



It is my pleasure to present the City of Springfield's proposed Fiscal Year 2023 (FY23) budget.

For the past two years, the COVID-19 pandemic has been a predominant factor in fiscal and policy decisions for our City, nation, and globally. At the onset of the pandemic, the City quickly pivoted to different ways of conducting business in order to mitigate the spread of the virus.

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Joseph Biden. The City was allocated \$14 million in funding that must be obligated by December 31, 2024. Some priority expenditures were programmed into the City's FY22 budget through Supplemental Budget 1 (SB1) on October 18, 2021. This included Fire & Life Safety radio replacement, Museum elevator replacement, Council Chambers security upgrades, and additional staffing in the Development and Public Works Community Development Division for project delivery, with the costs spanning multiple years. The full lifetime cost of these adds is approximately \$2.4M.

Additionally, in the December 6, 2021 work session, Council directed staff to move forward with the City-wide Legacy Street Light Replacement Project at an estimated cost of \$2.75M, with funding coming from ARPA funds as well as providing Willamalane Park and Recreation District \$1M of the City's ARPA allocation. Although Special Districts were impacted by the pandemic, no ARPA funds were directly allocated to them. Willamalane exhausted different avenues for securing funding and was told that funding for parks would come from the cities they reside in. Willamalane made a formal request to the City to receive \$1.75M of the City's ARPA funds based on the proportionality of each agency's respective budget and the Council approved \$1M of that request.

On February 22, 2022, Council approved the following expenditures for the FY22 budget through Supplemental Budget 3 (SB3). Some of these projects will be conducted over more than one fiscal year.

Springfield Justice Center Roof Replacement – \$450K – The roof of the Justice Center is failing prematurely and is scheduled for replacement this summer.

Cover Projected General Fund Deficit Spend – \$5M – Over the past couple of years, the Council and staff have made strides in improving the structural imbalance in the General Fund. However, there remains additional work to get this Fund balanced and on a sustainable trajectory. ARPA funds will allow the City to maintain current staffing and service levels while providing additional time to address our long-term structural imbalance in both the Ambulance and General Fund.

City Hall Internal/External Security Camera System – \$200K – There has been an increase in security issues around City Hall including multiple fires resulting in significant cost to the City. A security camera system would be a cost-effective way to monitor the facility.

Council Chambers and Court Security – \$300K – Council Chambers and the Municipal Court are two areas of the City where the community and staff meet in person and the Council has prioritized

improving the security of those spaces. Half of total expenditure was included in SB3 with the remaining \$150,000 budgeted as part of the FY23 Proposed budget.

City Hall Space Remodel – \$950K – Our library has outgrown its space and the technology infrastructure is not meeting community needs. The teen and children’s area has reached capacity for collections and the library also needs modernized and more accessible meeting and programming space. The City Manager’s Office (CMO) will be relocated to the vacant former Fire & Life Safety administration space and the library will expand into the vacated CMO space.

City Hall Roof and HVAC Replacement – Over 40 of the HVAC units on City Hall are at end-of-life and risk of failure. With the assumption that this building will be the long-term City Hall, we will replace all the units at end-of-life in a single project, which would be cheaper than replacing single units as they fail. The cost would be approximately \$5M and would require roof and ducting replacement.

Fire Structure and Governance Consultant – \$35,000 – This expenditure funds Springfield’s share of costs for a consultant to complete a financial analysis of the functionally merged Eugene-Springfield Fire and Life Safety Department. The purpose of the analysis is to help inform the governing bodies of each respective city of the cost/benefits of different potential future configurations of the department.

City Website Enhancement – TBD – This project is still in the planning phase to define the scope of the project and associated costs. Staff recommend leaving a portion of ARPA funds unallocated until we can determine the cost of this project or identify an alternative source of funding.

The FY23 proposed budget includes using some ARPA funds for positions in Human Resources, Information Technology, Police, Development and Public Works, and the City Manager’s Office. While some of these positions are limited in duration, others will need to be funded through attrition, the General Fund, or other funding sources beyond FY2024.

Summary

The City of Springfield employs a conservative yet realistic approach to budgeting. When creating projections and estimates, the City uses multiple data sources to develop scenarios that are as close to “real time” as possible. We believe this methodology results in a more accurate representation of the City’s financial condition.

We experienced a healthy increase in property taxes in FY22 of 3.5% over the previous year, well above our projection of 1.1%. The anticipated impacts of the pandemic did not materialize and historically low interest rates and an infusion of Federal COVID funding into the economy has resulted in a strong residential housing market and spurred new development. We are continuing to see new residential development in the community and are projecting an increase of 3.0% in FY23.

This was not the only positive news for the General Fund. Additionally, other Funds that influence the General Fund and were impacted by the pandemic recovered more quickly than anticipated. Transient room tax receipts are projected to return to their pre-pandemic levels in FY22 with an anticipated increase of 74% over the previous year and we anticipate that these receipts will remain strong over FY23 due to pent up demand in the hospitality and entertainment sectors. The health of the Transient Room Tax Fund plays an important role in the health of the General Fund as just over half the revenue of this fund are transferred to the General Fund in support of public safety.

In the Ambulance Fund, we are anticipating an increase in Ambulance Fees in FY22 of 41% over the previous year due to an increase in transports as well as staff getting caught up on a backlog of ambulance billings. FY23 will be the better indicator of how well the Ambulance Fund has recovered from the pandemic and we are projecting ambulance fees to return to their pre-pandemic levels. The Ambulance Fund also plays an important role in the health of the General Fund as revenue growth has not kept pace with expenditure growth, and as a result, we are projecting a transfer of \$325,000 from the General Fund to the Ambulance Fund in FY23 to keep the Fund solvent. Paying close attention to revenue and making sure revenue grows with inflation is an important part of the City's long-term financial health.

