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CITY OF EUGENE
WORK SESSION
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>> Mayor Knudson: Good evening, welcome to the June 8th, city council work session. Thank you for joining us for this hybrid session, there is no opportunity for public comment, those wishing to access the meeting can do so by calling into one of the phone numbers listed on this meeting on the materials on the website. Around AED is located on the counter behind staff. Doors to the patio can also be used in case of an emergency. I will turn to our city manager to introduce our first topic.

>> Tonight's meeting is a third informational presentation prior to your long range financial planning work June 30th and July 1st. Tonight we'll provide an update on the financial condition and unfunded needs, including information on several topics, the general fund, limited duration funding information is going to be foundational, as you prepare for your workshop coming up at the end of the month. I'll also include information from our consultant as well. With that, I'll turn it over to our financial adviser, Twylla Miller.

>> I'm here with Mauricio in person, and as the city manager said, Nancy Hetrick is joining us virtually today as well. We have a range of topics to discuss general fund overview, limited duration funding and needs before Nancy will wrap it up at the end for us. Today is an opportunity for you all to identify additional information you may need as you come into your workshop coming up. We will be covering a wide range of topics. We're going to try to go as quickly as possible for you, to leave you time for questions at the end. If you have questions we cannot

answer, please identify those for us. This is our long term city council time line of informational sessions before your workshop. It will be incorporated in your workshop July 13th, before you go on break for the summer. Refinement of the strategic plan will be outcomes of this first range of long range financial development for the budget that begins this summer. These are all of the items we will be covering. We will also be providing an overview of distressed funds, duration funding and across our service framework. We will be developing services and programs across all funding areas. With that, I'll turn things over to Mauricio to talk about our general fund.

>> Thank you, Twylla. An important item of budgeting is for casting. How much the city will spend and receive over the next six years. Developing strategies to meet challenges. Finance staff monitor the variables for the forecast which are shown here. The city has been used to help guide us through difficult financial times, we continue to do so for today's environment, where we have an ongoing look at the general fund. Here are key forecasts for our revenue and projections. We also rely on forecast information from our partners as shown here. When our partners update their projections, we find -- [Inaudible] Part of our regular updating process. Updates and trends, you'll hear more about some of these areas tonight. Assumptions can change quickly, so we strive to -- [Inaudible]

>> The last financial condition update occurred at a budget committee meeting in December. At that time, the reserve trajectory due to the on going structural imbalance. The December point in time assumptions indicated that a future ongoing reduction strategy at the point of \$2 million a year, starting in the next Biennium would be needed to achieve the target reserve level as reflected. Since December, the general fund forecast has been updated with the latest information. I'll walk-through the revenue and expense changes in the current forecast. And we'll see how those changes impact the projected levels and the anticipated budget gap. This slide shows the general fund revenues with material changes since the last forecast update in December. While there were know notable revenue increases, we had three revenue types that experienced significant decreases in the forecast as shown on the right. \$2 million the one time land revenue in the current Biennium. It's assumed that land sales will not occur this Biennium, and this revenue -- we also received updated revenue forecasts from two of our partners. We provided the league of Oregon cities provided a new state shared revenue's forecast. In both cases the updated forecasts were revised downward significantly. The EWEB contributions in lieu of taxes or CILT is reliant on retail sales. The amount of taxes CILT receives depends on sales. EWEB's latest CILT forecast is lower than previously projected for two reasons. They sold their Mackenzie valley cooperative to lane may 1st. Impact to the city of Eugene, we will no longer receive CILT revenue from the McKenzie area. EWEB's current forecast assumes a lower rate trajectory than the previous forecast. CILT revenue is received -- it is higher in the colder months. If it is warmer in the winter months, we have the potential for reduced CILT revenue. The overall impact of these challenges is reduced CILT revenue of \$6.6 million over the full forecast. Most shared revenue comes from

distribution of revenue. The distribution of liquor revenues is shown in this pie chart. 20% is demonstrated on ray per capita basis and the remaining 14% is distributed in a formula that takes other factors into consideration. This chart from 2024 shows the forecast for state alcohol revenue disbursements to cities. The top line represents the 20% share, and the lower line represents the 14% share. They come from the same funding source. At the time it was projected that alcohol revenue would continue growing coming out of the pandemic. Here is the current alcohol revenue forecast from the league of Oregon cities. There are various reasons for the decline in alcohol revenue, one of the main drivers is the new OLCC or Oregon liquor and cannabis warehouse currently under construction. Expenses for this new warehouse are funded by alcohol revenues, effectively reducing the size of the state shared revenue pot. Significant increases for the project overtime means that cities are receiving less state shared revenues than they would have otherwise. Another consideration is that alcohol consults appears to be at least leveling off or trending downward as conference preferences evolve. Now let's shift gears from revenues to expenses. And start with increased expenditures in the current forecast as shown on the left. Primary source of increase is the upcoming June supplemental budget. The forecast includes supplemental budget items previously directed by council, including expenditures related to the court of record implementation, and also adding three economic development positions. June supplemental budget is still being finalized and will come before council for approval later this month. On the right side of this slide, there are a couple expenditures that had decreases on the previous forecast. City's pension bonds were issued in 2002 to pay down the PERS unfunded liability at that time. The city has assessed a percentage of employee wages to pay the debt service on these bonds. This rate will be reduced for the final two years before the debt is fully retired in fiscal year 28. Since the last forecast, we received our Biennium rates for PERS. Now we'll walk-through the various employer contribution rates as a percentage of payroll for the current Biennium and next Biennium. We'll move our way from left to right across the table for our city of Eugene specifically. These are with the city rates on the current Biennium June 1, 2025. The PIF, the city made a lump sum contribution of \$8 million, and received a \$2 million state match for \$10 million. This equates to a rate reduction of 1.09%, effective January 1 of 2026 for the next six years. As of the December forecast, we were assuming increases for the next Biennium. We have received advisory rates for the next Biennium. Rates are still increasing from current levels, the good news is that the increases are projected to be smaller than previously anticipated. The overall impact of this change is reduced PERS expenses of \$8.2 million over the full forecast period. These rates are advisory, and they will be subject to change when we receive our actual PERS rates. Inflation has also been a significant general fund cost driver, especially coming out of the pandemic with the highest inflation rates seen in decades. Higher inflation puts upward pressure on wages. Oregon's chief economist issues inflation forecasts four times per year, and this chart shows the most recent inflation projection for June which is the darker dash line on the right, compared to the previous forecast from March. Also shown here are the general inflation rates assumed in the budget for both years of the current Biennium. Near term inflation is projected to proceed budget assumptions and the current Biennium.

