



April 22, 2010

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

## *Budget Overview*

It is my pleasure to present the city of Springfield's Fiscal Year 2010-2011 budget.

This year's proposed budget continues the City Council's and Budget Committee's conservative and thoughtful approach to developing a balanced budget reflecting the priorities of the community. Similar to other organizations and communities, we continue to struggle with the impact of the economic recession.

The first Springfield budget that I was involved in preparing was Fiscal Year 1989-1990. In many ways, that budget was not unlike the budget currently being proposed to you for consideration. Like FY 89-90, projections showed an imbalance between revenues and expenditures and all involved were working hard to find new and inventive ways to maintain acceptable levels of service. That is true today for FY 10-11 with our adoption of the Strategic Plan and Continuous Process Improvement initiatives. In other ways however, the budgets are strikingly different. There are three major differences between FY 89-90 and today. These differences raise issues and challenges that do not lend themselves to quick solutions or incremental changes:

1. In Fiscal Year 1989-1990 the Ambulance Fund had a fund balance of \$914,280. Today's proposed budget transfers \$145,543 from the General Fund to the Ambulance Fund which no longer has a favorable balance. Over the years, the Fire & Life Safety department has done an outstanding job generating revenue for the operation of the ambulance system through innovative programs such as FireMed and by selling ambulance billing services to other local governments in Oregon. However, the significant reductions in Medicare reimbursements from the federal government have outpaced our ability to generate revenue for this fund.
2. In Fiscal Year 1989-1990 Lane County Government had the financial ability to give the city of Springfield approximately \$750,000 for the purpose of maintaining city streets. By 1995, that amount had increased to over \$1 million. Due to reductions in federal payments to Lane County, the city of Springfield no longer receives funding from the County for the maintenance of city streets. And while our inventory of street assets to maintain have grown about 30% since that time, our remaining revenue sources such as the gas tax have not kept pace with increasing costs. And in contrast, the gas tax revenues

have been decreasing due to increased fuel economy. The result has been a severe reduction in ongoing maintenance that will cause city streets to deteriorate to a point to where costly reconstruction will be needed at some point in the near future.

3. In Fiscal Year 1989-1990 the budget message struck an optimistic tone regarding the economy. Property values were increasing, building activity was increasing and projects such as the construction of the Gateway Mall were underway. In FY 89-90 our capacity to react to an improving economy was much greater than it is today. At that time the city had many more funding sources from the state and federal government that could assist in building infrastructure for new developments. Most of those funding sources either no longer exist or are at a much reduced level. Since 1989-1990, the significant expansion of stormwater and wastewater infrastructure, updates of severely outdated facilities master plans and new federal and state requirements have stretched scarce resources and created the need for increased user fees. As the result of these changes, the city has transitioned from a pay as you go approach to funding infrastructure improvements, to having to rely on loans to pay for infrastructure for new developments. This is causing user rates to increase at a time when rate increases are difficult for citizens to absorb.

While challenges lay ahead, we continue adapting to our changing reality with the guidance of the Mayor and Council, the Budget Committee and through the hard work of our employees.

**Fire and Life Safety:** The proposed budget begins to address the lack of adequate revenue to support the Ambulance Fund. Discussions are underway concerning the possibility of merging the Fire department of the City of Eugene with the City of Springfield's Fire & Life Safety Department. The first phase of the merger is included in the proposed budget and is projected to save \$270,682 by combining management functions in the areas of the office of the chief, operations, fire marshal and training. In the upcoming year we will need to explore alternative ways of providing emergency medical services in order to reduce costs without negatively impacting the care needed by those requesting emergency medical services.

**Springfield Streets:** The lack of sufficient funding for our streets will require conversations with the citizens of Springfield and it will be important for them to understand the need and the consequences of not addressing it. Failure to address the capital requirements of the community in a timely fashion will be significantly more costly and will shift a disproportionate amount of the cost to future generations. A plan to address the community needs should be formulated in the next several years. The actual implementation of the plan will require careful consideration due to a weak economy and the financial stress being felt by the citizens and businesses of Springfield.

