

# City of Springfield Oregon

## Comprehensive Annual Financial Report Fiscal Year 2009

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**Passion**

**Integrity**

**Results**

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CITY OF SPRINGFIELD, OREGON

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2009

Prepared by:

Finance Department  
Accounting Division

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City of Springfield, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

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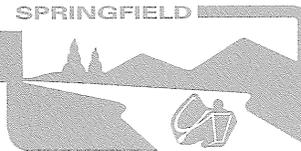
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# **Introductory Section**

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FINANCE DEPARTMENT  
ACCOUNTING / REPORTING  
ACCOUNTS RECEIVABLE / PAYABLE  
ASSESSMENTS  
BUDGETING / TREASURY  
PAYROLL  
PURCHASING

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December 21, 2009

To the Citizens of Springfield, Oregon:

Local ordinances and state statutes require that the City of Springfield issue a report on its financial position and activity within six months of the close of each fiscal year. In addition, this report must be audited in accordance with auditing standards generally accepted in the United States of America by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Springfield for the fiscal year ended June 30, 2009.

This report consists of management's representations of the City's finances. Consequently, responsibility for the accuracy of the data and for the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Springfield's financial statements have been audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Springfield for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Springfield's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth above, the independent audit also was designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require that the independent auditor report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2009 indicated no instances of material weaknesses in the internal control structure nor significant violations of applicable laws and regulations. The independent auditor's reports related specifically to the Single Audit and OMB Circular A-133 are included in the Government Auditing Standards Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Springfield's MD&A can be found immediately following the report of the independent auditors.



## Profile of the Government

The City of Springfield was incorporated on February 25, 1885. The City has a council-manager form of government. The six-member City Council sets overall city policy and goals. The City Council also makes laws, or ordinances, which govern the City. Councilors are nominated from one of six wards and are elected at large for four-year staggered terms. The Mayor, elected at large to a four-year term, is the chief elected officer of the City and is responsible for providing political and policy leadership for the community. The Mayor has no executive power, but presides at City Council meetings and serves as the ceremonial head of the City.

Home to approximately 58,085 people, Springfield is bordered north and south by the McKenzie and Willamette Rivers, covering approximately 15 square miles in Lane County. The Springfield community has rich cultural assets like the Springfield Museum and Historic Interpretive Center, Washburne Historic District, Springfield Railroad Depot, Oregon Trail Mural, and Dorris Ranch Living History Farm.

The City provides a full range of municipal services. These services include police, fire, emergency medical services, municipal court, community planning and development, library, local sanitary system collection, regional sanitary administrative services, stormwater management, general public works, central service administration, and other functions associated with a full-service City.

For financial reporting purposes, the City includes all funds of the City subject to appropriation by the City Council. In addition, the City includes all governmental organizations and activities for which the City Council is financially accountable. Therefore, the financial statements of the Urban Renewal Agency of the City of Springfield, although legally separate, have been blended with those of the City by including them in the appropriate statements and schedules in this report. The City performs all administrative duties for the legally separate Metropolitan Wastewater Management Commission. It would be misleading to omit information about this entity from the financial statements and so it is included as a discretely presented component unit. Other potential component units have been evaluated and determined not to be component units of the City according to the criteria provided by the Governmental Accounting Standards Board.

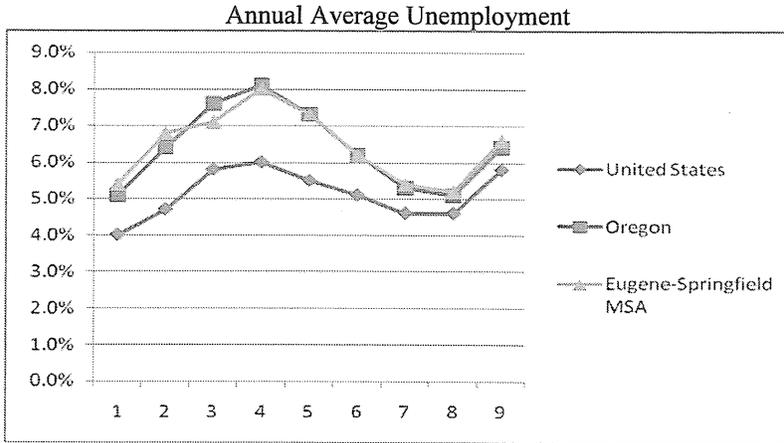
For financial planning and control, the City prepares and adopts an annual budget in accordance with Oregon law. The law establishes standard procedures for preparing, presenting and administering the budget. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before final adoption. The activities of all the funds of the City (except the Agency Fund, which accounts only for non-budgeted pass-through monies) are included in the annual budget, as required by state law. The City prepares its budget, as allowed under Oregon law, using the modified accrual basis method of accounting. The legally adopted budget is presented at the departmental level for current expenditures, with separate appropriations established for capital projects, debt service, inter-fund transfers, miscellaneous fiscal transactions, statutory payments, contingencies, unappropriated fund balances and reserves.

