

A. Budget Message/Summary

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Mayor Piercy, City Councilors, Colleagues and Members of the Eugene Community:

Communication, collaboration and hard work led to the adoption of the FY11 Budget presented herein. Staff worked together, used community feedback and made tough choices to reduce and stabilize the City's budget to fill a significant General Fund gap. The result is a portfolio of services that meets community priorities and prepares us for some upcoming challenges. In FY12 the General Fund will absorb nearly \$3 million in ongoing operational costs after the Library Local Option Levy expires in June 2011. In FY12 and FY14 Public Employees Retirement System (PERS) rates will increase substantially. With the community and these challenges in mind, the City Council and Budget Committee reviewed the FY11 Proposed Budget and made some changes as outlined below. I appreciate the time and energy they dedicated to improving this budget. Their work as well as the work staff will carry out in FY11 will move us towards our goal of financial sustainability.

City Council Changes to the Budget

On June 28, 2010 the City Council adopted the FY11 Budget for the City of Eugene making some changes to the recommendation of the Budget Committee. In addition, Council acting as the Urban Renewal Agency Board approved the FY11 Urban Renewal Agency Budget including the changes reflecting the Urban Renewal Plan Amendment approved by the Agency Director on May 24, 2010. Those changes are as follows:

- Budget an intergovernmental payment of \$8,000,000 to Lane Community College for redevelopment of the excavated vacant lot at the 10th Avenue and Charnelton Street site.
- Budget \$500,000 for Farmers' Market site improvements.
- Budget bond issuance costs of \$150,000, debt service reserve of \$1,000,000, and issue bonds of \$4,500,000.
- Reduce Balance Available by \$5,890,000.
- Budget an intergovernmental payment of \$740,000 from the Urban Renewal Agency to the City's Parking Fund to use for Broadway Parking Garage debt service.
- Budget a transfer from the Parking Fund to the General Fund of \$740,000.
- Budget 3 additional police officers and one community service officer for the downtown patrol in the Police Department budget.

Budget Committee Changes to the Budget

Budget Committee review consisted of six work sessions and one public hearing. Public comment was received at five work sessions. A public hearing on the budget proposal was conducted on May 17, 2010. The Budget Committee recommendation consists of the City Manager's Proposed Budget for FY11, with several amendments.

General Fund Changes

Central Services Department

- Restore \$100,000 to Animal Control budget for contract with Lane County Animal Services. Offset by delayed implementation of a CAHOOTS van to be purchased and put in to operation in FY11.

Library, Recreation and Cultural Services Department

- Restore \$8,000 to Aquatics budget associated with four week delayed opening of Amazon Pool.

Public Works Department

- Reduce Contingency by \$50,000 on-going for the Hendricks Park forest management contract (\$30,000) and maintenance of Creekside Park once developed (\$20,000).

Planning and Development Department

- No recommended changes to the FY11 proposed budget.

Fire and Emergency Medical Services Department

- No recommended changes to FY11 proposed budget.

Police Department

- No recommended changes to the FY11 proposed budget.

Other Approved Motions

- Recommend to the City Council that \$200,000 of the FY11 marginal beginning working capital (MBWC) in the General Fund, after the \$900,000 transfer to the General Capital Projects Fund, is transferred to the Public Works enhanced pothole program.
- Recommend to the City Council that \$300,000 in FY11 and \$300,000 in FY12 marginal beginning working capital (to come out of the \$900,000 general capital transfer) in the general fund, be transferred to the Parks budget to phase the development of Creekside Park.
- Direct remaining funds of the \$350,000 allocated for downsizing costs be used towards funding \$100,000 for Human Services Commission stabilization, to be designated for City of Eugene agencies. If those remaining funds do not equal \$100,000 the remainder shall be made up by the FY11 marginal beginning capital in the General Fund.

Completing the FY11 Budget challenged the Council, Budget Committee and staff to balance long-term solutions with community priorities and Council Goals. While this will be an ongoing challenge, our endeavors have stabilized the FY11 Budget setting the City up for future success. I thank all who participated in this effort; our diligence and dedication allowed us to move toward our goal of building a long-term financial plan that provides for a sustainable future for City programs and services.

Sincerely,



Jon R. Ruiz
City Manager

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	Budget Committee Actions			Changes Proposed by City Manager	FY11 Adopted Budget
		Misc. Actions	Reserve/Carryover	Capital Carryover		
A. General Fund						
Central Services	22,434,668	100,000 a				22,534,668
Fire and Emergency Medical Services	24,639,428					24,639,428
Library, Recreation & Cultural Services	21,675,877	27,736 b				21,703,613
Planning and Development	6,123,327					6,123,327
Police	39,975,918	(100,000) a			740,000 d	40,615,918
Public Works	6,207,172	50,000 c				6,257,172
Debt Service	245,000					245,000
Intergovernmental Transfers	4,923,704					4,923,704
Intergovernmental Expenditures	550,000					550,000
Contingency	150,000	(50,000) c				100,000
Reserve	12,819,114		1,356,166			14,175,280
Unappropriated Ending Fund Balance	20,153,224					20,153,224
Total	159,897,432	27,736	1,356,166	-	740,000	161,281,334

a) Move to restore \$100,000 in proposed LCAS contract reduction, and delay implementation of the second CAHOOTS van by five months.

b) Move to restore the proposed FY11 reduction associated with a 4-week delay in opening of the Amazon Pool.

c) Move to fund \$30,000 for Hendricks Park forest management contract and restoration work and \$20,000 for maintenance of Creekside Park once developed by reducing the Council Contingency by the same amount.

d) Transfer \$740,000 from the Parking Fund to the Police Department's General Fund operating budget for downtown public safety enhancements.

B. Special Assessment Management Fund

Central Services	85,110					85,110
Interfund Transfers	153,000					153,000
Misc. Fiscal Transactions	120,000					120,000
Reserve	50,000					50,000
Balance Available	1,216,027					1,216,027
Total	1,624,137	-	-	-	-	1,624,137

C. Library Local Option Lev Fund

Library, Recreation and Cultural Services Reserve	2,878,800		35,000			2,913,800
Total	3,030,739	-	35,000	-	-	3,065,739

D. Road Fund

Public Works	9,088,092		372,272			9,460,364
Interfund Transfers	751,000					751,000
Balance Available	748,851					748,851
Total	10,587,943	-	372,272	-	-	10,960,215

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	←----- Budget Committee Actions -----→	Changes Proposed by City Manager		FY11 Adopted Budget
		Misc. Actions	Encumbrances Reserve/Carryover	Capital Carryover	Budget Comm. Recommend.
E. Public Safety Answering Point Fund					
Police	2,498,312		108,200		2,606,512
Interfund Transfers	150,000				150,000
Total	2,648,312	-	108,200	-	2,756,512
F. Telecommunication Registration/Licensing Fund					
Central Services	3,497,266		68,459		3,565,725
Capital Projects	-			159,091	159,091
Interfund Transfers	1,387,000				1,387,000
Reserve	485,000				485,000
Balance Available	651,689				651,689
Total	6,020,955	-	68,459	159,091	6,248,505
G. Construction & Rental Housing Fund					
Fire and Emergency Medical Services	285,022				285,022
Planning and Development	4,852,845				4,852,845
Public Works	400,974				400,974
Interfund Transfers	793,000				793,000
Intergovernmental Expenditures	500,000				500,000
Balance Available	767,571				767,571
Total	7,599,412	-	-	-	7,599,412
H. Solid Waste/Recycling Fund					
Planning and Development	715,988				744,213
Interfund Transfers	50,000		28,225		50,000
Balance Available	546,868				546,868
Total	1,312,856	-	28,225	-	1,341,081
I. Community Development Fund					
Central Services	6,000				6,000
Planning and Development	3,618,486				3,618,486
Capital Projects	700,000			34,240	734,240
Debt Service	400,000				400,000
Interfund Transfers	115,000				115,000
Intergovernmental Expenditures	6,504,000				6,504,000
Miscellaneous Fiscal Transactions	5,269,146				5,269,146
Reserve	600,000				600,000
Total	17,212,632	-	-	34,240	17,246,872

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	←----- Budget Committee Actions ----->			Changes Proposed by City Manager	FY11 Adopted Budget
		Misc. Actions	Reserve/Carryover	Capital Carryover		
J. <u>Library, Parks and Rec. Special Revenue Fund</u>						
Library, Recreation & Cultural Services	319,442					319,442
Capital Projects	151,521		371,360			522,881
Reserve	2,031,977					2,031,977
Balance Available	80,684					80,684
Total	2,583,624	-	371,360	-	-	2,954,984
K. <u>General Obligation Debt Service Fund</u>						
Debt Service	13,303,808					13,303,808
Total	13,303,808	-	-	-	-	13,303,808
L. <u>Library Bond Debt Service Fund</u>						
Interfund Transfers	39,852					39,852
Total	39,852	-	-	-	-	39,852
M. <u>Special Assessment Bond Fund</u>						
Debt Service	400,000					400,000
Interfund Transfers	20,000					20,000
Reserve	404,746					404,746
Total	824,746	-	-	-	-	824,746
N. <u>General Capital Projects Fund</u>						
Central Services	10,000					10,000
Capital Projects	2,761,128		20,470,916			23,232,044
Debt Service	50,000					50,000
Reserve	29,000					29,000
Balance Available	257,361					257,361
Total	3,107,489	-	20,470,916	-	-	23,578,405
O. <u>Systems Development Capital Projects Fund</u>						
Planning and Development	83,904					83,904
Public Works	273,322					273,322
Capital Projects	853,500		4,066,200			4,919,700
Interfund Transfers	15,000					15,000
Balance Available	2,165,941					2,165,941
Total	3,391,667	-	4,066,200	-	-	7,457,867
P. <u>Transportation Capital Fund</u>						
Capital Projects	10,435,000		21,147,280			31,582,280
Debt Service	40,000					40,000
Balance Available	453,906					453,906
Total	10,928,906	-	21,147,280	-	-	32,076,186

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	←----- Budget Committee Actions ----->	Changes Proposed by City Manager	FY11 Adopted Budget
		Misc. Encumbrances Capital Budget Comm. Actions Reserve/Carryover Carryover Recommendation		
Q. <u>Special Assessment Capital Projects Fund</u>				
Capital Projects	-	2,178,761		2,178,761
Debt Service	2,000,000			2,000,000
Interfund Transfers	100,000			100,000
Balance Available	675,653			675,653
Total	2,775,653	- - 2,178,761	-	4,954,414
R. <u>Municipal Airport Fund</u>				
Fire and Emergency Medical Services	737,307			737,307
Police	384,422			384,422
Public Works	5,009,827	100,465		5,110,292
Capital Projects	8,450,000			19,897,615
Interfund Transfers	483,000			483,000
Reserve	3,215,341			3,215,341
Balance Available	3,307,278			3,307,278
Total	21,587,175	- 100,465 11,447,615	-	33,135,255
S. <u>Parking Services Fund</u>				
Central Services	354,120			354,120
Planning and Development	3,088,334	302,499		3,390,833
Public Works	23,615			23,615
Capital Projects	1,290,000			1,290,000
Debt Service	740,507			740,507
Interfund Transfers	1,384,300		740,000 e	2,124,300
Reserve	3,817			3,817
Balance Available	479,382			479,382
Total	7,364,075	- 302,499 -	740,000	8,406,574
e) Transfer \$740,000 from the Parking Fund to the Police Department's General Fund operating budget for downtown public safety enhancements.				
T. <u>Wastewater Utility Fund</u>				
Public Works	17,943,002			17,985,946
Capital Projects	2,170,000	42,944		3,983,820
Interfund Transfers	1,409,000	1,813,820		1,409,000
Intergovernmental Expenditures	21,155,000			21,155,000
Balance Available	578,645			578,645
Total	43,255,647	- 42,944 1,813,820	-	45,112,411

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	←----- Budget Committee Actions ----->			Changes Proposed by City Manager	FY11 Adopted Budget
		Misc. Actions	Encumbrances Reserve/Carryover	Capital Carryover		
U. Stormwater Utility Fund						
Public Works	11,796,651		296,949			12,093,600
Capital Projects	1,715,000			5,834,877		7,549,877
Interfund Transfers	883,000					883,000
Intergovernmental Expenditures	15,000					15,000
Reserve	161,800					161,800
Balance Available	2,412,583					2,412,583
Total	16,984,034	-	296,949	5,834,877	-	23,115,860
V. Ambulance Transport Fund						
Fire and Emergency Medical Services	5,902,633					5,902,633
Interfund Transfers	895,615					895,615
Balance Available	122,709					122,709
Total	6,920,957	-	-	-	-	6,920,957
W. Fleet Services Fund						
Police	596,904		210,711			807,615
Public Works	6,761,428		670,812			7,432,240
Capital Projects	-			21,433		21,433
Interfund Transfers	419,000					419,000
Reserve	14,213,763					14,213,763
Balance Available	531,107					531,107
Total	22,522,202	-	881,523	21,433	-	23,425,158
X. Information Systems and Services Fund						
Central Services	6,266,548		211,194			6,477,742
Interfund Transfers	261,000					261,000
Reserve	1,749,600					1,749,600
Balance Available	757,077					757,077
Total	9,034,225	-	211,194	-	-	9,245,419
Y. Facilities Services Fund						
Central Services	8,088,476	18,736	103,374			8,210,586
Planning and Development	265,000		11,455			276,455
Capital Projects	-			358,123		358,123
Debt Service	201,708					201,708
Interfund Transfers	483,000					483,000
Reserve	22,917,010					22,917,010
Balance Available	1,801,912					1,801,912
Total	33,757,106	18,736	114,829	358,123	-	34,248,794

f) Move to restore the proposed FY11 reduction associated with a 4-week delay in opening of the Amazon Pool.