**Preparing for New Development:** The reduced ability to construct and maintain infrastructure for new developments is requiring careful prioritization and planning in order to minimize increases in sewer and stormwater user rates. This has been occurring both in the operating side through budget and staffing reductions and through the City Council's prioritization of capital improvements and the deferral on non-essential projects to a future date. This is an issue that

will correct itself over time as the economy recovers and System Development Charges become available to fund infrastructure for our expanding community. In the meantime we will continue to focus limited resources on infrastructure projects that are required to meet basic property, health and safety needs of the community and state and federal requirements as well as taking full advantage of outside funding sources to fund needed projects.

### *A Goal Directed Budget*

The proposed budget allows the City of Springfield to move forward with the goals of the Mayor and City Council as well as the adopted strategic plan.

#### **Financially Responsible and Stable Government Services**

Unlike last fiscal year, the proposed budget does not reduce the level of services being provided to the citizens of Springfield. While departments were required to reduced expenditures, those reductions have been accomplished in a manner that does not create significant financial hurdles in future years. The proposed budget continues to make progress towards adequately funding equipment replacement reserves for fire apparatus and continues to make investments in the repair and maintenance of city facilities. And, the proposed budget does not rely on the use of reserve funds to balance the budget.

#### **Community and Economic Development and Revitalization**

The proposed budget continues to implement the City Council's desire to revitalize downtown and the Glenwood area of Springfield. Resources are committed to completing the downtown plan and continue the planning efforts for the Glenwood area. The multiyear effort to examine the need for commercial, industrial and residential land is funded in the proposed budget. This effort examines the need to adjust the city of Springfield's urban growth boundary in order to accommodate future growth and development needed.

#### **Enhance Public Safety**

The recent opening of the Springfield Municipal Jail represents a significant step towards enhancing the public safety of the citizens of Springfield. The 100 bed facility is proving to be a valuable tool for police officers and the courts. Inmates are now being held responsible for their actions and it is anticipated that this will result in a decrease in criminal activity in Springfield.

In order to maintain the ambulance services provided by the Fire & Life Safety Department, \$145,543 is being transferred from the General Fund to the Ambulance fund. This transfer is required due to decreases in the Medicare reimbursement rates.

### **Maintain and Improve Infrastructure and Facilities**

The proposed budget makes significant investments in the community's infrastructure and facilities. Major investments are proposed for the regional wastewater treatment facilities, the local wastewater collection system, and the stormwater system. The proposed budget reflects the difficult decisions that the Mayor and Council have had to make regarding user fees and System Development Charges. On the regional side, our community was fortunate to be well-positioned to benefit from \$5 million of federal stimulus fund in low interest loans for wastewater facility improvements that are helping to keep user fee increases below what was anticipated. On the local side, the decision to increase fees in a difficult economic environment will provide the funding needed to preserve our aging infrastructure, protect public health and public and private property and meet federal and state requirements regarding the wastewater and stormwater systems. To a limited extent, these decisions will also allow the community to be able to react to new development opportunities by continuing to fund infrastructure projects such as the Jasper Natron trunk sewer line. This sewer line will serve undeveloped property within the existing urban growth boundary north of Jasper Road in southwest Springfield.

Working with our state and federal intergovernmental partners, the city is able to move forward with significant transportation projects that help move traffic safely and efficiently through the city. The next phase of the Gateway/Beltline intersection and interchange will be under construction in Fiscal Year 2010-2011 and planning for improvements for Franklin Boulevard and the intersection of Highway 126 and Main will continue.