This will add upward pressure on operating budgets as departments manage their higher costs within the existing. Now that we've reviewed the general fund forecasts since the last update. Let's see how they impact anticipated levels and the budget gap. As we saw earlier, the reserve trajectory in December was in a worse position than it was in the adopted budget. This line shows the current updated trajectory, including all the changes we just discussed. Starting point has shifted downward due to the changes for the current Biennium. Including the land sale and state shared revenue. Reserves would be depleted by the end of the forecast, as shown by the red horizontal line near zero at the bottom of this chart. As of December, I mentioned that a \$2.2 million annual budget gap was projected in the next Biennium. Under today's point and time assumptions, the size has increased \$5.1 million a year. This means a future on going reduction strategy of \$5.1 million per year starting in the next Biennium, would be needed to achieve the target reserve level as shown by the dashed Green line. Before we leave this slide, I want to remind you of a couple notable items as we look beyond the current six year forecast horizon. First, the storm water fee increase will expire after six years. Second the Oregon legislature passed a bill in 2024 that establishes a new PERS hazardous classification with higher benefits and earlier retirement eligibility. This legislation will lead to higher contribution rates but there's currently no estimate available for this cost increase. With that, I'm going to hand it back over to Twylla.

>> Thank you, Mauricio. Like many other jurisdictions, we're experiencing a downturn in our financial division. Our gap is smaller than other jurisdictions, in part due to the budget strategies we implemented before, and the strategic use of our reserves, the team has been reviewing strategies to implement now, to be proactive as we look to the future. This continues a strong history of fiscal management, as we continue to assess current events, and helps to mitigate the gap in the next biennium. Effective this month, the city is instituting a hiring pause and mandatory underspending for the Biennium, a hiring pause is not a freeze, but it allows for critical positions to be filled while holding others vacant. Begin budget development, and continue to monitor economic events. Public safety positions such as sworn officers, firefighters, paramedics, and 911 call takers and dispatchers are not subject to the pause, nor are the temporary staff needed to deliver summer services and programming in our community. All other positions will be subject to the hiring pause, and must undergo a recruitment review. To be approved before posted. The hiring pause is for all subject positions, across all funds in our organization. While this isn't sustainable over the long term. Pausing hiring now creates short term savings, flexibility for future service delivery, and changes as part of budget strategies and potential landing spots if filled positions are reduced in the next Biennium budget development. We have a targeted underspending goal to spend under \$3 million across general fund service areas. City staff are good stewards of taxpayer resources, we are asking everyone to reduce expenditures as much as possible, deferring other purchasing when they can. This will help us navigate uncertainty and will also offset land sale revenues that won't be achieved this Biennium, and provide additional reserves and flexibility as we begin budget development this fall. Department targets will vary across departments based on

operational needs and vacancies that they are currently experiencing. I will say that general fund services, have become constrained after we made many budget reductions over past years, and we are already operating in a constrained environment. Underspensing to this degree will be felt in the service areas across the organization. We do feel it is achievable in this Biennium, but it's not sustainable and will have impacts. Now we can see how the underspending impacts are reserved for the shortfall in the Biennium. Here's the anticipated reserve trajectory without action in our current case. The projected reserve trajectory is improved by achieving the \$3 million underspending, and we look at the next budget Biennium, it reduces our gap from 1.5 million to 4.4 million on an annual basis. I would like to touch on maintaining reserves and fund balance. The city is a strong credit with a double A1 rating. Moodies previously noticed our strong position. And noted the willingness of the organization to take action in the near term, to make service adjustments when needed rather than relying on reserves in the short term to balance. This will be continued -- this will continue to be an important factor as we look to the upcoming Biennium and beyond. Next we'll talk a little bit about our nongeneral funds. Many of which are also in distress. They have fled in declining revenue sources and are facing increasing cost pressures, additionally, the uncertainty of federal and state funding to the city create additional fiscal pressures. In the past, the general fund has transferred funds to limited support as a stopgap measure. I will be providing high level overview of funds that are currently experiencing fiscal distress. We're not forecasting to provide general support to the funds. Fund managers are reviewing funds over the next few months, to identify areas to reduce expenses and explore revenue options where applicable as we prepare for budget development. There's a lot of information on these next few slides, I'll be giving a high level overview for each fund. The ambulance transport fund providing emergency medical response. This fund has been running a deficit, a delay in are receiving GMT or emergency medical transportation revenue from the state, and also the gap in Medicaid and Medicare reimbursements, which are collected at 77% of build activity. The projections in the near term include assumptions for vacancies and overtime. As fire has added a 4th shift this past January, additional vacancies are in the system as staff promote to fill the new D shift roles. Over the next year, staffing is expected to stabilize with a new academy next fall. Staffing stabilization along with more predictable revenue -- increased transport rates are expected to stabilize the funds heading into the 2031, 2033 Biennium. Next we'll talk about the cultural services funds. This sub fund receives the city's transient lodging revenue, in addition to venues such as the Hult center and CUTHBERT amphitheater. Three hotels in Glenwood that Eugene used to receive revenue from, have been moved to Glenwood reducing our revenues. Commercial bookings at our venues tend to decrease, which can impact venue revenue in the future. Fund impacts are exacerbated by rising costs to deliver service. Large leadership is evaluating strategies to address the annual gap in the forecast, as they prepare for budget development. The next fund is parking services. Parking services manages both on and off street parking throughout the city of Eugene. There are several areas of impact on revenue collection, including vandalism, unpaid parking citations and staff vacancies and this impacts revenue

