# M I N U T E S

Eugene City Council
McNutt Room--City Hall

September 20, 1995
11:30 a.m.

COUNCILORS PRESENT: Nancy Nathanson, Tim Laue, Shawn Boles, Pat Farr, Kevin Hornbuckle, Barbara Keller, Laurie Swanson Gribskov, Jim Torrey.

The adjourned meeting of September 18, 1995, of the Eugene City Council was called to order by Her Honor Mayor Ruth Bascom.

I. APPROVAL OF THE ORDER OF THE AGENDA

Ms. Nathanson moved, seconded by Mr. Laue, to approve the order of the agenda. The motion passed unanimously, 8:0.

II. ITEMS FROM THE MAYOR, CITY COUNCIL, AND CITY MANAGER

A. Fire/EMS Ballot Measure

Mayor Bascom congratulated the council, expressing pleasure at the passage of the Fire/EMS ballot measure. Ms. Nathanson echoed the Mayor's sentiment.

Mr. Boles shared his concern with the ballot's passage that, once again, the council has capitalized facilities with no idea of how to pay for their increased operation and maintenance costs. He added that he would raise the issue during the discussion on the multi-year financial strategy.

Mr. Torrey complimented Council Committee on Public Safety (CCPS) Chair Laue for the committee's work on the ballot measure.

Ms. Keller thanked the electorate for their judgement.

Ms. Swanson Gribskov said she was reminded that this was "three for three" with passage of 1) video poker tax, 2) Willamette Street reopening, and now 3) the Fire redeployment measure.

Responding to Mr. Boles' comments, Mr. Laue said about 90 percent of the fire redeployment program's operational costs were covered and the CCPS was addressing the $70,000 shortfall in the outlying years. He thanked former Councilor Randy MacDonald for his work on the measure.

B. Eugene Celebration

Mayor Bascom thanked the council for participating in the Eugene Celebration parade, noting that the council's float received the third place award in the nonprofit category. Ms. Nathanson added that she would look forward to the report on the celebration's success, recalling that the council had asked that the event become self-supporting.

Mr. Hornbuckle said he enjoyed the celebration, adding that the preference voting exercise he conducted went well. He added that collecting signatures put him in touch with the electorate.

Several councilors mentioned Ms. Nathanson's dance routine as a major attraction and Mr. Laue expressed appreciation for how popular the council seemed to be among the people on the parade route. He also thanked the staff who worked on the Celebration.

C. Oregon Daily Emerald Interview

Mr. Hornbuckle noted that the initial issue of the Oregon Daily Emerald (welcoming students back) contained a verbatim interview with him.

D. Day of Caring

Mr. Farr said he participated in the Day of Caring last Thursday by helping reframe a house in Springfield, adding that he hoped for an even bigger event next year.

Ms. Keller said she worked, along with Eugene Water & Electric Board (EWEB) staff, on building a shed for Laurel Hill Center.

E. Jim Jamison Award

Mr. Farr announced that Jim Jamison, Willamette High School Principal, was awarded the Milken Foundation Award. He noted that four Oregon educators received such an award this year and Jim Jamison was two years ago named "Principal of the Year" for the State.

F. Eugene's Best Poll

Mr. Farr called attention to the Eugene's Best poll published in last Sunday's The Register-Guard, expressing concern with the lampooning of Mr. Hornbuckle. He urged the council to eliminate the behavior that earned it top honors in the categories of "most hilarious" and "most irritating." He asked the media's assistance in helping the public recognize progress made by the council and also help build the public's trust in its City Council.

Councilors Torrey, Laue, Boles shared Mr. Farr's concern about the poll's characterization of Mr. Hornbuckle.

G. Planning Commission Recognition

Mr. Torrey recognized the Planning Commission for its presentation at the Chamber of Commerce's "Good News" function earlier today.

H. Small Business Loans Grant

Mr. Torrey announced that the Lane Council of Governments (LCOG) has received a $2 million Federal grant for a small business loan program. Debra Wright, LCOG, has pertinent information on the program.

Ms. Keller asked staff to secure information on the program.

I. Bicycle Thefts

Ms. Keller said the issue of bicycle thefts was raised by a former councilor at the council's September 18 public forum and reported on in the Council Newsletter. She said alternate ways of dealing with the problem were needed and suggested the following: jailing perpetrators; rewriting laws; increasing fines. She also expressed concern with what she saw as a pattern--a problem arises and in order to address it, staff requests scoping statements. She suggested instead soliciting ideas for addressing the problem through Internet bulletin boards.

