

**CITY OF SPRINGFIELD/FINANCE DEPARTMENT  
MEMORANDUM**

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**Date:** April 15<sup>th</sup>, 2022  
**To:** Members of the Springfield Budget Committee  
**From:** Nathan Bell, Finance Director  
**Subject:** Agenda Packets for April 26<sup>th</sup>, 2022

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I would like to thank each of you in advance for volunteering your time to help review the Proposed Budget for the City. The first meeting is scheduled for Tuesday, April 26<sup>th</sup> and will be conducted virtually.

**Committee Roster, Officers and Bylaws**

In the first section of your FY23 Proposed Budget document (Attachment 16), there is a listing of the members of this year's committee. All of the Committee's twelve members are returning to help with the process.

Every year, the Committee is required by Oregon Budget Law to elect a Chairperson. Our Committee historically has also chosen to elect a vice-chair to be available when the chair is absent. Luke Lundberg is currently our Chairperson from last year and will be asked to open the meeting. Upon election, the new Chair will preside over the remainder of the meetings.

You are also being asked again to serve on the Budget Committee for the Springfield Economic Development Agency (SEDA). As a separate agency, SEDA is required to follow Oregon Budget Law in the manner similar to your role on the City's Budget Committee for the City's two urban renewal districts. The SEDA Board is comprised of the six City Councilors, the City's Mayor, and one County Commissioner. To ensure equal representation between elected officials and appointed members, the SEDA Budget Committee is comprised of those eight individuals plus the six community members from the City's Budget Committee plus two additional members from the corresponding districts.

Bylaws for the Budget Committee are established by the Council and were last reviewed and updated in March of 2016 (Attachment 4). Bylaws set forth the structure of the committee in the organization. They state what rights the members have within the organization and what limitations are put on boards and officers. The bylaws address the attendance policy that matches the language in the Council Operating Policies and Procedures and are in accordance with Oregon Local Budget Law ORS294.414.

## **Online Department Presentations**

To allow for more meeting time dedicated to budget discussion and for the convenience of the Budget Committee, department directors have pre-recorded their presentations for review prior to the night of April 26<sup>th</sup>. These presentations are meant to provide the Committee with a summary of each department's operating budget, prior year accomplishments, coming year initiatives, and future considerations. Finance staff has posted the presentations to the City website and will email a link to Committee members.

## **Agenda Packet Information**

This agenda packet contains a lot of information that will be discussed over the three scheduled meetings. It is not anticipated that you will have reviewed all of the information prior to this meeting. The packet is organized around the following guidelines:

The first item of the evening is a Budget Committee orientation which includes a brief overview of the City's budget process, an introduction to Oregon Budget law, and guidance on committee member roles and responsibilities. This is followed by the presentation of the annual budget message by the City Manager. The budget message is included as part of the legal document (Attachment 16) published by the City that contains both a overview of the budget as well as departmental detail. The written budget message is located immediately after the Table of Contents in the first section of the document.

The first 10 pages after the budget message in Attachment 16 are intended to inform the reader of the budget development process and the City's accounting structure. This is followed by a financial summary section which includes entity wide financial summaries, as well as such topics as property tax levies, and total City FTE. The middle section and bulk of this document is a more detailed look at the budget by fund and by department. At the end of the budget document is a non-departmental section which summarizes budgeted expenditures which fall outside of operating departments, such as, contingency, reserves, and debt service.

Citywide Budget Overview (Attachments 1-4): The Budget Message (Attachment 1) contains a summary of the proposed changes to the budget and financial policies from the previous year. This memo (Attachment 2) is intended to help explain how the overall budget is organized. The Overview Presentation (Attachment 3) provides an overview of the entire budget with an emphasis on Fund health and major trends influencing the organization. The Budget Committee bylaws and charge (Attachment 4) outline the structure and requirements under which the committee is asked to operate.

Department Operating Budgets (Attachments 5-14): These attachments are specific to each department and are copies of each department's budget summary memo and PowerPoint presentation. For example, the Human Resource Department proposed budget is contained in Attachment 10 and refers to information that is contained in Attachment 16 for the Human Resource Department.

Appendix –Stoplight Reports: Stoplight reports provide a more detailed look into the specific line item expenditures proposed for FY23. Views can be by accounting fund, by department, by program, or by revenue and expense categories.

### **Budget Overview**

As of the date of this memorandum, we are now just over two years into the COVID-19 pandemic and approaching what appears to be a new normal of learning to live with this virus. One of the few positive things to come out of this pandemic is the implementation of technology that has allowed us to virtualize our public meetings, providing easier access for the public and greater flexibility for the participants. With this in mind, we have decided to continue with a Budget Committee process that will be conducted virtually.

