



CITY OF BEND

CITY COUNCIL ISSUE SUMMARY

MEETING DATE: JUNE 17, 2020

SUBJECT: Approve a supplemental budget and budget adjustments for the City of Bend 2019-2021 Biennial Budget.

STAFF MEMBER: Melissa Bradley

DEPARTMENT: Finance

ACTION REQUIRED:

- ☐ Motion
- ☒ **Public Hearing Date:** June 17, 2020
- ☐ **Ordinance 1st Reading Date:**
- ☐ **Ordinance 2nd Reading Date:**
- ☒ **Resolution**
- ☐ **Information/Direction**
- ☐ **Consent Agenda** (*adopted by motion*)

ADVISORY BOARD/COMMISSION RECOMMENDATION:

- ☐ Approval
 - ☐ Denial
 - ☐ None Forwarded
 - ☒ **Not applicable**
- Comments:**

RECOMMENDED MOTION:

I move to adopt the resolution approving supplemental budgets and budget appropriation adjustments for the 2019-2021 biennial budget period beginning July 1, 2019.

ISSUE / COUNCIL DECISION & DISCUSSION POINTS:

- Hold public hearing on a proposed supplemental budget in the following funds:
 - PERS Debt Service Fund
 - Internal Service Fund: Other Post-Employment Benefits (OPEB)
 - Streets & Operations Fund
 - Stormwater Fund
 - Parking Services Fund
 - Internal Service Fund: Departmental Administration
- Approve supplemental budgets and budget adjustments adjusting the City of Bend 2019-2021 biennial budget as presented

BACKGROUND:

The following supplemental budgets and budget adjustments are part of a city-wide budget reduction strategy intended to mitigate known and unknown revenue shortfalls as a result of the COVID-19 Pandemic, as well as other mid-biennium budget adjustments. Budget reductions include the following items across all funds:

- Approximately \$5.6 million is related to eliminating vacant positions. Additional details regarding the impacts of the staffing changes are included in a separate agenda item.
- Interfund transfers are decreasing as a result of budget reductions in the Internal Service Funds: City Wide Administration & Departmental Administration.
- Reductions and other changes to Capital Improvement Program (CIP) Projects are discussed in more detail in the issue summary to adopt the 2021-2025 CIP in a separate agenda item.
- In addition to the major budget reductions discussed below each fund has evaluated line item budgets in every account and made reductions to line item budgets.

CURRENT YEAR BUDGET IMPACTS IDENTIFIED BY DEPARTMENT:

1. Supplemental Budgets to Adjust Revenues and Expenditures > 10% over the biennium

In accordance with ORS 294.473, the proposed supplemental budgets will provide for appropriation adjustments in the following funds that were not anticipated when the 2019-2021 Biennial Budget was developed. A public hearing is required because fund expenditures will be adjusted by more than 10%. In accordance with ORS 294.473, public notice that a supplemental budget will be considered is required; this notice was published on or before Friday, June 12, 2020.

PERS Debt Service Fund

Administration & Central Services Program - \$6,957,400

- Increase expenditure appropriations in the Administration & Central Services Program to make a second contribution to the PERS Employer Incentive Fund that will be matched by State funds. This will provide budget appropriations for a second payment and matching funds, and will generate an additional reduction of the City's PERS contribution rates of approximately 1.12%. Combined with the initial payment of \$4,297,000 made in December 2019, the PERS rate reductions are anticipated to generate savings of approximately \$825K per year for 20 years.

Internal Service Fund: Other Post-Employment Benefits (OPEB)

Interfund Transfers - \$6,957,400

Reserved for Future Expenditures – (\$6,957,400)

- Decrease reserves and increase appropriations in Interfund Transfers to transfer funds to the PERS Debt Service Fund to make a second PERS side account deposit. The OPEB Reserves are set aside to address long-term personnel costs. Transferring them to the PERS Debt Service Fund to reduce long term PERS contributions is an allowable expenditure.

Streets & Operations Fund

Infrastructure Program – (\$4,829,600)

Interfund Transfers – (\$492,600)

- Budget reductions in the Streets & Operations fund will affect the amount of Street Preservation projects the City will be able to perform in the future, but the goal is to maintain the current conditions and the improvements that have been made in the transportation system in recent years. The City will still be performing street

preservation projects in the future, but the size of the projects will be smaller than in recent years to maintain current conditions.