The proposed budget includes a partial reinstatement of funding (\$117,000) for basic street maintenance and preservation and the reinstatement of two positions in the street and traffic maintenance programs. These changes are based on citizen reaction to the service reductions and the Council's goal to adequately maintain infrastructure. They allow the partial restoration of residential street grading, crack sealing, and gutter and sidewalk repair at levels ranging from half to seventy percent of Fiscal 2009 levels. The funding source for these changes is the General Fund. It should be noted that even with this increase, the slurry seal program remains unfunded for the third consecutive year. The proposed budget includes \$750,000 of federal funds for the overlay of a small portion of "A" Street.

### **Preserve Our Hometown Feel, Livability and Environmental Quality**

Every aspect of the operation of the city is in some way linked to the hometown feel and livability of the community as viewed through the perspective of the people who visit, live and work in Springfield. During tough economic times the need for services by the

citizens of Springfield do not decline. In some situations the need for city services increases. For example, the number of people experiencing economic hardship has increased placing additional demands on the numerous programs funded through the Community Development Block Grant (CDBG) programs. The CDBG programs are specifically designed to meet the needs of low and moderate income residents. Use of the Library has also increased. More people are using library services to look for work, find out about job retraining, create a resume, or pursue an educational goal. The library is a resource and a refuge for seniors, teens, and those with few resources of their own. It is gratifying to be able to present a budget that continues to meet those needs of the citizens of Springfield.

**Proposed FY11 Department Operating Budgets:** Each year as the department directors are preparing their operating budgets for the following fiscal year, they are asked to look at the most critical operating needs over the next two to five year horizon. In the operating budget as proposed for this next fiscal year, the following are the specific areas where additional resources have been allocated:

#### Fire & Life Safety

- ◁ \$150,000 Annual lease payments (5 years total) for the replacement of 2 fire engines
- ◁ \$245,000 Replacement of 8 multi-parameter defibrillators and 3 auto-pulse devices
- ◁ \$5,500 Wellness fitness testing equipment

#### Public Works

- ◁ \$105,607 Wages & benefits and material & services for 1 FTE Civil Engineer position
- ◁ \$67,440 Wages & benefits for 1FTE Maintenance Journey
- ◁ \$61,167 Wages & benefits for 1FTE Maintenance Apprentice
- ◁ (\$57,144) Reallocation of Stormwater Civil Engineer position

#### Development Services

- ◁ \$15,000 Contractual services for economic analysis on urban growth boundary study

#### Municipal Court

- ◁ \$25,000 Additional resources for indigent representation (court appointed attorneys)
- ◁ \$40,000 Additional resources for billing & collections expenses, offset by revenue

#### City Manager's Office

- ◁ \$7,200 Laptops and internet connections for all City Councilors for electronic packets
- ◁ \$9,000 Travel & meeting expenses for City Councilors
- ◁ \$3,300 Employee development expenses for city manager
- ◁ \$4,000 Communication expenses for Councilors

## Human Resources

- ◁ \$17,500 Expansion of fitness component to City's Wellness Program

The current economic conditions have provided a challenge in most of the City's operating funds to maintain a balance between services being provided and available resources. In addition to adding the budget requirement for next year the \$600,000 identified above as priority items, early budget projections showed operating deficits for the General, Street, Ambulance and Booth-Kelly funds. To address these issues budget targets were set for each department that would help contribute to the final financial balancing of each fund.

For the General Fund, the personal service costs for each department were projected based upon existing labor contracts and settlement assumptions and all material and services appropriations were held at the FY10 level. Each department was then asked to submit and accept a reduction scenario that was equal to 2% of their material & services budget. For each department this resulted in reduction scenarios of the following amounts:

CMO	\$19,000	Police	\$215,000	Development Services	\$31,000
Finance	\$17,000	Fire	\$173,000	Municipal Court	\$13,000
Library	\$8,000	HR	\$8,000	Information Technology	\$26,000
Public Works	\$20,000				

Each operating fund was approached in this manner in the effort to both ensure the continuation of services but also to maintain the financial health of the organization. The tables below show the projected budget trends in each of the City's major operating funds.