collection. At the same time, costs are rising, contributing to the structural imbalance. Due to the deficit, the fund is unable to build the funds necessary to address the backlog of capital projects. The next is our public safety communications fund. This provides -- supports emergency call taking services at EPD central lane communications center, including receiving and processing emergency calls from the caller to the call center, and from the call center to the appropriate resource -- response resource. Oregon State 911 tax is the only revenue source in this fund, which is set at a flat dollar 25 per subscriber line since 2021, this tax increase will sunset on January 1st, 2030, the tax will be reset back to 17 cents per line. Tax revenue growth has been relatively flat since fiscal year '23. Rising service costs is the culprit. Anticipated the annual gap is \$440,000 in the next Biennium. The road fund has a deficit that has been managed temporarily by underspending targets. These strategies were intended to provide short term stability while the long term impacts of state gas tax revenues were being monitored. The may ballot was expected to provide additional revenue, and would have fully eliminated the deficit in this fund across all four years. The road fund faces an on going annual gap of \$2 million, this cannot be managed solely through underspending. Staff are taking a comprehensive review of the fund over the next few months, to identify areas to reduce expenditures and explore revenue options. And then the telecommunications program, this is funded from fees from Telecom registration fees who operate telecommunications facilities in Eugene. The program also collects fees from telecommunications providers for use of the public right-of-way. Right-of-way use fees are captured in the general fund and are not part of the program shown here. Program revenue is it used for a variety of internal city of Eugene facing projects. Revenue peaked at \$3 million in fiscal year '18 and has been declining since then, and is currently about \$2 million annually. The fund has been hitting a deaf set, the costs have been mitigated by using fund balance and underspending. This isn't sustainable long term. Staff are identifying strategies for the \$800 million gap which is expected next Biennium. Next we'll transition to limited duration funding. We have several funding sources that are time limited. The first I'll talk about is our community safety payroll tax, it was enacted in 2019 and became effective in 2021 with implementation delay due to impacts from the pandemic. We currently collect about \$25 million in revenue a year from this revenue source, and the tax will expire with collection ending December 31, 2028 unless it is extended which I'll talk about a little bit more in a moment. This slide here shows an example of the services funding by the community safety payroll tax, it provides funding for a broad range of community safety needs as shown here, there are many more, but these are some of the highlights currently being funded. And then this graphic will show the upcoming time line related to potential revenue lapse. The first -- there we go, the citizen advisory board reviews CSPT expenditures annually, they're also charged with creating a final report to the city manager by March 31 of 2027. This will include information on the economic impacts of the payroll tax and analysis of the progress made toward achieving system outcomes. Sarah Evans that was the consultant as part of the take work will be conducting the economic and financial analysis for this report. And actually writing the record for the cab. Community engagement and feedback will also be included as part of this process. Next spring

the cab report will be presented to council and be made publicly available. The council will then hold a public hearing to hear community input, regarding whether the payroll taxes is addressing the necessary items. We will decide if this should be referred to the ballot. Without alternate action or further action, the tax would end and we would stop collecting the tax as of December 31, 2028. We have other funds as well. The LOVY fund, it generates \$5.3 million per year and will expire at the end of fiscal 28. We also have bonding, so we have a series of recurring street bonds every five years. This is the 4th in the series and funds \$52 million in projects every few years. This will expire at the end of fiscal year '29. Just last month, voters approved the renewal of the library option levee. This will expire at the end of fiscal year '31. And then we've shown this slide before. Each fall we connect with other jurisdictions to estimate timing of election measures. You can see in November 2027, the payroll tax and the next areas of street bonds could be on the ballot, with the last date for the parks Levy in the 2020 election, prior to that Levy expiring. We have the street bond on the ballot well before it expires. At this time it would expire at the end of FY '29. It's shown as a potential ballot measure in 2027. This is to allow for funding so predesigned work can begin if a new bond is enacted. We have also issued bonds for other service areas as directed by council which aren't shown here. These include a series of parks funds, many years ago, for public safety facilities. And then finally, in this section is our storm water rate increase. We do have a temporary -- we do have a temporary storm water increase to support parks and open space operations, previously funded in the general fund. This is a limited term rate increase that will expire at the end of fiscal year '31 unless other action is taken. Next we'll talk briefly at a high level about unfunded needs. An unfunded needs analysis for a local jurisdiction is a structured assessment that advises services, projects or infrastructure needs that the government should provide, but cannot find within existing resources. For many years, we've had iterations of this assessment, including the multiyear financial plan and the UNA or unfunded needs assessment. We update an inventory in a capital planning year, as we prepare for the next budget cycle, and update that list as new needs become known through the budget cycle. This is an internal tool that provides information to think strategically in the short, mid and long term time frames. Staff have been working to identify needs. And that project is currently in process. I'll briefly discuss the categories and types of needs being identified by staff. I anticipate more information on unfunded needs to come back as part of our capital improvement program conversation, in the winter, and also as part of budget development. The first category is capital needs. Capital needs are large long term investments in physical assets. There's a long range of capital needs across all city departments, from deferred maintenance in our city buildings and parking garages, to replacement of older buildings such as our fleet facility. Along with wastewater. As our community continues to grow, we will need to invest in new facilities such as fire stations, police precincts and parks infrastructure. Next our operational needs, these are needs for the day to day resources and expenditures an organization requires to function effectively. As the organization is contracted through budget cycles there are areas of the organization that are not right sized to meet the current organizational needs and strategic initiatives. There's also a gap in resources to