Ms. Swanson Gribskov asked staff for more information on the problem.

Mr. Laue said he would invite former Councilor Paul Nicholson to address the CCPS at tomorrow's meeting.

J. Ferry Street Bridge Open House

Ms. Swanson Gribskov reported on the Ferry Street Bridge (FSB) Open House and complimented City staff for their presentation and interaction with the public.

K. Sheriff's Tax Levy

Mr. Laue said the CCPS would discuss the Sheriff's proposed tax levy at its meeting on September 21, adding that he did not intend for the committee to become the focal point for analyzing the levy except as it relates to the City's community policing effort.

L. United Way Campaign

Mayor Bascom said information on United Way's fund-raising campaign would be distributed in the council's packet.

M. "Rail-Volution" Conference

Mayor Bascom reported on the "Rail-Volution" Conference in Portland, noting that there was nationwide interest in the topic. She said that on October 1, 1995, the Mt. Rainier train would be called Cascadia.

N. Sister City Program

Mayor Bascom encouraged the council to volunteer more time to support the Sister City Program by receiving and entertaining visiting delegations. She asked someone to represent the council at the Irkutsk delegation picnic in Hendricks Park on September 24.

Ms. Keller said councilors are not notified in a timely manner of such events. Mr. Boles asked that information on visiting delegations be disseminated in the Council Newsletter.

O. International City Managers Association Award

At the Mayor's request, City Manager Mike Gleason reported on his trip to the International City Managers Association meeting to receive the association's Award for Excellence.

## III. APPOINTMENT: EUGENE PLANNING COMMISSION

> Ms. Nathanson moved, seconded by Mr. Laue, to appoint Bob Conrad to the Eugene Planning Commission, position 6, term ending May 31, 1998.

Mr. Farr encouraged residents from the Bethel-Danebo area to continue to apply for positions on the City's boards and commissions.

> Roll call vote. The motion passed unanimously, 8:0.

## IV. WORK SESSION: MULTI-YEAR FINANCIAL STRATEGY--GENERAL FUND SIX-YEAR FORECAST

Warren Wong, Administrative Services, said that this was the first of two council work sessions on the multi-year financial strategy. He said there were two parts to the presentation; one, an update on the Six-Year Financial Forecast as the City embarks on the preparation of the FY97 budget and development of a multi-year financial strategy, and the other has to do with one-time resources that are available in FY96 for distribution. He noted that the multi-year financial strategy was part of the council's goal for good government.

Mr. Wong said the forecast reflected FY96 revenues and expenditures that had not yet been audited and incorporated, updated assumptions with respect to inflation, the economy interest rates, etc. He reviewed the assumptions and said that they were contained in the meeting packet. Mr. Wong noted that the existing authorized service system carried forward in the budget did not include phases three and four of community policing nor the Street Crimes component. It did include, however, a cost escalation factor of 3.6 percent in FY97 and an average of 5.5 percent for the rest of the forecast. He said it included $1.1 million for service and cost additions, covering costs in excess of service adjustments to inflation and responding to population growth. Mr. Wong said it also included $1 million for the General Capital projects budget consistent with the financial strategy that was adopted by the council in July 1994.

Mr. Wong mentioned the following unknown factors: 1) it is unlikely that the property tax collection rate will go any higher so tax rate compression is unlikely. However, if the County's proposed tax measure passes, it would bring the City close to compression. 2) Neither Hyundai nor the Sheriff's levy has been factored in. 3) There was a video poker tax court hearing on September 18 and a decision is forthcoming next week. 4) There are some longer term issues with respect to EWEB that may effect retail commercial/industrial sales. As a result, Mr. Wong said, the base forecast for Scenario 1 projects positive balances for the next four years, other things being equal. He said staff has placed a $.5 million plus or minus range around the zero line as a marginal zone of comfort.

Mr. Wong prefaced the discussion with an update on EWEB revenues by saying that EWEB staff had been extremely cooperative with City staff in addressing these issues. He explained that the City and EWEB had submitted to the Bonneville Power Administration (BPA) a proposal in July, which was not well-received. However, BPA agreed to forward an analysis of the proposal, and perhaps a counter proposal in September or October. Mr. Wong noted that EWEB's contract with the City of Modesto, California, was not renewed and that and loss of other wholesale agreements would create a shortfall in the City's revenue of $180,000 in FY97, increasing over the six-year forecast to an average of $930,000 per fiscal year. He said the City was working with EWEB on alternative options for payment of the six percent. He said it was too early to tell if any viable options would come of those discussions; however, it was unlikely that even half of that loss from wholesale electric sales would be replaced.

