

ROUGHLY EDITED TRANSCRIPT
CITY OF EUGENE
WORK SESSION
MAY 11, 2026
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>> GOOD EVENING AND WELCOME TO THE MAY 11TH 2,026 CITY COUNCIL WORK SESSION, THANK YOU FOR JOINING US IN THIS HYBRID MEETING FORMAT.

FOR WORK SESSIONS THERE IS NO OPPORTUNITY FOR PUBLIC COMMENT AND THOSE WISHING TO ACCESS THE MEETING CAN DO SO BY WATCHING THE LIVE STREAM AVAILABLE, THE BROADCAST ON COMCAST CHANNEL 21 OR BY CALLING 21 OF THE PROGRAMS LISTED ON THE WEBSITE ON THE WEBCAST AND MEETING MATERIALS PAGE. IN CASE OF A MEDICAL EMERGENCY AN AUTOMATED DEFIBRILLATOR IS LOCATED TO THE LEFT ON THE WEST SIDE OF THE ROOM. IN CASE OF AN EMERGENCY EVACUATION, EMERGENCY EXITS ARE LOCATED THROUGH THE DOUBLE DOORS AND THE DOORS TO THE PATIO CAN BE USED AS NEEDED. THANK YOU AGAIN FOR JOINING US.

I NOW CALL THE MAY 11TH, 2026 WORK SESSION OF THE EUGENE CITY COUNCIL TO ORDER.

I WILL TURN IT OVER TO OUR CITY MANAGER TO INTRODUCE THE FIRST TOPIC WHICH IS A WORK SESSION ON LONG RANGE FINANCIAL PLANNING PROCESS AND STRATEGIC PLAN.

>> THIS IS GOING TO INITIATE A SERIES OF INFORMATIONAL DISCUSSIONS ON A LONG-RANGE PLANNING AND FISCAL STABILITY AND THIS IS IN PREPARATION FOR YOUR TWO-DAY WORKSHOP WHICH WILL BE HELD IN JUNE. TONIGHT SESSION IS GOING TO PROVIDE AN OVERVIEW OF THE FINANCIAL PLANNING PROCESS FROM A LONG-RANGE PERSPECTIVE AND GENERAL FINANCIAL INFORMATION.

I THINK WE CAN TURN IT OVER TO STAFF.

>> GOOD EVENING, MAYOR, COUNCILORS, THE CHIEF FINANCIAL OFFICER, BEFORE WE GET STARTED WITH SIDES I WOULD LIKE TO MAKE AN INTRODUCTION.

NANCY IS JOINING US VIRTUALLY, SHE IS A FACILITATOR THAT WILL HAPPEN FOR THE WORKSHOP AND WILL INTRODUCE HERSELF BEFORE WE GET STARTED.

>> GOOD EVENING, I HOPE YOU CAN HEAR ME, TWYLA, GIVE ME THUMBS UP IF YOU CAN HEAR ME OKAY. WONDERFUL.

I AM NANCY, I AM HAPPY TO BE HERE JOINING VIRTUALLY. THIS WILL BE VIRTUAL BUT I LOOK FORWARD TO SPENDING TIME IN PERSON WITH ALL OF YOU IN JUNE.

I LEAD OUR LOCAL GOVERNMENT STRATEGIC PLANNING AND FACILITATION TEAM AND I BRING A BACKGROUND OF LOCAL GOVERNMENT SERVICE AND ALSO 25 YEARS OF CONSULTING, EXPERIENCE LEADING STRATEGIC PLANNING AS WELL AS GENERAL GOVERNMENT MANAGEMENT, SUPPORT ENGAGEMENTS.

I SPEND A LOT OF TIME WORKING WITH ELECTED BODIES AS WELL AS EXECUTIVE LEADERSHIP TEAMS ON STRATEGIC PLANNING AS WELL AS WORK SURROUNDING FINANCIAL SUSTAINABILITY PLANNING, OTHER IMPORTANT EFFORTS THAT INCREASINGLY LOCAL GOVERNMENTS ARE FACING THESE DAYS.

FOR THE PURPOSES OF THE INFORMATIONAL MEETINGS I AM SPENDING TIME BEFORE AND AFTER LISTENING ON THE SESSIONS THEMSELVES TO HELP PLAN AND PREPARE FOR OUR TIME TOGETHER IN JUNE.

THE AGENDA AND OUR SCHEDULE FOR THAT WILL BE TO SPEND CONCENTRATED, IN PERSON TIME TALKING ABOUT STRATEGIES TO ADDRESS THE LONG-TERM FINANCIAL CHALLENGES FACING THE CITY AND HOW TO WEAVE IN THE BENEFIT OF STRATEGIC PLANNING INTO THOSE CONVERSATIONS.

I WILL HAVE THE OPPORTUNITY TO INTERVIEW EACH OF YOU, MAYOR AND COUNCIL MEMBERS AHEAD OF OUR SESSION TOGETHER TO UNDERSTAND WHAT IS GOING TO BE BENEFICIAL AND MAKE OUR TIME TOGETHER MOST PRODUCTIVE.

I AM LOOKING FORWARD TO HEARING THE CONVERSATION THIS EVENING AS WELL AS THE TWO SUBSEQUENT SESSIONS BEING WITH ALL OF YOU IN JUNE.

I WILL ADD ONE MORE NOW AND TURN IT BACK TO TWYLA TO BRING THE AGENDA FORWARD. THAT IS I AM SUPPORTED BY A TERRIFIC TEAM OF PROFESSIONALS, BOTH FACILITATION EXPERTS AND THOSE WITH EXTENSIVE BACKGROUND EXPERIENCE ASSISTING LOCAL GOVERNMENT ORGANIZATIONS WITH BUDGET AND FINANCIAL STRATEGIES IN THE LOCAL GOVERNMENT, DIRECT SERVICE ARENA AND CONSULTANTS AS PART OF OUR TEAM.

WE HAVE A STRONG TEAM TO SUPPORT YOU THROUGH THIS PROCESS AND APPRECIATE THE OPPORTUNITY TO BE HERE.

THANK YOU SO MUCH.

>> WITH THAT, AS YOU CAN SEE, WE HAVE QUITE A LARGE SLIDE DECK TO GET THROUGH SO WE WILL GO FAIRLY QUICKLY.

WE WILL GET STARTED. WE HAVE DONE INTRODUCTIONS.

I WILL TALK ABOUT LONG RANGE FINANCIAL PLANNING PROCESS FROM A HIGH LEVEL TO GIVE YOU AN OVERVIEW.

GREAT STEAL IS HERE TO TALK ABOUT OUR GENERAL FINANCIAL CONDITION AND WHY WE ARE HERE AT THIS POINT IN TIME.

I WILL LOOP BACK TO TALK INDIVIDUALLY ABOUT THE ELEMENTS OF LONG-RANGE FINANCIAL PLANNING BEFORE WE WRAP THINGS UP AND WE HOPE TO HAVE QUITE A BIT OF TIME TO SPEND WITH YOU FOR QUESTIONS AND CONVERSATION.

TODAY'S OBJECTIVES ARE TO PROVIDE A COMMON UNDERSTANDING OF OUR LONG-RANGE FINANCIAL PLANNING PROCESS.

AND AS YOU LISTEN TO THE PROCESS WE ARE ALIGNING, IF YOU HAVE ADDITIONAL INFORMATION THAT IS HELPFUL TO INFORM OUR PROCESS AND THE WORKSHOP AS WE GO FORWARD, YOU CAN SHARE THAT WITH US, YOU CAN SHARE THAT WITH NANCY AS YOU HAVE YOUR INDIVIDUAL INTERVIEWS.

WE WILL START BY TALKING ABOUT THE PROCESS.

LONG-RANGE FINANCIAL PLANNING IS A PROCESS USED TO FOCUS THE ORGANIZATION ON LONG-TERM OBJECTIVES. IT IS A PROCESS WITH MANY COMPONENTS THAT WORK TOGETHER TO CREATE A STRUCTURE, UNDERSTAND THE CURRENT FINANCIAL LANDSCAPE, CHANGE NEEDS AND SOLUTIONS AS WE LOOK TO THE FUTURE. THE LONG-TERM GOAL IS TO BE IN A MORE PROACTIVE STATE RATHER THAN REACTIVE AND DEVELOP FLEXIBILITY AND RESILIENCY TO ACHIEVE FISCAL STABILITY OVER THE LONG TERM.

OUR ORGANIZATION, MANY OF THESE COMPONENTS WERE DOING AND HAVE BEEN DOING FOR MANY YEARS.

IT IS EMBEDDED IN WHAT WE DO. WE HAVE MADE ADDITIONAL STRIDES IN THE LAST FEW YEARS AS WE HAVE DEVELOPED A STRATEGIC PLAN FOR THE ORGANIZATION AND DEVELOPED A BIENNIAL BUDGET PROCESS.

COUNCILS PROCESS WITH LONG-RANGE FINANCIAL PLANNING WILL CONTINUE TO BUILD ON THIS WORK TO CREATE AN ONGOING LONG-RANGE FINANCIAL PLANNING FRAMEWORK TO BE USED IN ANY WAY WITH COUNCIL AND STAFF AS WE DEVELOP THE BUDGET AND HAVE BUDGET CONVERSATIONS AND WITH ITEMS COMING BEFORE COUNCIL FOR CONSIDERATION AND ACTION IN THE FUTURE.

THIS IS OUR TIMELINE AS WE LOOK INTO THE PROCESS COMING INTO THE SUMMER.

THIS EVENING IS THE FIRST OF THREE INFORMATIONAL SESSIONS TO SHARE INFORMATION AND SET THE FOUNDATION FOR YOU AS WE COME INTO YOUR WORKSHOP JUNE 30TH AND JULY 1ST.

YOU HAVE HELD SPACE FOR A WORK SESSION JULY 13TH RELATED TO THE STRATEGIC PLAN AS WE COME OUT OF YOUR WORKSHOP SPACE.

STAFF WILL BRING INFORMATION ON FINANCIAL POLICIES, A DRAFT SERVICE PRIORITIZATION FRAMEWORK AND AN UPDATE ON OUR FINANCIAL CONDITION IN OUR THREE INFORMATIONAL SESSIONS.

THE OUTCOME OF THE FIRST PHASE OF THIS CONVERSATION AND THEN REFINEMENT WITH COUNCIL WILL BE TO INFORM THE BUDGET DEVELOP MEANT PROCESS AS WE DEVELOP THE 2027, 2029 BIENNIAL BUDGET WHICH WILL BEGIN AS WE ENTER SUMMER INTO THE FALL.

THERE IS ALSO A REMINDER, THOSE OF YOU WHO HAD COUNCIL CONVERSATIONS OR BUDGET CONVERSATIONS IN THE LAST CYCLE, THERE WAS DIRECTION TO PREPARE A COUNCIL WORKSHOP AND ESTABLISH AN AD HOC FISCAL STABILITY ADVISORY COMMITTEE.

THE MEMBERS OF THE BUSINESS AND CIVIC COMMUNITY INVITED TO LEARN ABOUT CITY FINANCES AND OPERATIONS AND PROVIDE RECOMMENDATIONS AND ADVICE TO THE CITY MANAGER.

LAST FALL THEY PRESENTED THE FINAL REPORT TO COUNCIL IN FEBRUARY, THE REPORT CONTAINS MANY SHORT, MID AND LONG-TERM STRATEGIES FOR THE ORGANIZATION TO CONSIDER.