meet current and future state mandates. Additionally as the organization and community grow. Additional staff are anticipated to be needed longer term to support both the city operation and staff new facilities that would be constructed over time. There are a wide range of equipment and technology needs across the organization. Equipment ranges from equipment needed by our safety funding, update key systems and database solutions. As well as continued investments to support the backbone of our technology system. I've already talked a lot about distressed funds, I won't go into a lot of detail here, other than to say for the addition of the structural gaps, for the funds that are talked about earlier, as the community grows, additional pressures will be on these funds to provide increased service delivery to the community and organization. Additionally, federal and state funding constraints continue to create uncertainty for housing needs. This slide is showing some of the proposed budget reductions in the 2025-2027 proposed budget that were added back on a one time basis. These service areas will be evaluated over the summer as we think about developing our next biennial budget. You may recognize this slide from your April 8th meeting on long range planning following the recommendations you received last winter. Council passed a motion to add three economic development positions to the June 2026 supplemental budget. It's an existing position currently funded with building services. In light of the city's current financial condition, and in an effort. Planning and development staff have developed current vacancies and underspending for materials and can be used to offset the cost of this position, with on going position funding incorporated into the upcoming budget cycle along with the analyst position shown here. While this approach would delay implementation support for the action plan. As well as implementation and strategies to be developed in the strategy process, is a viable approach to step into this work given our financial position. One moment, while we work through some technical difficulties. And we're back. Long range financial planning is complex, there are a lot of different moving parts and needs, across our organization. The service framework and budget principles that you'll be developing as part of your workshop later this month, will be foundational and budget building across all funds as well consider the full range of needs. One last piece I'd like to touch on is strategies. These are strategies for the short, mid and long term strategies. We will work on mid and long term needs and strategies. There are a range of levers shown here, that can be used to address needs overtime, including revenue solutions and tax reform, issuing debt as appropriate to address capital needs, consideration the full range of service changes which include expenditure reductions, additional service models and evaluating potential tradeoffs and impacts. These can be used to develop short, long and midterm solutions, including economic development, annexation. Mauricio and I have provided a lot of information to you this evening. Before we open the floor for questions and discussion, I'm going to turn things over to Nancy Hetrick, who will provide a brief overview on what's coming next in this process.

>> Thank you, Twylla. Hopefully everyone can hear me okay. This will be quick, I know there will be questions, it's a lot to process, as with other sessions you've participated in. So quickly, I want to give a little bit of a preview of where

better and planning for council's workshop later this month. We're scheduled as you mentioned earlier, on June 30th and July 1 to have day sessions. Currently underway, connecting individual interviews with mayor and counsellors, about halfway down, I have completed four out of five remaining this weekend and the next. We'll have those complete, want to make sure I have Input from each of you. To help inform the agenda and the workshop materials. So I appreciate your time and involvement in those interviews, however, we are starting to put together elements I want to give you a preview. Second here, workshop agenda and materials, I wanted to let you know that you can anticipate receiving a packet ahead of the workshop, recognizing this is complex and important work. And we want to make sure that you are equipped and prepared to come and engage actively during our time together. So you can anticipate that the week prior to the workshop. We will convene together for two half days at the beginning of the month, with a follow-up session planned for July 13th as a study session to affirm the outcomes of our time together and make any adjustments that might be needed. That's on the calendar as well. If you take us to the next slide, the preview -- just some of the basic objectives, these are preliminary, this and elements of the workshop, to be finalized and informed by council interviews, also working with your city manager and finance director to prepare for the workshop. In essence, we want to make sure that there is a time and space and opportunity to engage in this Reilly important information, and start to chart your bath forward together. This is important work, and not something that can occur as you know, during a council meeting, so we have set aside special time for this. Some of the workshop objectives, I want to make sure everyone's speaking the same language, has a shared understanding of framework that you will use as you advance and move forward through the budget development process, and to ultimately achieve the financial sustainability of the city. Building a shared understanding. Clarifying priorities and directions. This is also important. Some of the considerations and framework we'll be working on together are intended to drive the discussion around the solution for the short term to resolve your budget imbalance. However, we know that there are long term needs and priorities that are outlined in your strategic plan and important to your community and to each of you. And it's important to not lose sight of those. Those priorities are going to be a key ingredient for evaluating how you want to build your budget. Work through the strategic plan hoping to extend the horizon of the existing plan, but with council's Input, involvement and priorities nicely nested in that. The last objective is making sure there is a clear path forward. And a great approach for how the city can put together a recommended budget for council consideration, that is intentional, thoughtful and well conceived. The next slide outlines some of the key elements you can anticipate in our workshop, the agenda is in development, and will not be finalized until we complete the interviews. Some of the elements, recognizing that resolving an issue like financial sustainability requires all hands on deck. There are very critical and important roles for elected body to make and to provide direction on and for staff to deliver on. We wanted to make sure we had an opportunity to evaluate those rolls and have a conversation so you are equipped to work together effectively, and make sure that this is a long term solution for the betterment of all. Some of the elements that you have heard about in the presentation this evening