Stormwater Fund

Infrastructure Program - \$1,648,900

Interfund Transfers - (\$122,400)

Contingency - \$482,000

- The majority of the budget adjustments in the Stormwater Fund are related to operational budget reductions as well as changes in the scope of existing Stormwater Collections capital maintenance projects, which will delay stormwater collections projects and may increase the cost of future maintenance if preventative repairs are not completed. The operational budget reductions are offset by an increase of \$2,008,500 in the Capital Improvement Program (CIP) in the Newport Corridor Improvements, Murphy Corridor Improvements and Neff & Purcell projects.

Parking Services Fund

Infrastructure Program – (\$576,000)

Interfund Transfers – (\$48,600)

- The majority of budget reductions are a result of vacancy savings and the elimination of vacant positions including a Municipal Court Clerk and a Parking Facilities Lead. Additionally, various reductions have been made to materials and services including changes in scope to the Diamond Parking contract, reduced equipment purchases, and consulting services. Service impacts are anticipated to be minimal. Service impacts resulting from the changes to the Diamond Parking contract are anticipated to be offset by the development of an in-house parking management software.

Internal Service Fund: Department Administration

Administration & Central Services Program – (\$282,700)

Community & Economic Development Program – (\$294,200)

Infrastructure Program – (\$2,053,600)

Interfund Transfers – (\$558,000)

Contingency – \$782,300

- The major reductions in Departmental Administration programs are as follows:
 - Administration & Central Services Program – Fleet Management is reducing expenditure appropriations for equipment, parts, training, maintenance supplies, and a vehicle replacement. The reduction in supply purchases will not impact service delivery, but may result in additional wear and tear on current equipment. The reduction in training budget will limit the ability of technicians to stay up-to-date with changing technologies and may result in decreased productivity.
 - Community & Economic Development Program – The Community Development Department (CDD) Development Services Division will eliminate one Administrative Assistant position and other temporary help which will impact customer service levels from the permit center and result in longer wait times for customers.
 - Infrastructure Program –
 - The Engineering and Infrastructure Planning Department (EIPD) will eliminate two Project Engineer positions, a Program Technician, and a Program Manager position. There are also reductions in consulting

and a vehicle replacement, and the timeline for the Standard & Specifications project has been delayed.

- The Utilities Laboratory will reduce expenditure appropriations in equipment, training, temporary help, external testing and eliminate vehicle replacement.
- This Internal Services Fund is funded via transfers from other City operating departments, which means decreases in expenditures will result in direct decreases to interfund transfer revenue and savings to the operating departments. The reductions for Fleet Management and EIPD have been passed through to departments and are included in the budget adjustments proposed. The reductions for CDD Development Services and the Utilities Lab are being held in Contingency and will be used to reduce transfer expenditures to CDD and the Utility Department in the 2021-2023 biennial budget process.

2. Supplemental Budgets to Adjust Revenues and Expenditures < 10% over the biennium

A supplemental budget is proposed for appropriation adjustments in the following funds that were not anticipated when the 2019-2021 Biennial Budget was adopted; however, these adjustments will not adjust expenditures more than 10% and do not require a public hearing. In accordance with ORS 294.471 public notice that a supplemental budget will be considered is required; this notice was published on or before Friday, June 12, 2020.

General Fund

Community & Economic Development Program – (\$1,190,900)

Infrastructure Program – (\$33,600)

Public Safety Program – (\$3,076,200)

Interfund Transfers – (\$4,444,800)

Contingency – (\$399,300)

- The General Fund is the fund with the largest potential revenue shortfall with an estimated shortfall related to COVID-19 of \$6.2M. Budget reductions in the General Fund and in funds that receive a General Fund subsidy are a result of both pre and post-COVID 19 shortfalls. In addition to the major budget reductions listed below, the General Fund (GF) will require approximately \$400K from Contingency to cover the revenue shortfalls. The major reductions in General Fund programs are as follows:
 - The Community & Economic Development Program includes budget adjustments in the following divisions –
 - The Growth Management Department (GMD) will eliminate a vacant GMD Director position and transfer funding of a 0.5 program coordinator to the Metropolitan Planning Organization (MPO), and make other minor reductions to miscellaneous materials & services accounts.
 - The Code Enforcement division is reducing their budget primarily due to FY2019-20 savings in consulting.
 - COIC has agreed to a reduction in the City contribution to transit for FY2020-21, resulting in a \$704K decrease to our expected payment.
 - The overall decrease in Community & Economic Development expenditures also includes an increase of \$78,700 in expenditures for projects in the City-owned Juniper Ridge Urban Renewal Area. The expenditures will be paid for by interagency transfers to transfer

previous land sale proceeds to the General Fund from the Bend Urban Renewal Agency and will not impact General Fund reserves.