AND MANY OF THE THEMES FROM THE RECOMMENDATIONS ARE THINGS THE ORGANIZATION IS THINKING ABOUT AND WILL BE WOVEN THROUGH THIS LONG-RANGE FINANCIAL PLANNING PROCESS AS THERE IS A DIRECT TIE BETWEEN SOME OF THOSE RECOMMENDATIONS AND THE WORK.

THIS IS KIND OF THE PATH TO HOW WE GOT HERE IF WE LOOK BACK TO FY 24, THE CITY SWITCHED FROM AN ANNUAL BUDGET PROCESS TO A BIENNIAL BUDGET PROCESS LAST BIENNIUM THAT STARTED IN FY 24.

AS PART OF THE LAST BUDGET GENERAL FUND STRATEGIES OF OVER \$30 MILLION WERE IMPLEMENTED IN THE BIENNIUM TO ADDRESS THE GAP THAT WAS THERE.

WE WILL TALK ABOUT THE GAP AND DRIVERS IN A MOMENT.

COMING OUT OF THE BUDGET PROCESS A REVENUE ADVISOR TEAM WAS FORMED AND INCLUDED COUNSELORS, BUDGET MANY MEMBERS AND COMMITTEE MEMBERS.

THIS WAS TO LEARN ABOUT FINANCIAL AND FUNDING ISSUES FACING THE CITY, PROVIDE ADVICE AND COMMUNITY PERSPECTIVE TO THE CITY MANAGER IN RELATION TO NEW REVENUE.

THIS ADVICE WAS INCORPORATED INTO FUTURE BUDGET PROCESSES THROUGHOUT THE TIMELINE.

AS WE DEVELOP THE 25-27 BIENNIAL BUDGET, \$11.5 MILLION WAS PRESENT IN THE GENERAL FUND.

WHICH WAS ADDRESSED WITH A COMBINATION OF STRATEGIES INCLUDING REVENUE AND FOR THE REDUCTION.

THROUGH ALL THOSE CONVERSATIONS IN THE LAST BIENNIUM, THERE WAS INTEREST IN MANY OF THE ELEMENTS OF LONG-RANGE FINANCIAL PLANNING AS PART OF THOSE CONVERSATIONS.

THEY WERE EXPRESSED THROUGH THE CREATION OF THE COUNCIL WORKSHOP AND THE CREATION OF TAG.

NOW THAT WE ARE COMING INTO JUNE, WE ARE COMING TO THE END OF THE FIRST FISCAL YEAR OF THE BIENNIUM.

WE ARE ABOUT TO ENTER THE SECOND YEAR WITH FOUNDATIONAL WORK TO ESTABLISH ARE MORE ROBUST, LONG RANGE FINANCIAL PLANNING PROCESS AS WE LOOK TO THE FUTURE.

I REFERENCED PHASE 1, I THINK OF THIS WORK AS FOUNDATIONAL.

A FOUNDATIONAL PROCESS FOR COUNCIL AND THE ORGANIZATION AS WE TAKE EXISTING PRACTICES CONNECT AND VIEW THE PIECES TO DEVELOP A NEW APPROACH FOR OUR ORGANIZATION.

IN RELATION TO LONG-RANGE FINANCIAL PLANNING. THIS WILL BE A LARGER LIFT AS WE THINK ABOUT THE WORK OVER THE NEXT YEAR

BUT THE INTENT IS TO DEVELOP A PROCESS WE CAN USE WITH COUNCIL AND THE ORGANIZATION AS WE LOOK TOWARD [AUDIO ISSUES]. PHASE 1 IS THE WORK I HAVE TOUCHED ON, THE INFORMATIONAL WORK SESSIONS AND YOUR COUNCIL WORKSHOPS.

KEY OUTCOMES WOULD INCLUDE A SERVICE PRIORITIZATION FRAMEWORK AND STRATEGIC PLAN ALIGNMENT TO HELP INFORM THE BUDGET PROCESS.

SEPTEMBER TO DECEMBER, THIS WOULD BE TAKING A MORE HOLISTIC REVISION OF THE FINANCIAL POLICIES TO THE BUDGET COMMITTEE, WHO HAS A ROLE TO PROVIDE FEEDBACK AND COUNCIL WOULD ADOPT FINANCIAL POLICIES WITH THE SUPPLEMENTAL BUDGET. PHASE 1 AND PHASE 2 ARE NEW, THEY ARE DIFFERENT THAN OUR TYPICAL PROCESS WE HAVE DONE IN THE PAST AND THESE ARE THOSE FOUNDATIONAL PIECES THAT WE ARE TRYING TO SET.

AS WE THINK ABOUT THE ELEMENTS OF LONG-RANGE FINANCIAL PLANNING.

IF WE LOOK TO PHASE 3, PHASE 3 AND WHAT IS SHOWN IS THE REGULAR CYCLE IN APRIL THROUGH JUNE. THIS SHOWS OUR TYPICAL BUDGET DEVELOPMENT CYCLE.

THIS WILL BE A CAPITAL IMPROVEMENT PROGRAM YEAR SO IN A TYPICAL YEAR IN FEBRUARY THE BUDGET COMMITTEE RECEIVES THE PROGRAM, MAKES RECOMMENDATIONS TO COUNSEL, COUNCIL ADOPTS THE CIP IN MARCH, THE CITY MANAGER PRESENTS HER PROPOSED BUDGET AT THE END OF APRIL AND BUDGET COMMITTEE REVIEWS AND MAKES RECOMMENDATIONS.

WITH THE CITY COUNCIL ADOPTING THE BUDGET YOU NEED TO ADOPT YOUR BUDGET BY THE END OF JUNE [AUDIO ISSUES] AS SHOWN HERE THIS IS SHOWING OUR TYPICAL CYCLE AND AS WE WORK THROUGH

THIS PROCESS WITH YOU AND UNDERSTAND OUR FINANCIAL
CONDITION AND LOOK TO THE FUTURE THIS MAY CHANGE.

[AUDIO ISSUES] WE WILL WORK WITH YOU THROUGH THE PROCESS TO
UNDERSTAND IF THE PROCESS WILL LOOK DIFFERENT.

THIS IS THINKING ABOUT MOVING INTO OUR REGULAR RHYTHM WITH
COUNCIL WITH THESE ELEMENTS.

I WILL TALK ABOUT ALL THE PIECES OF LONG-RANGE FINANCIAL
PLANNING, YOU CAN SEE THE PUZZLE PIECES BUT THE IDEA WOULD BE
WE WOULD GET INTO A RATHER CYCLE WITH PLAN DEVELOPMENT AND
REVIEW IN THE BUDGET AND ONE OPTION YOU HAVE A REGULAR
COUNCIL WORKSHOP IN THE MIDPOINT OF THE BIENNIUM TO TIE IN
WITH THE PLAN, IT WOULD PROBABLY LOOK DIFFERENT THAN THE
FIRST INAUGURAL YEAR BUT IT COULD BE A RHYTHM THE COUNCIL
GETS INTO AND TRY TO CONNECT THE PIECES [AUDIO ISSUES].

WITHOUT I WILL TURN THINGS OVER TO MAURIZIO.

>> THANKS, GOOD EVENING.

MY NAME IS MAURIZIO, I WILL BE HERE PROVIDING AN OVERVIEW OF
SOME OF THE FINANCIAL CHALLENGES THE CITY HAS EXPERIENCED IN
THE GENERAL FUND.

MOST OF THE MATERIAL I WILL PRESENT YOU HAVE SEEN BEFORE. I
WILL TRY TO GET THROUGH IT QUICKLY.

WE ARE INCLUDING IT TO PROVIDE A BACKGROUND OF INFORMATION ABOUT WHY WE ARE HERE, FOR EDUCATIONAL PURPOSES FOR THOSE IN THE AUDIENCE THAT MAY BE TUNING INTO THIS CONVERSATION.

LET'S START WITH A QUICK LOOK AT THE 2025-2027 ADOPTED BUDGET ACROSS ALL CITY FUNDS.

THE NON-DEPARTMENTAL CATEGORY CONSISTS OF BALANCE AVAILABLE RESERVES, TRANSFERS AND DEBT SERVICE.

THE REMAINDER OF THE BUDGET IS MADE UP OF CAPITAL PROJECTS, OPERATING EXPENSES BROKEN OUT BETWEEN THE SIX CITY DEPARTMENTS.

WE HAVE A TOTAL OF 35 REPORTING FUNDS BETWEEN EUGENE AND THE URBAN RENEWAL AGENCY.

THE GENERAL FUNDS IF YOU LOOK ON THE LEFT OF THE GRAPHIC THE GENERAL FUNDS INCLUDE THREE SUB FUNDS.

THE MAIN SUB FUND OF THE GENERAL FUND REPRESENTS THE TRUE DISCRETIONARY RESOURCES FOR THE CITY.

AND FOR THE REMAINDER OF MY SLIDES WHEN I AM TALKING ABOUT THE GENERAL FUND, I WILL BE REFERRING TO THE MAIN SUB FUND.

THIS CHART SHOWS THE DEPARTMENT BREAKDOWN OF THE ADOPTED OPERATING BUDGET FOR THE 2025-2027 BIENNIUM.

POLICE MAKES UP THE LARGEST SHARE FOLLOWED BY FIRE AND EMERGENCY SERVICES.

60% OF THE OPERATING BUDGET IS DEDICATED TO PUBLIC SAFETY.

THIS TABLE SHOWS THE RATIO OF EACH DEPARTMENT OPERATING BUDGET IN THE GENERAL FUND VERSUS OTHER FUNDS.

PLEASE HAS THE LARGEST RATIO OF THE OPERATING BUDGET IN THE GENERAL FUND AND PUBLIC WORKS HAS THE SMALLEST.

OVERALL, 36% OF THE CITYWIDE OPERATING BUDGET IS IN THE GENERAL FUND.

AND THE REMAINING 64% IS IN OTHER FUNDS.

THE GENERAL FUND HAS EXPERIENCED A LONG TIME STRUCTURAL IMBALANCE CAUSED BY REVENUE GROWTH NOT KEEPING PACE WITH EXPENDITURE GROWTH.

THE KEY DRIVERS ARE SHOWN HERE AND I WILL TALK ABOUT THESE CHALLENGES IN MORE DETAIL A LITTLE BIT LATER.

WE HAVE TAKEN SIGNIFICANT STEPS TO BALANCE THE SYSTEM BY IMPLEMENTING BUDGET STRATEGIES IN MOST YEARS AS SHOWN IN THE CHART, GOING BACK TO FISCAL YEAR 10.

THESE STRATEGIES REPRESENT A MIX OF SERVICE REDUCTIONS, EFFICIENCY, REALIGNMENT, WHICH MEANS SERVICE MAY BE TRANSFERRED TO ANOTHER FUND WHERE APPROPRIATE. AND SOME REVENUE INCREASES SUCH AS INCREASED SERVICE FEES.

WHILE MANY OF THE STRATEGIES WERE ONGOING IN NATURE, SOME WERE ONE TIME OR ANOTHER LIMITED DURATION TERMS.

WITH THE STRATEGIES INCLUDED IN THE CURRENT 2025-2027 ADOPTED BUDGET, \$94 MILLION OF TOTAL ADJUSTMENTS WILL BE MADE THROUGH THE END OF THE CURRENT BIENNIUM.