and prior times are the other elements we'll be talking about during our workshop. We'll talk about budget principles, because there are basic guidelines, financial policies you can use, and staff can use to create guardrails and some expectations for evaluating options, what's on the table, what's off the table, what's going to be important to consider. We'll also work through in a workshop format, the services evaluation framework. At our last session, we presented a number of models, we got your feedback, the Toronto model being some of the elements you liked this is going to take time, there may be some iteration and development that needs to occur. As the city shifts into the use of a framework such as was presented to you. So keeping it simple, at least at the start, but to start to build the tools and muscles that are going to be important for long term sustainability. We'll talk about that, and get agreement on what the definitions and key elements ought to look like to inform staff's work. Next as I mentioned, the last two kind of touch together. Council priorities that I'm hearing during our conversations, reflecting the community priorities as well as how they fit within the city's fiscal constraints. Some priorities may need to slow. Some priorities may need to maintain pace, some of these things we'll have to talk about in the workshop. And these will link right back into the strategic plan and the elements that are contained in that plan currently. Part of the recommendation is to extend as mentioned previously, the life of the plan with council's input to align it to the cycle of the budget, and allow some time and space to resolve the budget problems while still nesting it into what's important for the future. So that's a little bit of an overview on the elements of the workshop we're anticipating. We'll have a more thorough packet provided to you in add Vance. Happy to take any questions you may have. But that gives a little bit of a preview hopefully and what you might understand -- might enjoy and work together.

>> Thank you, Nancy. With that, that's the end of our presentation tonight. I'll turn things over to the mayor.

>> Mayor Knudson: Thank you. Thank you, Nancy, thank you to our staff in the room for that presentation. A lot of information and important updates for us all. I'll open the floor to council discussion, councilor Evans in the cue, councilor Kashinsky second.

>> Councilor Evans: Thank you for the presentation. One of the things that jumped out at me going back to slide 24, I'm looking at -- we talked about -- you talked about the hiring freeze and impacts in terms of service reductions. And also with regard to the CSI. Have we anticipated increases in expenses around the CSI with regard to inflation? Because we passed it in 2019. Scheduled to implement it, beginning in 2021. We have -- we just started implementing it the last few years, but over time there's going to be -- with the inflationary spiral we're on now, it's not just gas and food, it's everything else. Have we determined what those cost increases are going to look like prior to us -- I know the chief has talked about going out for renewal here, either in '27 or '29.

>> Thank you, councilor. So for the community safety payroll tax fund, we do six year and longer forecasts, where we're forecasting on the revenue side. Showing revenue growth and impacts, and that's also on the expenditure side. When we think about expenditures for most of our funds, there's personnel costs, inflationary factors for materials and services, and we know in some cases, for this one and other funds, there are costs that are increasing higher than inflation, as we think about certain goods and services, fuel, you know, a range of things, so yes, we do regularly look at those forecasts and model, and run a range of scenarios to try to understand what the future range of impact might look like.

>> Do we have a ballpark idea of what those increases are going to look like? When are we going to be coming back to ask our voters to approve?

>> Well, the rate is set in charter, so we wouldn't be coming back to change the rate. What would be coming back would be, should the payroll tax continue under current -- I'm looking at our city attorney. I'm seeing an attorney answer here, so I'll defer to Catherine.

>> At the time you passed the ordinance, you at the time you passed the ordinance, you simultaneously put out to the voters a charter amendment that said that the community safety payroll tax percentages, the amount of the tax would stay the same, would not change, and would only be used for public safety purposes. As it's written right now, you will make that decision, and she showed it on your time line. As it's written right now, and it's an ordinance. These were your decisions at the time, and can be changed. You can make a decision whether or not to refer it to the voters in 2027, you would be referring, what is in existence right now, it wouldn't change. If you refer it to the voters and it doesn't pass, that's when it will cease to be collected. You gave yourself time to wind it down, about a year and a half to wind it down, and it would stop being in effect -- stop being collected December 31, 2028.

>> Structurally, we can't address the increase in expenses that have occurred over --

>> You can -- there's a couple things that would be available --

>> We're talking about eight years now.

>> There's a couple things that would be available to you, you have some provisions that you adopted as part of your ordinance, that had some variance to the rates, you could look at those and see if you could impact those. Those are in code, and those are completely within your authority. You could choose to refer a charter amendment to increase the rate, that is also completely within your authority, but as it is right now, the total maximum rates that you have are set in charter

>> Councilor Evans: We would have to go back to the voters in order to change the charter?

>> Yes.

>> Mayor Knudson: Councilor Kashinsky.

>> Councilor Kashinsky: Yes, thank you. A couple of -- thank you for the presentation, I always wish it was a slightly more cheerful presentation than it is. Some day you'll be able to give one that's all good news. Some day. With the community safety payroll tax, from a timing perspective, when we're creating the budget, the assumption in the budget for next Biennium that we'll see this time next year, would assume that that doesn't continue, correct? If you have a revenue source that's scheduled to end, it would need action to continue when you create the budget, you create it assuming it doesn't continue, is that right? Am I wording that right?

>> Typically when we've had levees and other things, sometimes we have created the budget knowing that a councilor conversation is happening, so it depends on the timing and the conversations having with council. We've had both paths probably over time where we've put something in or we have not and then come back on a supplemental budget to true up based on council action or an election.

>> Councilor Kashinsky: Thank you. I'm just thinking about how we can expect the timing of the conversation about the payroll tax, to impact what we see in the budget so we're going into that kind of knowing what that's going to look like, and do we need to look at some of that timing to make it work?

>> The other thing I will say is, as the city attorney said, we have built in a tail, so tax collection would end at the end of December of 2028. So there's -- even if action is taken in November of 2027 or not taken, we do have some time to have further conversations and come back to council and the community.

>> Councilor Kashinsky: Thank you. I'm just going to be all over the place. When we look at the distress funds, like I feel like this was more distress funds than I remember seeing. Some of them were enterprise funds. Is that perception or is that we have more funds that are distressed than we normally do?

>> I will say, we gave more information this round. Typically we highlight a few, I always have a list of funds that I'm watching. So there were probably a couple more than you're used to seeing, but generally the funds we talked about tonight are ones we -- over the past few years when we talk about nongeneral funds that are experiencing fiscal distress, they're usually ones we mention. We don't go into the level of detail we see this evening.