- Infrastructure Program – The Accessibility program will make reductions to consulting, training, and miscellaneous materials and services accounts.
- The Public Safety Program includes the Police Department and Municipal Court –
 - The Police Department will eliminate two Patrol Officer Positions, two Traffic Officer positions, one Detective position, 12 vehicles, and reduce training, ammunitions, and equipment expenditures. Vehicle reductions may increase vehicle repair costs and lead to mass purchases when the majority of the current vehicles reach the end of their functional period. The reduction in equipment and ammunition will require an increase in future costs to replace aging equipment and for training to be performed using simunitions (training ammunition), though this will be a temporary solution as officers will need to return to increased live-fire range training to be within accreditation standards and best practices.
 - The Municipal Court will eliminate 2.5 Municipal Clerk positions and reduce miscellaneous materials & services accounts.
 - The overall decrease in Public Safety Program expenditures includes an increase in funding of \$100,000 for an initial evaluation of body cameras for Police Officers. The cameras will be funded by the Police Reserve Fund and will not impact General Fund reserves.
- The majority of the decrease in interfund transfers results from budget reductions in the Streets & Operations Fund resulting in a decreased General Fund subsidy requirement. In addition, a \$1 million decrease in Interfund Transfers will reduce the transfer to Transportation Construction Fund that was intended to provide additional public private partnership reserves. Other minor changes include updates to General Fund subsidies to Fire, Accessibility Construction, Airport, Cemetery and Parking.
- The interfund transfer decrease is offset by an increase of \$188,300 related to loan to the Bend Urban Renewal Agency (BURA) Juniper Ridge Construction Fund. The loan will be repaid using tax increment financing (TIF) revenue from the BURA Juniper Ridge Debt Service Fund.

Fire/EMS Fund

Public Safety Program – (\$356,600)

Interfund Transfers – (\$107,400)

Contingency – (\$144,600)

- The Fire/EMS Fund identified approximately \$3 million in budget reductions and savings in the Public Safety Program as part of the city-wide reduction effort. The overall decrease in Public Safety Program expenditures also includes approximately \$1.4 million increase in personnel services expenditures for over-time work needed to maintain services due to departures of retired Fire & Rescue staff. Debt funded equipment purchases were delayed resulting in \$2 million of reductions in capital expenditures and a corresponding decrease in long-term debt proceeds. The majority of the budget reductions are related to reductions in materials & services expenses, eliminating staff vehicle replacements in Capital outlay, and a reduction in staffing which includes the elimination of Deputy Chief of Administration and Administrative Manager positions.

Police Reserve Fund

Interfund Transfers - \$100,000

Reserves for Future Expenditures – (\$100,000)

- Increase appropriations in Interfund Transfers to use Police reserves to pay for initial assessment of body cameras for police officers.

Community Development Block Grant (CDBG) Fund

Community & Economic Development Program – \$2,200

Interfund Transfers – (\$20,800)

- The Community Development Block Grant (CDBG) Fund identified approximately \$10,300 in reductions to materials & services which is needed to offset \$12,500 in cost increases related to allocating more of the Economic Development team's staff time to CDBG in anticipation of increased grant and loan activity in the near term.

System Development Charge Fund

Interfund Transfers - \$2,427,100

- Recognize additional revenue in the System Development Charge (SDC) Fund and increase interfund transfers to the Water Fund and Water Reclamation Fund.