The COVID-19 pandemic has resulted in a seismic shift in our society that will probably not be fully understood for many years. Unfortunately, this has introduced a level of uncertainty and complexity into our organization that is putting further strain on what was already a challenging budget environment. Over the past few years, City staff have been engaging Council with an annual update on the City's General Fund five-year forecast. Those conversations have focused on a structural imbalance of expenditure inflation outpacing revenue growth that has primarily resulted from voter approved caps place on assessed property tax growth and government funding in the late 1990's. While this continues to be our largest challenge in building a sustainable budget, this year saw a convergence of new pressures in the form of high inflation at a rate that hasn't occurred since the 1970's, unfunded State legislative mandates around housing, climate change, and family medical leave, and a tight labor market that is resulting in challenges in filling a large number of key positions at the City that could result in higher wage inflation or challenges meeting current service levels, completing work on the aforementioned legislative mandates, or meeting the deadline to expend all ARPA funds. While many of the past budget cycles have focused on reductions, our lean organization structure is catching up with us in the form higher insurance costs, high turnover, and a growing body of deferred work. This budget cycle is about increasing staffing in key areas to help address these challenges. While some of this staffing may not be sustainable in the long-term, ARPA funds will provide us time to reduce some of that workload and restructure into a more sustainable form. As you read through this year's budget, keep that context in mind.

Some of our key assumptions as we put the FY23 budget together were as follows:

- Transient room tax receipts returned to their pre-pandemic levels in FY22 and we anticipate that these receipts will remain strong over FY23 due to pent up demand in the hospitality and entertainment sectors.
- Assessed (taxable) value for the City is projected to increase by 3.0%. While the residential market has been strong, we are being a little more cautious on the commercial and industrial valuations due to the lingering impacts of COVID.

- Due to surging inflation and historically low unemployment, the Federal Open Market Committee has started raising their benchmark rate and additional rate increases are anticipated. As a result, The City is starting to see more favorable returns on its investments. We projected a 1.4% return on the City's investments for FY23.
- Inflation has been a historical high over the past year. There has been a fair amount of disagreement by experts on whether it is transitory or will remain high into the foreseeable future. If it continues to remain high, it will take some time to find its way into wages and is not a significant factor in the FY23 budget. Where we do expect to see it sooner is in our capital program.
- AFSCME employees, the City's smallest employee group, received a cost of living adjustment on July 1, 2022 of 2.5%. SEIU and non-represented employees received market pay adjustments July 1, 2021 as a result of a market survey completed in the spring of 2021. The next market survey will occur in the spring of 2024 and implemented on July 1, 2024.
- Springfield Police Association (SPA) employee's current contract covers the 3 year period from July 1, 2020 through June 30, 2023 and provided for a 2.5% cost of living increase effective for the years beginning July 1, 2020 through July 1, 2022. For dispatchers and detention officers only, there is an additional cost of living increase of 1% on January 12, 2022 and January 1, 2023.
- The International Association of Fire Fighters (IAFF) now has two contracts with the City as the battalion chiefs are now a separate represented unit. The main contract has been negotiated with a three-year contract that will expire on June 30, 2024. Members represented by this contract will receive a cost of living increase on July 1, 2021-23 as follows: 2.25% for Firefighters and Engineers, 3.5% for Captains, and 3% for 40-hour positions. The battalion chief's contract is also a three-year contract that will expire on June 30, 2024 and calls for a cost of living increase on July 1, 2021-23 of 3%.
- The plan year for health insurance is the calendar year. Beginning January 2013, the City initiated a self-funded insurance program with the administration of the program contracted out to a private provider. The City's experience factors since becoming self-insured have been very positive. For January 1, 2022, the City held rates flat. For the plan year beginning January 1, 2023, the City is not projecting an increase.
- Oregon PERS rates are bi-annual with the last rate adjustment occurring in 2021 for FY22 and FY23. State legislation intended to help control the growth of PERS costs for local governments has started to influence rate adjustments and has reduced the rate of increases for this biennium. For FY22, the City had three separate PERS retirement rates for its employees with the lowest % rate increase being 0.14% (PERS Tier 1 / 2) and the highest rate increase at 17.76% (OPSRP General Service). These rates will remain flat for FY23. The total estimated dollar impact over the two-year period is \$925k.
- The City schedules an updated actuarial study of its City Retirement Plan every two years. The last update was as of July 1, 2020 and completed in early 2021 and implemented on July 1, 2021. The employer paid percentage of payroll contribution for members of this plan is 33% and will continue at this rate until the next update schedule for early 2023 with an implementation date of July 1, 2023. In addition to the payroll contribution, the City makes an additional annual payment of \$1,352,000.
- The economic response towards building and construction activity is expected to increase at a consistent pace for the next year. Growth in building permit revenue is expected to continue to be strong with increased activity in the housing sector.

- Revenues for both the City's sewer and storm water drainage programs were escalated by 1.5% and 3% respectively for FY23.
- After multiple years of holding City Department's materials and services (M&S) budgets flat in the General Fund, there was a recognition that we exacted all the value we could from this practice and continuing that practice was unsustainable. Inflation over those years squeezed most budgets to baseline minimum needs. M&S budgets in the General Fund were increased by 2% in the FY23 proposed budget.

### **Conclusion**

If you have any questions about the information or the process prior to the meeting on Tuesday, April 26<sup>th</sup>, please do not hesitate to contact either myself by phone at 726-2364 or email at nbell@springfield-or.gov or contact our Budget Officer, Neil Obringer, by phone at 736-1032 or email at nobringer@springfield-or.gov. Either of us would be more than willing to meet with you prior to that time.