



Staff Report

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Date: 4/15/2019

Item #: 2.a.

TO: Mayor and City Council

FROM: Steve Powers, City Manager

SUBJECT:

Fiscally Sustainable City Services

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance

ISSUE:

Sustainable Services Revenue Task Force recommendations.

RECOMMENDATION:

Information only.

SUMMARY:

The Sustainable Services Revenue Task Force developed recommendations for three new revenue sources (Attachment 1 to this report). The task force recommendations focus on fiscally sustainable services in the City's General Fund and Transportation Fund. Without changes to revenues or expenditures, the City will be unable to sustain services such as Police, Fire, Library, Neighborhood Services, Parks and other services funded by property taxes and general revenues. The City will not have enough resources to continue doing what is currently provided to the community.

The April 15 work session provides City Council an opportunity to review the recommendations, engage in discussion with task force members, and consider the next phase of work for implementing any new revenue options. The work session will include the Sustainable Services Revenue Task Force recommendation report and brief presentations by task force members. To improve the City's fiscal health, there are big decisions ahead for City Council and the community. The Sustainable Services Revenue Task Force's work and recommendations launch this imperative discussion.

FACTS AND FINDINGS:

The Sustainable Services Revenue Task Force, 14 members with diverse interests in the City's services and fiscal health, was charged with reviewing and recommending revenue sources that could close a gap between revenues and expenditures in the General Fund. The task force was asked to recommend a source or sources through filters of adequacy, equity, and feasibility. The target range provided to the task force was \$6 to \$8 million. The gap is anticipated to grow in future years.

What has the City done in response to the fiscal challenge? The City has continued to fine-tune and improve services and reduce costs, moving some resources to new needs along the way. To be good stewards of the public resources, the City is using technology in new ways and changing the ways services are provided, using more energy efficient products, charging for services that make sense, and engaging volunteers and foundations to support community needs.

Despite these efforts, the City's financial health is at risk. One way to measure financial health and a clear indicator of the imbalance between revenues and expenditures is the amount left over each year after "the bills are paid." That amount-called working capital or a rainy day fund-is declining in the General Fund. Without changes to the services provided to the community or in revenue sources, the City's General Fund working capital will be gone by June 30, 2022.

BACKGROUND:

Why are revenues and expenditures misaligned? The imbalance between revenues and expenses has been an ongoing challenge for cities and is rooted in property tax limitation measures of the early 1990s. Revenues from property taxes are disconnected from population growth and development in Oregon cities.

Another contributor is City services are delivered by City employees. The country and Oregon are in the hottest job market in 50 years, causing a need for the City to offer competitive compensation to attract and retain employees. PERS expenses is a well-publicized contributor to increasing costs as well.

Service demands are increasing. As more people move here, and as more property development occurs to support a growing population, the City continues to provide public safety, parks and library, and planning and development services to our neighborhoods. To address increasing and changing demand, the City has stepped in to fill gaps in the community. In the 2017 Strategic Plan, residents looked to the City to do more to provide affordable housing and serve the homeless in our community. Traditionally, this valuable work has been outside the City's core service areas. This continuing commitment, in addition to ongoing services, outpaces available funding.

The City made changes in 2009 to align services with the drop in revenues from the recession, and made further changes again in 2013. The City closed two fire stations, reduced library hours, reduced recreation services and support to neighborhoods. Since that time, two fire stations have re-opened, and the City continues to offer many services the community expects and values.

Information is available on the City's website at the Sustainable Services Revenue Task Force page.

Additional information that will be available for the work session:

- Task force charter
- Revenue options summary with total vote and prioritization by the task force
- Revenue white papers
- Timeline for implementation for voter referral or city council-enacted

Attachments:

1. Sustainable Services Revenue Task Force Report and Attachments