Summary of Changes to the FY11 Executive Budget Recommendation

City of Eugene

Fund / Department	FY11 Proposed Budget	←----- Budget Committee Actions ----->			Changes Proposed by City Manager	FY11 Adopted Budget
		Misc. Actions	Encumbrances Reserve/Carryover	Capital Carryover		
Z. Risk and Benefits Fund						
Central Services	27,391,366		28,070			27,419,436
Debt Service	4,754,500					4,754,500
Interfund Transfers	158,000					158,000
Reserve	6,593,309					6,593,309
Total	38,897,175	-	28,070	-	-	38,925,245
AA. Professional Services Fund						
Public Works	5,298,982		26,948			5,325,930
Interfund Transfers	538,000					538,000
Reserve	180,000					180,000
Balance Available	1,361,531					1,361,531
Total	7,378,513	-	26,948	-	-	7,405,461
TOTAL CITY OF EUGENE BUDGET	454,591,272	46,472	3,973,743	67,903,716	1,480,000	527,995,203

Summary of Changes to the FY11 Executive Budget Recommendation

Urban Renewal Agency

Fund / Department	FY11 Proposed Budget	Budget Committee Actions ----->			Changes Proposed by Agency Director	FY11 Adopted Budget
		Misc. Actions	Reserve/Carryover	Capital Carryover		
A. <u>Downtown General Fund</u>						
Planning and Development	530,000				530,000	530,000
Miscellaneous Fiscal Transactions	8,499,967				8,499,967	8,499,967
Balance Available	50,000				50,000	50,000
Total	9,079,967	-	-	-	9,079,967	9,079,967
B. <u>Downtown Debt Service Fund</u>						
Debt Service	-			150,000 a	-	150,000
Interfund Transfers	530,000			500,000 b	530,000	1,030,000
Intergovernmental Expenditures	-			8,740,000 c, d	-	8,740,000
Reserve	-			1,000,000 e	-	1,000,000
Balance Available	6,133,491			(5,890,000) f	6,133,491	243,491
Total	6,663,491	-	-	4,500,000	6,663,491	11,163,491
a) Budget \$150,000 for urban renewal bonds debt issuance costs.						
b) Transfer \$500,000 to the URA Downtown Capital Projects Fund for Farmers' Market improvements.						
c) Budget an intergovernmental payment of \$740,000 to the City's Parking Fund to use for Broadway Parking Garage debt service.						
d) Budget an intergovernmental payment of \$8,000,000 to Lane Community College for redevelopment of the excavated vacant lot at the 10th Avenue and Charnelton Street site.						
e) Budget \$1,000,000 in Reserve for Debt Service for urban renewal revenue bonds.						
f) Reduce Balance Available by \$5,890,000.						
C. <u>Downtown Capital Projects Fund</u>						
Capital Projects	-		135,593		135,593	635,593
Interfund Transfers	-				-	-
Balance Available	3,500				3,500	3,500
Total	3,500	-	135,593	-	139,093	639,093
g) Recognize interfund transfer of \$500,000 from the URA Debt Service Fund and increase capital appropriations for the Farmers' Market improvements by the same amount.						
D. <u>Riverfront General Fund</u>						
Planning and Development	267,500				267,500	267,500
Balance Available	4,055,450				4,055,450	4,055,450
Total	4,322,950	-	-	-	4,322,950	4,322,950
E. <u>Riverfront Capital Projects Fund</u>						
Capital Projects	-		141,500		141,500	141,500
Interfund Transfers	-				-	-
Balance Available	16,818				16,818	16,818
Total	16,818	-	141,500	-	158,318	158,318
TOTAL URBAN RENEWAL AGENCY BUDGET						
	20,086,726	-	277,093	-	20,363,819	25,363,819

Mayor Piercy, City Councilors, Colleagues and Members of the Eugene Community:



Jon Ruiz
City Manager

In presenting this proposed FY11 budget, my stewardship commitment remains consistent: minimize impact on community services and employees, and develop a financially sustainable budget. Fulfilling this commitment engaged the combined experience, knowledge and wisdom of a talented team of executives, division managers and professionals throughout our organization. They have not succumbed to the temptation to merely survive hard times, but instead have worked diligently to lay a solid foundation that will enable our organization and community to thrive when this financial hurricane passes. Developing the proposed FY11 budget demanded difficult choices that will impact our community and the City organization, yet I remain encouraged by the positive attitude, dedication and fiscal responsibility of our employee team.

Faced with the knowledge that our service system is not financially sustainable, we have solicited feedback from citizens, worked with you to evaluate our visions and goals, and continued to refine a maintainable portfolio of services that best meets the needs and priorities of our community.

The challenges we face are unprecedented. The year 2009 saw a continued decline in the global economy, record setting unemployment rates and decreased state-level revenues that impacted municipalities across Oregon. Locally, we also needed to absorb nearly \$3 million in ongoing costs from the Library Local Option Levy expiring in June of 2011 as well as substantial Public Employees Retirement System (PERS) rate increases in FY12 and FY14. Our budget has been structurally out of balance for several years, using one-time funds for ongoing expenses and allowing expenditures to outpace revenues, with the result of shrinking reserves.

INNOVATION

Innovative paving techniques allowed Public Works to complete a record year of street repairs while lowering the environmental impacts of road building. One of the most successful techniques, using warm-mix asphalt rather than "hot mix", cut greenhouse gases by approximately 190 metric tons.

Despite these challenges, the proposed FY11 budget is structurally sound; we "live within our means" through the forecast period. The Library Levy and PERS increases are absorbed. A responsible General Fund reserve is established for unexpected one-time events and for more "normal" year-to-year income and expense fluctuations. We move towards an affordable service system without significantly increasing fees. Retooling has not come easily or without sacrifice and will require some service reductions and employee layoffs.

Living within our means, absorbing anticipated ongoing expenses with ongoing funding, and creating a prudent reserve fund are all expected "best practices" in municipal budgeting. But our budget goes farther. Public input gathered through the *Eugene Counts* process and other avenues tells us we must also address specific high priority community needs. Consequently, the proposed FY11 budget includes ongoing funding for improvements to downtown public safety and increased attention to reducing city-wide property crime using data-led policing. It also provides one-time funding for investments such as the purchase of a new CAHOOTS vehicle, implementation of the regional economic development strategy, execution of the Climate Action and the Diversity and Equity Strategic plans, preparation for the Eugene 2012 Olympic Trials, and enhanced strategic communications with the community.

Looking Back

The challenges we faced last fiscal year were largely the result of the economic downturn that began in 2008. To address the FY10 General Fund gap, staff set out to reduce our organizational footprint while maintaining a commitment to services, employees and fiscal responsibility. Through efforts such as an employee Think Tank, the Victory Gardens program and five cross-organizational teams, staff identified \$10.7 million in savings and \$1.3 million in revenues, which balanced the FY10 budget.

INNOVATION

Building on the successful integration of their fire, rescue and emergency response systems (now known as the 3-Battalion System), the Eugene and Springfield fire departments have worked towards functionally consolidating a number of support and administrative functions. By working in partnership, the departments have achieved financial savings and have improved service to the public.

Throughout FY10, we successfully implemented many of the items outlined in the budget strategy. Staff cut back on the purchase of materials and supplies, reduced legal service expenses by hiring in-house attorneys and eliminated General Fund support of programs that could be funded in other ways. Contributing to both budget goals and an effort to minimize the organization’s carbon footprint, we reduced the use of cars and computers, limited the number of printed newsletters and changed thermostat settings.

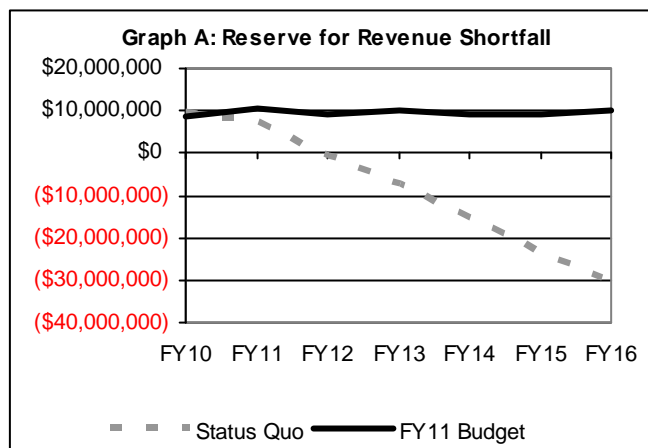
While many of the FY10 strategies are being carried out as expected, we took some calculated risks in our approach to balancing the budget; some circumstances have changed. For example, the FY10 strategy included a plan to obtain \$750,000 in grant funding to pay for existing services;

however, this funding was not fully achieved despite a great organizational effort. We also relied on additional revenues from Northwest Natural Gas that were not realized due to an unexpected rate reduction of 15% in November 2009. Finally, we captured only about half of the anticipated \$2.6 million in ongoing personnel savings.

Present Reality

In FY11, we are balancing our budget to address a gap equal to about 5% of our expenditures. This gap is a combination of unrealized savings in FY10 and two major unavoidable financial expenditures anticipated as early as FY08. In FY12 the General Fund will absorb nearly \$3 million in ongoing operational costs after the Library Local Option Levy expires in June 2011. In FY12 and FY14 Public Employees Retirement System (PERS) rate will increase substantially.

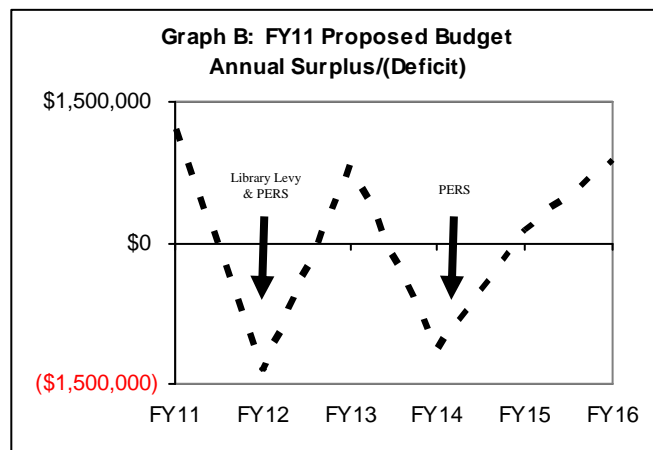
If we revert to allowing annual ongoing expenditures to outpace annual ongoing revenues, using one-time reserve monies to fund the difference, two things happen: first, we will continue to experience annual shortfalls and the budget will remain structurally unbalanced, and second, as illustrated in Graph A, if we address this instability using only one-time funds such as General Fund reserves, they will be depleted by 2012 and we will be nearly \$30 million in the red by 2016. I am committed to ensuring this does not happen. Because one-time funds only contribute to the budget temporarily, finding or creating ongoing savings is crucial.



Going Forward

Developing an FY11 budget that fills the General Fund gap, addresses the financial potholes, creates a prudent reserve, respects community priorities, and is structurally balanced has been a difficult task. We continued to find cost reductions to further shrink the organizational footprint. We used data collected through *Eugene Counts* to inform our prioritizing processes. We are proposing very few fee increases and are targeting one-time funding for one-time investments in community priorities.

The FY11 Proposed Budget strategies are able to balance ongoing revenues with ongoing expenditures, build reserves in FY11 and FY13 to cover the Library Operating Levy expiration and PERS increases in FY12 and FY14 and establish and maintain long term reserves between 6.3 and 8.6 percent over the next six years. As a result, we will be able to weather the financial potholes in the next few years and emerge with a General Fund that meets annual expenditures with the revenues that are generated annually. This is illustrated in Graph B.



As we continue to move towards fiscal sustainability in our General Fund, we must find financial support for some of our other commitments that are not completely funded, such as infrastructure maintenance and employee retirement health care costs.

Community Feedback

This year we relied on a wealth of community feedback to drive our budget discussion. The following community-wide surveys provided the framework under which FY11 budget was developed.

Neighborhood Survey: More than 4,600 residents responded to a survey conducted last summer and fall to tell us what they like about their neighborhoods and what they would like to improve.

Community Survey: Conducted in December 2009, this survey focused on residents’ perceptions of the City of Eugene. Various aspects of City services from communication tools to public safety were evaluated by 400 respondents.