Mr. Wong displayed a chart depicting what Trojan and electric payments from EWEB have been over time, saying that at one time Trojan payments amounted to over $2 million in revenue to the City's General Fund. Now, he said, staff does not include any revenue from Trojan's decommissioning costs in the forecast. The end result, he said, is a forecast that results in one year of positive balance. Mr. Wong presented four options for responding to the forecasted deficits: 1) cut services; 2) add new revenue; 3) reduce the cost escalation curve; and 4) a combination of the first three. He said staff believed that the third option was a viable approach for addressing Scenario 2. He noted that, other things being equal, the Executive Management Team was confident in this pragmatic approach after reviewing many models.

Mr. Wong said the staff recommendation was based on the following assumptions: it is important to maintain financial stability over the immediate planning horizon; given recent service reductions and the current climate, neither service adjustment nor adding a new major revenue source are viable options.

Mr. Wong discussed the recommendation from staff to reduce the cost escalation curve for FY97 by .4 percent, leaving in the budget $750,00 for cost and service adjustments; reduce the cost escalation curve in future years; and review the strategy at least annually, or more frequently, depending on current events.

Mr. Wong said the end result would be three years of positive balances, given the assumptions made.

<u>Tax Rates</u>

Mr. Wong displayed a chart depicting the 10-year history of tax rates, adding that the rate for the current year would be available in a couple of weeks. He noted that both the operating and debt service rates were going down, essentially because the City had not issued any general obligation (GO) bonds for a while, but some would be issued for the fire redeployment program. He also noted that the assessed valuation was going up. Mr. Wong displayed a graph charting those percent changes from year-to-year. He said that the point was that with the advent of ballot measure 5 and the $10 cap, the City needed to be very careful not to induce tax compression, which in a downward spiral was hard to overcome. Mr. Wong said staff set the growth rate at six percent, conservatively. He indicated that at this time there was a $1.50 margin under the $10 cap but passage of the Sheriff's levy would reduce that to $.16.

Addressing a question from Ms. Swanson Gribskov, Mr. Wong said interest rate earnings were based on a review of FY96 actual interest earnings, a projection on FY97 interest earnings, and digestion of information received from financial institutions. The result was a projection of 5.5 to 6.0 percent, which was probably on the conservative side.

In response to a question from Mr. Boles, Mr. Wong said that the tax collection rate for FY95 was approximately 92.75 percent, which is very high. At one time in the 1980's, it dropped to about 85 percent. He said that for every percent that is not collected, there was a loss of about $450,000. He noted that this was a countywide average collection rate and that Eugene residents were probably paying at a rate of about 94 percent. Mr. Boles wondered how realistic the estimated State revenue was. Mr. Wong said that, over the long-run, the City should wean itself from State revenue sharing, although funding should be available for at least the next six years.

In response to a concern raised by Mr. Boles, Mr. Wong confirmed that the option did not include the costs associated with the marginal cost for operating the fire redeployment program. Mr. Wong reminded Mr. Boles that that could be funded from $.75 million in service cost adjustments. Mr. Boles asked for a separate analysis identifying the marginal cost and the revenue source.

Referring to page 151, Mr. Boles said that his understanding was that the contractual relationship was between EWEB and BPA. City Attorney Glenn Klein confirmed that the contract was between EWEB and BPA, but the City was a third party beneficiary of that contract and had to participate in those discussions because, ultimately, money flowed to the City. As a matter of record, Mr. Boles said, he did not believe the City had entered into any negotiations with other entities that owe EWEB money. Mr. Klein explained that the reason the City has participated in this discussion is that the contractual/legal issue between EWEB and BPA is determined based on whether EWEB owes that money to the City. Mr. Gleason added that the contractual relationship between EWEB and the City is predicated on the charter, which speaks of operating costs. He said that the City's position is that Trojan's decommissioning costs are an operating expense, and that position is supported by EWEB.

Mr. Boles established that the cost escalation curve was one of the factors that influence staff's forecast on expenses. He said that by reducing the cost escalation curve, estimated expenses were also reduced, making the income look as if it meets the lower expense level. Mr. Wong said that the cost escalation curve was an umbrella for inflation, wage agreements, service additions, etc. Staff believed, he added, that by various means, that amount could be reduced by .4 percent. Mr. Boles termed the practice "black magic," and said he was unwilling and unable to participate in that "slight of hand."

