

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: Budget Discussion on Council Policy Items

Meeting Date: January 13, 2014
Department: Central Services
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Agenda Item Number: B
Staff Contact: Sue Cutsogeorge
Contact Telephone Number: 541-682-5589

ISSUE STATEMENT

The council will review the outstanding FY15 budget “parking lot” suggestions to determine whether to move forward with incorporating any of them into the FY15 budget.

BACKGROUND

The Budget Committee approved a motion to formulate a long-term sustainable financial strategy for the City when it made its recommendation to the City Council on the FY14 Budget. The FY14 Budget is balanced using reserves and the Budget Committee began work in July 2013 to determine options for balancing the FY15 budget. That work included seven committee meetings, five community workshops, a Finance Investigative Team and media outreach. That work generated 56 different ideas to balance the FY15 budget. On November 25, the committee used a process to narrow the list of items that would be presented to the community. On December 9, the Budget Committee referred six combinations of service reductions and fee increases to public hearings that will be held on January 21 and January 28.

Of the 56 different budget-balancing ideas, the committee referred several to the council for policy decisions on potential FY15 budget strategies. In addition, there were some items generated during the committee discussions that were placed in a “parking lot” for future council discussion. These include:

- Discontinue the Multi-Unit Property Tax Exemption Program
- Increase Transient Room Tax
- Terminate the Riverfront Urban Renewal District
- Fund Capital Improvements with Bonds
- Use Parking Funds to Solve Budget Gap
- Create Business License Fee
- Create Bicycle Registration Fee

The committee also indicated there were several items that might be longer-term budget balancing strategies, but that would not help to solve the FY15 gap. These include:

- Increase assessed property values

- Annex River Road/Santa Clara
- Develop Eugene Water & Electric Board (EWEB) site
- Terminate Downtown Urban Renewal District
- Create special districts to increase property taxes
- Increase Northwest Natural Gas franchise fee
- Sell Laurelwood Golf Course

Staff recommends not moving forward with additional conversation about the above longer-term items as ways to solve the FY15 budget gap.

The items below are the outstanding council policy items that remain to be considered for potential ways to solve the FY15 budget gap. For each item, there is a short description along with a staff recommendation for next steps. Most of these items were reviewed by the Finance Investigative Team and the analysis from the FIT is included in the attachments. Some of these items will be the topic of council policy conversations over the next several months, regardless of any decision on whether to include them in the FY15 budget conversations.

Discontinue MUPTE: The council could terminate MUPTE, which would remove any future development incentive for multi-unit housing projects within the specified area. The council has suspended the program through July 2014 to provide time to consider modifications to the program. The FIT analysis on this topic is included in Attachment A.

***Staff Recommendation:** Terminating MUPTE would not provide any new revenue to the General Fund. Current exemptions cannot be terminated for budget reasons and projects must demonstrate they would not have been built but for the benefit of the tax exemption. Staff recommends taking this off the list of potential FY15 budget balancing solutions.*

Transient Room Tax: The council could increase the transient room tax (TRT) and use a maximum of 30 percent of the increase for General Fund purposes. The FIT analysis for this item is included in Attachment B. The FIT group expressed concern about the impact of an increase on the homeless population.

***Staff Recommendation:** Refer this item to the Revenue Team.*

Riverfront Urban Renewal District: The council could terminate the Riverfront Urban Renewal District to free up about \$360,000 of General Fund property taxes ongoing and some one-time money from returning tax increment dollars to the overlapping taxing districts. The FIT analysis for this item is included in Attachment C.

***Staff Recommendation:** Staff recommends that this item should not be considered for balancing the FY15 budget as there are council policy conversations about the use of the urban renewal dollars that should occur prior to making this decision. The council will have discussions about redevelopment of the EWEB site and the role that Riverfront URA dollars could play in that project in the upcoming months. Attachment D includes information provided to the FIT about potential EWEB site development.*

Capital Improvements Funded with Bonds: The council could decide whether to fund capital improvements with voter-approved General Obligation Bonds, which would provide additional revenues to pay for those improvements. The council could fund capital improvements with bonds paid from existing revenues, which would free up dollars that could be used for other purposes. Either approach is a limited-term solution and would result in fewer dollars available for capital over time. The FIT analysis on this topic is included in Attachment E.

***Staff Recommendation:** This is a short-term solution and will result in added costs to either taxpayers or the General Fund. Staff recommends not moving forward with this idea to balance the FY15 budget.*

Use Parking Funds to Solve Budget Gap: To generate additional revenue, parking rates could be increased and more metered spaces could be added to downtown and campus areas, or the downtown parking program could be eliminated. The increased parking revenue could then be added to the existing transfer from the Parking Fund to the General Fund. See Attachment F for the FIT information on this item. The FIT group indicated that the Parking Fund has substantial capital needs that remain unfunded and suggested that those needs should be met first before adding more to the General Fund contribution.

***Staff Recommendation:** Staff recommends that the General Fund should not rely on additional Parking Fund transfers for additional revenue in the FY15 budget. The existing contribution from parking is substantial at about \$2 million. During the past two fiscal years, the Parking Fund has been unable to transfer the full amount budgeted to the General Fund, falling short by \$560,000 in FY12 and \$430,000 in FY13. If free parking downtown is eliminated, that may help the Parking Fund meet its existing commitment to the General Fund, but would not provide dollars to increase the contribution.*

New Revenue Items: The parking lot includes a couple of new revenue items. They include a business license fee and a bike registration or licensing fee.

***Staff Recommendation:** Refer these items to the Revenue Team.*

RELATED CITY POLICIES

Balancing the FY15 budget falls under the Council Goal of “Fair, Stable and Adequate Financial Resources.”

COUNCIL OPTIONS

The council may accept the City Manager’s recommendation or determine to take a different action on any of the outstanding FY15 budget items.

CITY MANAGER’S RECOMMENDATION

The City Manager recommends moving forward as outlined in the “Background” section with each

of the outstanding items.

SUGGESTED MOTION

None.

ATTACHMENTS

- A. FIT Analysis: Discontinue MUPTE
- B. FIT Analysis: Increase Transient Room Tax
- C. FIT Analysis: Terminate Urban Renewal Districts
- D. FIT Analysis: Develop EWEB Site
- E. FIT Analysis: Capital Improvements Funded with Bonds
- F. FIT Analysis: Increase Parking Funds to Solve Budget Gap

FOR MORE INFORMATION

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