Eugene Counts: Last year, staff implemented *Eugene Counts* to solicit feedback from more than 1,000 residents. This tool was created within the context of City Council vision and goals to develop a clear picture of the concrete results our community would like to achieve. The initial results from *Eugene Counts* were presented in January 2010, with the intent to initiate an ongoing conversation with the community that will assist us in making future decisions.

Common themes emerged from this feedback. For example, residents of Eugene would like us to move forward on issues surrounding downtown development, public safety, jobs, and economic development while being fiscally conscientious and clear in our communications with the public.

INNOVATION

ISD and Community Development are using telecommunications funding for a project aimed at helping the homeless population obtain access to the internet for general information, e-mail, help finding jobs and access to social services. In February 2009 social service locations that serve the homeless began receiving computers, printers and three years of paid internet service fees. By June 2010 thirteen local agencies will have the equipment installed.

Each department looked strategically at the services it provides and then proposed changes to address the General Fund gap. Employees at all levels were asked to weigh in, which provided the Executive Team with informative and useful insights and ideas. As we began to consider potential reductions, it became clear that choosing which services to reduce or eliminate would present the Executive Team with tough decisions.

Difficult Choices

The Executive Team developed a plan that minimizes impacts to citizens, balances social equity and environmental resources and, to the extent possible, limits the number of City jobs that are eliminated. A summary of all of the General Fund decisions is included in Attachment A. One tactic was to shift costs out of the General Fund to other funds that could cover them when appropriate. For example the Telecom Fund will now absorb the service contract costs for services such as Metro TV and Regional Technology contracts. Internal Service Funds were reduced by implementing efficiencies in Facilities maintenance, reducing internal telephone charges and increasing the City’s self-insured retention levels so that coverage is adequate according to industry standards, but less risk-adverse. We will also eliminate the \$749,000 transfer to the Facilities replacement reserve as an ongoing cost saving strategy. Rather than help fund a new consolidated City Hall, the \$749,000 can be redirected towards more immediate service needs.

We are reducing some programs and services, but with the least possible impact. For example, we will purchase fewer new library materials but every branch will maintain its current hours of operation. Public Works staff will mow sports fields fewer times per week, yet continue to maintain those properties to a level that allows for safe recreational use. The opening of Amazon Pool will be delayed but fees at this facility will not be increased.

TRIPLE BOTTOM LINE FRAMEWORK

The City has a long standing commitment to social equity, environmental health and economic well-being for the community. In evaluating the overall budget and potential service impacts for FY11, staff applied the Triple Bottom Line framework to ensure service impacts would not compromise the City’s commitment to these high priority values. For example, Recreation staff analyzed all potential reductions using a Triple Bottom Line lens resulting in changes to program areas that will save money and promote the City’s sustainability efforts. Staff minimized impact on the social equity component of program offerings, by maintaining free and low cost programs to marginalized populations (primarily youth, seniors, disabled) and minimizing any fee increases. Recreation services will balance this economically by increasing programs that have the capacity for a higher cost recovery, thus increasing revenue. In addition, Recreation staff will implement changes to lower energy consumption and reduce the carbon footprint of its services.

Finding significant sustainable ongoing savings was not easy. We began a very deliberate effort to reduce the organizational footprint in FY10 by eliminating vacant positions and changing service delivery to bring down the organization’s employee count. With nearly 70 percent of our General Fund costs associated with personnel, we cannot make strides in bringing our revenues and expenditures in line without addressing rising employee costs. The FY10 FTE reductions were accomplished without any employees involuntarily losing their jobs. The FY11 budget continues the work to reduce our

personnel costs, but this year will likely include some layoffs. Attachment B outlines a summary of the FY10 and FY11 changes in FTE by department. Human Resources staff is working closely with employees to minimize layoffs; however, we will not know the full impact until after the budget has been adopted in June.

We assessed every option to close the General Fund gap in terms of community-identified priorities, fiscal responsibility and impact to services and employees. After two years of looking under every rock, forming new partnerships, finding new ways to provide services, and prudently increasing risk, no easy answers remain. We partially reduced or adjusted services across the board where operationally feasible. We recognize that every service is important to portions of the community, so are not recommending to completely eliminate any service at this point.

However the lower impact fixes have been exhausted and we still need significant savings. The only remaining choices are to significantly reduce certain services; for example, the proposed FY11 budget includes a \$200,000 reduction in the City's animal services contract with Lane County and makes cuts to our parks and planning services. If we do not go through with the proposed options, or if we reduce any other ongoing savings from the budget, some other large-scale reduction, such as one of the other options we considered, listed below, will have to be made.

- Rolling brownouts for the Fire & EMS Department
- Closing a fire station
- Reducing branch library hours and closing on weekends
- Closing the Downtown Library on Fridays
- Closing a pool
- Increasing Rental Housing Unit fees
- Reducing the Planning and Development Department by an additional three Planners
- Closing neighborhood park restrooms
- Reducing our efforts towards sustainability, equity and human rights or neighborhood programs
- Eliminating three Community Service Officers in the Police Department
- Reducing the number of jail beds funded by the City

The FY11 budget strategy includes minimal revenue adjustments; for example, library card fees for non-residents will go up with no impact to Eugene residents; parking fees in the campus district will be increased to enhance the Parking Fund transfer to the General Fund; and for the first time we will institute a nominal, voluntary fee for dog park use to recover some of our maintenance expenses. Our goal was to assess fees and raise rates in ways that would have the smallest impact on the community.

INNOVATION

An innovative project to begin online crime reporting with the crime tip line has been initiated by EPD. At this point the types of crimes to report are limited; however, the new public service tool is expected to increase police responsiveness to frequently encountered quality of life crimes and expedite community reporting of property crimes.

At the same time we reduce our organizational footprint, we must continue to move forward on priority issues identified by the community. The FY11 budget includes one-time investments and ongoing additions allocated in order to address community needs.

Downtown Safety Initiative: The Downtown Safety Initiative approved by Council in January 2010 includes an array of short-term and long-term actions that will contribute to a safer and more vibrant downtown. One key feature is the expansion of the downtown safety team and movement towards community policing in downtown. The initiative, once fully implemented, will expand the current team of two officers to a total of nine officers. The funding allocated in the FY11 budget for this effort adds two

full-time police officers dedicated to the downtown area through repurposing part of the police budget, and \$325,000 in one-time funds for the purchase and operation of another CAHOOTS van. Additional police officers and other parts of the Downtown Safety Initiative will be implemented as funding is identified and secured. See Attachment C for more information.

Downtown Revitalization: In addition to making our downtown area safer, we have also been focusing for several years on efforts to revitalize the downtown economy. Progress is being made with the redevelopment of the Centre Court building but more needs to be done. After a series of discussions about desired outcomes and strategies for revitalizing downtown, the City Council moved forward with a proposed amendment to the Downtown Urban Renewal District plan in order to accomplish four projects: Lane Community College downtown campus, downtown safety efforts, Farmers' Market improvements, and contribution to a potential Veterans Administration Clinic at 12th & Willamette. The projects would support a sustainable local economy by focusing on education, energy efficiency, local jobs and training, local food production, public safety, and efforts to develop more arts and culture in the area.

Jobs and Economy: During the past year, I worked with the City of Springfield, Lane County and other community partners to develop the Joint Elected Officials (JEO) Regional Economic Development Strategy. The goals of the strategy are to create new jobs, reduce local unemployment, and increase the average median income in our area. We are allocating \$200,000 in FY11 one-time funds to start making progress on this effort.

Environment and Social Equity: In an effort to align community and organization planning on two important fronts, the FY11 proposed budget includes investing \$200,000 in one-time funds to implement the Climate Energy & Action Plan (CEAP) and Diversity & Equity Strategic Plan (DESP). CEAP is driven by City staff working in partnership with other organizations and community members. The goal is to develop a plan that reduces our consumption of and reliance on fossil fuels and to prepare for future effects of climate change. The DESP integrates actions into City services and operations with emphasis on transparency and results using Human Rights and Triple Bottom Line framework that account for social equity, economic well-being, and environmental health.

Communication and Transparency: This year I propose investing additional resources in the City's overall communication and transparency efforts with the community. Information Services Division reserves of \$250,000 have been identified for significant efforts such as the development and implementation of a broad and strategic communication plan, introduction of new technologies and infrastructure, and updates to the City's website to create a clear and useful internet presence. These efforts will allow the City to efficiently provide employees and the public the information they want and need in order to foster awareness, support and involvement.

INNOVATION

As part of its Guide2Green program, PDD launched a new Green Building Incentive Program in 2009 to promote sustainable building practices. Projects that achieve certification by either Leadership in Energy & Environmental Design (LEED) or Earth Advantage programs are eligible for priority plan review and inspections, same day permits, system development charge reductions, and technical assistance. Residential projects that meet high standards for energy efficiency and waste reduction will also be eligible for permit fee rebates.

Other Funds Facing Difficulties

Although the General Fund is the main focus of policy discussions (since it contains property tax revenues, along with the largest amount of discretionary program spending) other City funds have also been negatively impacted by our economic climate.

Construction and Rental Housing Fund: Over the last three years, local construction has declined in activity by 30%. The Construction Permit reserve fund, with a balance of \$4.5 million in FY08 is estimated to be just over \$500,000 at the end of FY11. In response, 5.75 vacant positions were eliminated in Planning and Development for FY10 and an additional 9.75 positions are being eliminated in FY11. Increases to building permit fees are proposed to help stabilize the Construction Permit Fund. The

recession will continue to impact construction activity in the next few years. In response, City staff is exploring options that will help contain costs for customers and the City.

Ambulance Transport Fund: The fund reserve will essentially be depleted by the end of FY10. Income is provided through user fees and a subscription program (FireMed). Federal reimbursement rates have been capped, unemployment has contributed to increased uncollectable accounts, and the fund continues to support services for under insured or uninsured users all of which contribute to the trouble in this fund. Efforts to balance the fund include an FY09 fee increase and contracting out non-emergency transport services. The General Fund will provide a one-time transfer of \$450,000 in FY11; however, finding a sustainable solution will be a high priority this year.

Good Stewardship

In last year's budget message, I stated that we would need to work together to achieve three results by the end of FY10:

- With the City Council, complete the re-evaluation of its long-standing goals and visions.
- Form a "Meeting the Challenge" task force to explore new revenue sources.
- Facilitate a community discussion on City service priorities.

All three are completed and have informed my FY11 Proposed Budget.

To achieve a fully sustainable budget, we must find long-term solutions to protect the community's investment in infrastructure. We took a significant step in our Road Fund with the voter-approved street bonds, and we must find similar solutions for other infrastructure. With this in mind, over the next 12-18 months, we will need to work together to achieve these outcomes:

- A sustainable funding solution for the Ambulance Transport Fund.
- A parks, recreation and open space facilities capital plan and funding strategy.
- A parks maintenance funding strategy.
- A City facilities capital replacement and maintenance funding strategy.

The collective wisdom of our elected officials and staff moved this organization farther faster than at any time in its history, positioning us to progress in the coming months and years. Together, we have forged the first regional economic prosperity strategy in decades and laid a holistic foundation for the continuing renewal of downtown. The Police Department is renewing its focus on property crime, innovating with a data-led policing strategy, and doggedly trying to build bridges to the community. More road construction and maintenance were accomplished last summer than at any time in the City's history, and this summer we expect similar progress. The innovative consolidation of fire services is underway with the expectation of increasing services and saving money. *Eugene Counts* helped to bring community priorities into focus, supporting the Council vision.

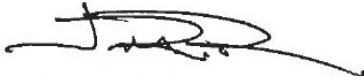
We listened to the community. We made tough choices. We developed an FY11 budget that reflects an affordable set of programs to best meet the needs of the community we serve. We must now "stick the landing."

I would like to especially express my appreciation for the extraordinary efforts of my executive team, the division managers, the finance team, and the many employees who helped develop this budget. They are a talented team of people who accepted the challenge to minimize impacts on community services,

maintain jobs and develop a fiscally sustainable budget in the face of a perfect financial storm. I believe we have succeeded.

As we turn this spending plan over to you for your review and approval, we ask for your guidance, trust and confidence.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jon R. Ruiz', with a long horizontal flourish extending to the right.