Ms. Keller said there has always been a cost estimate factor inserted as a place-holder that changes as the council sees fit. She noted that the City had accumulated excess funds so, obviously, there was not that much financial risk. In response to her questions, Mr. Wong said the 3.2 percent included the entire budget and there were contingency funds in the budget and added that, for sake of discussion, staff assumes that the entire contingency is spent out, i.e., it is considered as a cost element.

Addressing a follow-up question from Ms. Keller, Mr. Wong said that the UEFB, by law, was there to provide first for cashflow (the property tax system), and from a financial management standpoint, essentially, the only "rainy day" emergency account that the General Fund has. The money, he said, would be used if the City went into tax compression. Following a question from Ms. Keller, Mr. Wong said that the law does not specify an amount, simply directing the organization to have sufficient cash to cover the cashflow requirement in that first five-month period. He added that, as an administrative management procedure, the City's guideline is for each fund to have a minimum of two months of cash on hand.

Mr. Laue said he disagreed with Mr. Boles about cost escalation factors, adding that the council was not reducing expenditures, but rather reducing the rate of growth in expenditures.

In response to a question from Mr. Laue, Mr. Wong said the Capital Fund for FY97 was roughly $2 million. He explained that if the council followed staff's recommendation of taking the one-time resources for FY97, then that will be the figure for the capital budget. He added that the base forecast (Scenario 3) assumed the $1 million, inflated, so staff continues to follow the council's strategy. Mr. Boles clarified that the forecast was, in fact, a capital budget of $1 million, with a one-time allocation from the UEFB at the end of every year. Mr. Wong added that the marginal allocation was not built into the forecast.

Mr. Laue expressed concern that the next two phases of community policing were not built into the budget. Mr. Wong explained that, technically, the resources were there (in the $750,000 figure) but with competing demands for the money, staff was waiting for council direction before allocating the fund. Mr. Gleason cautioned the council that the capacity of the organization to implement new initiatives has been diminished.

In response to a question from Mr. Laue, Mr. Wong said he believed that the Contingency Fund was woefully underfunded for the size of the General Fund operation, so $50,000 will be added annually.

Ms. Swanson Gribskov said at some point there needed to be a discussion of use of the Contingency Fund. She added that she was comfortable with an adjustment in the cost escalation curve.

## V. WORK SESSION: MULTI-YEAR FINANCIAL STRATEGY-USE OF ONE-TIME RESOURCES

Mr. Wong cited two of the council's adopted financial goals and policies: 1) each fund operates on an independent basis; and 2) each fund has an adequate cash or reserve balance to meet its needs. He said staff has identified three sources of one-time revenue, Ending Working Capital, the Special Assessment Fund, and the Risk Fund. Mr. Wong described the three sources, which total $4.9 million.

Mr. Wong said the June 1995, adopted budget included a reserve for revenue shortfall, originally set up for the possibility of losing State shared revenue; but now staff will recommend that it cover the $300,000 EWEB/Trojan shortfall.

Mr. Wong said that staff recommendations were based on the following key operating assumptions: 1) financial integrity; 2) the ability to continue to make the debt service payments; 3) the financial integrity of the General Fund; 4) investment in reducing future operating costs or capital costs; and 5) using one-time resources to start up or transition a program or for high-priority one-time uses.

Mr. Wong reviewed staff's recommendations, which are contained in the meeting packet and asked the council to select the items needing further analysis.

Addressing a question from Ms. Nathanson, Mr. Wong said he was not aware of any prohibition on earning interest on any account. Mr. Gleason said she may be thinking that interest income on any fund cannot be reallocated to another fund.

Ms. Nathanson asked to have a fuller discussion on the Fiber Optics Utility, including the possibility for participating interjurisdictionally.

In response to a question from Mr. Torrey, Mr. Wong said the two-month UEFB should be $12.5 million.

Mayor Bascom asked for clarification on the Assessment Program. Mr. Wong said there would be no new issues of bancroft bonds, but the City would be issuing additional limited tax general obligation bonds for City improvements. He noted that the fire redeployment bonds were GO bonds and not part of this program, and they are not subject to the cap. Addressing a follow-up question, Mr. Wong said the debt per capita is about $40 of outstanding GO bonds. He said this was an indicator of 1) the community not reinvesting in its infrastructure, and 2) not adding to its infrastructure. He noted that the figure was very low but the fire bond would increase that.

Ms. Keller said she assumed that savings in health insurance and efficiencies were ongoing savings. Mr. Wong confirmed that, and said it was incorporated into the forecast.