Under the changes made by Measure 50, Oregon's municipalities now levy their annual property taxes on a partial rate based levy system. Springfield has been assigned a permanent tax rate of \$4.7403 per thousand dollars of assessed valuation for its annual property tax operating levy. This amount can be temporarily overridden through the use of voter-approved serial levies. In November 2006, Springfield voters renewed a special purpose four-year property tax levy for fire services with a modest increase in the amount from \$.36 per thousand to \$.40 per thousand. In the same election, voters approved an additional \$1.09 per thousand to fund police and municipal court services and operation costs for a city jail. This levy replaced a previous levy of \$.66 per thousand for police and municipal court services. Springfield still has the authority to levy an additional dollar value property tax levy for the retirement of its voter-approved general obligation bond debt. For the fiscal year ended June 30, 2009, the amount of the tax levy for general obligation bonded debt was \$1.00 per thousand.

**Local Economy**

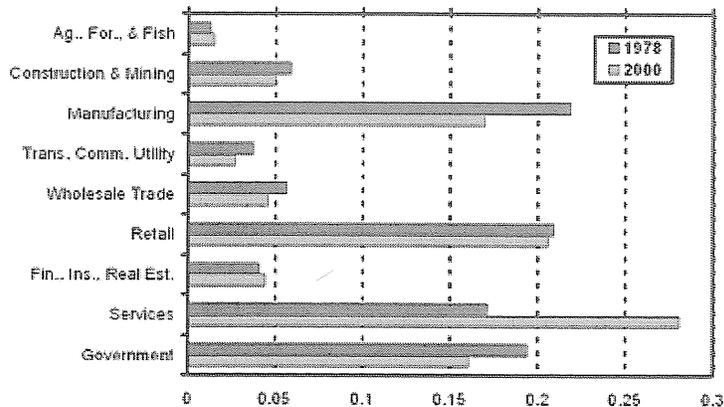
Springfield is located in the southern Willamette Valley along Interstate 5 connecting to Portland and California. Springfield is Oregon’s ninth largest city and the second largest city in Lane County. Springfield is located immediately east of Eugene and separated only by Interstate 5.

The Lane County unemployment rate increased during the year from a not seasonally adjusted 5.7% in June of 2008 to 12.6% in June 2009. In June 2009, Lane County’s unemployment rate was just above the statewide figure of 11.9% and above the United States rate of 9.5%. Lane County’s non-farm employment in June 2009 was 149,200 compared to 158,900 the previous year, an annualized loss of 5.5 percent.



Over the past year, most sectors of the local economy have declined, with significant changes being a decrease June-to-June in manufacturing jobs in Transportation Equipment Manufacturing. The City has seen a decline in employment in many industries such as: Recreational Vehicles (-2000); Wood Products (-500); Construction (-1000); Wholesale Trade (-900); Professional & business Services (-1200); Accommodation and Food Services (-800). The only offsetting increase was in Health Care jobs (+500).

**Lane County Historic Industry Mix Change (SIC based)**



Some of the more significant development events, excluding many new housing subdivision projects, of the past year were:

- Construction was completed on Peace Health's \$600 million, 900,000 square-foot medical facility at the Riverbend campus in north Springfield's Gateway area. Over 2,500 people will be employed at this location. The eight story building with over 400 beds opened as planned in August 2008. Peace Health has also built two multi-story parking structures for about 500 vehicles and connecting several buildings with patient services and storage. Within this complex, the \$35 million Oregon Heart & Vascular Institute (OHVI) is a six-story structure connected to the Hospital. The OHVI includes a cardiac and pulmonary rehabilitation center; diagnostic cardiac and vascular services; nuclear medicine services; administrative support offices; cardiac catheterization, peripheral vascular labs, and electrophysiology labs; cardiovascular surgical suite, and patient- and family-friendly pre-procedure and recovery areas. Floors four and five contain 72 single-occupancy patient suites as a hospital-within-a-hospital.
- Construction of two medical office buildings for a number of medical clinics were completed and opened in January 2009. The five-story Riverbend Medical Pavilion operated by Peace Health primarily houses offices and exam rooms for PeaceHealth Medical Group physicians whose patients may be in need of hospital services. The independent Northwest Specialty Clinics (NSC) is now training employees in the facilities and includes eleven specialty medical clinics. A covered walkway connects both the Pavilion and NSC directly to Sacred Heart Medical Center at RiverBend. Each of the new medical clinics is valued at about \$10 million.
- Construction of the Armed Forces Reserve Center (AFRC) was completed in June 2009. Located on 20 acres off Pierce Parkway, this 156,000 square foot facility will provide office and meeting space, storage, parking, and secure public access to offices of the regional US Forest Service and federal Bureau of Land Management. All agencies are relocating from outdated individual Eugene facilities.
- The Springfield School District is immersed in the construction of rebuilding two new schools in east and mid-Springfield and the expansion of its Academy of Arts and Academics High School in Downtown. Construction will be completed and facilities outfitted with new classroom equipment to open in time for the start of the fall 2009 school year. The inclusion of this facility in the downtown core is a significant boost to the City's downtown revitalization effort.
- The City of Springfield completed the construction of a replacement facility for Fire Station #16 in east Springfield. The \$3 million project has concrete masonry walls and a two-story profile with fire crews' quarters on the second floor, above the equipment and training areas. Fire fighters readily relocated to the building after using leased residential buildings adjacent to the construction site to ensure uninterrupted fire protection service for the east Springfield area.
- Oregon Department of Transportation's initial design options and configurations of the replacement bridge over the Willamette River for Interstate 5 along Glenwood's western edge are well underway. The four-lane bridge facility spanning the Willamette River for Interstate 5 is estimated to cost about \$160 million. It will be built primarily by the Springfield firm Hamilton Construction. ODOT anticipates construction will be completed in 2012 with removal of the \$38 million temporary bridge now in use.
- The Women's Care Clinic at River Bend has completed and opened its \$6 million Phase 1 10,455 square foot building with parking lot and landscaping on the west side of Martin Luther King Jr. Parkway. Women's Care has approvals for its future expansion with Phase 2 – a second story addition for a total building area of 20,910 square feet.

## Long-term Financial Planning

Changes to the national, state and regional economy have had an impact on the revenue forecasts for the City as several major resources are under-realized from budgeted estimates. In particular, property taxes, fuel taxes and fees associated with building and development activities have been underperforming. In response, mid-year, the City identified 26 positions for which it was able to reduce or eliminate funding. This action was taken to avoid the use of General Fund reserves for operating purposes. The Council did determine that it was appropriate for the General Fund to participate through the use of reserves over and above the targeted amount in the funding of three significant capital projects for the City. The first was to add additional value to Springfield Justice Center by including an ancillary building for storage. The second was to include additional features in the new Thurston area fire station. The third project was to help complete the replacement of the regional criminal justice information management system. The General Fund still meets all Council adopted policies for maintaining adequate contingency and working capital.

In the May 2009 election, the City asked voters to increase its local fuel tax from the current 3 cents per gallon to 5 cents per gallon. This increase would have provided additional resources for the street maintenance program. The measure was defeated, and the City's street preventative maintenance program will be scaled back to fit within available resources. The state and local fuel usage taxes are the primary revenue sources for the City's special revenue Street Fund. The state legislature took action on an increase in the state-wide gas tax in its last session with plans to prorate or share these new resources with local cities. It is anticipated the City will receive its first share of the new higher state fuel tax during fiscal year 2011. During this period of transition as the preventative maintenance program and the identification of alternative revenue is taken under review, it is highly likely that the level of reserves for contingency and working capital will fall below the stated minimums. Council is aware of this potential and is taking steps to provide support from the City's General Fund to maintain appropriate levels.

The City's Ambulance Fund, an enterprise fund, is also experiencing financial stress as its primary revenue sources have not kept pace with expenses. Reductions by the federal government in payments to providers of ambulance service for medicare and medicaid patients have placed providers of ambulance service in the position of subsidizing this major federal program at the local level. Local rate increases aimed at the privately insured or non-insured are intended to partially make up these differences. Similar to the Street Fund, the potential for cost reductions and the identification of alternative revenue has been taken under review, and it is highly likely that the level of reserves for contingency and working capital could fall below the stated minimums. Council is aware of this potential and is taking steps to provide support from the City's General Fund to maintain appropriate levels.