>> They all have different funding sources, it feels like there's common threads, why we're seeing so much in the distress funds. When we're having our

more strategic discussions, I am assuming we're going to be looking at those funds as well. We tend to focus on the general fund pretty exclusively, and I'm hoping we'll be talking about some of those distress funds as part of our budget discussions?

>> Yes, we will all of the fund managers are looking at developing budget strategies, I think as -- while many of our conversations usually are focused on the structural gap in the general fund, I think through budget development and conversations, there will be -- you'll see budgetary impacts and decisions coming forth on the nongenerals as well.

>> Talking about the unfunded needs assessment. I remember that as being a fairly detailed document, we need 7 new computers. I don't think it's that detailed, but it's fairly detailed, and fairly focused on continuing existing services or that kind of thing. How does things the community is asking for or needing or gaps that are being created because other jurisdictions or federal things are going away, how does that get folded into that. Like a community that's not really currently -- have an action plan for it.

>> I think it's a mix of a lot of those different things, so one thing I will say is, this cycle, we'll taking a longer time frame, a lot of times we've looked four or six years, we're looking further unite across the horizon, we're looking at a ten-year time frame, a lot of the things are internal, internal, whether it's equipment or operational needs, but I would say there's a range of things, even when we're thinking about some of the items that we funded one time in the 2025, 2027 budget such as in house services or other issues, state mandates, other mandates that are coming down, a lot of those are also being identified as part of that as well, so yes it's a large list, and it has a variety of pieces, I think the other thing is -- the other thing I would think about, as you're having strategic plan conversations, that's the other difference be, when we've done these before, we didn't have a strategic plan. And we weren't doing the community survey, so this is the first large unfunded needs assessment, where we're actually also concurrently looking at refinding our strap plan and taking into account information from the community survey. I think from a variety of sources not just the unfunded needs assessment. A lot of the other community impacts will float to the surface, in conjunction with that internal work we're doing.

>> Thank you. And I'll want a second round.

>> Mayor Knudson: Councilor groves?

>> Councilor Groves: Thank you mayor. The presentation, feels like we're always dealing with three levels of budget, bad, worse, and the worst it's ever been. We're trying to hit bad this year, as far as the GEMT, did we ever get that straightened out with state. If you'll recall, Oregon health authority told the feds we could get by with 50% of what we were getting for plans systems across the state,

and we met with our legislative representatives and they were going to fix that, I never heard if it was fixed or not.

>> I'll let the chief come up and answer that question.

>> Councilor Groves: Thank you.

>> Thank you for the question, councilor. We've gotten some of it sorted out, but there's been a lot of changes that have delayed payments for us recently. So where as the money has stabilized, we're watching for an uncertain future, with house resolution 1 at the federal level, potentially capping GMT payments along with -- at the Medicare rate. Big adjustments and we correct future work.

>> Councilor Groves: Thank you, and before you go away, I wanted to ask about equipment. I haven't seen any real breakdowns. I understand labor is one of our biggest cost centers, but I also know equipment's been trending up, especially in fire, double-digit inflation on much of our apparatus as well, that I don't know if that applies to police vehicles, if it applies to heavy equipment and public works. I think some information on that might be helpful.

>> What I will say is that my team has been meeting with a lot of the internal service fund managers, and the fund managers across the organization, and we are hearing what you're talking about, where there's certain -- in certain sectors, costs are increasing -- much larger cost increase than inflation, whether it's vehicles, certain equipment, even -- and even things like software contracts and other things, where they're rising at a much higher cost. Yes, I think across the organization we're seeing that in pockets. So if you'd like additional information, we can provide them to you. But I'm not sure that's satisfactory.

>> Councilor Groves: I'm not looking for a lot of detailed work, it would be nice to get a ballpark on this, so we understand how the cost driver is affecting the overall budget. I know there's delays in delivery that we haven't experienced in the past, and what is that doing -- is that driving costs as well? I would just like to see us dig into that area a little more, so we understand.

>> Yes, we should be able to provide some high level information, to provide examples of where we're able to see that across the organization.

>> Councilor Groves: Great, yeah. I know our people are our most important asset, and they're the ones that get the work done out there, they have to be equipped properly and safely in order to do the work, I'll be interested in that piece as well. That's all I have at this time, I have a bunch of questions still in my head, it's getting pretty granular. I'll stop for now.

>> Mayor Knudson: In this first round, we have two that have requested a second round. Councilor leech?

>> Councilor Leech: Thank you for presenting this sobering information. Whenever we see it, it feels like you're delivering difficult news. I want to talk a little bit about the economic development positions, thank you for putting this into this work session. One question I have is, is that 5.1 million gap. It does include the 800 or so thousand dollars of those three positions.

>> Yes, so the 5.1 million gap that Mauricio mentioned, included the motion as was made in April to add the three positions with funding coming from reserves.

>> Councilor Leech: I think in the grand scope it's hard to see us -- not eliminating, but pausing positions that are critical to the operation of the organization. To bring in all three of these positions in this supplemental budget. It's my understanding that our staff had prepared a motion that would allow us to move forward in an alternative pathway for this budget. I would be interested in pursuing that that would bring in the manager position now and pause until we go through the other -- the next budget cycle to implement if the budget feels like we can handle that. And again, I'm a pro figuring out our long term situation, our economic development, I think it's really important, and also balancing our current budget on the backs of our current employees, and the amount of work they have to go through, without some of these positions is really unfair. So I would love to hear from my colleagues on that, and if we can get the motion just read out loud so we know.

>> I brought a motion, I didn't know if you would be interested in making something today or at the time of the budget. I brought one with me, and I will hand it to you.

>> Councilor Leech: Thank you.

>> Mayor Knudson: Councilor Clark.