### Projections for Major Operating Funds

Fund	FY09 <u>Actual</u>	FY10 <u>Amended</u>	FY11 <u>Proposed</u>	FY12 <u>Projected</u>
<u>General</u>				
Beginning Cash	\$ 9,231,938	\$7,361,246	\$ 7,265,103	\$ 6,999,397
Revenue	<u>30,864,571</u>	<u>31,499,887</u>	<u>32,279,558</u>	<u>32,900,000</u>
Total Revenue	\$ 40,096,509	\$ 38,861,133	\$ 39,544,661	\$ 39,899,396
Expenditures	<u>(32,735,263)</u>	<u>(31,842,082)</u>	<u>(32,545,264)</u>	<u>(34,679,180)</u>
Total Ending Reserves	\$ 7,361,246	\$ 7,019,051	\$ 6,999,397	\$ 5,220,216
Project Reserves	\$ 1,002,030	\$ 249,959	\$ 98,232	\$ 27,187
General Reserves	\$ 6,359,215	\$ 6,769,092	\$ 6,901,165	\$ 5,139,798
<u>Street</u>				
Beginning Cash	\$ 838,569	\$225,299	\$ 57,318	\$ 131,572
Revenue	<u>4,694,343</u>	<u>5,080,745</u>	<u>5,105,079</u>	<u>5,257,558</u>
Total Revenue	\$ 5,532,912	\$ 5,306,044	\$5,162,397	\$ 5,389,130
Expenditures	<u>(5,307,613)</u>	<u>(5,204,370)</u>	<u>(5,027,225)</u>	<u>(5,447,907)</u>
Ending Cash	\$ 225,299	\$ 101,674	\$ 131,572	(\$ 58,777)

Sanitary Sewer

Beginning Cash	\$ 1,959,059	\$ 4,467,674	\$ 3,794,562	\$ 4,826,439
Revenue	<u>7,193,519</u>	<u>5,964,122</u>	<u>6,342,994</u>	<u>6,858,058</u>
Total Revenue	\$ 9,152,578	\$ 10,431,796	\$ 10,137,556	\$ 11,684,497
Expenditures	<u>(4,684,904)</u>	<u>(6,590,022)</u>	<u>(5,311,117)</u>	<u>(8,348,372)</u>
Ending Cash	\$ 4,467,674	\$ 3,841,774	\$ 4,826,439	\$ 3,336,125

Storm Water

Beginning Cash	\$ 1,496,461	\$ 1,854,210	\$ 2,048,834	\$ 2,406,800
Revenue	<u>4,362,618</u>	<u>4,831,706</u>	<u>5,230,012</u>	<u>5,944,006</u>
Total Revenue	\$ 5,859,079	\$ 6,685,916	\$ 7,278,846	\$ 8,350,806
Expenditures	<u>(4,004,869)</u>	<u>(4,419,383)</u>	<u>(4,872,046)</u>	<u>(5,859,833)</u>
Ending Cash	\$ 1,854,210	\$ 2,266,533	\$ 2,406,800	\$ 2,490,973

Ambulance

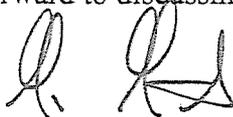
Beginning Cash	(\$ 37,983)	\$ 5	\$ 45,498	
Revenue	<u>4,885,228</u>	<u>5,024,507</u>	<u>5,047,221</u>	
Total Revenue	\$ 4,847,245	\$ 5,024,512	\$ 5,092,719	
Expenditures	<u>(4,847,240)</u>	<u>(5,024,512)</u>	<u>(5,092,719)</u>	
Ending Cash	\$ 5	\$ 0	\$ 0	

*Conclusion*

The proposed budget has been carefully prepared to be responsive to the economic pressures being faced by the citizens of Springfield and the city organization. City employees have worked hard to reduce costs and find efficiencies so that existing services can be maintained. Keeping the budget in balance and achieving the goals established by the Mayor and City Council will require a watchful eye on the economy and its impact on the city's financial condition. It will not take much good economic news to improve the city's financial condition. Likewise, any downturn in the economy will require adjustments in the city's spending plan in order to maintain financial stability.