Looking Ahead

It is important to be vigilant regarding the issues and needs that impact the future of the City. The following are some of those issues:

Eugene Springfield Fire: The cities of Eugene and Springfield operate within a combined structure for fire services. This structure was initiated in 2010 and is currently being reviewed by the Eugene Springfield Fire Governance Review Panel. The Panel was established to evaluate and identify the next steps for the governance of the two departments. The goals of the Panel are:

- Raise awareness of the current model and remaining considerations for improved efficiencies
- Share progress and build confidence in process
- Keep key audiences informed on the process/decisions/outcomes

For more information on the Eugene Springfield Fire Governance Review Panel, please visit [Governance Review Panel | Eugene, OR Website \(eugene-or.gov\)](#).

Fiscal Stability: Although the addition of ARPA funding will have a short-term buffering effect, for the long-term, the City of Springfield's structural imbalance within its General Fund remains. Departments must continue to critically examine services to ensure the core functions of the City are at appropriate levels. While departments continue to scour for efficiencies, the governing body should also consider new revenue sources.

42nd Street McKenzie Levee: The City has asked our Federal Delegation to direct the U.S. Army Corps of Engineers to fund the expedited Feasibility Study authorized by the 2020 WRDA for improving the 1-mile-long levee to protect over a third of Springfield residents, federal offices, National Guard buildings, primary fueling stations, and over \$4 billion in infrastructure from a 100-year flood event. Improving this levee continues to be a priority project for the City.

Human Resources: In alignment with the national labor shortage and current inflation trends, the City is having difficulty attracting, hiring, and retaining employees. Additionally, there will be budgetary impact and administrative and resource needs to implement and administer Oregon's new Paid Family Leave law, which is scheduled to take effect in 2023.

Information Technology: It is becoming more difficult for the City to obtain cyber-coverage (insurance). The concept of buying coverage to pay for an attack is quickly becoming a thing of the past and it is likely we will be self-insuring future events. We should invest in shoring up our systems, processes, and people to prevent and respond to cyber events and attacks.

Police: A significant issue facing the City is the need for continued police funding. Maintaining the current level of police services and jail operations will require a renewal of the five-year levy of \$1.40 per \$1,000 of assessed property value by voters in November, 2022.

Within the Police Department, sworn staffing levels are about 75% of capacity. Adequate staffing in all positions is critical to build trust with the Springfield community. The nature of law enforcement is evolving and will require police to engage with the community in a variety of non-enforcement related activities. Those are all necessary pillars to support a community policing partnership that can effectively solve problems and build trust.

New technologies will improve transparency, trust, and data collection. Examples include body worn and in car cameras and improved data collection via implementation of new software applications. One tangible impact these new tools have is administrative time during the work day. Officers, Sergeants, and Lieutenants review body worn camera videos and spend significant time entering detailed information to improve accountability measures and allow for detailed future data analysis.

Implementation of new technologies requires additional expenditures for data storage, equipment repair, and future replacement, as well as personnel costs to manage programs effectively.

Public Works/Infrastructure: On a positive note, the City will complete the street repairs funded by the 2018 General Obligation Bond on time and on budget. However, 50% of the residential street condition is in poor condition, with the backlog of unmet repairs estimated at approximately \$60 million dollars. Additionally, there remains an estimated \$1 -2 million per year annual need to address City facilities systems rehabilitation and replacement over the long term.

Staffing: The “great resignation”, also known as the “great reshuffle”, has been a hallmark of the U.S. labor market since spring 2021, when the economy began emerging from its pandemic hibernation and demand for workers grew. At the same time, employees reevaluated their career paths and work/life balance. According to the Pew Research Center, the nation’s “quit rate” reached a 20-year high in November, 2021 ([The Great Resignation: Why workers say they quit jobs in 2021 | Pew Research Center](#)). For many years, the City has been very lean in its staffing levels and in order to retain and attract employees we must continue to invest in our employees and in a positive work environment. Although this proposed budget adds some new positions, a more realistic staffing level needs to be considered to address employee morale, burnout, and turnover.

Diversity, Equity and Inclusion: Employees from diverse backgrounds bring their own perspectives, ideas and experiences that help us serve the diverse needs in our community. Roughly 15% of Springfield community members identify themselves as non-white but the diversity of the City’s employees ranged between 7-9% dating back to 2017. Human Resources, in partnership with City departments, implemented changes in training and hiring processes as well as improvements to the City’s careers webpage. These changes have resulted in the City’s workforce diversity rising to 10.7%. The City has made progress in fostering an environment that embraces diversity, equity and inclusion but this effort will need to continue – it is a critically important part of making Springfield a welcoming and inclusive community.

Conclusion

Despite a challenging year, our City has accomplished a great deal which the Mayor outlined in his State of the City Address ([2022 State of the City Address - City of Springfield Oregon \(springfield-or.gov\)](#)). As always,

I want to acknowledge our employees who have demonstrated incredible professionalism and commitment to our community.

Preparation of the budget is a team effort. I would like to give special thanks to Nathan Bell, Neil Obringer, Niel Laudati, and Mary Bridget Smith for the leadership role they have played in the preparation of this budget. I also want to thank all of the Department Directors and administrative staff who helped develop the budget. With that, I formally submit the Fiscal Year 2023 budget for your consideration.

Nancy Newton
City Manager