



STREET FUNDING

BEND CITY COUNCIL

APRIL 5, 2017

AGENDA FOR TODAY



Objective: Improve condition of Streets for 2017-2019 biennium, per Council Goals

1. Background on Street Funding and related goals and decisions
2. Strategies include cuts, redirection of resources and reserve levels
3. Staff Recommendation
4. Council Discussion and Next Steps

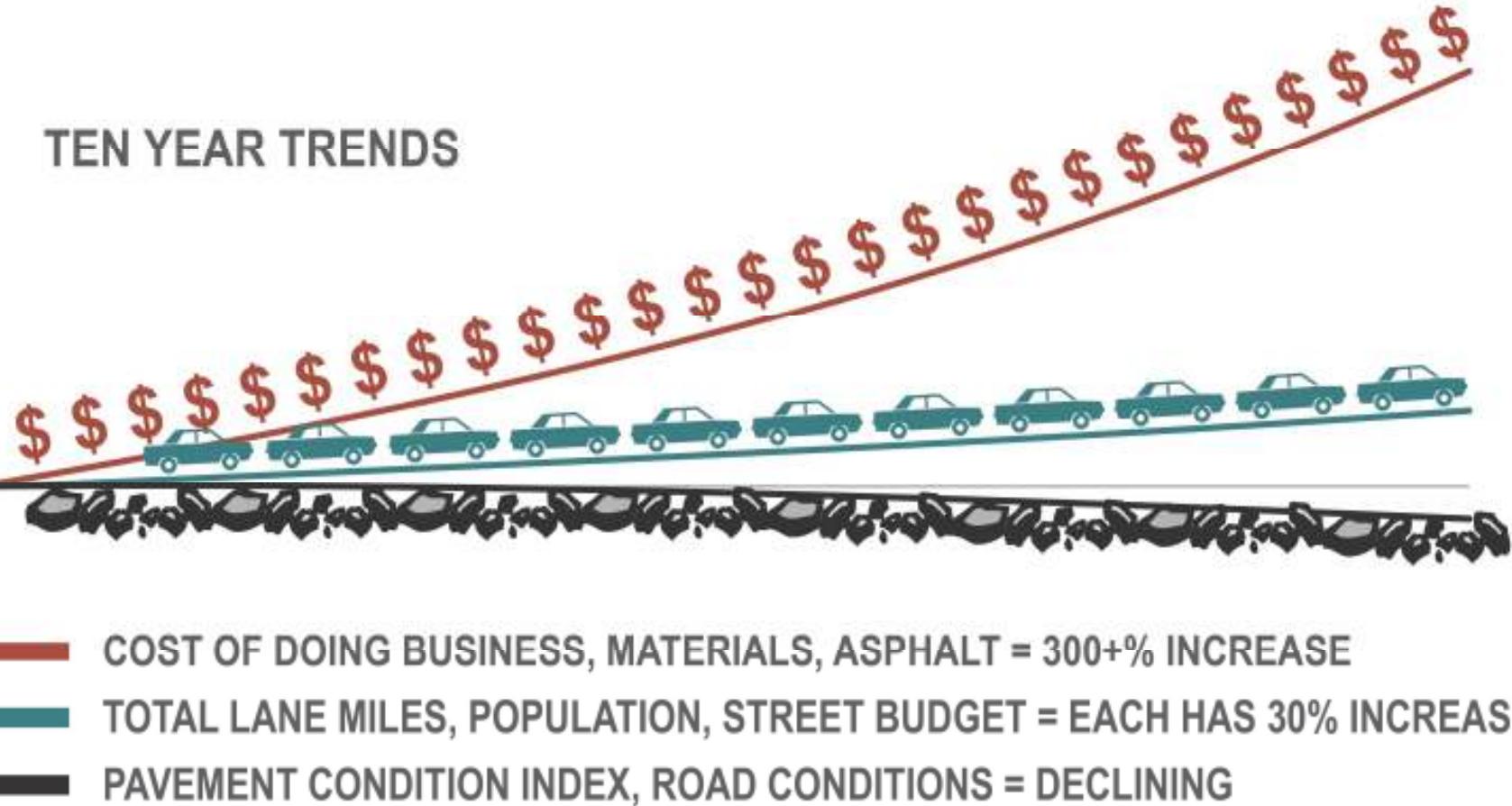
PART I

HOW WE GOT HERE

COSTS, GROWTH & PAVEMENT CONDITION INDEX (PCI)