Ms. Keller said she was uncomfortable making a $.5 allocation for starting up programs, especially in the out years, while struggling to balance the budget. She also expressed concern with the Street Crime component of community policing, adding that it was "reactive" policing not community policing. She said she hoped for a longer-term approach to the problem. Mr. Gleason said the Council Committee on Public Safety (CCPS) was the appropriate place for that discussion. He recalled that the original figure for community policing was $4-$5 million and Chief Cooke came up with a minimum program for $2 million, with the caveat "if all things remained equal." He added that all things were not equal on the street at this point.

Speaking to Ms. Keller's concern with community policing, Mr. Boles said it had evolved to three levels, suppression, diversion, and prevention. He said experience had shown that suppression was a part of it, although he believed there were other alternatives. One is to look at the historical change in the pattern of when the community needs such entities as the rapid deployment unit, and reorganize around that.

Mr. Boles said the council clearly had before it a suggestion that was in violation of council adopted policy: to fund an entity without having any idea of the long-term operating cost. He noted that the combination of the two proposals before the council simply "avoid the issue of stable funding for capital side" after two years out. Mr. Wong responded that the council adopted a strategy that called for a base budget of $1 million in capital. He said that was in the six-year forecast each year. He said the second component of the strategy called for the $900,000 to come from any working capital. He said the budget was in compliance for FY96, was "buying down" for that in FY97, and if the current trend continued, the same would be true for FY98. Mr. Gleason said the third component of the strategy was to go to the public to approve GO bonds for repair and replacement of the infrastructure. Mr. Boles recalled that the original capital figure was $4.7 million, which was negotiated down and currently remained at about half what the council has determined is the need. He said that before the council can prudently commit to any of the options under "reduced future operating costs" it needed to have an analysis of what the forecast reduction in operating costs would be. Mr. Wong clarified that staff was asking the council to pick from those options those it wanted further analysis on.

Mr. Boles said the council was fooling itself if it thought it could fund things that required long-term investments with short-term money. He added that if it was important enough to fund, the council ought to figure out how to fund it long-term.

Ms. Swanson Gribskov said she was not prepared to make decisions at this work session. In response to her question, Mr. Wong said that in the 1980s, $4 million in assessment accounts went delinquent, meaning that the entire account went delinquent. The issue was what was available for payment of debt service for that particular year. The reserves are at about $4 million but it was difficult to provide a current surplus balance, given the outstanding bancrofts, LTGOs, and the projected issuance of LTGOs. Staff, however, felt comfortable in surplussing $1 million in this fiscal year and probably another $1 in the next five years.

Ms. Swanson Gribskov said she needed more discussion about allocating the $.5 million for start-up of programs in community policing.

Ms. Nathanson wondered how much of the start-up costs could be recovered and how much of those were lost or wasted by having to end programs. She expressed concern with setting up the community for disappointment when a program ends and with public safety personnel overtime. Mr. Wong said the reason the department reassigned the traffic team to the Street Crimes Team was to not have on-street officers incur so much overtime. He said the issue of how much overtime to budget would be discussed in the Council Committee on Public Safety. Addressing the issue of investment in program start-ups and then continuing the program, Mr. Wong said staff would be absorbed into the organization and equipment would be used to replace that worn and obsolete.

Mr. Torrey said he was very concerned with the limitation on the cap as a result of the potential passage of the Sheriff's levy. He urged the City to work closely with the County to remedy the situation.

Addressing a question from Mr. Hornbuckle, Mr. Wong said that the high tax collection rate had to do with people paying their property taxes on time. Mr. Hornbuckle recalled that the City Manager had said that even Moody's recognizes the "boom and bust" nature of the real estate market and the City ought to use this opportunity to propose switching to an income-based taxation, to some degree.

Mr. Laue shared Mr. Boles' concern with financial policies and management with regard to funding with one-time money an ongoing program, but added that prioritization was needed and if the council found that it had to fund community policing, including the Street Crimes Unit, it could direct use of the one-time funds while at the same time indicating that a new revenue source would be found or the appropriate cuts would be made from another budget, or there was not a higher priority to fund. The council's preference would need to be made clear before moving forward. Mr. Laue said it was good to think of a proactive model of community policing but it was also very important to maintain as part of community policing the ability to respond to problems on the street as they occur.

Due to time constraints, the council decided to continue its discussion of the multi-year financial strategy on October 2.

The meeting adjourned at 1:32 p.m.

Respectfully submitted,

Micheal Gleason
City Manager

(Recorded by Yolanda Paule)
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