal to assist with business inspections and related duties (General Fund).
- \$239,480 one-time expense to fund mobile data computers and related communication software for fire and ambulance vehicles (General Fund).
- \$21,600 expense for air-time charges related to FLS mobile computers (General Fund).
- Add two Building Inspectors (Plumbing and Electrical) to keep up with construction activity (Building Fund).
- \$16,500 for the City Prosecutor to hire part-time help managing the caseload. (General Fund).
- \$389,519 expense to fund the last phase of the AIRS conversion.

In addition, we added several items to the base budget intended to address the Council Goals and One Year Priorities. They include:

- \$125,000 one-time expense for consultant work related to the Commercial and Industrial Buildable Lands study (Booth-Kelly, Street, Sewer, Drainage funds).
- \$8,000 one-time expense for Community Branding consultant work (Booth-Kelly Fund).
- \$40,000 one-time expense for Downtown Urban Renewal District preparation (Booth-Kelly Fund)

- \$32,000 one-time expense for an Emergency Response Vehicle for Public Works (Street, Sewer, Drainage Funds).

A few other items were added to the base budget that were determined to either increase revenues, reduce long-term costs to the City or to improve efficiency. They include:

- \$110,000 for a reserve related to RiverWatch litigation (Drainage Fund)
- \$25,000 for supervisory training to reduce liability and assist in employee retention (General Fund).
- \$100,000 one-time expense for a classification and compensation study to ensure Springfield pay and classifications are competitive in their specialized job markets (Multiple funds).
- Added a Clerk 2 for Fire and Life Safety records management (General and Ambulance Funds)
- Added an EMS Accounting Technician to serve added ambulance billing customers (Ambulance Fund).

Although some of the items added to the base budget are large, I believe they address large gaps in our ability to provide quality service, which is why they are included in my proposed budget. In most instances, they are funded from current operating revenues. When the dollar cost was significant and the item in question was a one-time expenditure, the items were funded with non-dedicated reserves.

There are several additional items I would like the Budget Committee to consider and provide funding recommendations. Specifically, they are:

- \$10,000 addition to the Library's book budget
- \$59,200 for SQL Server Tools (large database monitoring software) for the Information Technology Department
- \$100,000 for a part-time on-site health clinic to minimize future health care insurance premiums
- The addition of a fifth Deputy Fire Marshal to be possibly partially funded from a new fee.
- A variety of proposed contribution requests from our inter-agency partners, including the Springfield Museum, the Lane County Human Services Commission, and others.

FY08 Proposed Budget—All Funds

The FY08 Proposed Budget for all funds is \$344,717,779. This is \$63,267,258 more than the FY07 Amended Budget, largely due to Interfund transfers establishing new capital funds. The operating budget decreased by \$1,514,361 (-2.06%) compared to the FY07 Amended Budget, while the capital budget increased by \$6,837,012 (5.87%).

I believe the proposed budget does a good job of holding the line on increased costs and reducing our overall operating expenditure level while responding to service priorities outlined by the City Council and the City goals and priorities adopted by our Mayor and City Council in January, 2007.

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:

Table 2: Total City Department Operating FY08 Proposed Budget Versus FY07 Amended Budget				
Department	FY07 Amended*	FY08 Proposed	Dollar Change	Percent Change
City Manager's Office	\$ 1,495,243	\$ 1,454,364	(40,879)	-2.73%
Development Services Department	6,569,438	5,145,613	(1,423,825)	-21.67%
Finance Department	1,168,029	1,126,846	(41,183)	-3.53%
Fire and Life Safety Department	14,471,283	14,680,572	209,289	1.45%
Human Resources Department	1,083,158	1,225,135	141,977	13.11%
Information Technology Department	1,470,179	1,502,920	32,741	2.23%
Legal and Judicial Services	1,456,205	1,548,685	92,480	6.35%
Library Department	1,363,522	1,311,325	(52,197)	-3.83%
Police Department	13,826,330	13,425,756	(400,574)	-2.90%
Public Works Department	<u>30,457,740</u>	<u>30,425,550</u>	<u>(32,190)</u>	-0.11%
Total Operating Budget	<u>\$ 73,361,127</u>	<u>\$ 71,846,766</u>	<u>(\$1,514,361)</u>	<u>-2.06%</u>

* As amended though March 17, 2007

Conclusion

With this budget, we continue the trend of the last several years: a delicate balance of expenditure restraint, conservative revenue projections and the prudent use of reserves. This budget allows for continued provision of efficient and effective City services and addresses some of the more critical service provision issues your Executive Team identified. I formally submit the FY08 proposed budget for your consideration and look forward to discussing this with you in greater detail.

Respectfully,



Gino Grimaldi
City Manager

ADDENDUM TO THE CITY MANAGER'S BUDGET MESSAGE

Summary of Actions of the Budget Committee and City Council Adopting the FY08 City Budget June 18, 2007

A summary of the actions taken by the Budget Committee and City Council in adopting the FY08 annual budget is provided in the following addendum to the City Manager's Budget Message.

Budget Committee Action – FY08 Approved Budget

The City Manager's Proposed Budget totaled \$344,717,779 and 436.05 FTE. At the May 8, 2007 Budget Committee meeting, the Committee approved the FY08 Proposed Budget with specific changes. These changes increased expenditures by \$266,700 and decreased reserves by \$266,700. Total FTE increased by 1.0. The budget as approved included the following changes by the Budget Committee:

Human Services Commission Intergovernmental Agreement

The Lane County Human Services Commission requested an increased General Fund contribution to compensate for reduced contributions from the Community Development Block Grant Fund. The Budget Committee approved an increase of \$20,000. This one-time change will appear in the City Manager's Office budget.