>> Councilor Clark: Thank you, mayor. Fantastic work, guys, this is hard stuff, it's a long term picture. I saw the list of partners you have to work with to get all the commence rat data in order to make an accurate and good forecast, it's fantastic. One piece of data I would request that we don't have, that I would love to add to this process as we go through the rest of the process. And that's to contextualizing the data in our community by looking at median income overtime of our community as well as employment versus unemployment in our community over time. And assessment value on homes as well, over time, so we can see what's the direction of where our community is going and where the tax base and the people who have to pay this stuff, where are they really compared to other points in time, if we're going to have decisions about what we do or what we ask of our fellow community members moving forward, that would be a request of mine.

>> Thank you, councilor Clark, we can include that in the materials for your workshop.

>> Mayor Knudson: Councilor Keating?

>> Councilor Keating: Thank you, mayor. Twylla, thank you. For the sobering discussion. Would you -- since we talked -- is there a way to give us an update or remind us, especially since there's at least one new councilor since the last Biennium, we did a creative thing by -- and I'm probably not -- going to botch this up, which is why I'm asking for clarification, by housing some of the animal services dollars under public safety or under the public safety payroll tax, and I know it's a lot more complicated which is why I'm asking for clarification, since we did that you creative budgeting approach two years ago, we now have a new city manager and city councilor, I would like some clarification if community safety payroll tax is going to go back to the voters, how we could continue to make the case that animal services belongs housed under the public safety umbrella, without appropriately, we have a public safety nightmare. Can you refresh my memory as to what exactly we did last Biennium when it comes to animal services, public safety and payroll.

>> Councilor Keating, this was a -- I'm remembering what you're referring to as part of the '23 '25 budget process, and I may have to get back to you on the exact details, but it wasn't that we moved animal services into CSPT. I think we used CSPT dollars for a CSPT eligible expenditure, to free up funding in the general fund to pay for animal services in the Biennium, I don't remember the specifics, but we can provide that to you as part of your preworkshop materials.

>> Councilor Keating: I appreciate it, and I look forward to my interview with you later, I am pleased that half of council have been interviewed. Our commitment to our four legged friends not only by statute, but in my heart is a top priority, and I would love to have a refresher as to how we solve that budget problem in that last Biennium, that way it's not on the sidelines when it comes to this Biennium's conversation, it's at the forefront of the conversation, at least for my vantage point. It's a top priority for our community and it clearly continues to be a top priority for me. Thank you for that, Twylla. Could you -- and I apologize for this question, because my connection was spotty after you mentioned the temporary pause, you said it's not a freeze, it's a pause. You may have elaborated on that, but my phone connection was spotty. Can you share with me if we have time, what's -- in your opinion, what's the difference -- how can I wrap my head around, is there a difference between a hiring pause and a hiring freeze?

>> Sure. A hiring freeze would be, we would freeze all positions, and we wouldn't hire any vacant position for any reason for a period of time. A hiring pause is more strategic in that it allows us to fill critical positions that we need to provide service to the community while evaluating any vacancy that comes forward to see how it aligns with strategic and organizational goals. So we keep strategic work moving forward in the organization in the community, while still holding positions

both for budget savings to allow time for us to think about how we're going to develop budget strategies, and also in the event we have filled positions, we have to reduce in the next Biennium, we have landing spots for some of our current employees as we move forward, does that help?

>> Councilor Keating: It does, thank you. Mayor, a second time, I'll pause and allow time for colleagues in the first round.

>> Mayor Knudson: Councilor Zelenka?

>> Councilor Zelenka: Yes, thank you. Twylla, Mauricio, great presentation, a lot of work to pull that together. And I know that didn't happen overnight, was very well presented for how complex it was. [Inaudible]

>> Mayor Knudson: Councilor Zelenka, can you hear me? We lost your audio in the room.

>> Mayor, for clarification, I could hear councilor Zelenka just fine.

>> Mayor Knudson: Thank you, councilor Keating.

>> Councilor Zelenka: One of the last budgets were cut budgets, this one's going to be 16 and 19. This is my 30th budget I've gone through with the city of Eugene, I've gotten used to it, but it's no less heartening to understand what that means when you have a budget that has cuts to services that have built in constituencies that we all found out about it, very reasonable. So I wanted to say that I too would be interested in councilor leech was talking about, would modify the previous motion on economic positions. That makes sense given the budget picture we are seeing right now. So I would like to look at that as well. If not today, very soon. Time is running out on this process. Finally, on the CSI, I don't necessarily think the council has to go out to the public for a yes/no vote on the CSI, I think that that's proven it's case. And we may want to think about an alternative strategy, instead of going out on a yes, no vote on, that we go out to potentially increase it, and keep up with the needs we have in the city. That may be the alternative path the council goes on, that might be well received in the community.

>> Mayor Knudson: Thank you councilor and councilors. I think we're going to head into the second round, I have councilor Evans and councilor Kashinsky before we wrap up our meeting at 7:00. And councilor groves? Okay, thank you councilor Evans?

>> Councilor Evans: Thank you. I didn't know whether you were done. One of the problems this council has had over the years is being able to provide more affordable housing for our residents, and our partnerships with the Federal Government are critical to that. Given the level of uncertainty that we have with those partnerships, can you kind of elaborate on what the decline in the HUD

funding is ultimately going to mean for us in terms of providing affordable housing, and financing that as well as looking at other parts or other federal grants that we -- in other areas, that we have the potential to not have any more, or I give you the classic example I've been looking at, what happened with the original airport grant before this administration took office, and then we had that grant rolled back or cancelled, and then we got it back again. I'm concerned that we are going to continue to be sitting in this level of uncertainty with both our federal and state partners based on their efforts to push a lot of this stuff back on municipalities and back on states. Versus the Federal Government assuming the role that it has assumed in the partnership to date.