THE LAST TIME I PROVIDED A FINANCIAL CONDITION UPDATE WAS DURING A BUDGET COMMITTEE MEETING IN DECEMBER.

I WANT TO TAKE A MOMENT AND SUMMARIZE HOW THOSE POINT IN TIME ASSUMPTIONS IMPACTED OUR PROJECTED RESERVE FOR REVENUE SHORTFALL TRAJECTORY.

WHAT YOU SEE IS THE RESERVE TARGET AND THE 2025-2027 ADOPTED BUDGET RESERVE FORECAST.

AT THE TIME MEANINGFUL PROGRESS WAS MADE TO INCREASE GENERAL FUND RESERVES NEARLY TO THE TARGET LEVEL AFTER YEARS OF RUNNING WELL BELOW TARGET COMING OUT OF THE PANDEMIC.

A STRUCTURAL INBALANCE STILL EXISTS AND THE RESERVE WAS IN A WORSE POSITION BY DECEMBER.

THE DECEMBER POINT IN TIME ASSUMPTIONS INDICATED A FUTURE ONGOING REDUCTION STRATEGY OF \$2.2 MILLION PER YEAR STARTING IN THE NEXT BIENNIUM WOULD BE NEEDED TO ACHIEVE THE TARGET RESERVE LEVEL AS REFLECTED BY THE GREENLINE.

WE ARE CURRENTLY IN THE PROCESS OF UPDATING THE GENERAL FUND FORECAST AND AS WAS MENTIONED WE ARE COMING BACK IN JUNE WITH A MORE CURRENT FINANCIAL CONDITION OVERVIEW.

BEFORE WE LEAVE THE SIDE, I WANT TO REMIND YOU OF A COUPLE NOTABLE ITEMS AS WE LOOK AROUND OUR SIX-YEAR-TIME HORIZON.

FIRST THE RECENT STORMWATER FEE INCREASE TO FUND PARK SERVICES WILL EXPIRE AFTER SIX YEARS.

ABSENT ANY OTHER ACTION MORE THAN \$5 MILLION PER YEAR OF PARKS EXPENSES WOULD RETURN TO THE GENERAL FUND BETOND THE FORECAST WINDOW.

SECOND, THE LEGISLATURE PASSED A BILL IN 2024 THAT ESTABLISHES A NEW HAZARDOUS POSITION CLASSIFICATION WHICH WOULD INCLUDE OUR 911 TELE COMMUNICATORS.

THIS CLASSIFICATION WOULD RECEIVE HIGHER BENEFITS AND EARLIER RETIREMENT ELIGIBILITY THAN THE CURRENT GENERAL SERVICE CLASSIFICATION.

THIS LEGISLATION WILL LEAD TO HIGHER CONTRIBUTION RATES BEYOND THE CURRENT FORECAST PERIOD AND CURRENTLY NO ESTIMATE AVAILABLE FOR WHAT THIS COST INCREASE WILL BE.

LET'S TAKE A CLOSER LOOK AT GENERAL FUND REVENUES. THE PIE CHART SHOWS THE TOP THREE REVENUE TYPES ACCOUNT FOR 85% OF GENERAL FUND REVENUES.

PROPERTY TAXES MAKE UP THE LARGEST SHARE BY FAR, 70% AND WE WILL DISCUSS PROPERTY TAXES IN MORE DETAIL OVER THE NEXT BESIDES.

WEB CONTRIBUTIONS IN LIEU OF TAXES IS DERIVED FROM ELECTRIC RETAIL SALES AND DEPENDS ON THE PRICE OF ELECTRICITY AND HOW MUCH IS CONSUMED. SERVICE CHARGES INCLUDE REVENUE FROM VARIOUS SERVICES SUCH AS SWIMMING POOLS, RECREATION FACILITIES, POLICE AND FIRE SERVICES AMONG OTHERS.

THE TABLE ON THE RIGHT SHOWS THE ACTUAL AVERAGE ANNUAL GROWTH OF THESE REVENUES OVER THE LAST SIX FISCAL YEARS FROM FISCAL YEAR 2325.

THE BOTTOM ROW OF THE TABLE SHOWS THE AVERAGE ANNUAL GROWTH ACROSS ALL GENERAL FUND REVENUES OVER THE TIMEFRAME IS 2.8% PER YEAR.

EXCLUDING SIGNIFICANT ONE-TIME FUNDS.

THIS RELATIVELY SLOW GROWTH AND REVENUE COMBINED WITH MUCH FASTER COST INCREASES CONTRIBUTES TO THE GENERAL FUND STRUCTURAL GAP THE CITY CONTINUES TO ADDRESS.

MEASURE FIVE WAS PASSED BY OREGON VOTERS IN 1990.

MEASURE FIVE ADDED RATE BASED LIMITED ON TAXES PAID BY INDIVIDUAL PROPERTIES.

IF EITHER OF THESE TAXES EXCEED THE LIMIT, EACH CORRESPONDING DISTRICT HAS ITS RATE REDUCED UNTIL THE TAX LIMIT IS REACHED.

THIS REDUCTION IN TAXES IS CALLED COMPRESSION AND RESULT IN MILLIONS OF DOLLARS OF LOST REVENUE PER YEAR FOR SCHOOLS AND LOCAL GOVERNMENTS AROUND THE STATE.

FAST-FORWARD TO 1997 AND MEASURE 50 WAS PASSED BY OREGON VOTERS.

EACH DISTRICT PERMANENT TAX RATE PROVIDES CRITICAL OPERATING REVENUE FOR GENERAL FUND SERVICES.

PERMANENT TAX RATES CANNOT BE CHANGED BY ANY ACTION OF THE DISTRICT OR ITS VOTERS AND REMAIN AS THEY WERE SET IN 1997.

MEASURE 50 SEPARATED PROPERTY TAXES FROM REAL MARKET VALUE AND INSTEAD TAXATION BECAME BASED ON A NEWLY CREATED ASSESSED VALUE. FOR EXISTING PROPERTIES ASSESSED VALUE WAS ESTABLISHED BY REDUCING THE REAL MARKET VALUE BY 10%.

FOR NEW CONSTRUCTION AFTER THAT POINT THE ASSESSED VALUE WAS DETERMINED BY THE CHANGE PROPERTY RATIO AND WE WILL TALK ABOUT THAT IN MORE DETAIL IN THE NEXT COUPLE SLIDES.

AFTER THE INITIAL ASSESSED VALUE MEASURE 50 LIMITS THE GROWTH OF THAT ASSESSED VALUE TO JUST 3% PER YEAR.

ONE CONTRIVING FACTOR TOWARDS LOWER ASSESSED VALUE GROWTH OVER THE LAST DECADE IS THE CHANGE PROPERTY RATIO.

CHANGE PROPERTY RATIO IS IMPORTANT BECAUSE IT IS USED TO DETERMINE THE ASSESSED VALUE OF NEW CONSTRUCTION FOR THE FIRST YEAR ON THE TAX ROLL.

THIS SHOWS THE CHANGE PROPERTY RATIO TRENDS FOR THE MOST COMMON PROPERTY TYPES INCLUDING RESIDENTIAL, COMMERCIAL INDUSTRIAL AND MULTIFAMILY HOUSING.

THE RATIOS HAVE BEEN TRENDING DOWN BECAUSE REAL MARKET VALUES HAVE BEEN GROWING FASTER AND ASSESSED VALUES.

ON THE FAR RIGHT SIDE OF THE CHART YOU WILL SEE A LEVELING OFF OR SLIGHT UPTICK OF THE RATIOS BECAUSE REAL MARKET GROWTH HAS SLOWED CONSIDERABLY AS THE REAL ESTATE MARKET COOLS DOWN AFTER SEVERAL YEARS OF SIGNIFICANT PRICE APPRECIATION.

ANOTHER KEY POINT IS LOWER CHANGE PROPERTY RATIOS MEANS IT TAKES MORE NEW CONSTRUCTION VALUE TO GENERATE THE SAME AMOUNT OF TAX REVENUE.

THIS IS HOW MUCH NEW CONSTRUCTION VALUE TOOK IN FY 14 TO GENERATE \$1 MILLION OF GENERAL FUND REVENUE.

FAST-FORWARD TO TODAY AND IT TAKES SIGNIFICANTLY MORE NEW CONSTRUCTION VALUE TO GENERATE THE SAME \$1 MILLION OF TAX REVENUE.

HERE IS A COUPLE RECENT EXAMPLES IN EUGENE TO ILLUSTRATE THE LIMITATIONS CAUSED BY THE CHANGE PROPERTY RATIO.

THESE ARE BOTH NEW, STUDENT HOUSING APARTMENT COMPLEXES THAT JOIN THE TAX ROLL IN FISCAL YEAR 24.

THEY HAVE SIMILAR REAL MARKET VALUE NEAR \$90 MILLION BUT THE INITIAL ASSESSED IS \$36 MILLION AFTER APPLYING THE MULTIFAMILY CHANGE PROPERTY RATIO OF 0.4.

THIS MEANS THAT LOCAL TAXING DISTRICTS WILL RECEIVE PROPERTY TAX REVENUE BASED ON ABOUT 40% OF THE UNITS IN THESE BUILDINGS BUT WILL PROVIDE SERVICES TO ALL UNITS.

LIST CHART SHOWS STATEWIDE MARKET VALUE AND ASSESSED VALUE TRENDS ACROSS OREGON FOR THE PAST FEW DECADES.

THE SOLID BLUE LINE REPRESENTS MARKET VALUE AND THE ORANGE LINE REPRESENTS ASSESSED VALUE.

YOU CAN SEE ONE ASSESSED VALUE WAS INTRODUCED IN 1997 FOLLOWING THE PASSAGE OF MEASURE 50, A CURRENT MARKET TREND IS CAPTURED IN THE BLUE LINE.

HERE YOU CAN SEE A DIP IN PROPERTY VALUES DURING THE GREAT RECESSION AND SINCE THEN PROPERTY VALUES HAVE BEEN INCREASING.

WITH PRICE APPRECIATION ACCELERATING AFTER THE ONSET OF THE PANDEMIC BEFORE LEVELING OFF MORE RECENTLY.

HIGHER PROPERTY MARKET VALUES DO NOT TRANSLATE TO MORE PROPERTY TAX REVENUE.

INSTEAD PROPERTY TAX REVENUE IS LIMITED BY THE LOWER ORANGE LINE WHICH REFLECTS THE 3% ASSESSED VALUE GROWTH LIMIT PLUS NEW CONSTRUCTION.

THIS CHART SHOWS CITY OF EUGENE TAX VALUE OVER THE LAST 20 YEARS SO GIVEN THE GENERAL FUND PERMANENT TAX RATE IS FIXED,

GROWTH AND PROPERTY TAX REVENUE COMES FROM GROWTH AND TAXABLE ASSESSED VALUE.

ALTHOUGH THE ANNUAL GROWTH HAS REMAINED STEADY AT ABOUT 3.8%, IT IS IMPORTANT TO NOTE THE LAST TWO YEARS INCLUDED SIGNIFICANT EVENTS THAT MATERIALLY IMPACTED THE GROWTH RATE.

THIS INCLUDES THE FROZEN BASE INCREASE LAST YEAR AND THE EXPIRATION OF A SIGNIFICANT TAX EXEMPTION THIS YEAR.

WITHOUT THESE EVENTS THE ANNUAL GROWTH RATE WOULD HAVE BEEN 3.4 AND 3.5% OVER THE LAST TWO YEARS AS INDICATED BY THE DOTTED ORANGE LINE ON THE FAR RIGHT SIDE OF THE CHART.