Preparation of the budget is truly a team effort. I would like to thank the many city employees that help prepare the budget. I would like to give a special thanks to Bob Duey and Paula Davis of the Finance Department for the leadership role that they have played in the preparation of the budget.

I formally submit the Fiscal Year 2010-2011 proposed budget for your consideration and look forward to discussing it with you in greater detail.



Gino Grimaldi  
City Manager

# ADDENDUM TO THE CITY MANAGER'S BUDGET MESSAGE

## Summary of Actions of the Budget Committee and City Council Adopting the FY11 City Budget June 21, 2010

A summary of the actions taken by the Budget Committee and City Council in adopting the FY11 annual budget is provided in the following addendum to the City Manager's Budget Message.

### **Budget Committee Action – FY11 Approved Budget**

The City Manager's Proposed Budget totaled \$293,214,249 and 437.3 FTE. At the May 11, 2010 Budget Committee meeting, the Committee approved the FY11 Proposed Budget with specific changes. These changes increased expenditures by \$45,000 and total FTE changed by .2. The budget as approved included the following changes by the Budget Committee:

#### **EXPENDITURE INCREASES**

The following three items use reserve funds to provide increased services:

#### **Library Department**

The Budget Committee increased funding for the Library Department at the sole discretion of the Library Director not to exceed \$15,500; the source of the funds is General Fund Reserves. This change will appear in the Library Department budget and increase FTE by .2. This is a one-time increase.

#### **Requested Action**

Fund 100 -	Decrease reserves	\$15,500
	Increase Personal Services expenditures	\$10,689
	Increase Children's Books expenditures	\$ 4,811

#### **Human Services Commission**

The Budget Committee increased funding for the Human Services Commission to the Adopted FY10 level (increased by \$20,000). The source of the funds is the General Fund Reserve. This one-time change will appear in the City Manager's Office budget.

#### **Requested Action**

Fund 101 -	Decrease reserves	\$20,000
	Increase expenditures	\$20,000

### **Springfield Museum**

The Budget Committee increased funding for the Springfield Museum by \$10,000. The source of the funds is the Transient Room Tax Fund Reserve. This one-time change will appear in the City Manager's Office budget.

#### Requested Action

Fund 208 -	Decrease reserves	\$10,000
	Increase expenditures	\$10,000

### **ERRATA:**

The following items were "housekeeping" items that were identified after the Proposed Budget had been prepared. The Budget Committee included them in their Approved Budget:

### **General Fund Transfer**

This approved change was to correct a data entry error contained in the proposed budget. The transfer from the General Fund to the Ambulance Fund was more than required. The budget in the General Fund transfer was reduced and returned to reserves. This transaction increases Reserves by \$159,964.

### **Metro Wastewater Revenue Bond Sale Delay**

The Proposed Budget was developed early on with a \$20 million Metropolitan Wastewater Revenue Bond Sale. A combination of State Revolving Loan funds (SRF), approved rate increases, updated cash flow projections, and existing reserve balances determined that the bond sale was not yet necessary. The MWMC budget has been approved by the MWMC Commission.

### **City Council Action – FY11 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 21, 2010 regular meeting, the City Council held a public hearing on the FY11 Approved Budget and adopted the FY11 City Budget with no further changes. The following table provides a summary of the final Adopted Budget.

<b>Adopted FY11 Budget</b>	
Operating Budget	\$ 79,022,511
Capital Budget	57,005,629
Non-Departmental Budget	<u>142,158,279</u>
<b>Total</b>	<b>\$ 278,186,419</b>