Transportation Construction Fund

Infrastructure Program – \$321,700

Interfund Transfers – (\$616,200)

Reserves for Future Construction – 1,788,600

Developer Exaction Reserves – (\$28,600)

- The Transportation Construction Fund identified approximately \$4.4 million in budget reductions and savings in the Infrastructure Program as part of the city-wide reduction effort. The majority of these budget reductions are related to reductions in the Capital Improvement Program (CIP), budget savings in bond sale expenses associated with the 2020 debt issuance and a reduction in staffing which includes the removal of a vacant Growth Management Director position, and reallocating personnel costs for a Program Coordinator position to the Bend Metropolitan Planning Organization (MPO). The reductions identified are offset by additions to the CIP of the Colorado Columbia Roundabout (\$2.7 million) and the Columbia Roundabout Improvements project (\$2.0 million). The additions to these projects are directly funded by revenue from other government agencies and do not impact Transportation Construction reserves. The decrease in project expenditures also results in a decline in Transportation System Development Charge (SDC) revenue that is eligible to be transferred from the SDC Fund to the Transportation Construction Fund. The net result of these changes is an increase in Reserves for Future Construction which will be available for future projects if development activity and SDC revenues decline as a result of the COVID-19 pandemic.
- Developer Exaction Reserves are being decreased by \$28,600 with a corresponding increase in Interfund Transfers to provide funding to the Streets & Operations Fund for self-performed work on the Columbia Sidewalk Improvements project.

General Obligation Bond Construction Fund

Interfund Transfers – \$8,600

- When the 2019-2021 biennial budget was developed the revenues in the GO Bond Construction Fund were anticipated to be fully spent on projects. The final allocation of investment income in FY2018-19 resulted in \$8,600 of unanticipated resources, which is now in the beginning working capital for FY2019-20. This adjustment recognizes additional beginning working capital in FY2019-20 and increases expenditures appropriations in interfund transfers to the Transportation Construction Fund to be used on GO Bond eligible projects.

Accessibility Construction Fund

Infrastructure Program – (\$161,900)

Interfund Transfers – (\$83,200)

Reserves for Future Construction – (\$95,900)

- Budget reductions in the Accessibility Construction fund consist of reductions to the CIP in the Accessibility Opportunity Projects, Newport Corridor Improvements Project, and NE Division Street Corridor Project. Additional information on changes to the CIP are included in a separate agenda item to adopt the 2021-2025 CIP. Reserves are utilized to reduce the General Fund subsidy required.

Airport Fund

Community & Economic Development Program – (\$113,800)

Debt Service - \$13,000

Interfund Transfers – (\$29,900)

Contingency – (\$42,900)

- Budget reductions in the Airport Fund result primarily from personnel savings since the Airport Manager position was vacant for a portion of the FY2019-20 fiscal year. Other reductions include decreases and/or delays to building repair and maintenance, reduction to winter operations, and reduction to optional employee training. These reductions may lead to long-term maintenance cost increases for airport facilities, uncertainty in staff's ability to manage snow removal and overall safety on runways during heavy winter activity.
- Airport Fund Debt Service expenditure appropriations are proposed to increase by \$13,000 to repay interest on an interfund loan from the Insurance Fund.

Cemetery Fund

Infrastructure Program – (\$6,100)

Interfund Transfers – \$1,000

- Budget reductions are primarily related to reductions in use of temporary help which result in decreases in service related to landscaping and general aesthetics at the cemetery. Interfund transfers are increasing slightly due to additional Fleet Management costs including repair and maintenance, and fuel expenses.

Water Fund

Infrastructure Program – (\$3,193,200)

Interfund Transfers – (\$677,000)

Reserves Future Construction - \$3,909,400

- The majority of Water Fund budget reductions are related to reductions in the Capital Improvement Program (CIP), including delaying the Awbrey Well Expansion project, College Parallel Pipe Study and Lafayette Pipe Enlargement.

The Water Division of the Utilities Department will also postpone purchases of some vehicles and equipment which may require additional maintenance costs in the future. Meter box replacement budgets are reduced pushing out approximately 200 units to the next phase. Staffing changes include the elimination of a vacant Utility Worker and a vacant Utility Compliance Technician position.

Water Reclamation Fund

Infrastructure Program - \$4,271,400

Interfund Transfers - (\$2,080,800)

Reserves Future Construction – \$197,300

- The Water Reclamation Fund identified approximately \$1.8 million in operational budget reductions and savings in the Infrastructure Program as part of the city-wide reduction effort which includes personnel services savings associated with eliminating vacant positions and reducing repair / replacement and maintenance costs. The operational reductions are offset by a net increase of \$6.1 million in the CIP. The majority of the project-related increases were the result of scope change on the SW Sewer Basin Improvements Project, Cooley Area Pump Station Decommission (PSD) and Sewer Availability Project, and the Solids Handling Improvements Project.