>> Well, I would say there still remains a lot of uncertainty at the federal level, things are changing. Staff are diligent about keeping track of changes and watching and understanding what's happening, I think we will continue to be in that area or kind of that range for a while. So we just continue to watch. I'm not sure if anyone's here to answer your question about HUD, if they're not, we can certainly provide an answer for you.

>> Somebody's popping up.

>> Here comes will, I'll let him answer.

>> I'd like to know just how much we're losing from investments in HUD, or HUD's investments in us.

>> I'm the community development director, this year we're receiving about \$2.5 million in HUD grants with CDBG. It depends on what time frame you look at, we've seen the effective number decrease by half. So we were getting -- when you adjust for inflation in today's dollars, 20 years ago, we were getting about \$5 million, this year we're getting about \$2.5 million, that has steadily declined over that course of time, ups and downs along the way, but that's where we are, so I'll provide the same community services we were 20 years ago, with an additional \$2.5 million.

>> Councilor Evans: Do we have a strategy to close at least part of that gap, or are we looking at additional resources possibly at the state level? Other than us having to take more money up than we already have?

>> So one of the things that council did was institute the construction excise tax, the CET. So that has been one way over the last few years that council has created some local control with local funding to support affordable housing, the state has also been a partner working through the way they're deploying resources for affordable housing. The landscape is constantly shifting. We have Good Years even bad years, overall, we're facing incredible need in the community, and we have a lot of very innovative partners who are always looking for ways to maximize their ability to make housing production.

>> Mayor Knudson: Thank you, staff, councilor Kashinsky?

>> Councilor Kashinsky: I was going to talk about the business -- I will not, and allow councilor leech time.

>> Mayor Knudson: Thank you, I'll turn to councilor leech to put a motion forward.

>> Councilor Leech: Thank you. I direct the city manager to add the business development, and include the two analyst positions in a 2027 to 2029 proposed budget.

>> Councilor Kashinsky: Second.

>> Mayor Knudson: Thank you, any discussion? Councilor Clark?

>> Councilor Clark: What would be the impact of this particular motion? I know, I hate to put you on the spot that way.

>> So adding the positions would allow us to move forward on -- adding one position would allow us to move forward in partnership with community groups that are working on regional strategy, allow us to identify what is important to the city of Eugene. And allow us to create a tailored action plan for Eugene that incorporates the best elements of the regional strategy with the work plan in front of us.

>> I looked at the dire numbers, and my original vote was so say yes to all three, because I thought the presentation you guys made was that we needed them. My question is, if we delay the other two, what's the impact?

>> There's work that we would not be doing, it would be work associated with -- the work plan we have set for the other positions would involve looking at the clear lake infrastructure implementation, and looking at regional wetlands. We are -- there's work that we do with the business liaison program, that we have to divert into the enterprise zone program, there's a variety of different things there, but if we go forward with this plan, then we would just begin working on those as soon as the --

>> So same work, just more she'll?

>> Yes.

>> Thank you.

>> Mayor Knudson: Before councilor groves, I will offer that in our AIS, the business manager would develop a strategic plan over the first year, and then hire the analyst positions to work on a strategic plan if that is the path that is funded. I want to offer to council, that is a strategic approach to this work, and an investment

with many other cities that have been successful with this work. I wanted to offer my support and Kwon text for this conversation. Councilor groves?

>> Councilor Groves: Thank you, mayor, I think my question was already answered in that last round. Thank you.

>> Mayor Knudson: Councilor Keating?

>> Councilor Keating: Thank you, mayor, I understand the old adage, it takes money to make money. I remain concerned that -- don't we already have talent in house who could do this work? And in a budget in which it was just -- a budget year, it was just thrust upon us, there's north of \$2 million worth of cuts, to then spend \$800,000 at the same time to bring on three new persons, and I know this motion brings on a director and then delays the other two positions until the '27-'28 years, as I understand it, I just -- I -- it gives me heartburn to -- which is why I voted no in the first place. It gives me heartburn to put so much on the table at a time where we know we're going to have to tighten our belt. My question is, don't we already have talent in house that could do this work, that we asked our partners -- we asked our state partners to make critical investments in economic development throughout our community, and I don't remember the conversation being please invest in this economic development. And then we're going to come back to council to ask for \$800 million to ask for three new positions. Don't we have the talent locally, that are hired by the city of Eugene to execute this plan or vision? And if not, if so, what's the -- is the reason just to expedite the work? I'm fuzzy on -- I hear the need, but I -- I'm fuzzy on the urgency.

>> Mayor Knudson: Councilor, planning and development staff probably have far more to offer on this, but I will say that that team is very small and has been actually -- actually had a budget reduction in the last cycle. So if we're going to -- I will leave it to Alyssa to discuss, but if we're going to invest in a new strategic effort, I'm not sure that current staffing is available for this plan.

>> Good evening, Alyssa hunter, planning and development director. I want to confirm what Twylla said is correct. Is my microphone on. How about now. Two things, one, we did eliminate an economic development position in the last budget cycle. And if you can think back to the April work session will walked through what our current setup is in terms of staff that do economic development work. We have a manager who does a lot of the high level stuff, and then we have two staff, one who works on business loans and one who is a development liaison, we do not have the capacity to take on the work that is called out in the tag plan or any of the other economic development work that has been discussed this evening.

>> Mayor Knudson: Thank you, staff. Seeing no further questions for council. I'll take a vote for this motion. All in favor? 7. All opposed?

>> Opposed.

>> Mayor Knudson: Thank you. And the motion passes with a vote of 7-1. Thank you, staff, whole team of staff. Especially to our finance team for the incredibly robust presentation. A lot of information for us into our remaining meetings this month and this summer. And this concludes our agenda for today. So I now close the June 8, 2026 city council work session. And we are adjourned.