

To: Members of the Springfield Budget Committee

From: Nathan Bell, Finance Director

Date: 5/7/2021

Re: FY22 Proposed Budget – Memo #2

I want to thank the Springfield Budget Committee for the questions asked thus far regarding the FY22 Proposed Budget. This is the second memo provided to Budget Committee in response to questions asked about the budget. There are some questions posed by Committee members which require additional time for the development of a response, if a question you posed is not answered here it has been noted as needing response and will be included in a subsequent memo.

Questions from Committee Member Holle Schaper

Question 1: Human Resources: The city's liability insurance challenges were mentioned in the presentation - are there any indications that the policy this year will decrease or will we continue to see a large expense to the city? Which fund or department pays for the liability insurance payments (deductibles, attorney fees, etc)?

- What are examples of fees that were increased in order to pay for the increase in liability insurance cost due to high police and jail claims? What is being done to mitigate these costs? Is any of the money for these costs coming directly from the police budget?
- Additionally, is HR part of all personnel investigations for all departments within the city?

Response 1: This question was answered during the May 4th Budget Committee meeting. A recording of this meeting is available at <https://bit.ly/SpfldFY22Budget>.

Question 2: Has there been discussion about the information that is available in the 2020 Annual Use of Force Analysis and how liability may be minimized based on the data presented in this report? For example, K-9's represent 9.9% of the uses of force (30/302), whereas they account for 51.9% of the injuries requiring medical assistance (14/27). What could be done in order to decrease these types of injuries? Could SPD instead have a contract with EPD to utilize the EPD K-9's when needed? Additionally, given that dispatch failed to record incoming calls and radio traffic for a period of 4-5 months (as noted in the Brazier report), should dispatch be combined with Central Lane 911 in order to both decrease annual costs and minimize liability in instances of failed technology? I think it is important to consider that Fire and Life Safety pays just 50.3% of the cost of dispatch for emergency dispatch services (\$880,641/year vs. \$1,752,475/year). Are there other parts of SPD that represent high risk and high cost that could be consolidated or combined with other agencies (e.g., SWAT)?

Response 2: Staff are continuing to gather the information necessary to respond and will provide a response in a future memo.

Question 3: Have HR and CAO been working together to proactively decrease liability within the police department? If not, why not? If yes, in what capacity?

Response 3: The HR department's role in minimizing police liability is in our coordination with CIS and in leading the City's Enterprise Risk Management (ERM) Team. The ERM process includes assigning risk owner to manage the risk by developing mitigation strategies. In the case of use of force, the police department is the risk owner and would bring potential operational changes like collaborating with other police agencies as a mitigation strategy to the bigger ERM team. HR's role is to then vet that solution with the ERM team and work with CAO to analyze the legal implications. HR also provides support with regards to general employee training, guidance on employee matters, and union relationships.

Question 4: Question in response to Memo#1/Response 4 from Finance Department: Thank you, Judge Triem for such a thorough response. I have a follow-up question - do the Crisis Center Steering Committee and the Crisis Forensic Services work group include representation from families actually navigating this type of situation? If not, why not? If so, are there lessons we can learn from that in the way we manage other groups of this type and the representation present?

Response 4: Lane County Health and Human Services is in charge of forming these committees, and we will forward your feedback on to them.

Question 5: Question in response to Memo#1/Response 8 from Police Department: Thank you for the information about the internal affairs software. To follow-up on that and to get a sense of prior decision making within SPD when competing priorities arose, what were the priority items that were selected over IAPro and BlueTeam? Additionally, who makes these decisions and what is the process? Does this type of prioritization go through the Springfield Police Advisory Committee or through Council to ensure that SPD is aligned with the priorities in the city?

Response 5: This question was answered during the May 4th Budget Committee meeting. A recording of this meeting is available at <https://bit.ly/SpfldFY22Budget>.

Question 6: Question in response to Memo#1/Response 9 from City Attorney's Office: Thank you for elaborating on the ways in which the CAO prioritizes minimizing the city's police liability. As a follow-up to that, does the CAO plan to do more toward police accountability aside from what the state or federal legislature mandates? It seems as though the legislatively mandated material changes, while important, are more broadly based, while SPD has demonstrated widespread dysfunction and even crisis. Has CAO considered engaging with OIR Group to conduct further analysis and seek additional direction? If history is any predictor, leaving SPD to its own devices won't bring about widespread changes, but will rather be surface level changes only.