Jon R. Ruiz
City Manager

FY11 General Fund - Proposed Budget Balancing Strategies

Attachment A

Strategies to Balance the General Fund (On-Going Changes)		
Share Costs with Other Funds		
1	Use Telecom Funds to pay for regional technology contracts, Metro TV and portion of ISD Director	\$ 673,975
2	Parks & Open Space services paid by non-general funds	\$ 403,570
3	Increase Parking Fund transfer for General Fund services	\$ 400,000
4	Cultural Services reductions - reorganize concessions; discontinue "Hult Presents" in-house production, and pay partial major maintenance for Hult Ctr	\$ 104,000
5	Reallocate Engineering Services, Off-street Bike Path Sweeping & Alternate Modes Transportation costs to non-general funds	\$ 136,978
6	Reallocate Building Permit Services costs to Building Permit Services and Solid Waste & Recycling Funds	\$ 26,604
	Total	\$ 1,745,127
Internal Service Fund Savings		
7	Eliminate transfer to Facilities Replacement Reserve	\$ 749,000
8	ISD rate changes - reduce telephone rates; implement new model for purchasing and maintaining computers	\$ 248,559
9	Facilities rate reduction - fully implemented FY10 savings strategy; new energy savings; efficiencies in maintenance costs	\$ 120,000
10	Risk Fund cost reductions - increased self insured retention; implement a managed care organization for workers compensation insurance; reduce M&S	\$ 150,078
11	Health Plan Premium increase - based on actuarial projections; increase partially offset by balance in Risk & Health Fund	\$ (273,285)
12	Fleet rate changes - reduce Fleet costs for Fire equipment; cost increase for other Fleet operations, including radio rates	\$ (36,545)
	Total	\$ 957,807
Program and Service Changes		
13	Library efficiencies & reductions - Staff hours, service changes, and materials and collections	\$ 402,000
14	Recreation reductions - reduce staffing and M&S, and shorten Amazon Pool season by 4 weeks	\$ 260,736
15	Reduce Administration and Support Services in CS, Fire and PW - including part-time courier, city recorder functions, and department administration	\$ 315,831
16	Planning service reductions - reduce staffing and develop alternate model for delivery services	\$ 250,000
17	Parks & Open Space service reductions - reduce parks maintenance	\$ 230,765
18	Combine Fire Services with Springfield (Fire Prevention Office and Fire Training Section) and create other efficiencies	\$ 226,000
19	Reduce General Fund costs for BPS Administration and Land Use - reduce staffing as a result of decreased work activity	\$ 214,257
20	Animal services reduction - reduce contract with Lane County; look for efficiencies; examine alternate service provision model	\$ 200,000
21	Municipal Court & City Prosecutor's Office - reduce staffing; reduce court-appointed attorney contract; reduce prosecutor contract attorney	\$ 171,000
22	Bike Path & Pedestrian Bridge operations - eliminate preventive and on-going maintenance of off-street multi-use paths	\$ 152,500
23	Expand Youth & Family Recreation service programs - additional revenue, net of increased staffing cost for expanding Youth Recreation program	\$ 52,736
24	Eliminate graffiti removal on private property - graffiti abatement outside of the right-of-way on private property will be eliminated	\$ 40,303
25	Alternate Modes Transportation Program reduction - reduce the scope of the program	\$ 13,087
26	Reduce Council Contingency to \$150,000	\$ 90,000
	Total	\$ 2,619,215
New Revenues		
27	Parking rate increase in Campus Area with increase to General Fund transfer	\$ 160,000
28	Library revenue enhancements - increase non-resident library card fees; increase existing fines; institute incentive/nuisance fees; institute new services	\$ 146,000
29	Miscellaneous new revenues (dog park fees, wi-fi sponsorship, fees for electronic payment options)	\$ 84,000
	Total	\$ 390,000
Total Strategies to Balance the General Fund		\$ 5,712,149

Note: Positive numbers represent cost savings; negative numbers represent additional spending.

Starting in FY10, the City has made a deliberate effort to bring down the employee count in the organization as a way to achieve on-going savings and bring the General Fund into balance. As a result, between FY10 and FY11, the total City-wide Full-Time Equivalent (FTE) position count has been reduced by over 80 positions, or 5.3% of the total City workforce.

FY10 position reductions were part of the overall General Fund budget strategy and have been achieved primarily through voluntary severances, elimination of vacant positions and changes in service delivery model, such as the outsourcing of Library custodial services. Four vacant positions have been eliminated in the Eugene Police Department (EPD) due to changes in the University of Oregon contract for law enforcement services. Additionally, several vacant positions were eliminated in the Construction and Rental Housing Fund in order to reduce the FY10 expenditures in that fund as a result of the impact of the economic downturn on construction in the community.

The FY11 Adopted Budget includes several changes to the overall FTE count. The largest component is the positions that are being eliminated as part of FY11 budget reductions, although there are some other changes. While some of the reductions are achieved through changes in service delivery model, such as consolidation of Fire services with the City of Springfield, others are accomplished through identifying service level efficiencies such as PDD and Parks and Open Space position reductions and reducing the level of services provided. Several additional positions are being eliminated in the Construction and Rental Housing Fund in order to bring its expenditures in line with the reduced permit revenues.

The majority of positions eliminated as part of the FY11 Adopted Budget were vacant. The FY11 Adopted Budget contains one-time funding in the amount of \$350,000 to cover the costs associated with employee severances and unemployment compensation that may have to be incurred as a result of layoffs.

The FY11 Adopted Budget contains a total of eleven new positions city-wide, ten in the Police Department and one in the Planning and Development Department. In the Eugene Police Department (EPD), six Police Officer positions and one Community Service Officer position are being added to enhance downtown safety. Two analysts are also being added in order to strengthen the efforts to address property crime. Funding for four of these positions has been identified through internal efficiencies within EPD, and there will be no additional impact on General Fund expenditures. EPD is also adding one forfeiture coordinator position to address a backlog of forfeitures. It is anticipated that additional forfeiture revenues will exceed the costs associated with this position.

Five of the downtown EPD positions are being added through revenues transferred from the Parking Fund to the General Fund. The Parking Fund is able to transfer that revenue because the Downtown Urban Renewal District will provide sufficient funds to the Parking Fund to make debt payments on the Broadway Garages, per the recent Downtown Urban Renewal Plan Amendment.

The Planning & Development Department (PDD) is adding a parking enforcement officer position to provide service to the newly created Arena Parking District under a contract with the University of Oregon. The costs associated with this position will be covered by an increase in Parking Fund revenues.

In FY10, the Neighborhood Services Program was transferred from the Planning and Development Department (PDD) to the City Manager’s Office in the Central Services Department. The FY11 Adopted Budget reflects this reorganization with no net change in total FTE count.

FY10 and FY11 FTE changes by department for all funds are summarized in the table below.

FTE Changes from FY09 Actual to FY11 Adopted Budget

Department	FY09 Actual	FY10 Mid-Year Changes*	FY11 Budget Reductions	New Positions Added for FY11	FY11 Reorg (Neighborhood Svc Program)	FY11 Adopted
Central Services	240.77	(18.75)	(3.50)		3.65	222.17
Fire	219.25	(3.45)	(3.80)			212.00
LRCS	200.35	(7.55)	(6.40)			186.40
PDD	122.80	(10.05)	(13.05)	1.00	(3.65)	97.05
Police	327.16	(6.00)	(1.00)	10.00		330.16
Public Works	439.80	(5.50)	(14.80)			419.50
	<u>1,550.13</u>	<u>(51.30)</u>	<u>(42.55)</u>	<u>11.00</u>	<u>0.00</u>	<u>1,467.28</u>

* FY10 mid-year changes include voluntary severances, deauthorization of vacant positions, and mid-year additions.

Eugene's downtown has been a high priority for the Mayor, City Council, the community and staff for several years. Previous efforts to address downtown issues include:

- The Council's goals addressing homelessness in Eugene;
- The Blue Ribbon Committee to Finance Homelessness and Housing;
- Several downtown revitalization efforts aimed at getting more people to come downtown, including changes to the built environment (such as efforts to fill the pits) and to provide activities and programming like *Summer In the City*;
- The Downtown Safety Task Team, consisting of downtown business owners, youth agency representatives, Human Rights Commission members, arts resources and other involved parties, along with City staff from several departments; and
- The Urban Renewal Agency's efforts to improve downtown safety, among other downtown revitalization projects under consideration.

Creating a community where all people feel safe, valued and welcome, has been the cornerstone of the City Council's *Safe Community* goal. Downtown safety has been a particular focus for the Council and the community.

Community members have expressed a deep interest in seeing substantive change to downtown conditions. A stronger downtown emerged as a driving force behind achieving four out of the five council goals in the *Eugene Counts* process. Perceptions about downtown safety were closely intertwined with people's desire for an economically and culturally thriving downtown district, with many participants seeing downtown safety and downtown revitalization as being profoundly interdependent. Downtown issues also were top of mind for respondents to the annual community survey, second only to unemployment on this year's list of most important problems facing Eugene. Residents' concern about downtown peaked this year, with seven out ten respondents saying they were dissatisfied with downtown's current state.

As a result of recent work by the Downtown Safety Task Team, four main themes emerged as contributing to public safety problems in the downtown area:

- Lack of accountability/consequences;
- Illegal and unpleasant behavior;
- Lack of a cohesive/coordinated plan; and
- Aspects of the physical space/environment

On January 27, 2010, the City Council unanimously supported a 12 point Downtown Safety Initiative developed after considerable input by the Downtown Safety Task Team and City staff. Together, the short- and long-term actions will work to reduce crime in the downtown core, improve the feeling of safety, and make downtown a safe and welcome environment for everyone.

The City Council directed the City Manager to implement the short-term actions and requested that funding recommendations for the longer term actions, with the exception of item 8 below, be included in the FY11 Budget. The short-term actions include:

1. Better coordination with Downtown Eugene Inc's red-capped guides, private security firms and parole and probation officers;
2. Development of an ordinance or mechanism to address sale and consumption of fortified wine and malt liquor;

3. Expand use of video cameras to prevent vandalism and other crimes, along with automating behavior crime reporting;
4. Proposed modification of business improvement district fees to include more property; and
5. Review of the Downtown Public Safety Zone ordinance to assess effectiveness and consider amendments.

The long-term strategies are essential components of any significant change to the downtown core issues and include:

6. Creation of an “umbrella strategy” to develop and coordinate a clearing house for non-emergency downtown issues and centralize public safety personnel;
7. The addition of jail beds;
8. Develop an overnight facility for alcohol/drug abusers;
9. The addition of 7 Police Officers, 1 Sergeant and 1 Community Service Officer to add to the existing two officers to provide a strengthened downtown police team;
10. Downtown work crews to clean the downtown and provide employment opportunities,
11. Seasonal and more consistent lighting; and
12. Enhancement to the City’s CAHOOTS contract to provide additional services for people experiencing mental health issues.

Progress in addressing these strategies began immediately following the January 27 meeting.

- Council identified \$30,000 from contingency to be used for a Downtown Work Crew.
- The Telecommunications Fund will provide \$50,000 for automated crime behavior efforts.
- The Urban Renewal Agency approved a supplemental budget in June to add \$100,000 for downtown lighting improvements.
- Council identified funding for security cameras in the downtown area from the Urban Renewal Agency, but asked that additional information be brought back to them about how the security cameras would be used prior to implementing this action.

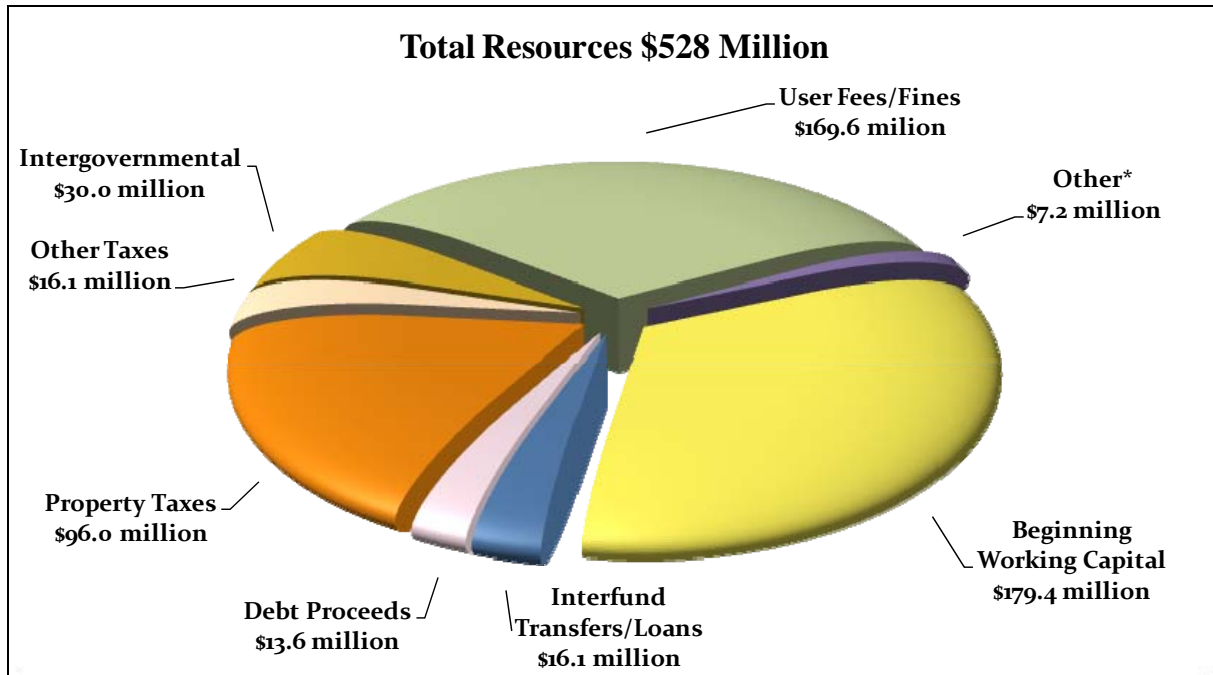
The Eugene Police Department also identified funds within its budget that can be “repurposed” to fund a part of the 12-point strategy. With the repurposed funds, two officers will be hired and one Community Service Officer will temporarily be assigned to start-up efforts for improved downtown safety.