THE OUT YEARS OF THE GENERAL FUND FORECAST ASSUMED 3.5% ANNUAL GROWTH AND TAXABLE ASSESSED VALUE.

HERE IS THE BREAKDOWN OF EACH PROPERTY TAX DOLLAR BY THE MAJORITY OF EUGENE TAXPAYERS, THE CITY OF EUGENE RECEIVES \$0.41 OF EACH DOLLAR.

AND IF WE BREAK DOWN THE \$0.41 SHARE THE MAJORITY SUPPORTS THE GENERAL FUND WHILE THE REMAINDER PROVIDES FUNDING FOR VOTER APPROVED BONDS AND LOCAL OPTION LEVIES.

OREGON LAW ALLOWS FOR TAXABLE PROPERTY EXEMPTIONS AND THIS IS A SUMMARIZED LIST FOR EUGENE. \$4.6 BILLION OF ASSESSED VALUE IS EXEMPTED FROM PROPERTY TAXES.

WHICH IS OVER 18% OF THE ASSESSED VALUES CITYWIDE.

SOME OF THE EXEMPTIONS ARE LOCALLY CONTROLLED AND THESE ARE INDICATED BY THE STARS.

THE MAJORITY OF EXEMPTIONS ARE MANDATED BY STATE STATUTES.

IN A THEORETICAL WORLD IF ALL THIS WAS TAXABLE IT WOULD GENERATE ALMOST \$31 MILLION OF PERMANENT TAX RATE REVENUE PER YEAR FOR THE GENERAL FUND.

I WANT TO POINT OUT THE FIRST ROW OF THE TABLE AT THE TOP INCLUDES THE UNIVERSITY OF OREGON, EUGENE'S LARGEST INDIVIDUAL EXEMPT ENTITY.

THE EXPENSIVE CAMPUS AND PROMINENT SPORTING VENUES INCLUDING HAYWARD FIELD, AND THE STADIUM COVER MORE THAN 400 ACRES.

THE UNIVERSITY OF OREGON ALONE ACCOUNTS FOR MORE THAN 1.6 BILLION DOLLARS OF EXEMPT ASSESSED VALUE.

IF THE AMOUNT WAS TAXABLE IT WOULD GENERATE ABOUT \$11 MILLION PER YEAR FOR EUGENE'S GENERAL FUND.

HERE IS A LOOK AT OUR CURRENT TOP 10 TAXPAYERS. THE RIGHT-HAND COLUMN SHOWS THE PERCENT CHANGE IN ASSESSED VALUE FROM LAST YEAR.

THERE ARE TWO NEW TAXPAYERS ON THE TOP 10 LIST AND THOSE ARE SHOWN IN RED.

THE MOST NOTABLE DROP I WANTED TO POINT OUT IS VALLEY RIVER CENTER MALL THAT CONTINUES ITS MULTIYEAR DECLINE AFTER THEY FILED SUCCESSFUL APPEALS, IT IS WORTH NOTING THE TELECOMMUNICATION COMPANIES ARE ESSENTIALLY ASSESSED BY OREGON AND ARE NOT FOLLOWED BY TYPICAL GROWTH PATTERNS. CENTRAL ASSESSMENT CAN OCCUR IN VOLATILE CHANGES AND ASSESSED VALUES FROM YEAR TO YEAR.

LET'S SWITCH GEARS AND TALK ABOUT GENERAL FUND EXPENSES.

THIS SHOWS PERSONAL COSTS MAKE UP THE LARGEST SHARE OF GENERAL FUND EXPENSES.

FOLLOWED BY MATERIALS AND SERVICES AND NON-DEPARTMENTAL EXPENSES WHICH ARE PRIMARILY TRANSFERS OUT TO OTHER FUNDS.

'S TABLE ON THE RIGHT SHOWS THE ACTUAL AVERAGE ANNUAL GROWTH OF THESE EXPENSES OVER THE LAST SIX FISCAL YEARS FROM FY 20 THROUGH FY 25. THE SAME AS THE REVENUE CHART WE SAW EARLIER.

THE AVERAGE ANNUAL GROWTH OF ALL THE EXPENSES OVER THAT TIMEFRAME IS 2.4% PER YEAR.

EXCLUDING EXPENDITURES OF SIGNIFICANT ONE-TIME FUNDS.

THIS IS COMPARED TO THE ANNUAL AVERAGE OF 2.8% WE SUFFER REVENUE A FEW SLIDES BACK.

IT'S IMPORTANT TO NOTE THESE ARE ACTUAL SO THE EXPENSE GROWTH RATE REFLECTS THE STRATEGIES IMPLEMENTED DURING THIS TIME ESPECIALLY THE MORE THAN \$30 MILLION OF REDUCTIONS,

EFFICIENCIES AND OTHER STRATEGIES IMPLEMENTED DURING THE PREVIOUS BIENNIUM.

WITHOUT THE BUDGET STRATEGIES GROWTH WOULD HAVE BEEN MUCH HIGHER THAN WHAT COULD BE SUSTAINED BY GENERAL FUND REVENUE.

ACTIVELY MANAGING EXPENSE GROWTH TO A LEVEL LESS THAN THE REVENUE GROWTH HAS ALLOWED THE CITY TO INCREASE RESERVE LEVELS MORE RECENTLY AFTER DRAWING DOWN RESERVES DURING THE PANDEMIC.

THE AVERAGE ANNUAL GROWTH RATE OF 2.4% EXCLUDES EXPENDITURES OF SIGNIFICANT ONE-TIME FUNDS IN ORDER TO PROVIDE APPLES TO APPLES COMPARISON WITH THE REVENUE.

THESE ONE-TIME DOLLARS WERE ALLOCATED TO HIGH-PRIORITY NEEDS AND DID NOT HAVE OTHER FUNDING SOURCES.

INCLUDING THESE EXPENSES PROVIDES A BETTER PICTURE OF ONGOING SERVICE-LEVEL NEEDS.

IF WE INCLUDE EXPENDITURES FROM THESE ONE-TIME FUNDS THE AVERAGE GROWTH RATE INCREASES TO 3.5% AND THIS WOULD NOT BE SUSTAINABLE GIVEN THE LIMITED GROWTH OF GENERAL FUND ONGOING REVENUES.

INFLATION HAS BEEN A SIGNIFICANT GENERAL FUND COST DRIVER COMING OUT OF THE PANDEMIC WITH THE HIGHEST INFLATION RATES WE HAVE SEEN AND DECADES.

HIGHER INFLATION PUTS UPWARD PRESSURE ON WAGES AND INCREASES THE COST OF MATERIALS AND SERVICES.

WHILE THE PACE OF INFLATION HAS SLOWED CONSIDERABLY LINGERING PRICE PRESSURES REMAIN CONSISTENT.

THE MOST RECENT INFLATION FORECASTS WAS RELEASED BY THE OREGON CHIEF ECONOMIST FOR THE CURRENT GLOBAL EVENTS BEGAN TO UNFOLD AND THE NEXT QUARTERLY FORECAST IS SCHEDULED TO BE RELEASED NEXT WEEK, MAY 20TH.

PERS IS THE PUBLIC EMPLOYEE RETIREMENT SYSTEM, A PENSION PLAN FOR PUBLIC EMPLOYERS.

OREGON LEGISLATURE CREATES THE PENSION PLAN, THE OREGON INVESTMENT COUNCIL INVEST THE ASSETS AND THE PERS BOARD SETS THE RATES EMPLOYERS MUST PAY. THE CITY DOES NOT DETERMINE THE BENEFITS OR COST AND DUE TO PREVIOUS LAWSUITS AND COURT RULINGS THE ABILITY TO AFFECT SYSTEM COST HAS BEEN LIMITED.

THE CHART SHOWS NEARLY 70% OF THE COST IS DUE TO MEMBERS WHO ARE ALREADY RETIRED OR NO LONGER WORKING FOR A PERS EMPLOYER. THEY HAVE EARNED BENEFITS AND THE COURTS HAVE SAID THE BENEFITS CANNOT BE REDUCED RETROACTIVELY.

CITY EMPLOYEES HIRED AFTER 2003 FALL WITHIN THE PROGRAM WHOSE ACTIVE MEMBERS COMPRISE 14% OF THE SYSTEM LIABILITIES.

THIS CHART SHOWS FUNDING COMES MOSTLY FROM INVESTMENT EARNINGS.

EMPLOYER AND EMPLOYEE CONTRIBUTIONS MAKE UP 27% OF THE SYSTEM FUNDING.

GIVEN THE INVESTMENT EARNINGS MAKE UP A LARGE SHARE OF THE FUNDING THE INVESTMENT RATE OF RETURN CAN HAVE A SIGNIFICANT IMPACT.

WHEN THE ACTUAL INVESTMENT RETURNS FALL SHORT OF THE ASSUMED RATE, EMPLOYER CONTRIBUTION RATES ARE INCREASED TO MAKE UP THE DIFFERENCE.

THIS IS A NEW CHART, THIS SHOWS ACTUAL EXPENDITURES OVER THE LAST 10 YEARS PLUS THE FORECAST FOR THE CURRENT BIENNIUM.

THE DARKER BLUE PORTION REPRESENT THE GENERAL FUND AND THE LIGHTER BLUE PORTION REPRESENT ALL OTHER FUNDS.

CITYWIDE EXPENDITURES HAVE NEARLY TRIPLED OVER THE TIMEFRAME DUE TO STEEP EMPLOYER CONTRIBUTION RATE INCREASES WHICH HAVE FAR EXCEEDED TYPICAL INFLATION.

I WILL WRAP UP MY PART OF THE PRESENTATION WITH A LOOK AT HOW THESE CHALLENGES HAVE IMPACTED CITY STAFFING LEVELS. IN THE GENERAL FUND FTE PER 1000 POPULATION HAS CONTINUOUSLY DECLINED AS BUDGET STRATEGIES HAVE BEEN IMPLEMENTED OVER TIME. WE HAVE A LOWER RATIO OF GENERAL FUND EMPLOYEES PROVIDING SERVICES TO A GROWING EUGENE POPULATION.

SOME GENERAL FUND FTE HAVE BEEN TRANSFERRED TO OTHER FUNDS BUT THE MAJORITY HAS BEEN THE REMOVAL OF POSITIONS.

IF WE GO BACK FURTHER TO FISCAL YEAR 88, THE GENERAL FUND STAFFED 7.5 PER 1000 POPULATION.

CURRENT LEVEL IS JUST 4.4.

AND LASTLY HERE IS A LOOK AT THE CITYWIDE FTE PER 1000 POPULATION OVER THE SAME TIME PERIOD.

SHOWING TOTAL FTE ACROSS ALL FUNDS.

THE TREND HAS REMAINED LARGELY FLAT FOLLOWING SECTION AREA REDUCTIONS, MORE RECENT INCREASES ARE PRIMARILY DUE TO NON-GENERAL FUNDS SUCH AS THE FTE ADDED WITH THE COMMUNITY SAFETY PAYROLL TAX.

GOING BACK TO FY 88 THE CITYWIDE FOOTPRINT USED TO BE 10.3 PER 1000 POPULATION.

AND NOW THE CURRENT FOOTPRINT IS 9.4.

WITHOUT I WILL HAND IT BACK TO TWYLA TO CONTINUE DISCUSSING LONG-RANGE FINANCIAL PLANNING.