In the area of capital improvement projects, the Council annually approves a list of public projects, such as transportation and streets, wastewater, stormwater, and buildings and property that are tentatively funded for construction in the next five years. These projects are aimed at improving neighborhoods, providing for economic growth, improving traffic safety, and maintaining the existing City infrastructure and facilities. Some of the major projects in each of these program areas include the following.

### *Transportation and Streets:*

- ◆ As a result of lost revenues from Lane County, insufficient revenues from state and local fuel taxes, and increasing costs, the funding for this program was significantly reduced in FY10 to a total budget of \$237,006, which is about 1/3 of the budget in FY09. The FY10 budget will be used for street seal and overlay projects on only arterial and collector streets throughout the City. Projections for the next five years show continued insufficient revenues to fund the program's needs, which will result in an increasing backlog of streets needing repair and preservation. One additional revenue source that is not yet reflected in the FY10 budget is a recent allocation of approximately \$400,000 in Surface Transportation Program – Urban (STP-U) funds from the Metropolitan Planning Organization (MPO).
- ◆ The Gateway/Beltline intersection has been identified as needing major transportation improvements, including the construction of a two-phase project. Phase 1 includes design and construction of an expanded intersection along with the purchase of right-of-way. Construction of Phase 1 will begin in 2010 as part of

an ODOT project to improve the I-5/Beltline Interchange. Phase 2 will be constructed in the future and will include construction of a one-way couplet. The project is needed for improving the level of service at the intersection and for maintaining proper function of the intersection in relationship to the I-5/Beltline Interchange. Current project estimates are \$10 million for Phase 1 and \$20 million for Phase 2.

- ◆ The City received \$1.96 million in ARRA funding to support construction of several transportation and street projects, including: \$1.4 million to overlay Pioneer Parkway; \$310,000 to pave and install pedestrian safety improvements on the EWEB Multi-use Path; and \$250,000 for upgrading traffic signals and street lights.
- ◆ The City has applied for a TIGER grant for \$49.5 million for design, right-of-way acquisition, and construction of a multi-way boulevard on Franklin Boulevard through Glenwood. If the City is successful in receiving the grant funding, this project will be the primary project in this program area for FY10, 11, and 12.

*Wastewater:*

- ◆ FY09 Revenue Bonds – In March 2009, the City sold \$22.815 million in revenue bonds to fund the following wastewater system projects: Jasper Trunk Sewer – \$11.9 million and Wet Weather Flow Management Plan (WWFMP) compliance - \$9.1 million. The Jasper Trunk Sewer involves the construction of approximately 18,000 feet of sewer to the Jasper-Natron area to allow for future development of approximately 1,000 acres within the City’s Urban Growth Boundary. The WWFMP is a regional plan adopted in 2001 that identifies priority areas for rehabilitating wastewater pipes to reduce infiltration and inflow. The completion of these rehabilitation projects on the local waste water collection systems will reduce the cost of transporting the effluent through pipes as well as the treatment costs at the plant.
- ◆ FY11 Revenue Bonds – In 2008, the City adopted a new *Wastewater Master Plan*. This Plan identified additional wastewater system needs to address, in part, other areas of the system with excessive infiltration and inflow. The City is currently considering another Revenue Bond sale in FY11 to address some or all of the following projects: Basin 22 – \$6.2 million; 10<sup>th</sup> & N parallel trunk – \$3.9 million; 58<sup>th</sup> Street By-pass sewer – \$2.2 million; 7<sup>th</sup> & 8<sup>th</sup> sewer main replacement - \$0.5 million; Main St. sewer main improvements – \$2.1 million; and Nugget Way lift station upgrade – \$1.4 million.