On May 24, 2010, the Urban Renewal Agency approved an ordinance amending the Downtown Urban Renewal Plan. One of the components of the amended plan is to provide funding for debt payments on the Broadway Place parking garages. This funding will free up resources in the Parking Fund that will be transferred to the City’s General Fund to cover the cost of 4 new Police Officers and 1 Community Service Officer to enhance public safety in the downtown area.

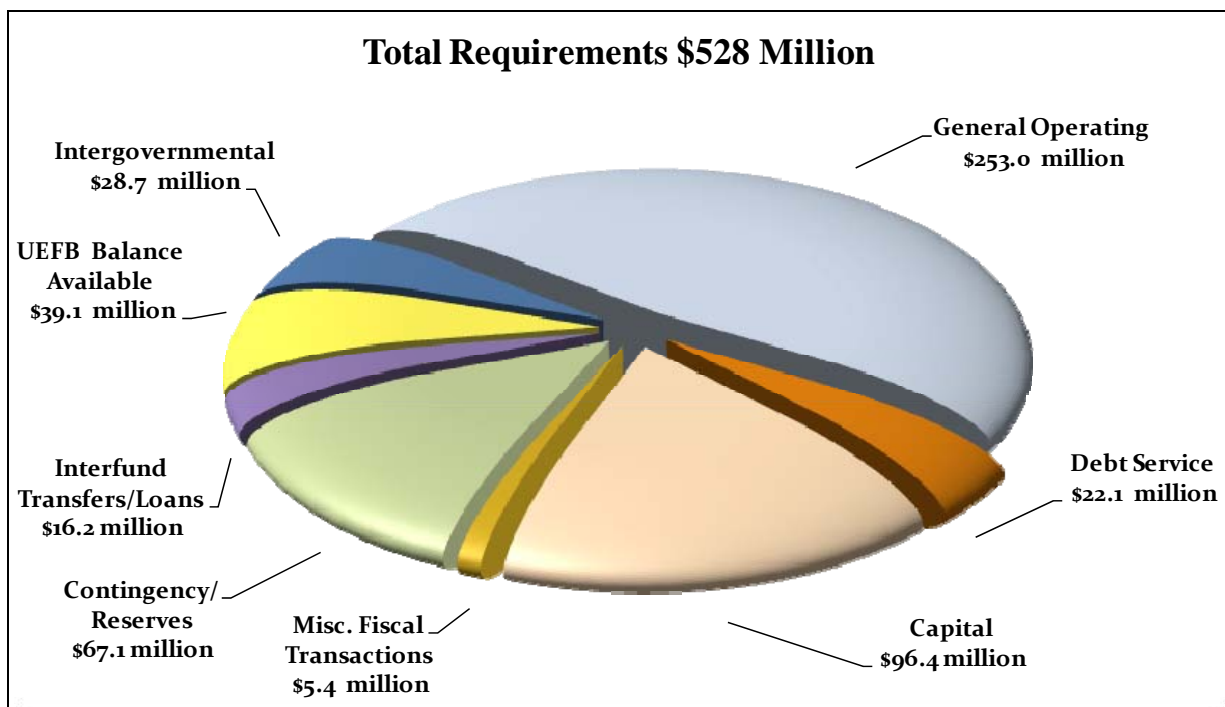
In developing the FY11 Budget, the City Manager has recommended that an additional CAHOOTS van be purchased and operated, for a cost of \$325,000 from one-time funds. In the FY11 Adopted Budget, this amount was reduced to \$225,000 per Budget Committee’s recommendation. Funding for other items in the 12-point plan are not included in the FY11 budget, but progress is being made towards identifying and securing funds. Once funding is identified and secured, the funding will be brought to the City Council for appropriation authority.

FY11 Adopted Budget Summary

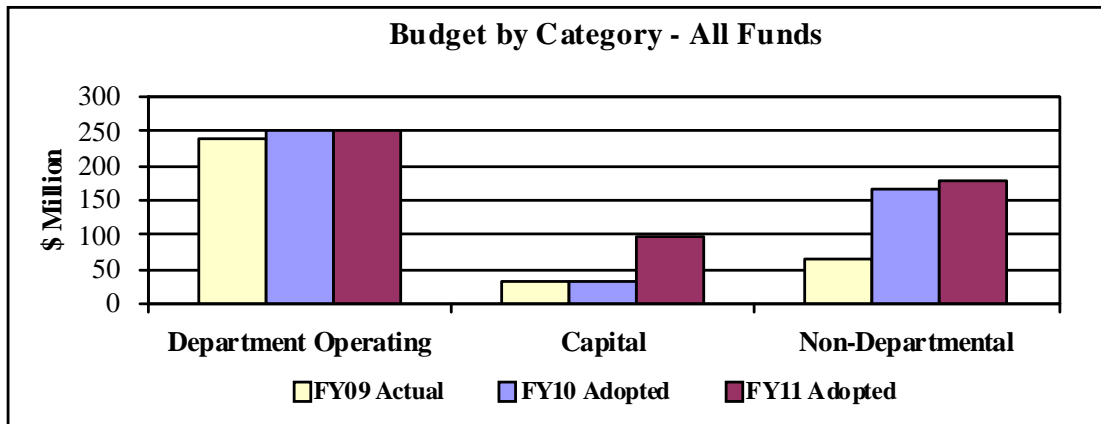
The total Adopted Budget for the City is \$528 million. When internal expenditures and transfers are omitted, the net budget is \$455.9 million, an increase of 2.4% from the FY10 Adopted Budget. The budget is balanced, meaning that resources equal requirements. User fees and fines provide 49% of the operating revenues in the FY11 Budget, followed by property tax receipts which provide 28% of operating revenues.



* Includes Miscellaneous Revenue (\$4.2 million) and Principal on Notes/Assessments (\$3.0 mil).



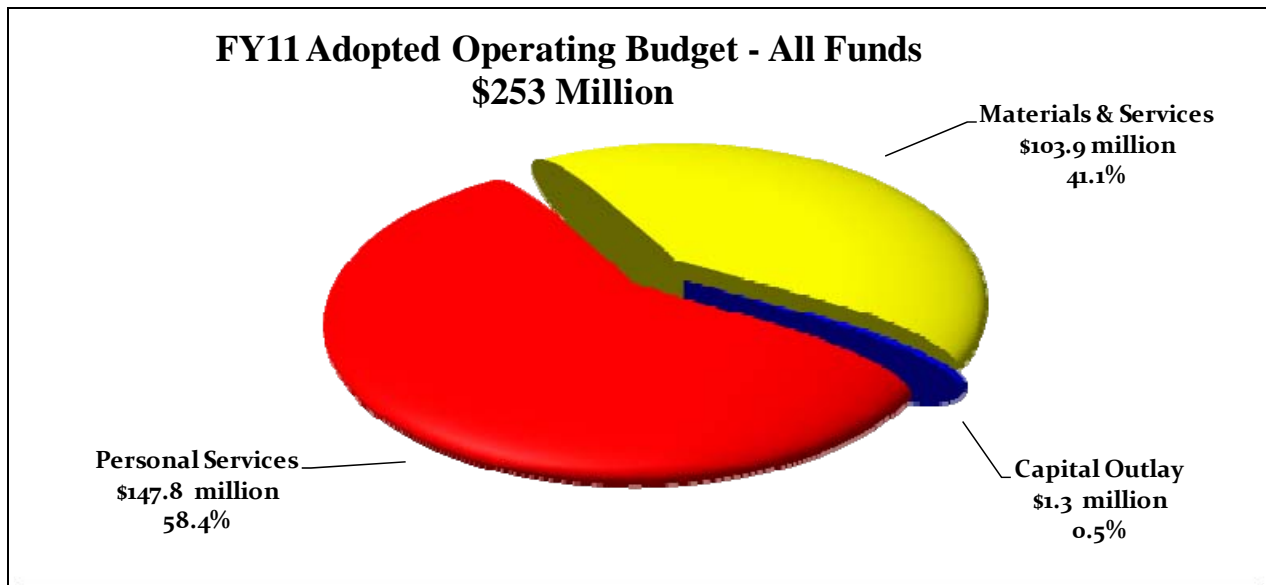
Department operating costs are the largest expense in the budget, comprising 48% of the total adopted budget.



*FY09 Non-Departmental Actual does not reflect Contingency/ Reserves and Balance Available, as no expenditures are recorded against those accounts.

Operating Budget Costs

The operating budget has three components: Personal Services, Materials and Services, and Capital Outlay:



Personal Services expenses (wages and fringe benefits) account for 58.4% of operating expenses in the total City budget and 74.6% in the General Fund operating budget. Because personnel costs represent such a large percentage of city costs, management has been actively working to achieve permanent personnel cost savings in FY10, FY11, and beyond. These savings are crucial to achieving long-term financial stability in all funds. Budgeted regular wages are determined by contracts for represented employees and by the Executive Management Team for non-represented employees. Represented employees are budgeted to receive wage increases prescribed in their specific bargaining agreements.

Retirement plan expenses of \$20.1 million are the second largest component of Personal Services costs. The Public Employee Retirement System (PERS) expense for Tier 1 and Tier 2 employees (those hired before August 29, 2003) continues to be the biggest cost driver. The FY11 PERS rate is unchanged from FY10.

The Oregon Public Service Retirement Plan (OPSRP) was created by the state legislature for public employees hired on or after August 29, 2003. OPSRP is a hybrid retirement plan with two components: a Pension Program (defined benefit) and an Individual Account Program (defined contribution). OPSRP is administered by the PERS Board. Approximately 25% of the City’s employees are in the OPSRP system. The FY11 OPSRP rates are unchanged from FY10.

Health benefits, budgeted at \$18.8 million in FY11, are the third largest component of Personal Services expenses. The FY11 adopted budget for health benefits represents a reduction of approximately \$336,000 from the FY10 adopted budget due to the reduction in the number of City employees. The FY11 health premiums are 2.5% higher than the rate budgeted in FY10 and cover approximately half of the projected FY11 health plan cost increase, with the other half paid from Balance Available in the Risk and Benefits Fund.

City employees contribute a portion of the cost of the health insurance premium. For EPEA and IAFF represented employees, the share of the health premium is 5% of the single, two-party or family premium rate. AFSCME represented employees’ share is 5% of the total health insurance cost for the bargaining unit, taken as a percent of salary. IATSE and non-represented employees’ share is 8% of the health premium.

Summary of Wage Inflation & Health Care Premium Cost Sharing		
Employee Group*	Budgeted Wage Adjustment	Employee Share of Health Premium
AFSCME	2.0%	5% of total health cost for AFSCME
EPEA	3.0%	5% of health premium with cap
IAFF	0.0%	5% of health premium with cap
IATSE	2.5%	8% of health premium
Non-Represented	2.0%	8% of health premium

*Where AFSCME is the American Federation of State, County, and Municipal Employees, EPEA is the Eugene Police Employees Association, IAFF is the International Association of Fire Fighters, and IATSE is the International Alliance of Theatrical Stage Employees. Cost of living adjustments for EPEA and Executive Managers will be effective 1/1/11. IAFF employees will receive 7 Kelly Days (i.e. fewer work shifts) per year in lieu of cost of living adjustments.

The inflation assumption for Material and Services for FY11 is set at zero based on the recent national and regional CPI trends. However, the overall material and services budget is slightly higher due to carryover from the prior fiscal year. The total departmental materials and services budget for FY11 for all funds is \$103.9 million. This is 0.8% or \$829,000 more than the FY10 adopted budget, including carryovers from the previous year.

Capital Outlay is budgeted at \$1.3 million for FY11. This is a decrease of 47% from the FY10 adopted budget. Major capital outlay costs include \$862,000 for fleet replacement and \$106,000 for Wastewater equipment replacement.

Net Budget

The City of Eugene's FY11 Total Adopted **Net Budget** is \$455.9 million, an increase of 2.4% over the previous year. The Net Budget is a more realistic picture of the City finances because it subtracts internal charges, transfers, and loans which are budgeted twice, once in the paying fund and also in the receiving fund. For example, if a department budgets for the purchase of a computer, it is included in the department's budget as a payment to an internal service fund. That internal service fund actually purchases the computer and records the cost of the purchase in its operations, so the cost of the computer is budgeted twice. This is standard accounting practice for governments. The Net Budget removes the amount budgeted in the internal service fund for that computer and similar transactions. It also removes transfers and loans from one fund to another in the "Non-Departmental" portion of the budget.