>> THIS IS THE LAST PART OF THE PRESENTATION BEFORE WE OPEN THINGS UP FOR CONVERSATION.

I AM GOING TO WALK THROUGH EACH OF THESE COMPONENTS OF LONG-RANGE FINANCIAL PLANNING BEFORE WE OPEN IT UP FOR QUESTIONS.

AS YOU CAN SEE THERE WILL BE A SLIDE FOR EACH ELEMENT, THIS WILL SHOW WHAT IT IS, WHAT THE COUNCIL ROLE IS, WHY IT MATTERS IN THIS CONTEXT AND HOW THE ELEMENT GUIDES ORGANIZATIONAL DECISIONS [AUDIO ISSUES].

WITH THE STRATEGIC PLAN THE COUNCIL'S ROLE IS TO PROVIDE HIGH-LEVEL POLICY DIRECTION THE STRATEGIC PLAN HAS AN IMPORTANT NEXUS WITH LONG RANGE FINANCIAL PLANNING AS THE CITY CONSIDERS HOW TO BETTER INTEGRATE COUNSEL, COMMUNITY, ORGANIZATIONAL PRIORITIES INTO THE BUDGET DEVELOPMENT PROCESS FOR COUNCIL CONSIDERATION.

THE CITY DEVELOPED ITS FIRST STRATEGIC PLAN [AUDIO ISSUES] TO COVER THE TIME PERIOD FROM 18 23 [AUDIO ISSUES] IS NOT IDEAL WITH THE BUDGET CYCLE AS IT IS OUT OF SYNC AND AS THE NEXT PLAN UPDATE WOULD HAPPEN AFTER THE 2027-2029 BUDGET DEVELOPMENT PROCESS IS COMPLETE.

OUTCOME OF THE PROCESS WITH COUNCIL WOULD BE TO ALIGN THE STRATEGIC PLAN AND BUDGET TIMELINES SO THE TWO PROCESSES CAN INTEGRATE MORE SEAMLESSLY BY EXTENDING THE CURRENT PLAN THROUGH JUNE 30TH.

DISCUSSIONS AND FEEDBACK DURING THE UPCOMING WORK SESSIONS AND WORKSHOP WILL HELP TO INFORM AND AFFIRM STRATEGIC FOCUS OVER IT THE REMAINDER [AUDIO ISSUES].

NEXT WE WILL TALK A LITTLE BIT ABOUT FINANCIAL POLICIES. FINANCIAL POLICIES PROVIDE A CRITICAL FRAMEWORK TO GUIDE THE FINANCIAL MANAGEMENT OF THE ORGANIZATION AND DECISION-MAKING.

THE ROLE IS TO PROVIDE HIGH-LEVEL POLICY DIRECTION AND ADOPT THE POLICY FRAMEWORK.

COUNCIL AND BUDGET COMMITTEES LAST FORMAL REVIEW WAS IN 2007 AND IN RELATION TO OUR DEBT ISSUANCE GUIDELINES.

STAFF HAVE BEEN CONDUCTING A COMPREHENSIVE REVIEW OF FINANCIAL POLICIES AND IDENTIFIED AREAS TO UPDATE RANGING FROM ADMINISTRATIVE UPDATES TO ALIGNING WITH BEST PRACTICES.

FOR MORE INFORMATION THAT WILL BE PROVIDED NEXT WEEK AT THE WORK SESSION.

STAFF EXPECT TO BRING THE MAJORITY OF THE RECOMMENDED UPDATES BACK IN THE FALL SO THE ADMINISTRATIVE UPDATES AND SOME OF THE OTHER PIECES [AUDIO ISSUES] FOCUS YOUR DISCUSSION THIS SUMMER AS WE LOOK AT POLICY [AUDIO ISSUES].

THE NEXT ELEMENT IS SERVICE PRIORITIZATION. WE ARE OFTEN ASKED WHAT DOES THE CITY REQUIRE OR THE CORE SERVICES THE CITY PROVIDES.

HAVING PRIORITIZATION HELPS TO INFORM RESOURCE ALLOCATION WITH POLICY DIRECTION.

STAFF HAVE BEEN DEVELOPING A DRAFT FRAMEWORK FOR COUNCIL CONSIDERATION AND WE HAVE BEEN CONDUCTING RESEARCH ON HOW OTHER JURISDICTION DEFINE SERVICE PRIORITIES IN THEIR ORGANIZATION AND GUIDING DOCUMENTS AND WE WILL BRING THIS BACK AS PART OF YOUR INFORMATIONAL WORK SESSION NEXT WEEK ON FINANCIAL POLICIES AND SERVICE PRIORITIES.

THE NEXT ITEM IS UNFUNDED NEEDS AND EMERGING ISSUES SO UNDERSTANDING UNFUNDED NEEDS AND EMERGING ISSUES IS AN IMPORTANT COMPONENT OF FISCAL STABILITY [AUDIO ISSUES] WHILE THE ORGANIZATION UNDERTAKES THE NEEDS ASSESSMENT TO UNDERSTAND THE SCOPE AND IMPLICATIONS OF FUTURE NEEDS THE ASSESSMENT IS A TOOL FOR EXECUTIVE LEADERSHIP AND DEPARTMENT LEADERSHIP ACROSS THE ORGANIZATION.

BUDGETS ARE DEVELOPED AND POLICY CONVERSATIONS COME BEFORE COUNCIL, WHILE THERE IS NOT A ROLE ITSELF, [AUDIO ISSUES] TO IDENTIFY NEEDS AND MITIGATE RISK. HIGH-LEVEL OVERVIEW RELATED TO UNFUNDED NEEDS WILL BE PART OF THE CONDITION [AUDIO ISSUES] FINANCIAL CONDITIONS SO STAFF REGULARLY BRING COUNCIL UPDATES ON THE FINANCIAL CONDITION THROUGHOUT OUR BUDGET PROCESS AND WE REGULAR DAIRY MONITOR OUR FUNDS AND ECONOMIC INDICATORS AS WE GO THROUGH EACH PART [AUDIO ISSUES] THERE IS NOT A DIRECT ROLE FOR COUNCIL IN THE PROCESS, THE INFORMATION [AUDIO ISSUES] FINANCIAL CONDITION UPDATE . [AUDIO ISSUES] AN UPDATE ON SOME OF OUR DISTRESS FUNDS AS WE LOOK ACROSS THE ORGANIZATION WE WILL BE TALKING ABOUT LIMITED DURATION FUNDS SUCH AS [AUDIO ISSUES] WE WILL WEAVE IN THAT HIGH-LEVEL UNFUNDED NEED ASSESSMENT [AUDIO ISSUES] THEN THERE IS THE BUDGET METHODOLOGY. THIS IS THE APPROACH THE ORGANIZATION USES TO DEVELOP THE BUDGET, ALLOCATE RESOURCES AND MANAGE THROUGH THE BUDGET PERIOD.

THE METHODOLOGY DEFINES HOW THE BUDGET IS BUILT.

WHILE COUNCIL DOES NOT HAVE A DIRECT ROLE IN THE METHODOLOGY THE FRAMEWORK IS USED TO DEVELOP AND COMMUNICATE THE BUDGET FOR DECISION-MAKING.

GENERALLY FOR MANY YEARS THE CITY HAS USED INCREMENTAL BUDGETING OR BASELINE BUDGETING, THIS IS WHERE WE ROLL SERVICES FORWARD, ONGOING SERVICES COME FORWARD EACH

CYCLE, INFLATE AND APPLY OTHER RATE FACTORS TO UNDERSTAND [AUDIO ISSUES] ADDING RESOURCES, REPURCHASING INCREMENTALLY AROUND THE EDGES.

THAT IS THE PROCESS GENERALLY WE HAVE USED.

WE HAVE BEEN DEVELOPING A PROGRAM BASED APPROACH AND THAT IS TO HELP US DEVELOP AND COMMUNICATE SERVICES TO THE COMMUNITY THAT IS MORE TRANSPARENT [AUDIO ISSUES] STAFF HAVE BEEN LOOKING AROUND NOT ONLY OREGON BUT AROUND THE COUNTRY TO UNDERSTAND WHAT OTHER JURISDICTIONS USE THE BUDGET AND ONE THING I WILL SAY IS MOST JURISDICTIONS USE A HYBRID APPROACH, THERE IS NO ONE METHODOLOGY THAT SEEMS TO FIT EVERY ORGANIZATION SO THEY UNDERSTAND WHAT THEIR NEEDS ARE, TRYING TO TAKE THE BEST OF BOTH WORLDS AND USE A HYBRID APPROACH TO DEVELOP WHAT WORKS FOR THEM AS THEY BUDGET AND TIED BUDGET DECISIONS TO STRATEGIC PLANNING SERVICE PRIORITIZATION [AUDIO ISSUES] THE LAST PIECE IS FINANCIAL STRATEGIES.

THESE ARE THE LEVERS WE THINK OF WHEN WE NEED TO MAKE DECISIONS [AUDIO ISSUES] THERE ARE A RANGE OF SHORT, MID AND LONG TERM, THINGS LIKE SERVICE REDUCTIONS, REPURCHASING, NEW REVENUE, BONDS FOR CAPITAL PROJECTS AND AS WE THINK MID AND LONG TERM THERE ARE OTHER LEVERS WE CAN LOOK TO SUCH AS ECONOMIC DEVELOPMENT, TAX REFORM AND ANNEXATION.

THERE IS A FULL RANGE OF POTENTIAL STRATEGIES AS WE LOOK TO THE FUTURE AND STRIVE TOWARDS [AUDIO ISSUES] COUNCIL PROVIDES INPUT AND DIRECTION DEVELOPING STRATEGIES TO ADDRESS SPECIFIC NEEDS [AUDIO ISSUES] THERE WILL BE OPPORTUNITIES AT YOUR WORKSHOP TO TALK ABOUT STRATEGIES AND AS WE GO THROUGH THE PHASES OF THE PROCESS THERE WILL BE TOUCH POINTS AS WE WORK OUT THE FINANCIAL STRATEGIES [AUDIO ISSUES] WE HAVE TALKED A LOT, ALL OF THIS, THE ELEMENTS ARE TO PULL TOGETHER TO THINK ABOUT HOW OUR ORGANIZATION CAN LOOK

TO THE FUTURE [AUDIO ISSUES] DEVELOP A [AUDIO ISSUES] HELP US BE FLEXIBLE AND NIMBLE AS THINGS CHANGE WITH THAT, A QUICK SUMMARY. HERE IS WHAT IS COMING UP IN THE NEXT MONTH OR TWO.

WE WANTED TO LEAVE YOU SOME TIME TO HAVE A CONVERSATION, ASK QUESTIONS ABOUT ANY OF THE INFORMATION YOU HEARD.

LONG RANGE FINANCIAL PLANNING APPROACH AND IF THERE ARE THINGS YOU ARE THINKING ABOUT, WE DIDN'T COVER THAT WOULD BE HELPFUL FOR YOU TO UNDERSTAND [AUDIO ISSUES]

>> THANK YOU FOR THAT PRESENTATION.

YOU TOLD US AT THE BEGINNING WE ARE SEEKING A COMMON UNDERSTANDING AND GIVING US A LOT OF INFORMATION THAT HELPS TO ESTABLISH THAT FOUNDATION SO VERY APPRECIATED.

I WILL OPEN THE FLOOR FOR COUNCIL DISCUSSION.

COUNCILOR CLARK AND COUNCILOR KEATING.