*Stormwater:*

- ◆ Drainage improvements for the Springfield Mill Race are underway and are expected to continue for several years. At completion, the project will improve water quality and stabilize year round flows, restoring the aquatic ecosystem from Clearwater Park to the 7th Street Bridge. The entire project is anticipated to cost about \$9 million, with \$5 million coming from a federal grant and the remaining balance coming from the City in donated land, in-kind services, and additional funding. This project not only opens back up an historic open water way through Springfield, but helps the City meet its obligation for clean water through natural filtration instead of treatment.
- ◆ FY10 Revenue Bonds – In 2008, the City adopted a new *Stormwater Facility Master Plan*. This Plan identified stormwater system needs to address existing localized flooding, future growth needs, and stormwater quality improvements. One of the larger projects in the Plan is that of providing stormwater service to future development in the Jasper Natron area, currently estimated at \$5 million. In addition, the City is obligated to protect the benefits of the Springfield Mill Race project. Part of this obligation will be satisfied by improvements, estimated at \$1.35 million, to the Mill Pond, Lower Mill Race, and the Booth Kelly Center drainage system. The City is considering a Revenue Bond sale in FY11 to fund some or all of these projects.

## Major Initiatives

The City Council goals for this year, along with some of the more significant activities and projects addressing those goals are as follows:

### **Provide financially sound, stable city government**

- City bond rating of A2 maintained
- Identify strategies to reduce reliance on special levies
- Update the Information Technology Disaster Recovery Plan
- Evaluate needs of present City Hall operations

### **Utilize resources efficiently and effectively to meet citizen needs for core services**

- Initiate Glenwood refinement plan update project
- Determine appropriate levels of service for the Library
- Identify and develop alternative building maintenance funding sources to address immediate, short and long term needs
- Document growth demands on current service levels

### **Maintain and improve transportation infrastructure and other city facilities**

- Identify and develop alternative street maintenance funding sources to address immediate, short, and long term needs
- Gateway Development [Gateway Area Transportation Management]
- Develop Franklin Boulevard design concept and alignment, including preferred alternative for Franklin/McVay intersection, with project stakeholders
- Incorporate EmX into couplet design (Gateway Development). Review and approve design detail for EmX in Gateway area as part of parkway BRT design review.
- TransPlan update

### **Expand the Springfield economy through commercial and industrial development to create family wage jobs**

- Conduct a Commercial-Industrial Land Supply and Demand Study and Goal 14 analysis to determine whether expansion of the Urban Growth Boundary (UGB) is necessary and justifiable.

### **Enhance public safety in Springfield**

- Continue enforcement efforts to reduce illegal activity
- Work with regional partners to establish a shared, interoperable radio system for police department operations. Develop protocols for improved interoperability with Fire Department
- Facilitate Justice Center construction timeline for on-schedule completion

### **Facilitate the redevelopment of Springfield**

- Implement downtown urban renewal plan
- Expand and strengthen the Downtown Association
- Prepare a Downtown Revitalization Strategic Plan
- Establish design standards for downtown renovation and new construction
- Continue with Mill Race Redevelopment Plan
- Identify key infrastructure projects and phasing for downtown development

### **Partner with citizens and other public agencies to leverage resources**

- Continue to work with other TEAM Springfield agencies to achieve community goals and periodically assess progress
- Support review of the feasibility of a Conference Center

### **Preserve our hometown feel as we grow**

- Implement remaining Nodal Development Areas per TransPlan
- Promote Community Image

## Awards and Acknowledgements

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the twenty-eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We also want to acknowledge the cooperation and assistance of other City staff who contributed to the information required for a fair presentation of the City's financial operations.

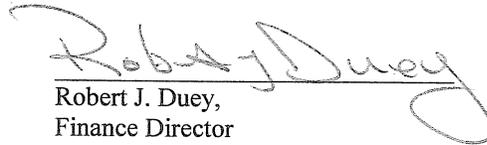
In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