The budget is divided into two categories: Departmental (Department Operating Budgets, including internal charges) and Non-Departmental (Debt Service, Capital Budget, Miscellaneous Fiscal Transactions, Contingencies/Reserves, Internal Transfers and Loans, and UEFB/Balance Available). Net department operating expenditures across all funds are virtually the same in FY11 as they were in FY10.

The **Total Budget** includes all expenditures in the department operating and non-departmental accounts. The Total Budget is prepared in accordance with State Local Budget Law (ORS 294) and accounting requirements.

Net Budget Detail

	FY09 Actual	FY10 Budget 7/1/2009	FY10 Budget* 12/31/2009	FY11 Adopted Budget	% Change FY10 7/1/2009 FY11 Adopted
Total Budget	337,177,735	516,635,414	544,217,138	527,995,203	2.2%
Less Internal Expenditures/Transfers/Loans	(69,862,750)	(71,338,676)	(80,245,804)	(72,101,475)	1.1%
Net Budget	267,314,985	445,296,738	463,971,334	455,893,728	2.4%
Resources:					
Beginning Working Capital	156,827,600	168,924,769	142,758,844	179,376,920	6.2%
Revenues:					
Property Taxes	83,288,953	90,721,448	90,721,448	95,984,999	5.8%
Other Taxes	17,917,592	14,842,968	14,842,968	16,093,000	8.4%
Licenses/Permits	12,199,340	13,252,924	13,252,924	14,190,263	7.1%
Intergovernmental	27,481,703	32,724,727	52,357,656	30,001,194	-8.3%
Charges for Services/Rental	138,787,694	151,479,518	153,096,418	151,217,723	-0.2%
Fines/Forfeitures	3,957,954	3,837,894	3,837,894	4,181,250	8.9%
Miscellaneous	7,448,594	3,679,723	3,685,553	4,229,523	14.9%
Debt Proceeds	13,148,131	14,670,576	38,551,315	13,574,000	-7.5%
Interfund Transfers/Loans	16,906,602	14,753,348	23,364,599	16,151,471	9.5%
Principal on Notes/Assessments	1,972,416	7,747,519	7,747,519	2,994,860	-61.3%
Total Revenue	323,108,979	347,710,645	401,458,294	348,618,283	0.3%
Less Internal Expenditures	(52,956,148)	(56,585,328)	(56,881,205)	(55,950,004)	-1.1%
Less Interfund Transfers/Loans	(16,906,602)	(14,753,348)	(23,364,599)	(16,151,471)	9.5%
Net Revenues	253,246,229	276,371,969	321,212,490	276,516,808	0.1%
Net Resources	410,073,829	445,296,738	463,971,334	455,893,728	2.4%
Requirements:					
Department					
Department Operating	240,588,088	253,516,766	260,675,677	253,032,617	-0.2%
Less Internal Expenditures	(52,956,148)	(56,585,328)	(56,881,205)	(55,950,004)	-1.1%
Net Department Operating**	187,631,940	196,931,438	203,794,472	197,082,613	0.1%
Non-Departmental					
Capital	32,864,214	95,183,770	95,783,735	96,429,865	1.3%
Debt Service	20,501,925	27,578,187	27,510,452	22,135,523	-19.7%
Interfund Transfers/Loans	16,906,602	14,753,348	23,364,599	16,151,471	9.5%
Intergovernmental Expenditures	16,335,640	19,720,000	19,720,000	22,170,000	12.4%
Miscellaneous Fiscal Transactions	9,981,266	12,830,502	12,550,994	11,943,146	-6.9%
Contingency/Reserves	0	51,990,324	57,923,567	67,062,582	29.0%
UEFB/Balance Available	0	41,062,517	46,688,114	39,069,999	-4.9%
Total Non-Departmental	96,589,647	263,118,648	283,541,461	274,962,586	4.5%
Less Interfund Transfers/Loans	(16,906,602)	(14,753,348)	(23,364,599)	(16,151,471)	9.5%
Net Non-Departmental	79,683,045	248,365,300	260,176,862	258,811,115	4.2%
Net Requirements	267,314,985	445,296,738	463,971,334	455,893,728	2.4%

* Includes changes from December 2009 Supplemental Budget.

** Net Department Operating Detail:

<i>Central Services</i>	24,558,104	27,665,349	29,229,552	26,555,623	-4.0%
<i>Fire and EMS Department</i>	29,536,884	30,199,361	30,468,270	31,564,390	4.5%
<i>Library, Recreation & Cultural Svcs</i>	24,474,931	26,040,661	26,417,931	24,936,855	-4.2%
<i>Planning and Development</i>	18,168,737	19,413,373	21,272,341	18,813,608	-3.1%
<i>Police Department</i>	42,296,350	41,595,796	44,194,180	43,606,852	4.8%
<i>Public Works</i>	48,596,934	49,629,815	52,212,198	51,605,285	4.0%
<i>Net Department Operating</i>	187,631,940	194,544,355	203,794,472	197,082,613	1.3%

Impact of the Budget on Taxpayers

Permanent Tax Rate - The City of Eugene levies its permanent tax rate of \$7.0058 per \$1,000 of assessed value; although the effective tax rate paid in FY11 is about \$6.90 per \$1,000 of assessed value due to the impact of the Urban Renewal Agency valuation and overlapping tax rates. In addition, voters have approved other special property tax levies described below:

Serial Levy - A four-year local option property tax levy for library operations was approved by voters in November 2006 and became effective July 1, 2007 (FY08). The levy provides \$10.8 million over four years to support the City’s library system. For FY11, the estimated tax rate for the Library Local Option Levy is \$0.25 per \$1,000 of assessed value.

Debt Levies - Voters have authorized issuing general obligation bonds that are repaid with property taxes in five areas:

- In November 2008, \$35.9 million was approved to fix 32 street segments in Eugene.
- In November 2006, \$27.5 million was approved for parks, athletic fields, and open space preservation.
- In May 2002, \$8.7 million was approved for construction of a new downtown fire station located at 13th Avenue and Willamette Street.
- In November 1998, \$25.3 million was approved for parks and open space projects.
- In September 1995, \$19 million was approved for construction of the Emergency Services Center located at 2nd Avenue and Chambers Street and other public safety projects.

The estimated tax rate to pay this debt in FY11 is \$1.17 per \$1,000 of assessed value.

URA Levy – The tax bill includes the Downtown and Riverfront Urban Renewal districts. These are not added costs to taxpayers, but represent a redistribution of taxes from other overlapping districts. Please refer to the Urban Renewal Agency section of this budget document for detailed URA information.

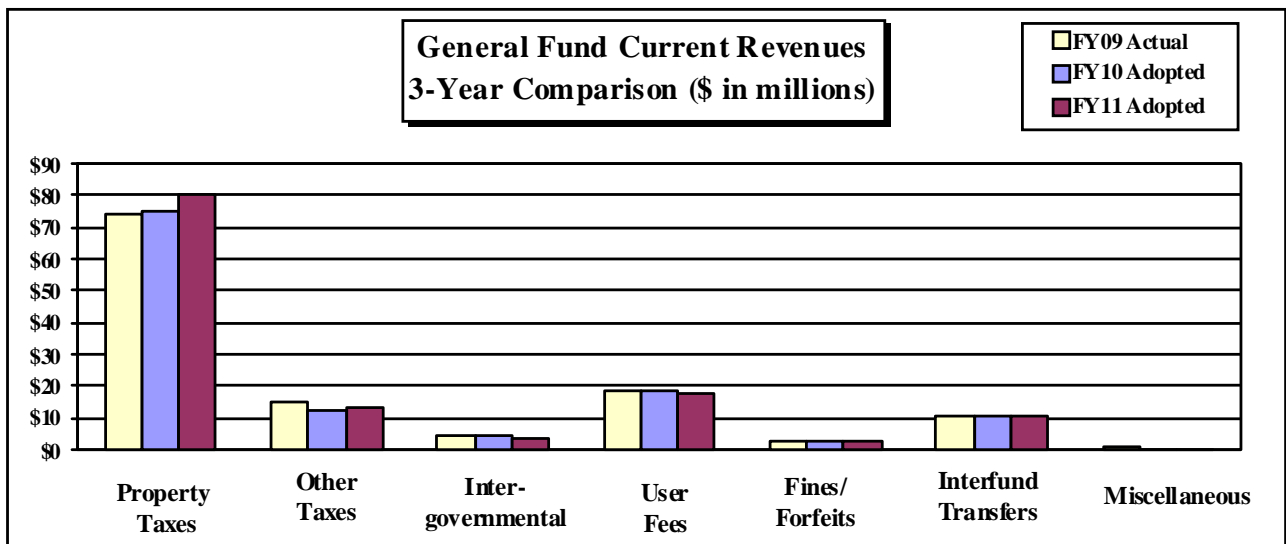
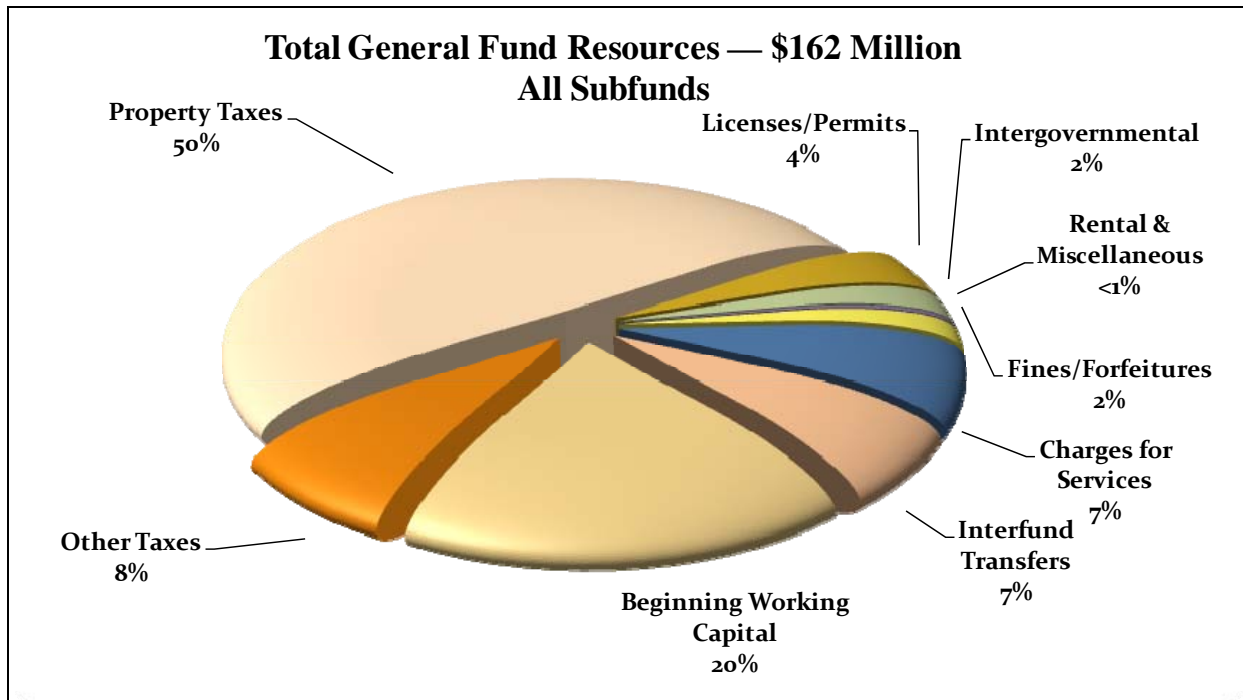
The estimated total City taxes for the typical home, which include voter approved levies and the Urban Renewal District, are expected to increase by \$38 next year.