Response 6: The analysis the City has obtained through the independent assessment of the Thurston Demonstrations and OIR Kenny independent review have given us a good starting place for working toward reform and CAO plans to assist with process. There are no further plans to engage with additional consultants.

Question 7: Question in response to Memo#1/Response 11: While I understand the city is operating with a scarcity of resources - are there some best practices that would help decrease the added burden of entirely preventable litigation which in turn exacerbates the scarcity of resources? Is there a way that we can safeguard against being penny wise and pound foolish in order to provide equitable services to everyone in Springfield while minimizing harm?

Response 7: This follow up question brings up a good point that resources are not the only answer in finding the most effective way to serve our community. We can do this by creating a culture that emphasizes learning, listening to our community and diversity, equity and inclusion.

Questions from Committee Member George Jessie

Question 1: There is a significant increase in expenditures, within the enterprise funds (201, 611 & 617) for IT, without clear explanation of why. (p4 of 6 IT summary)

Response 1: The large difference in the Enterprise Funds between the FY20 Actuals and FY22 Proposed are a result of work delayed. When planning the FY20 budget, a large system upgrade within facilities management was planned and funds were budgeted in the Contractual Services and Software Licensing accounts to accommodate the project's estimated costs. However as we moved into FY20, further analysis discovered a strong business case to delay the upgrade and explore other alternatives. Work again was planned and budgeted for FY21. However with the onset of COVID and the work from home directives, IT resources were redirected to supporting telework priorities, and the project delayed again. Modified work on this project is restarting, and the FY22 Proposed amounts in Software Licensing and Contractual Services have been adjusted to fit the new project plans.

Questions from Committee Member Steven Schmunk

Question 1: The \$10 million street bond – Do project specifications require PWR wages? If so; what requires this. Are there any current projects with 'city only' funding that require PWR wages?

Response 1: State law in ORS 279C.800 to 279C.870 requires payment of prevailing wage rates (PWR) for all public works projects with a contract price of \$50,000 or more, counting all contracts and payments that are made for work on that project. State law defines a "public works" project to include the construction, reconstruction, major renovation, or painting of a road, highway, building or structure contracted for by a public agency to serve the public interest. Road resurfacing, such as the projects planned under the present Street Bond, is considered "reconstruction" and falls under this definition of public works. All bond projects are estimated to cost more than \$50,000, and therefore require payment of the prevailing wage rate.

Question 2: The Budget Overview says "...building a rainy-day reserve in the Insurance Fund to offset the impact of future PERS rate increases". May I see any city documentation of this analysis. I am familiar with the valuation report from PERS website.

Response 2: PERS provides an actuarial evaluation of retirement plans for all of its members. This information may be found on the PERS website or in the City's Comprehensive Annual Financial Report in the Notes to the Financial Statements section (Note M) or the Required Supplementary Information section. The plan is currently funded at around 80% but fluctuates substantially based on market returns. To fully fund a plan would be a shock to any organization's budget and therefore PERS has implemented rate increases over a longer period of time to allow for organizations to plan and prepare for those increases. With the recent strong market returns we have seen those projected rate increases decrease and begin to level off, however, to have a plan so dependent on market returns introduces a lot of volatility. The money we are setting aside is meant to help mitigate the impacts of those future rate increases but will not completely address the impact. Any real sustainable solution to the funding of the State's pension system will need to come from the State.

Question 3: Mr. Bell and I have talked about PERS in the past. His presentation said PERS was not the whole problem with the cities financial position. From my limited understanding I agree with what I hear him saying. I assume you both know that the current normal cost does not pay for the current promise being made to city employees. Has the city done any risk analysis as it relates to Springfield? I am familiar with PERS publications. What training or discussions has the city council been exposed to as it relates to PERS.

Response 3: The City recognizes that the plan is underfunded. The PERS plan is managed by the State of Oregon on behalf of all its members. PERS contracts with an independent actuary to perform a valuation that does contain some level of risk analysis. In reviewing this information, the City recognizes that this valuation is based on assumptions that may differ from actual outcomes. As a result, the City has taken a proactive position to create a rainy day PERS reserve to help offset this volatility. Please refer to Response 2 on where this information can be found. This document is also provided to our Council on an annual basis.