Respectfully submitted,

CITY OF SPRINGFIELD, OREGON



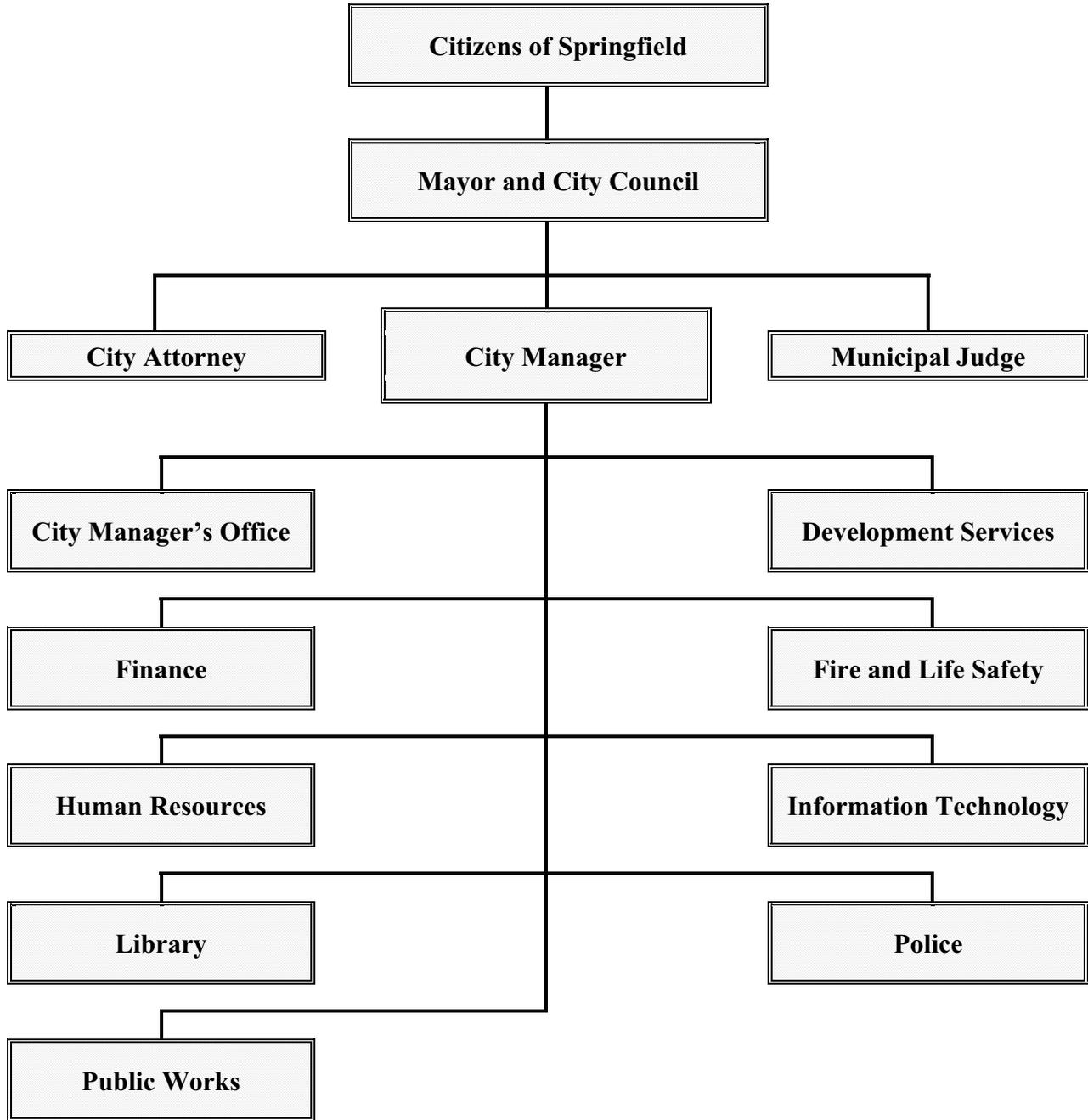
Gino Grimaldi,  
City Manager



Robert J. Duey,  
Finance Director

# CITY OF SPRINGFIELD

## Organization Chart



# City of Springfield, Oregon

## Principal City Officials June 30, 2009

### Elected Officials

#### Mayor

Sidney W. Leiken  
6856 Holly Street  
Springfield, OR 97478

#### Term Expiration

December 31, 2012

#### Council Members

Christine Lundberg  
2031 2<sup>nd</sup> Street  
Springfield, OR 97477

Ward 1

December 31, 2010

Hillary Wylie  
339 S "E" Street  
Springfield, OR 97477

Ward 2

December 31, 2010

Terri Leezer  
555 16<sup>th</sup> Street  
Springfield, OR 97477

Ward 3

December 31, 2012

David Ralston  
2114 "L" Street  
Springfield, OR 97477

Ward 4

December 31, 2012

Fred Simmons  
312 S 52<sup>nd</sup> Place  
Springfield, OR 97477

Ward 5

December 31, 2010

Joe Pishioneri  
961 S 70<sup>th</sup> Street  
Springfield, OR 97478

Ward 6

December 31, 2012

### Administrative Officials

Gino Grimaldi  
Jeff Towery  
Robert J. Duey

City Manager  
Assistant City Manager  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Springfield  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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