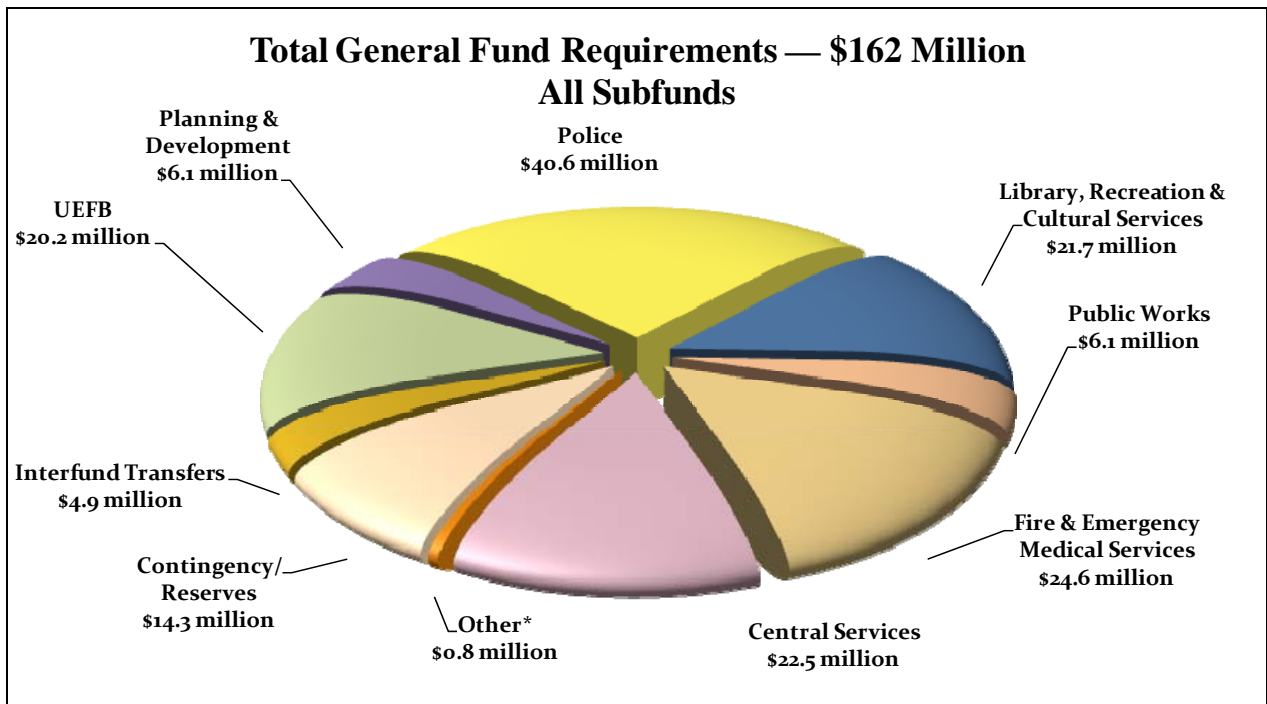
City and Urban Renewal Taxes for Typical Home			
		FY10	FY11 Estimate
City Permanent Operating Levy	\$	1,094	\$ 1,127
Library Local Option Levy (FY08-11)		37	38
City Debt Taxes		187	191
	Total City Taxes	1,318	1,356
Urban Renewal Agency Taxes		39	39
	Total Taxes	\$ 1,357	\$ 1,395
Median assessed value of single-family home in Eugene *	\$	158,447	\$ 163,200

* The middle value of all single family homes, ordered from lowest to highest value.

General Fund Summary

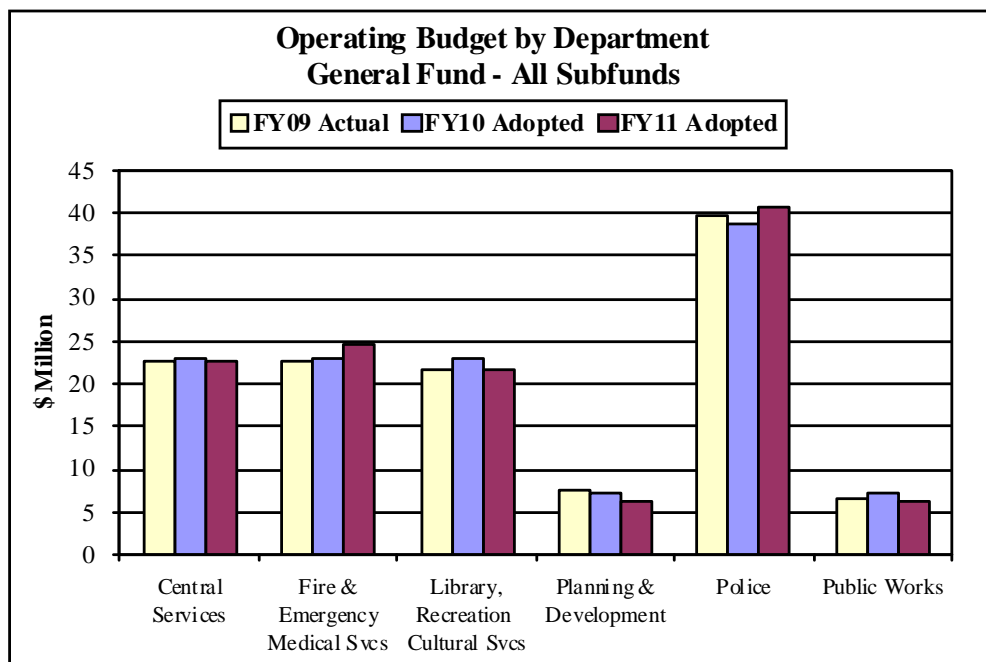
The General Fund is made up of four subfunds: the Main subfund (\$153.9 million), the AIRS subfund (\$867,000), the Cultural Services subfund (\$6.3 million), and the Equipment Replacement Subfund (\$921,000). The subfunds are described in greater detail in the General Fund Highlights section of the Budget Summary. Revenue assumptions and forecast methodologies are described in detail in the Financial Summaries section.





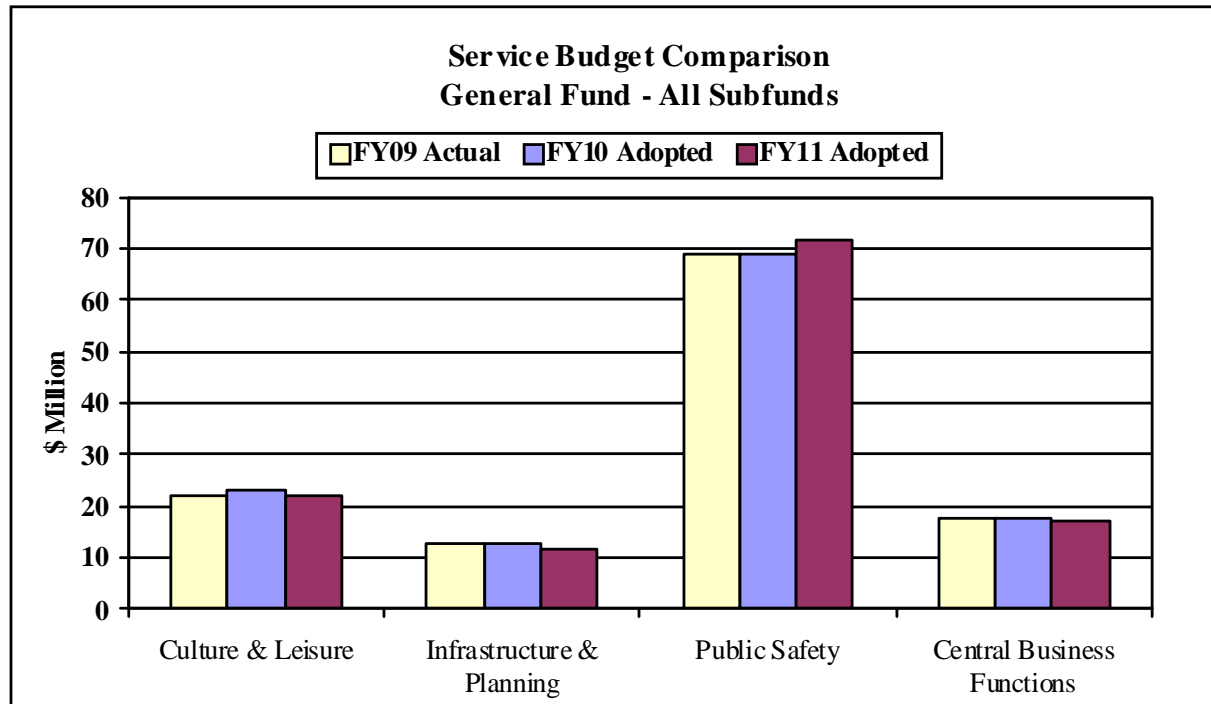
* Other requirements include intergovernmental pass-throughs and debt service.

The FY11 adopted departmental operating budget is \$121.9 million, and is virtually unchanged from the FY10 adopted budget level. The FY11 adopted budget also restores the reserve for revenue shortfall which had been nearly exhausted over the past few years. Personal Services costs comprise 75% of the FY11 adopted operating budget.



Note: the FY11 adopted budget includes the move of Neighborhood Services program from Planning & Development to Central Services Department.

The broad service view of General Fund operating expenditures shows that most of the General Fund is spent on Public Safety services.



Capital Budget

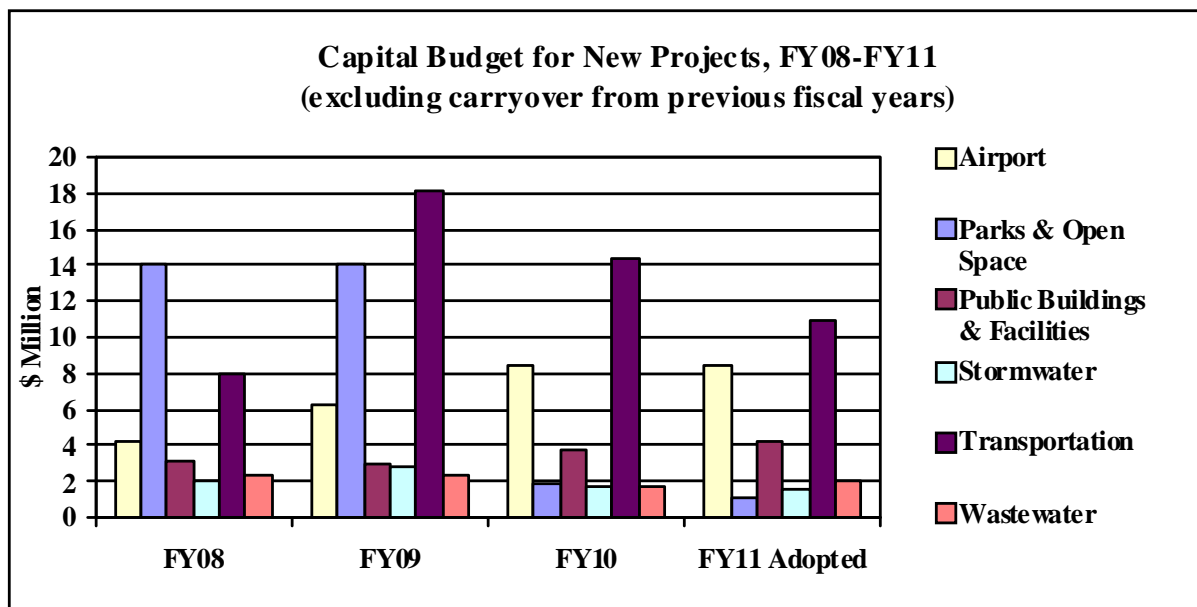
The Capital Budget is guided by the City’s Capital Improvement Program (CIP). The CIP forecasts the City’s capital needs over a six-year period based on various long-range plans, goals, and policies. The CIP is updated every two years and is reviewed by citizens, the Budget Committee, and the City Council. FY11 marks the second year of the FY10-FY15 CIP as approved by the City Council on February 23, 2009.

The budget for new capital projects in FY11 is \$28.5 million, a decrease of \$3.5 million from the FY10 adopted budget. The FY11 adopted capital budget also includes unspent appropriation carried over from the previous fiscal year in the amount of \$67.9 million. Capital projects are budgeted in their entirety in their first year, and unspent appropriation balances are carried forward from year to year for those projects that require multiple years to complete. Capital spending can change dramatically from year to year due to the size of projects initiated, the length of time to complete the project, and the resources available, especially those from Federal and State sources.

Capital Projects

Capital projects are organized into six main project areas. For FY11, the adopted capital budget, excluding carryover from the previous fiscal year, is as follows for each project area:

- **Airport** - \$8.5 million, including \$7.5 million for a runway overlay project.
- **Parks and Open Space** - \$1.1 million, including Alton Baker Park renovations.
- **Public Buildings and Facilities** - \$4.2 million, including upgrades and rehabilitation to parking garages.
- **Stormwater** - \$1.6 million, including stream bank stabilization projects.
- **Transportation** - \$11.0 million, including \$6.8 million for the pavement preservation program funded with General Obligation bond proceeds.
- **Wastewater** - \$2.1 million, including projects in Bethel, Ferry Street Bridge area, and southeast and Downtown Eugene.