>> WOW, THAT IS A LOT OF INFORMATION. YOU HAD TO HAVE WORKED REALLY HARD TO PUT THAT TOGETHER.

FOR A LONG PERIOD OF TIME, THANK YOU VERY MUCH.

GREAT STEAL, YOU MENTIONED LEGISLATIVE CHANGES TO PERS REQUIREMENTS AROUND 911 CALL TAKERS THAT REQUIRE A DIFFERENT

EXPENDITURE INTO THE FUTURE. WE HAVE TO TAKE ACCOUNT, PLAN, WE HAVE OTHER LEGISLATIVE THINGS THAT APPLY TO US OR REQUIREMENTS THAT COME FROM THE LEGISLATURE.

I WANT TO FIND A BETTER WAY AS A TOOL FOR FINANCIAL PLANNING, I WANT TO FIND A BETTER WAY FOR US TO CALCULATE AND TALK ABOUT AND IF NOBODY ELSE I WANT A BETTER WAY TO TALK ABOUT. FOR EXAMPLE, WE HAVE THE OREGON HOUSING NEEDS ASSESSMENT, TELLS US WE NEED 1600 NEW UNITS A YEAR.

FOR THE NEXT 20 YEARS.

DID I DO THAT MATH RIGHT?

I THINK I DID.

1000 NEW UNITS IN A BROAD CALCULATION TO ME SEEMS LIKE SOMETHING THAT HAS THE POTENTIAL FOR A COUPLE HUNDRED MILLION IN ASSESSED VALUE ADDITION.

I AM USING BROAD AND GENERAL NUMBERS AND I AM ESTIMATING.

I WANT TO BE ABLE TO SAY OKAY, IF WE ARE MEETING OUR REQUIREMENT TO HIT 1600 NEW HOUSING UNITS PER YEAR FOR THE NEXT 20 YEARS, WHAT IS THAT IN LIKELY OR AVERAGE INCREASE IN ASSESSED VALUE AND I WANT TO LOOK AT TOOLS THAT GIVE US THE ABILITY TO PROJECT AND SAY IF WE MADE FROM POLICY DECISIONS WE MIGHT GET AN INCREASE IN THE NUMBER OF TAXPAYERS OR THE TAX BASE ITSELF IN SIZE IN A WAY THAT GIVES US A DIFFERENT BASELINE TO WORK WITH.

I WOULD LOVE TO HAVE FEEDBACK OR THOUGHTS ON HOW WE CAN CREATE THOSE TOOLS FOR US TO ASSESS POLICY DECISIONS.

THOUGHTS ON THAT OFF THE TOP OF YOUR HEAD?

>> THAT IS WHAT THIS FOUNDATIONAL WORK WILL BE TO THINK ABOUT HOW CAN WE HAVE THESE CONVERSATIONS IN A DIFFERENT WAY.

HEARING THINGS, PIECES LIKE THAT ARE VERY HELPFUL WHEN WE THINK ABOUT UNFUNDED NEEDS AND STRATEGIES THAT WE ARE DEVELOPING TO LOOK TO THE FUTURE FOR SHORT AND LONG-TERM WORK.

THAT IS WHAT WE ARE TALKING ABOUT SO I THINK THOSE PIECES WILL BE PART OF THIS BROADER CONVERSATION AND WILL NEED TO BUILD INTO FUTURE CONVERSATION AND PROCESSES AS WE GET INTO THE CYCLICAL FRAMEWORK.

>> I DID A BUNCH OF QUICK BACK OF THE NAPKIN CALCULATIONS WHICH I AM SURE ARE WRONG ACCORDING TO THE WORLD YOU LIVE IN EVERY DAY BUT I LOOKED FOR HOW DO WE GET AN EXTRA 2 MILLION A YEAR ABOVE WHAT WE ARE PROJECTING AND WHAT WOULD IT TAKE IN TERMS OF AN INCREASE TO OUR ASSESSED VALUE OF OUR COMMUNITY AND I SEE IT AS ABOUT 250 MILLION IN INCREASED ASSESSED VALUE . CAN YOU GIVE ME SOME BETTER NUMBERS ABOUT WHAT WOULD 2-3 MILLION IN THE TAX BASE SIZE REQUIRE IN INCREASED VALUE?

>> THE ROUGH NUMBER I CAN GIVE YOU NOW, FOR ASSESSED VALUE IT IS 150 MILLION GIVES YOU \$1 MILLION OF GENERAL FUND REVENUE.

>> THANK YOU TO THE TEAM FOR THE PRESENTATION.

I AM GOING TO WORK BACKWARDS THROUGH THE SLIDES AS THEY JUMPED OUT AT ME.

BEFORE I DO, I THOUGHT MY COLLEAGUE WOULD ASK ABOUT POTENTIAL FOR REVENUE IN REGARDS TO RESIDENTS WHO MAY WANT TO VOLUNTARILY ANNEX WHO LIVE IN EUGENE MAY WANT TO ANNEX INTO THE CITY OF EUGENE. IS THERE ANY PROJECTION OF THAT PARTICULAR LINE ITEM OR REVENUE SOURCE FOR RESIDENTS WHO WANT TO VOLUNTARILY ANNEX?

>> THE CURRENT FORECAST DOES NOT INCLUDE ANY ADDITIONAL ASSUMPTIONS AROUND ADDITIONAL TAX REVENUE FROM ANNEXATION.

>> DO YOU PREDICT THAT TO BE IMPACTFUL OR NEGLIGIBLE OVER THE SHORT TO LONG TERM?

>> BASED ON WHAT I KNOW ABOUT THE NUMBER OF FOLKS WHO HAVE BEEN ANNEXING, THAT IS VERY SMALL. IT IS NEGLIGIBLE.

>> SLIDE 33, THE PERS EXPENDITURE SLIDE, THAT HAS ALMOST DOUBLED SINCE THE TIME WE TOOK OFFICE IN 2021.

IS THAT MASSIVE EXPENDITURES SLATED TO GO DOWN BY EITHER TIER 1 RETIREES, SADLY NO LONGER BEING WITH US OR WILL IT CONTINUE TO GO UP AS BOOMERS ARE RETIRING OUT OF THE WORKFORCE?

>> GREAT QUESTION, I WISH I KNEW THE ANSWER BUT THE SHORT ANSWER IS IT IS A PROJECTION THAT IS A FORECAST BECAUSE MARKET RETURNS MAKE UP A HUGE AMOUNT OF THE RESOURCES IN THE SYSTEM IF THE MARKET CONTINUES TO DO WELL, THE CURRENT FORECAST IS WE ARE NEAR THE PEAK AND IT WILL START LEVELING OFF AND EVENTUALLY A NUMBER OF YEARS DOWN THE ROAD RATES WILL GO DOWN.

BUT 1-3 BAD MARKET YEARS AND THAT WILL OBLITERATE THE EXPECTATION.

IT REALLY, I THINK MY OPINION IS THE NUMBER 1 VARIABLE THAT WILL DRIVE OUR PERS RATE IS WHAT THE MARKET RETURNS DO OVER THE NEXT 5-10 YEARS.

>> SLIDE 27, \$0.41 ON EVERY DOLLAR GOES INTO THE GENERAL FUND WITH REGARDS TO PROPERTY TAX ALLOCATIONS.

WHERE DOES THE CITY OF EUGENE STUCK UP IN COMPARISON TO CITIES OF SALEM, FRESNO, FORT COLLINS, OTHER MUNICIPALITIES THAT HAVE COMPARED TO EUGENE BY OUR CONSULTANT TEAM?

>> I DON'T HAVE THAT INFORMATION OFFHAND, THAT IS AN INTERESTING QUESTION. IT DEPENDS BECAUSE THIS IS VERY SPECIFIC TO OUR MIX OF CITIES AND COUNTIES AND SPECIAL DISTRICTS IN OUR AREA.

EVERYBODY'S RATIO WOULD BE DIFFERENT BASED ON WHAT THE MIX IS WHETHER THE COUNTY HAS A HIGH RATE, WHETHER THEY DON'T WHETHER SPECIAL DISTRICTS, IT'S AN INTERESTING QUESTION. I DON'T KNOW IF IT WOULD YIELD A MEANINGFUL RESULT BECAUSE IT IS SPECIFIC TO AN AREA.

IT DEPENDS ON WHAT THE TAX RATES ARE.

>> HELPFUL, THANK YOU.

SLIDE 24, I WROTE THREE EXPLANATION POINTS BECAUSE THAT IS THE MOST SOBERING AND CLEAR EXPLANATION I HAVE SEEN PERHAPS EVER IN REGARDS TO REAL MARKET VALUE VERSUS ASSESSED VALUE AND THE MONEY WE ARE LEAVING ON THE TABLE BASED ON WHAT OREGON VOTERS DECIDED TO DO BACK IN THE 90S.

SO THANK YOU FOR WHOEVER PUT THAT ILLUMINATING SIDE TOGETHER.

IN REGARDS TO POLICY THAT WE CAN DO, THAT WE CAN ENACT TO BE HELPFUL IN THE LEGISLATURE THERE ARE FISCAL IMPACT STATEMENTS THAT BY LAW HAVE TO BE ATTACHED TO ANY POLICY.

DO YOU SUSPECT AT MEAN IMMISCIBLE LEVEL OR ANY MUNICIPALITIES THAT HAVE A SIMILAR STRUCTURE THAT A FISCAL IMPACT STUDY OR FISCAL IMPACT STATEMENT MUST BE SHARED WITH THE PUBLIC BROADLY WHEN THE GOVERNING BODY DECIDES TO MAKE ANY SORT OF LEGISLATIVE DECISION?

>> WE ARE AWARE OF SPECIFIC JURISDICTIONS, THERE COULD BE SOME THAT DO. I THINK THAT IS A MORE COMMON STATE GOVERNMENT, STATES ACROSS THE COUNTRY WHERE THOSE FISCAL IMPACT STATEMENTS ARE REQUIRED.

WE COULD LOOK TO SEE IF THAT IS REQUIRED BUT I AM NOT -- TO MY KNOWLEDGE, NONE OF THE OTHER JURISDICTIONS I AM AWARE OF HAVE A PROCESS LIKE THAT.

>> WOULD IT BE HELPFUL OR WOULD WE BE CHASING OUR TAIL?

>> I THINK ONE OF THE THINGS WE HAVE BEEN LOOKING AT AS WE DEVELOP AIS, THINKING ABOUT HOW TO WEAVE THOSE COMPONENTS MORE CONSISTENTLY THROUGH AIS MATERIALS WHICH I THINK COULD BE HELPFUL, THAT WOULD BE A DIFFERENT, MORE NARRATIVE FORM AND I AM THINKING OF THE TRADITIONAL FISCAL IMPACT STATEMENT FORMED SO WE HAVE TALKED AS PART OF THE PROCESS, HOW DO WE PULL THE THREAD THROUGH SO PEOPLE UNDERSTAND AND COUNCIL UNDERSTANDS THE IMPACT OF POLICY DECISIONS OR DECISIONS COMING BEFORE COUNSEL. I THINK THERE IS A WAY TO DO THAT POTENTIALLY THROUGH AN AIS WITHOUT CREATING A SEPARATE PROCESS.

>> I WOULD LIKE TO EXPLORE THAT.

