

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: Local Option Levy for City Services

Meeting Date: February 11, 2013
Department: Central Services
www.eugene-or.gov

Agenda Item Number: B
Staff Contact: Sue Cutsogeorge
Contact Telephone Number: 541-682-5589

ISSUE STATEMENT

This work session is an opportunity for the council to determine whether to place a local option levy for City services on the May 2013 ballot.

BACKGROUND

At the November 14 council work session, the City Manager presented information as background for the start of a financial strategy discussion, including discussion of a potential new revenue source. He described the City's efforts over the past several years to close a persistent structural gap in the budget. Despite several years of hard work and decisions to live within its means, the lingering impacts of the recession have widened the gap between revenues and expenses. Over the past four years, the City has driven down costs to balance the budget, live within its means, and not raise taxes. Over the past four years, the City has already:

- Cut \$24 million from the General Fund budget (about 20 percent) over the past four years;
- Eliminated more than 100 full-time positions; and
- Maintained reasonable reserves to address unexpected impacts.

At the November 26 council work session, the council received an updated General Fund Six-Year Financial Forecast that showed a projected budget gap of \$6 million. The main reason for the increased gap was the significantly lower property tax revenue to be received this fiscal year and each year into the future, due to the depressed economy and current state property tax structure.

At the December 10 work session, the City Manager presented a four-part FY14 Plan of Action to address the gap. The four parts of the initial Plan were:

1. Economic Prosperity – Grow the Property Tax Base
2. Cost Control – Lower Costs and Find Efficiencies with Minimal Service Impacts
3. Transition Funding for Parks Costs to Stormwater Fee
4. New City Service Fee

The council voted to move forward on the path identified by the City Manager for the financial strategy. The modest City Service Fee was proposed by the City Manager as a part of the Plan of

Action in order to maintain services and avoid further cutbacks in quality of life for the community.

On January 14, the City Manager presented a plan for a City Service Fee. The fee would generate approximately \$3 million to pay for:

- fire and ambulance services,
- human services,
- economic development and
- library services.

It would be capped at \$10 per month and include accountability and transparency measures, including restrictions on the use of the funds, an oversight committee and a review by the council after five years. The council directed the City Manager to bring that fee proposal to a public hearing on February 4.

On January 22, the council held a public hearing on the proposed amendments to the stormwater fee ordinance to amend that fee to be a stormwater and parks services fee. After hearing testimony from 22 citizens, the council expressed concerns in several areas about the overall Plan of Action and its components. The council concerns were:

- Total cost to households is too high.
- The City Service Fee mechanism is regressive.
- Collecting the City Service Fee would be complicated and the City does not yet have an agreement with Eugene Water & Electric Board (EWEB) around billing and collecting.
- The monthly City Service Fee would not be deductible on people's income taxes.

As a result of these concerns expressed by the council, the City Manager presented a revised recommendation at the council work session on January 28. The revised recommendation, as amended and approved by the council, is as follows:

- Changed the stormwater and parks services fee so that:
 - Only the council, rather than the City Manager, may set the fee for FY14.
 - Council will determine the amount of fee, if any, for FY14 as part of the council's FY14 budget approval process.
 - Council be limited to setting a fee that includes a progressive tiered rate structure with the following elements to the extent feasible: a low-income program social equity component, a rate for residential and small commercial customers not to exceed \$5 per month, and a rate for large commercial and industrial customers not to exceed \$25 per month
- Replaced the public hearing on February 4 with a public hearing on a local option levy to fund the same services that would have been included in the City Service Fee proposal.

On February 4, the council met to consider action on setting up the mechanism to use the stormwater and parks services fee to pay for parks operations and maintenance, to discuss the

local option levy proposal and to hear from the public about the levy proposal. At that meeting, the council tabled consideration of the stormwater and parks services ordinance and directed the City Manager to develop a resolution placing a local option levy on the May 2013 ballot and define the services and funding level for that levy. He was directed to prepare two options: one for a \$3 million levy and one for a \$6 million levy.

At this meeting on February 11, the City Manager will provide the council with two options, as requested. Those options will be informed by conversations with the Budget Committee at their February 7 meeting.

Timeline and Next Steps: If the council should decide to move forward with asking voters to consider placing a local option levy to maintain services on the May ballot, the council must provide specific direction to the City Manager so that a resolution can be drafted for consideration at the February 13 meeting. Council direction must identify the services to be funded with the levy and the amount of the levy. The City Manager will present more information at the meeting.

ATTACHMENTS

A. List of Alternate Budget Reductions

FOR MORE INFORMATION

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FY14 ALTERNATE BUDGET REDUCTIONS

Updated: 2/6/2013

Ongoing Services

Item	Amount
CS-Eliminate Equity and Human Rights Program	\$380,000
CS-Eliminate Mental Health Court	\$50,000
CS-Eliminate Neighborhood Services	\$615,000 *
CS-Eliminate Sustainability Program	\$126,000
CS-Put LCOG Dues into Abeyance Indefinitely	\$30,000
CS-Reduce Council Travel and Sister Cities Program	\$34,500
CS-Reduce Funding for Jail Beds	\$350,000
EPD-Eliminate 2nd Cahoots Van	\$300,000
EPD-Reduce Police Investigations	\$420,000
Fire-Eliminate Fire Company at Station #2	\$400,000
Fire-Eliminate HazMat Team	\$200,000
LRCS-Close Branch Library at Sheldon	\$275,000
LRCS-Close Branch Library in Bethel	\$280,000
LRCS-Close Downtown Library for One Day a Week	\$500,000
LRCS-Eliminate Teen Court Program	\$100,000
LRCS-Mothball Echo Hollow Pool	\$450,000
LRCS-Mothball Sheldon Pool	\$450,000
LRCS-Reduce Community Events & Partnerships (Eugene Celebration, Lane Arts Council Grants, Jacobs Gallery etc.)	\$50,000
LRCS-Reduce Recreation Programs & Services (Youth & Family, Adaptive & Senior Services)	\$372,000
PDD-Eliminate Funding for Metro Partnership/Southern Willamette Angel Network	\$55,000
PDD-Eliminate HSC Discretionary Funding from the General Fund	\$860,000
PDD-Eliminate Looking Glass Funding for Station 7	\$36,000
PDD-Eliminate St. Vincent DePaul Car Camping Contract	\$81,000
PW-Close Neighborhood Park restrooms	\$94,000
PW-Reduce Parks Maintenance	\$510,000
PW-Sell Laurelwood Golf Course (ongoing operational savings)	\$50,000
	\$7,068,500

*Dollar amount has been updated from prior version.

One-Time Items That Will Not Be Continued Without Additional Funding

Item	Amount
CS-Buckley House / Gang Prevention Programs	\$225,000
Fire-Ambulance Transport Fund Support	\$300,000
Fire-Fire Company at Fire Station #2	\$320,000
PDD-Additional Human Service Funding	\$100,000
PDD-Economic Development / Economic Prosperity	\$200,000
PDD-HSC Funding Addition in FY13	\$175,000
PDD-Winter Homeless Strategies	\$225,000
	\$1,545,000