Internal Service Fund: City Wide Administration

Administration & Central Services Program – (\$3,777,300)

Interfund Transfers – (\$422,600)

Contingency – (\$34,400)

- Budget reductions include personnel savings associated with vacancies from FY2019-20 as well as eliminating the following vacant positions: Sr. Information Systems Analyst, Purchasing Analyst and Information Technology Director. Other budget reductions include training and professional development, technology equipment and computing services, and other general supplies. Facility costs were also reduced to eliminate a building design and remodel at the Downtown Campus that was originally anticipated for an increase in city staff.
- Contingency is used to fund additional costs for the City of Bend's financial investment advisor services and to cover additional Fleet Management costs
- This fund is funded via transfers from other City operating departments, which means decreases in expenditures result in direct decreases to interfund transfer revenue and savings to the operating departments. The reductions have been passed through to all other City departments and are included in the budget adjustments proposed.

3. Transfer Appropriations from Contingency to Categories or Programs Within a Fund

The following proposed budget adjustments are authorized by ORS 294.463(2) to transfer budget between Contingency and appropriation categories or programs within the same fund.

Affordable Housing Fund

Community & Economic Development Program – (\$74,300)

Interfund Transfers – (\$54,800)

Contingency – \$129,100

- Budget reductions in the Affordable Housing Fund the elimination of a vacant Affordable Housing Coordinator position and minor reductions in miscellaneous

materials & services accounts. Interfund transfer include a decrease in required funding for CDBG.

Business Advocacy Fund

Community & Economic Development Program – (\$26,600)

Interfund Transfers – (\$17,600)

Contingency – \$44,200

- Budget reductions in the Business Advocacy Fund include consulting services, employee training, and local event sponsorships. The budget impact the ability to provide business outreach services related to graphic design and advertising, it will reduce the amount of face to face interactions that the business advocate can have with the local community, and it will reduce financial support for local events like meetings and conferences.

Building Fund

Community & Economic Development Program – (\$455,600)

Interfund Transfers – (\$365,600)

Contingency –\$821,200

- Budget reductions include delaying a fee study, training which limits professional development and skill improvement, technology equipment which impacts department's ability to perform efficiently, effectively and safely, and other various general supplies, as well as a reduction in staffing which includes the elimination of Permit Technician and Building Inspector positions.

Planning Fund

Community & Economic Development – (\$370,400)

Interfund Transfers – (\$208,000)

Contingency –\$578,400

- Budget reductions include reductions in consulting, delaying a fee study, training which limits professional development and skill improvement, technology equipment which impacts department's ability to perform efficiently, effectively and safely, and other various general supplies, as well as a reduction in staffing which includes eliminating a Senior Planner position.

Private Development Fund

Community & Economic Development Program – (\$516,000)

Interfund Transfers – (\$118,800)

Contingency –\$634,800

- The majority of budget reductions are related to decreases in consulting, delaying a fee study, training which limits professional development and skill improvement, technology equipment which impacts department's ability to perform efficiently, effectively and safely, and other various general supplies, as well as a reduction in staffing which includes eliminating an Engineer Inspector position.

4. Transfer Appropriations Between Categories Within a Fund

Energy ARRA Fund

Administration & Central Services Program – (\$83,900)

Interfund Transfers – \$83,900

- To correct misappropriated amounts in the Energy ARRA Fund programmatic appropriations and recognize the amounts as Interfund Transfers.

Local Improvement District Construction Fund

Infrastructure Program – (\$12,800)

Interfund Transfers – \$12,800

- To correct misappropriated amounts in the Local Improvement District Construction Fund programmatic appropriations and recognize the amounts as Interfund Transfers.

DEPARTMENT DIRECTOR REVIEW

Reviewed by: Sharon Wojda Date: 6/9/20

FINANCIAL REVIEW

Reviewed by: Sharon Wojda Date: 6//9/20

LEGAL REVIEW

Reviewed by: Ian Leitheiser Date: 6/9/20

COMMUNITY OUTREACH PROCESS AND POTENTIAL IMPACTS:

Impacts to services are discussed above.

ATTACHMENTS:

- A Resolution approving supplemental budgets and budget appropriation adjustments for the 2019-2021 biennial budget period beginning July 1, 2019.