REVENUE, DOES THE REVENUE TEAM CREATED SEVERAL YEARS AGO STILL EXIST IN ANY FASHION AND IF SO ARE THEY IN COORDINATION OR COMMUNICATION WITH THE TECHNICAL ADVISORY GROUP OR ARE WE RE-CREATING THE WHEEL?

>> THE REVENUE TEAM, THAT GROUP DISBANDED WHEN THE PROJECT WAS DONE WHEN THE REPORT WENT TO THE CITY MANAGER.

THAT WAS A SPECIFIC OUTCOME AND REPORT PUT TOGETHER AT THAT TIME. THE TAG IS CONTINUING, WE WILL CONTINUE TO MEET.

WE WILL THINK ABOUT DAY TWO AND MEETING QUARTERLY WITH THE CITY MANAGER AS A SOUNDING BOARD AS WE WORK THROUGH LONG RANGE FINANCIAL PLANNING AND OTHER RELATED RECOMMENDATIONS AND PROCESSES BUT THEY ARE SEPARATE

GROUPS. THERE WAS SOME OVERLAP BETWEEN SOME OF THE MEMBERSHIP BUT THEY ARE SEPARATE GROUPS.

>> THANK YOU AS ALWAYS FOR THE AMAZING PRESENTATIONS AND THE WORK YOU HAVE BEEN PUTTING INTO THIS.

LOOKING AT WHAT IS GOING ON WE SAY ALL KINDS OF JURISDICTIONS AROUND THE STATE, CITIES, COUNTIES, SCHOOL DISTRICTS, COMMUNITY COLLEGE BOARDS, FEELING A LOT OF THE SAME PRESSURE WE ARE IN TERMS OF THE IMPACTS TO MEASURE FIVE AND 50 IN TERMS OF THE IMPACTS OF PERS, DO WE HAVE A SENSE OF HOW OTHER JURISDICTIONS ARE APPROACHING THE SAME CHALLENGES AND WHAT KIND OF COORDINATION IS GOING ON TO LOOK AT ADDRESSING SOME OF THE STATEWIDE SYSTEMATIC ISSUES THAT ARE LEADING TO COMMON PROBLEMS AMONG MANY DIFFERENT JURISDICTIONS.

>> I WOULD SAY MOST JURISDICTIONS ARE GRAPPLING WITH THE SAME ISSUES WE ARE.

DUE TO THE PROPERTY TAX SYSTEM AND PERS COST OVER TIME. SIMILAR PROCESSES WHERE THEY ARE EITHER MAKING REDUCTIONS, LOOKING AT DOING THINGS DIFFERENTLY, CONSIDERING NEW REVENUE SO WHEN YOU LOOK AROUND THE STATE, I WOULD SAY THAT IS HAPPENING EVERYWHERE AND IS VERY COMMON.

I WOULD SAY MANY OF THE PROCESSES AND BUDGET CONVERSATIONS THEY HAVE HAD HAVE BEEN SIMILAR TO OURS.

AND THE SECOND PART OF YOUR QUESTION?

>> IS THERE ANY COORDINATION OR COOPERATION GOING ON TO LOOK AT SOME OF THE HOW DO WE ADDRESS SOME OF THESE FACTORS STATEWIDE?

>> THERE ARE A COUPLE THINGS. THE MID SIZE CITIES EAT REGULARLY, THE CITY MANAGERS, CFO, HR FOLKS, WE SHARE INFORMATION SO THAT IS FOLKS BETWEEN WURLAND AND THE SMALLER CITIES AND WE HAVE VERY SIMILAR ISSUES THAT WE ARE FACING. WORKING WITH THAT GROUP PROACTIVELY AND THERE ARE OTHER CONVERSATIONS HAPPENING, THE LEAGUE HAS DONE REVENUE WORK, THERE WAS A BILL, THOUGH REVENUE -- THERE IS A REVENUE, THERE WAS A BILL LOOKING AT PROPERTY TAX REFORM, WE WILL SEE WHAT HAPPENS WITH THAT. I THINK WITH THE LEAGUE AND OTHER ISSUES WE WILL SEE WHAT THE REPORT THAT COMES OUT LOOKS LIKE.

I THINK THERE ARE PEOPLE TALKING BUT WHEN YOU THINK ABOUT ISSUES SUCH AS PERS AND PROPERTY TAX REFORM, THOSE ARE LARGE, SYSTEMIC ISSUES WE ARE LOOKING AT.

STATEWIDE.

IT TAKES MANY CONVERSATIONS.

>> I KNOW THERE IS A LOT OF BROADER ECONOMIC UNCERTAINTY INCLUDING SURROUNDING AVAILABILITY OF STATE AND FEDERAL FUNDS FOR DIFFERENT REASONS.

THAT THERE ARE CERTAINLY FUNDING WE GOT FROM THE STATE FOR EUGENE SPECIFICALLY OR REGIONALLY.

AND THE FEDERAL FUNDING SITUATION HAS BEEN [AUDIO ISSUES] INTERESTING TO WATCH I THINK IS AN UNDERSTATEMENT.

WHEN WE ARE TALKING ABOUT THESE SERVICES AND OTHER PROGRAMS THAT HAD BEEN FUNDED BY EITHER FEDERAL OR STATE DOLLARS GOING AWAY, WHEN WE ARE TALKING ABOUT UNFUNDED NEEDS, ARE WE CONSIDERING THERE MAY BE COMMUNITY NEEDS THAT USED TO BE MET THROUGH OTHER FUNDING SOURCES THAT SOMEBODY IS GOING TO HAVE TO PICK UP.

SOME OF THE TYPES OF THINGS I AM THINKING ARE FUNDING FOR SHELTER AND HOMELESSNESS SERVICES.

WHILE WE DO NOT HAVE A LOT OF SERVICES FUNDED THROUGH OHP OR MEDICARE, MEDICAID, WE HAVE SOME THROUGH AMBULANCE SERVICES SO IF THERE IS A REDUCTION THAT WOULD HAVE AN IMPACT, IS THAT SOMETHING ON THE RADAR?

>> I WOULD SAY STAFF WATCHES REALLY CLOSELY, ALL ACROSS THE BOARD. ALL OF THE CHANGES AND CONVERSATIONS HAPPENING. I WOULD SAY BOTH AS WE GATHER UNFUNDED NEEDS ASSESSMENT AND ALSO THROUGH THE NORMAL COURSE OF BUSINESS, THERE IS A LOT OF COORDINATION ACROSS HOW THAT IMPACTS SERVICES THE CITY PROVIDES, HOW THAT MIGHT IMPACT SERVICES ELSEWHERE IN

THE COMMUNITY AS WE WORK WITH OUR PARTNERS SO I WOULD SAY THAT IS FOUNDATIONAL IN ALL THE WORK WE DO AND WE PULL THAT THREAD THROUGH BOTH THESE LONG-RANGE FINANCIAL PLANNING CONVERSATIONS AND OTHER CONVERSATIONS THAT HAPPEN AS WE WORK THROUGH THE BUDGET.

>> THANK YOU AGAIN FOR THE PRESENTATION.

>> COUNCILOR ZELENKA?

>> YES, GOOD PRESENTATION. A LOT TO ABSORB. MINE IS AROUND THE CHANGE PROPERTY RATIO.

I HAVE ALMOST GOT IT, I THINK BUT NOT QUITE.

SO REVENUE FROM NEW CONSTRUCTION NOT BASED ON THE REAL MARKET VALUE IS BASED ON THE REAL MARKET VALUE TIMES THE CHANGE PROPERTY RATIO.

AND OVER THE LAST 14 YEARS IT HAS DECLINED FROM .6% TO 4.2%.

SO IT LIMITS THE AMOUNT OF REVENUE YOU GET FROM NEW CONSTRUCTION AND THE FACT THAT IT HAS DECLINED OVER TIME FURTHER LIMITS THE AMOUNT OF REVENUE YOU GET FROM NEW

CONSTRUCTION AND FUTURE NEW CONSTRUCTION AND IF THE TREND CONTINUES YOU CAN GIVE THEM LESS MONEY TO PROPERTY TAXES.

SO THE QUESTION IS HOW DO YOU CALCULATE THE CHANGE PROPERTY RATIO, WHAT IS THE FORMULA?

>> BAY COUNTY CALCULATES IT ON OUR BEHALF, THEY PUBLISH IT ONLINE.

IT IS CALCULATED COUNTY BY COUNTY AND ESSENTIALLY A RATIO WITHIN THE COUNTY, THE ENTIRE COUNTY, THEY TAKE AN AVERAGE PER PROPERTY CLASS, RESIDENTIAL IS DONE SEPARATELY THEN MULTIFAMILY, COMMERCIAL AND SO ON. WITHIN ONE PROPERTY CLASS THEY ADD UP ALL THE CURRENT ASSESSMENT VALUE AND DIVIDE THAT OVER THE TOTAL AMOUNT OF REAL MARKET VALUE. THE RATIO, OUR RATIO OF .5 TELLS YOU COUNTYWIDE THE AVERAGE RESIDENTIAL IS 50% OF ITS ASSESSED VALUE AT 50% OF ITS MARKET VALUE.

WHEN A NEW HOME COMES ON THE MARKET YOU MULTIPLIED BY THE RATIO BUT IT IS A COUNTYWIDE RATIO OF TOTAL ASSESSED VALUE OVER TOTAL MARKET VALUE.

>> FOR JUST NEW CONSTRUCTION?

>> OF EXISTING PROPERTIES. AND THE RATIO IS APPLIED TO NEW CONSTRUCTION.

>> WHY IS IT DECLINING?

REAL MARKET VALUES ARE GOING UP FASTER THAN THE ASSESSED VALUE BECAUSE THE ASSESSED VALUE IS CAPPED?

50% INCREASE PER YEAR SO OVER TIME THIS TREND IS GOING TO CONTINUE TO BIGGER GAPS BETWEEN THE REAL MARKET VALUE AND THE ASSESSED VALUE.

>> IF REAL MARKET VALUES CONTINUE CLIMBING. IF THEY GO THE OPPOSITE WAY IF REAL MARKET VALUES DROP THE CHANGE PROPERTY RATIO WILL GO UP A LITTLE BIT.

>> DOES THE NEW CONSTRUCTION WHEN THE CHANGE PROPERTY RATIO IS APPLIED TO IT, DOES THAT STICK WITH THAT PROPERTY GOING FORWARD?

>> YES, IT IS APPLIED ONCE, AFTER THAT IT IS LOCKED IN AT 3% PER YEAR. THAT IS IT.

THAT LOW CHANGE PROPERTY RATIO IS ESSENTIALLY LOCKED IN.

>> THE BOTTOM LINE IS THE INCREASE OF ASSESSED VALUE OF 3% IS A BIGGER AND BIGGER GAP OVER TIME BETWEEN THE AND THE REAL MARKET VALUE.

THE MORE MONEY WE BRING IN THE LESS MONEY WE GET.

FROM NEW DEVELOPMENT.

WHICH MAKES IT MORE AND MORE DIFFICULT TO GROW YOUR WAY OUT OF.

>> I CAN TELL IT TO MY WIFE AND SHE UNDERSTANDS IT AND I KNOW I GOT IT.

>> COUNCILOR GROVES?

>> THANK YOU FOR THE PRESENTATION, WE CAN RELY ON FINANCE TO BRING US GOOD INFORMATION.

I THINK THIS IS THE MOST CLEAR EXPLANATION I HAVE HAD ON THE GAP BETWEEN REAL MARKET AND ASSESSED VALUATION ALTHOUGH I FEEL LIKE I HAVE SUSTAINED A HEAD INJURY.