Requested Action

Fund 100 -	Increase expenditures	\$20,000
	Decrease reserves	\$20,000

Springfield Museum

The Springfield Museum requested an increase of \$15,000 above their normal \$35,000 subsidy, to be used as seed money in the funding and development of a Preservation and Presentation Resource Center. This one-time change will appear in the City Manager's Office budget.

Requested Action

Fund 208 -	Increase expenditures	\$15,000
	Decrease reserves	\$15,000

Wellness Center

The Human Resources Department requested a placeholder budget of \$45,000 to fund an on-site (or near-site) wellness center, if the project is subsequently approved by Council. This one-time change will appear in the Human Resources Department's budget.

Requested Action

Fund 707 -	Increase expenditures	\$45,000
	Decrease reserves	\$45,000

SQL Server Administrative Tools

The Information Technology Department requested \$59,200 to purchase software tools necessary to monitor and maintain the City's 200+ computer databases on 20 database servers. This change will appear in the Information Technology Department's budget, and includes one-time expenses (approx. \$47,350) and on-going expenses (approx. \$11,850).

Requested Action

Fund 100 -	Increase expenditures	\$59,200
	Decrease reserves	\$59,200

Fire Code Inspector

The Fire and Life Safety Department requested \$78,000 to fund the creation of a new Fire Code Inspector position. This non-sworn employee will perform fire prevention-related business inspections and educational activities through the Fire Marshal's Office. This on-going change increases total FTE by 1.0 and will appear in the Fire and Life Safety Department's budget.

Requested Action

Fund 100 -	Increase expenditures	\$78,000
	Decrease reserves	\$78,000

Taser Purchases

The City Manager's Proposed Budget included \$20,000 for the purchase of tasers for patrol officers, with the remainder of the original \$50,000 request to be funded in the FY09 budget. At the request of the Budget Committee, the additional \$30,000 for taser purchases was moved up and added to the FY08 budget. This one-time change will appear in the Police Department's budget.

Requested Action to Increase Existing Appropriation

Fund 100 -	Increase expenditures	\$30,000
	Decrease reserves	\$30,000

Library Book Budget

The Springfield Library requested a 10% increase in their book acquisition budget totaling roughly \$10,659. After reviewing library materials acquisition data from similar sized communities, the Budget Committee increased the budget by \$15,000. This on-going change will appear in the Library Department's budget.

Requested Action

Fund 100 -	Increase expenditures	\$15,000
	Decrease reserves	\$15,000

Springfield Arts Commission

The Budget Committee approved the Springfield Arts Commission request for an increase in annual funding for Art Alley repairs (\$2,000) and Arts Commission operations (\$2,500). They also approved the creation of a special Art Alley Reserve (\$7,500) to be used for future art acquisition. These one-time changes appear in the Library Department's budget.

Requested Action

Fund 208 -	Increase Youth Services - Art Alley Repair	\$ 2,000
	Increase Youth Services - Arts Commission Operations	\$ 2,500
	Increase Art Alley Reserve	\$ 7,500
	Decrease reserves	\$12,000

City Council Action – FY08 Adopted Budget

Oregon Budget Law allows the City Council to adopt changes made to the budget approved by the City's Budget Committee, within guidelines. These guidelines include being able to increase total expenditures within a fund by not more than \$5,000 or 10% of the estimated expenditures to the fund (whichever is greater). There is no limit on the amount by which a fund can be reduced.

At the June 18, 2007 City Council meeting and public hearing, the Council adopted the FY08 Approved Budget with specific changes. These changes increased revenue by \$110,000, increased expenditures by \$15,000 and increased debt service by \$95,000. There was no change to reserves or FTE. The budget as adopted included the following changes by the City Council:

Harlow Road Lift Station

At a Council work session held on June 4, 2007, Council was informed the Harlow Road (sewer) Lift Station was sent to bid twice, and both sets of bids came in higher than the project budget. In a memo presented at that meeting, staff discussed with Council that two sets of budget adjustments would be needed in order to complete the project; the first set of adjustments was for Fiscal Year 2007 and was approved in the most recent Supplemental Budget resolution. The second set of adjustments is requested for Fiscal Year 2008 and is as follows:

Requested Action

Increase Harlow Road Lift Station	\$480,000
Decrease Jasper Trunk Sewer	\$480,000

Carter Building Purchase

The purchase of the Carter Building, adjacent to City Hall, was approved at the June 4 City Council meeting. The budget presented to the Budget Committee did not anticipate this purchase, so the following series of transactions are proposed to be added to the adopted budget to recognize the expenses and lease revenue from the property.

Requested Action

Increase Lease Revenue	\$110,000
Increase expenditures	\$ 15,000
Increase debt service	\$ 95,000

Final Budget Adoption

At the June 18, 2007 regular meeting, the City Council held a public hearing on the FY08 Approved Budget and after making the changes summarized above, adopted the FY08 City Budget. The following table provides a summary of the final Adopted Budget.

Adopted FY08 Budget	
Operating Budget	\$ 72,133,466
Capital Budget	123,301,560
Non-Departmental Budget	<u>149,392,753</u>
Total	\$ 344,827,779