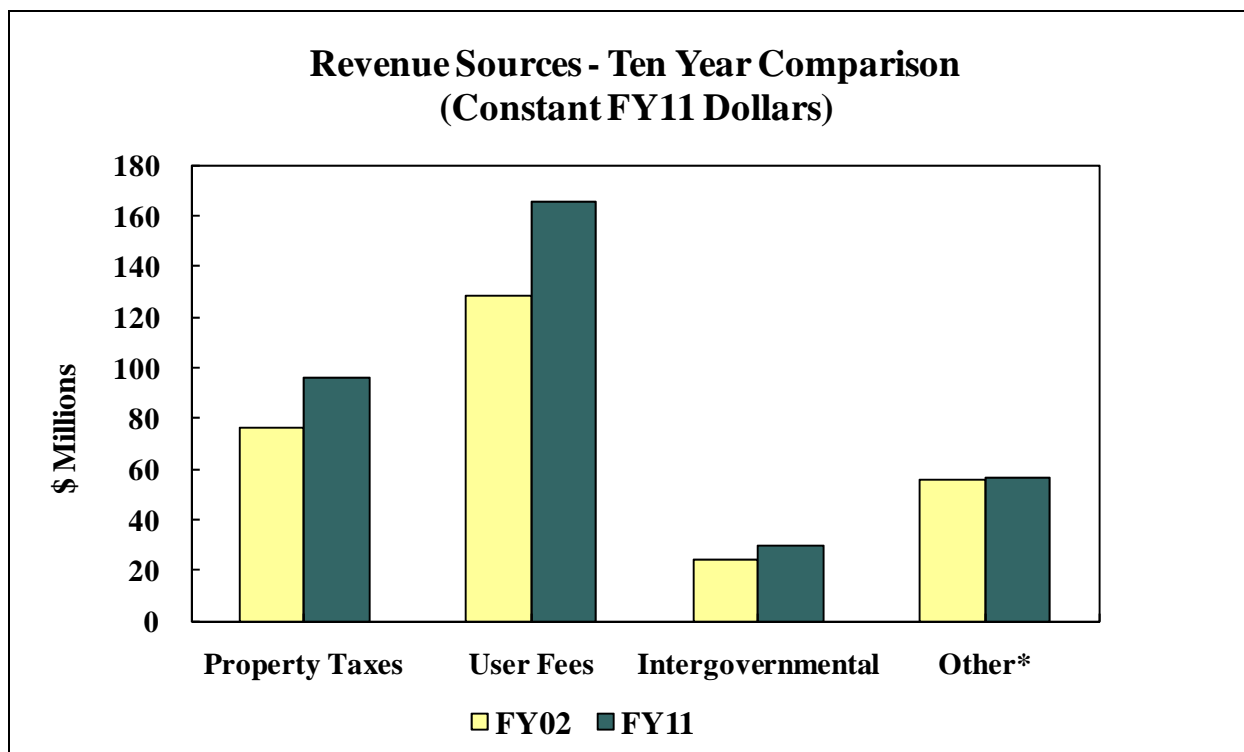
Ten-Year Trends

The charts below present financial trends over the last ten years. Dollar figures are presented in FY11 constant dollars — that is, the FY02 dollar amounts have been increased by the rate of inflation to make the comparisons more meaningful.

Ten Year Comparison:	Adopted Budget FY02	Proposed Budget FY11	Percent Change
Full-Time Equivalent Positions (FTE)	1,424.60	1,467.28	3.0%
Population	140,550	157,100	11.8%
Positions/1000 Population	10.1	9.3	-7.9%
Assessed Value, constant FY11 \$	\$9,978,557,575	\$11,956,947,702	19.8%
Dept Operating Budget, constant FY11 \$	\$209,517,900	\$253,032,617	20.8%
Property Tax as % of Current Revenue	26.8%	27.7%	3.1%

Historical CPI-U adjustment is based on the US Bureau of Labor Statistics data. Future estimated CPI-U adjustment is based on the State of Oregon forecast.

User fees are the fastest growing source of revenues for the entire budget. Fees charged by special revenue and enterprise funds continue to rise to pay for the cost of operations. However, the increase in General Fund user fees has been slower.



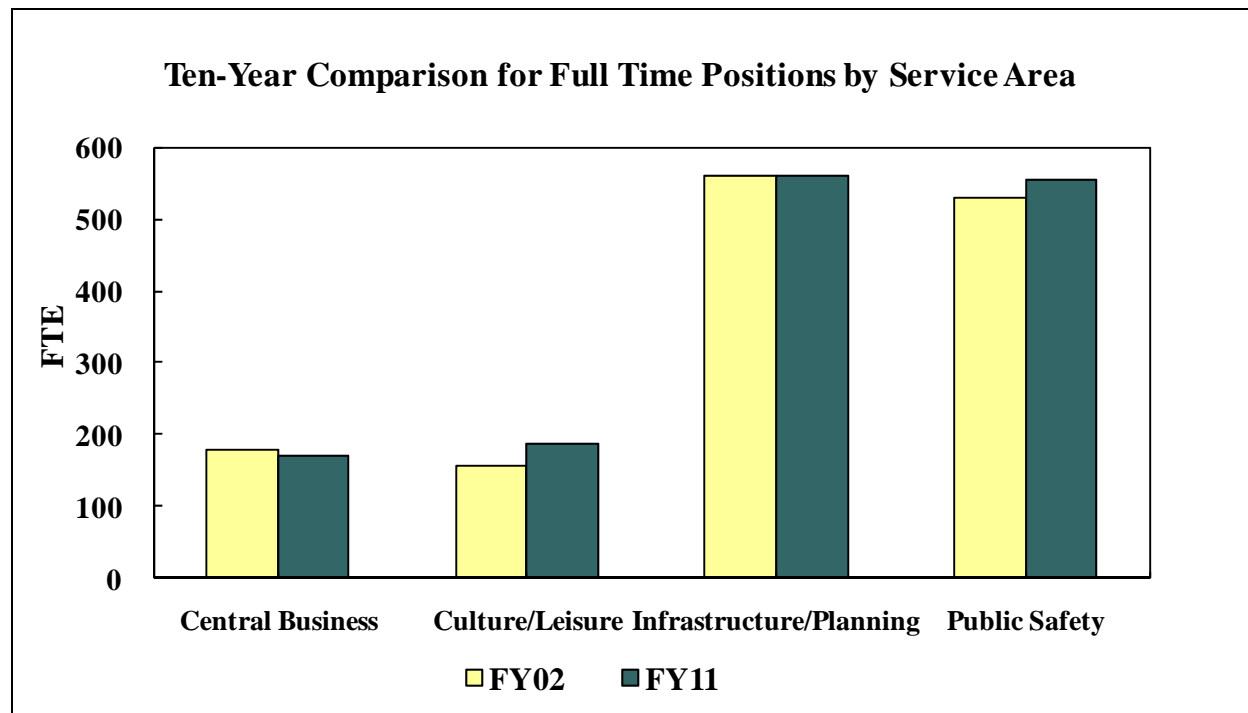
*Other includes other taxes, fines and forfeits, interest, interfund transfers, and debt proceeds.

Ten Year Trends: Service Trends

The City of Eugene works each year to respond to the evolving needs and growth of the community. Comparing full time positions in the FY11 adopted budget to the FY02 adopted budget shows more resources are dedicated to community public safety, as well as providing cultural and leisure services. Examples of program changes since FY02 include increases in police officer staffing, staffing for an additional fire station, an expanded focus on youth programs, new public safety facilities, and implementation of the parks and open space bond measures.

The ten-year comparisons depicted in graph below show:

- Central Business Functions staffing has decreased over the last ten years due to efficiency gains through leveraging technology and as a result of organizational footprint reductions.
- Culture/Leisure staffing has increased due to staffing the new downtown library and expansion of cultural and recreation services.
- Infrastructure/Planning has remained relatively flat, primarily as a result of eliminating over 40 positions in this service category as part of the organizational footprint reductions and response to economic conditions.
- Public Safety staffing has increased due to increases in police officer staffing and addition of a fire station.



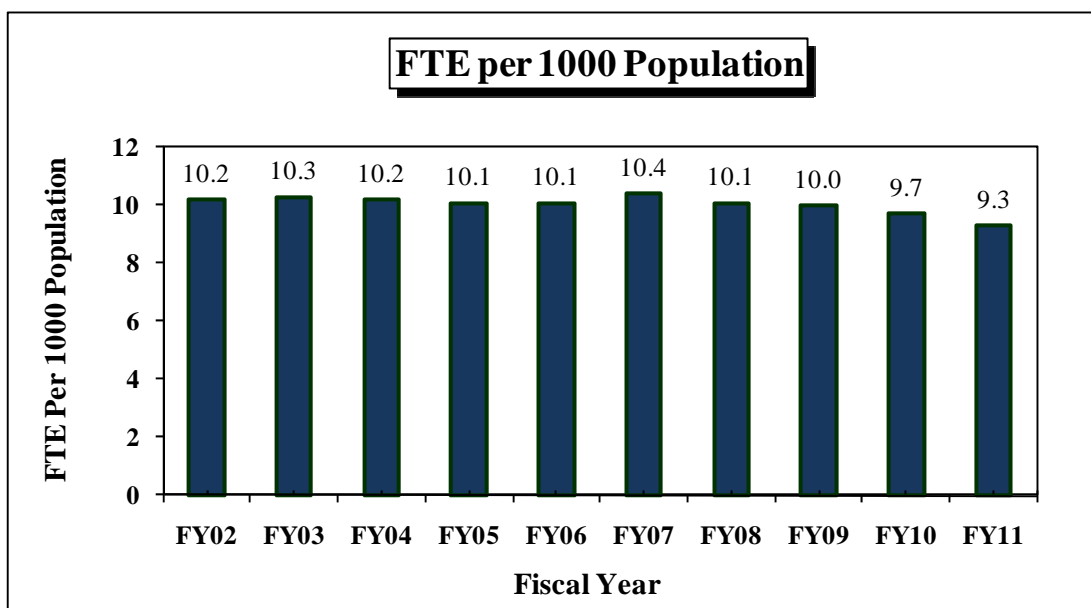
The FY11 adopted budget reduces the total City position count by 82.85.15 FTEs compared to the FY09 actual position count, or 5.3% of the total FTEs. 49.3 of these FTEs were eliminated during FY10 as a result of the organizational footprint reductions and deauthorization of several vacant positions. An additional 33.55 FTEs are scheduled for elimination as part of the FY11 budget strategy.

Ten Year Trends: FTE Per 1000 Population

The following table and chart provide a 10-year history of the City’s staff resources as compared to Eugene’s population: FTE (full-time equivalents) per 1,000 population.

	Eugene		FTE Per 1,000		
<u>Year</u>	<u>Population</u>	<u>FTE</u>	<u>Population</u>		<u>Major Program Additions</u>
FY02	140,550	1,428.60	10.2		
FY03	142,380	1,466.80	10.3		Additional Library Staff
FY04	143,910	1,475.03	10.2		
FY05	144,640	1,454.03	10.1		Add Police Officers; Stmwtr Mgmt/ Wastewater/Parking reductions
FY06	146,160	1,482.23	10.1		Staff Valley River Fire Station Add Police, Construction Permit, Parks Maintenance staff; Police Auditor office
FY07	148,595	1,538.88	10.4		
FY08	153,690	1,549.13	10.1		Add Library, Youth programs
FY09	154,620	1,550.13	10.0		
Current FY10	156,336	1,510.53	9.7		FY10 organizational footprint reductions
Adopted* FY11	157,100	1,467.28	9.3		FY11 budget reductions

*Population estimate from Portland State University Population Research Center.



Ten-Year Trends: Trend in City Taxes

The Ten Year History of City and Urban Renewal Taxes chart shows the City of Eugene operating and bonded debt taxes on a hypothetical home over the last ten years. Beginning in FY04, the median or typical house value is reported instead of the average house value. The median house value is consistent with other reported measures and is not influenced by extreme house prices at the upper end of the house value spectrum.

Separate local option property tax levies for Library and Youth Services were implemented in FY00 and FY02, respectively. While these levies expired in FY07, a reduced Library Levy and a \$27.5 million bond measure for parks, athletic fields, and open space preservation were approved by voters in November 2006. In November 2008, voters approved a \$35.9 million transportation bond.

City taxes (including Urban Renewal taxes) for this hypothetical house, which is assumed to have no improvements or other changes to the property, are expected to increase by \$38 in FY11.

Ten Year History of City and Urban Renewal Taxes for Typical Home							
Fiscal Year	Assessed Value of Typical Home	City Operating Taxes	City Bonded Debt Taxes	Total City Taxes	URA Taxes	Total Taxes	Constant FY11 \$*
2002	\$ 143,300	\$ 1,081	\$ 71	\$ 1,152	\$ -	\$ 1,152	\$ 1,424
2003	148,300	1,109	73	1,182	-	1,182	1,430
2004**	127,620	1,059	54	1,112	65	1,177	1,393
2005	133,496	1,102	62	1,165	74	1,239	1,423
2006	137,932	1,139	62	1,200	64	1,264	1,400
2007	143,135	1,179	52	1,231	64	1,295	1,397
2008	148,276	1,060	82	1,142	67	1,209	1,258
2009	153,405	1,096	90	1,186	38	1,224	1,256
2010	158,447	1,131	187	1,318	39	1,357	1,378
2011 Est.	163,200	1,165	191	1,356	39	1,395	1,395

* Constant \$ determined using State of Oregon forecast for U.S. CPI-U.

** First year including Urban Renewal tax data as a separate line item on the tax bill. Prior to FY04, Urban Renewal was incorporated into the other lines on the tax bill. Starting in FY04, the other lines were reduced in order to show Urban Renewal on its own line.

** Beginning in FY04, the median house value is used instead of the average house value.