IT IS CONFUSING.

I THINK WE HAVE TALKED QUITE A BIT ABOUT ADDING TO THE TAX BASE AND GROWING OUR TAX BASE AND I STILL THINK WE HAVE THE TAX BASE THAT IS GOING TO BE MORE JUST NOT AS MUCH AS IT WOULD BE IF WE DIDN'T HAVE THE DIFFERENTIAL.

MY QUESTION IS MORE TO THE PROCESS COMING UP.

I HAVE BEEN WATCHING THE BUDGET PROCESS VERY CLOSELY SINCE 1996.

LESS CLOSELY BEFORE THAT BUT STILL WATCHED FOR YEARS.

I HAVE NEVER SEEN ANY SEATED COUNCIL BEING REALLY GOOD AT REDUCTIONS AND FINDING EFFICIENCIES, YES, FINDING WAYS TO RAISE FEES AND TAXES, YES.

BUT AS FAR AS STRATEGIC REDUCTIONS IN ORDER TO MAKE THAT THE SERVICES WE NEED WHICH AREN'T NECESSARILY THE SAME, THE SERVICES WE WANT, HOW WE GET THROUGH THAT PROCESS.

WHAT IS THE PLAN IN OUR WORK SESSION TO HELP US WALK THROUGH THAT.

>> I REALLY THINK THIS IS WHERE THE FOUNDATIONAL WORK STARTING WITH THE FINANCIAL POLICIES AND SERVICE PRIORITIZATION QUESTION COMES IN.

IN DEVELOPING A FRAMEWORK WE HAVEN'T USED FOR TO HELP GUIDE THE INFORMATION WE BRING BACK TO COUNCIL AND HELP PEOPLE UNDERSTAND THE TRADE-OFFS.

THAT WILL BE THE FOUNDATIONAL PIECE OF WHAT IS DEVELOPED AND I WOULD IMAGINE WOULD BE DEVELOPED IN THE WORKSHOPS THAT WE WOULD USE AS WE BUILD THE BUDGET AND HELP COMMUNICATE THOSE CHOICES AND TRADE-OFFS BOTH TO COUNCIL AND THE COMMUNITY.

WE ARE STILL DEVELOPING EXACTLY WHAT THE PROCESS WILL LOOK LIKE WHEN WE ARE IN THE ROOM TOGETHER THAT DAY.

THAT IS HOW I ENVISION AT A HIGH LEVEL HOW THIS MIGHT LOOK DIFFERENT IN THE FUTURE WITH THE OUTCOMES THAT COME OUT OF THE WORKSHOP.

>> I HAVE MADE THIS PITCH BEFORE AND IT HAS NEVER GAINED TRACTION. I AM IN FAVOR OF ZERO-BASED BUDGETING PROCESS WHERE WE TAKE EVERYTHING DOWN TO ZERO AND BUILD IT UP THROUGH SOME KIND OF A LENS BASED ON WHAT WE NEED TO SURVIVE AND WORK TOWARDS THRIVING.

SEEMS LIKE WE START THE OTHER WAY.

WE START WITH EVERYTHING FULLY FUNDED LIKE IT HAS BEEN AND FIGURE OUT WHAT WE ARE GOING TO REDUCE.

IT SEEMS LIKE WE ARE TO THE POINT THAT ISN'T WORKING WELL ANYMORE. WE HAVE CUT EVERYTHING THAT I DON'T WANT TO SAY IS EASY TO CUT BECAUSE SOME HAVE NOT BEEN EASY BUT WE HAVE DONE, TAKEN THE CURRENT PROCESS ABOUT AS FAR AS IT IS GOING TO GO EFFECTIVELY. I THINK IT IS TIME TO TRY SOMETHING NEW AND THAT PROBABLY WON'T HAPPEN BUT IT IS THE MOST LOGICAL SOLUTION I HAVE COME UP WITH.

>> THAT IS WHAT I WAS REFERRING TO WITH THE BUDGET METHODOLOGY.

WE ARE LOOKING AT A RANGE OF WAYS IN WHICH JURISDICTIONS BUDGET AND TIEBACK TO THINGS LIKE THE STRATEGIC PLAN, SERVICE PRIORITIZATION AND OTHER ELEMENTS.

THE DESIRE IS ON THE STAFF SIDE TO THINK ABOUT HOW CAN WE APPROACH THIS DIFFERENTLY SO WE HAVE DIFFERENT INFORMATION AND HOPEFULLY A DIFFERENT OUTCOME AS WE HAVE THESE CONVERSATIONS.

>> GREAT, THANK YOU.

>> ANY OTHER QUESTIONS?

FROM COUNCIL OR STAFF?

I WILL GIVE PEOPLE A MOMENT TO CONSIDER BUT ALSO, I WANT TO ASK A CLARIFYING QUESTION BECAUSE I SPENT MAYBE A MILE WALKING ALONG WITH A GROUP OF COMMUNITY MEMBERS TRYING TO ANSWER THE QUESTION CLEARLY.

IN 2025 DURING OUR MLK DAY MARCH FROM THE STADIUM TO DOWNTOWN WE WERE HAVING A PUBLIC COMMUNITY CONVERSATION ABOUT OUR CITY BUDGET, CAPACITY, NEEDS, REVENUES AND ONE OF THE QUESTIONS ASKED WAS OR SORT OF A STATEMENT ABOUT THE CITY BUDGET OR THE GENERAL FUND IS ABOUT \$1 BILLION PER YEAR.

I SAID LET'S HOLD ON FOR A SECOND AND BACK UP SO I WANT TO CLARIFY A COUPLE FACTS BECAUSE SOME OF WHAT YOU ARE WALKING THROUGH CAN BE CHALLENGING TO UNDERSTAND.

ESPECIALLY IF MOVING QUICKLY THROUGH INFORMATION SO THE GENERAL FUND BUDGET, 380.5 MILLION FROM 25-27, IF YOU ARE TRYING TO PULL THAT INTO AN ANNUAL AMOUNT, THAT WOULD BE 190 MILLION PER YEAR IN OUR GENERAL FUND AND ABOUT 60% IS GOING TO POLICE AND FIRE FUNDING.

EVERYTHING CORRECT?

SECOND PIECE, A LARGE TOTAL, \$1.9 BILLION BUDGET OF 2025-2027.

THAT WOULD MEAN A TOTAL CITY BUDGET OF ABOUT 190 MILLION DOLLARS PER YEAR.

NOT OUR GENERAL FUND, NOT THE AREAS IN WHICH WE HAVE EXTENDED COMMUNITY CONVERSATION ABOUT PRIORITIES AND WORK THROUGH A LOT OF CONVERSATION ABOUT HOW TO MAINTAIN ACCESS TO SERVICES AND QUALITY OF LIFE.

IS THERE ANYTHING YOU WOULD WANT TO BE SURE THE PUBLIC UNDERSTANDS ABOUT THE REFERENCE POINTS THAT IS NOT IMMEDIATELY CLEAR SO AS WE CONTINUE TO HAVE THE CONVERSATION IN A WAY I SUPPORT BEING PUBLIC AND ENGAGED, WE ARE TRACKING ACCURATELY WITH THIS BASE INFORMATION WE ARE WORKING FROM?

>> I WOULD SAY THE SECOND REFERENCE IS THE ADOPTED BUDGET ACROSS ALL FUNDING SOURCES FOR THE CITY.

IF YOU CUT THAT IN HALF IT IS JUST UNDER A BILLION A YEAR, THAT INCLUDES ALL OF OUR CAPITAL COSTS, ALL THE CONSTRUCTION HAPPENING AROUND TOWN, STREETS, PARKS, ALL THOSE PIECES AND INCLUDES OUR DEBT SERVICE, PAYMENT, WHEN YOU THINK ABOUT NON-DEPARTMENTAL THINGS, RESERVES AND OUNCES, WHILE IT IS A LARGE NUMBER IT COVERS A WIDE RANGE OF SERVICES AND FUNDING AND CONTAINS THE ELEMENTS THAT HELP US MAINTAIN OUR HIGH BOND RATING AND FINANCIAL STABILITY.

>> CAN YOU REMIND ME WHAT OUR BOND RATING IS AND HOW THAT COMPARES TO OTHER CITIES?

>> WE ARE VERY HIGHLY RATED, WE ARE ONE BELOW AAA WHICH IS THE HIGHEST RATING YOU CAN HAVE.

WE HAVE BEEN THAT FOR SOME TIME. THERE ARE OTHER AA CITIES IN OREGON INCLUDING BEAVERTON.

WE ARE A HIGHER-RATED CITY.

IT IS DUE IN PART TO THE MIX OF BUSINESS, THE UNIVERSITY, IT IS ALSO OUR BOND RATING AGENCY CONSISTENTLY POINTS TO OUR FINANCIAL MANAGEMENT AND RESERVE LEVELS AND WILLINGNESS TO TAKE ACTION WHEN NEEDED AND NOT WAITING SO WE CAN MAINTAIN A CONSISTENT SERVICE LEVEL.

WITHIN THE RESOURCES AVAILABLE.

>> THANK YOU FOR THE OPPORTUNITY TO OFFER THOSE CLARIFYING POINTS. I WILL ADD I THINK THE DISCUSSION OF CHANGE PROPERTY RATIO, THE PROPER NOUN IS NOT WELL KNOWN WITHIN THE COMMUNITY BUT IF YOU ARE ATTENDING MEETINGS YOU HAVE HAD THE CHANCE TO LEARN ABOUT IT AND IT IS AN IMPORTANT PART OF THE CONTEXT I THINK WE AS A COMMUNITY NEED TO PLAN FOR BUT LOOKING AT THE HEADLINES FROM CITIES ACROSS OREGON, THAT OREGON NEEDS TO BE PLANNING FOR.

I AM LOOKING FORWARD TO THE CONTINUATION OF THAT CONVERSATION.

IF THERE ARE NO OTHER QUESTIONS FROM COUNSELORS, I WILL SAY AGAIN -- COUNCILOR ZELENKA.

>> [AUDIO ISSUES]

>> TAKEAWAY POINT.

THANK YOU TO OUR STAFF FOR THE PRESENTATION AND ALL OF THE OTHER PEOPLE WHO OFFERED INPUTS TO THE CONVERSATION.

I WILL SAY IN RESPONSE TO ONE OF THE QUESTIONS I BELIEVE COUNCILOR KASHINSKY RAISED, AT OUR IGA FRONT UPDATE ON MAY 27TH THERE IS INFORMATION AND A ONE PAGE SUMMARY THAT OUR PARTNERS PUT TOGETHER TO HIGHLIGHT THE IMPACT.

OF FEDERAL CHANGES IN FUNDING AND I THINK WHAT IS IMPORTANT FOR THE COMMUNITY TO UNDERSTAND IS THOSE ARE NOT CHANGES THAT DIRECTLY IMPLICATE OUR BUDGET BUT WE ARE IMPLICATED AS A COMMUNITY AND OUR CONSTITUENTS WHO ARE THE PEOPLE WHO LIVE HERE AND ACCESS SERVICES ARE IMPLICATED SO THAT MAY BE AN IMPORTANT PIECE TO CARRY FORWARD IN THE CONVERSATION.

THAT CONCLUDES OUR AGENDA FOR TODAY SO I CLOSE THE MAY 11TH 2026 CITY COUNCIL WORK SESSION AND WE ARE ADJOURNED.