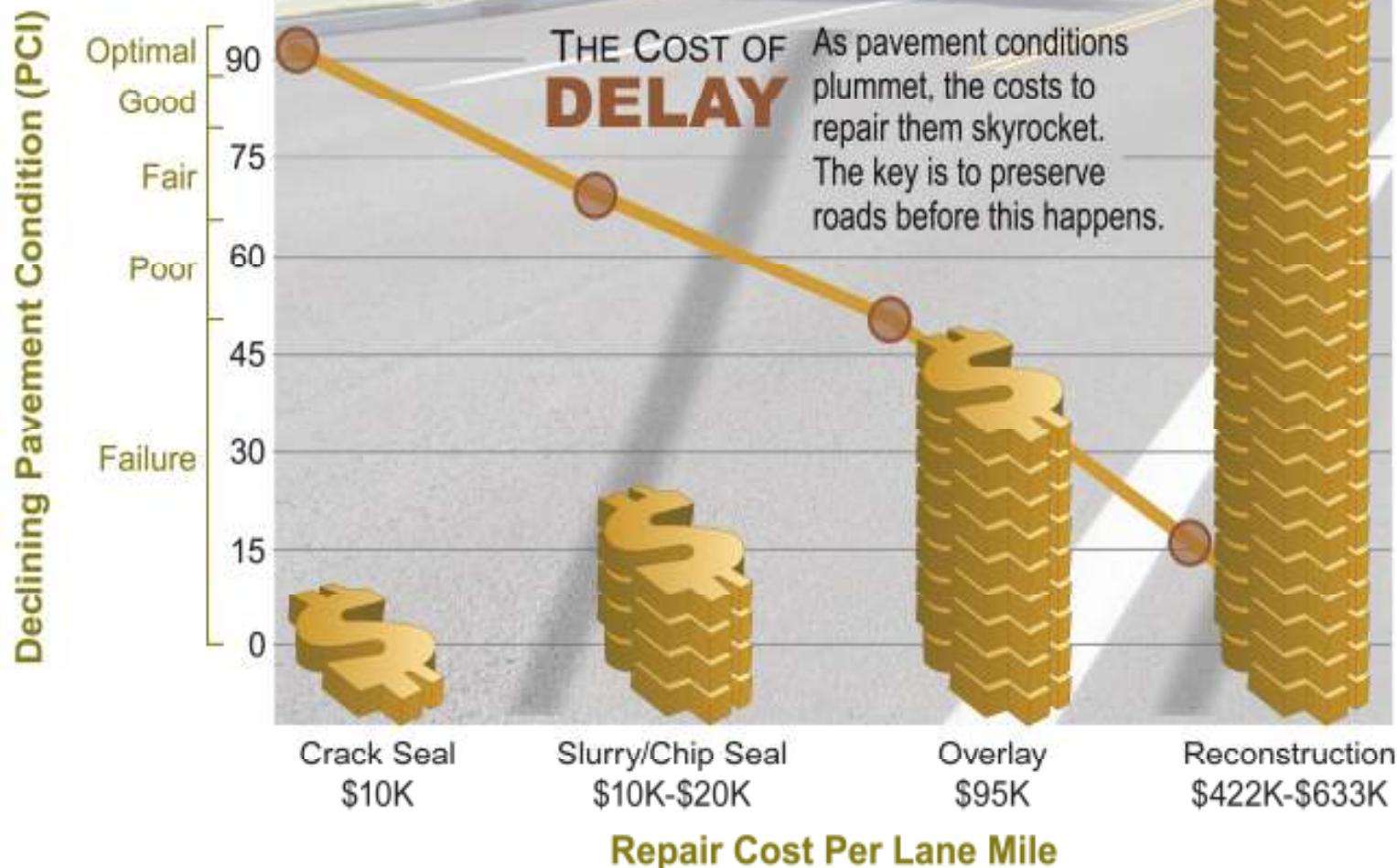
TEN YEAR TRENDS



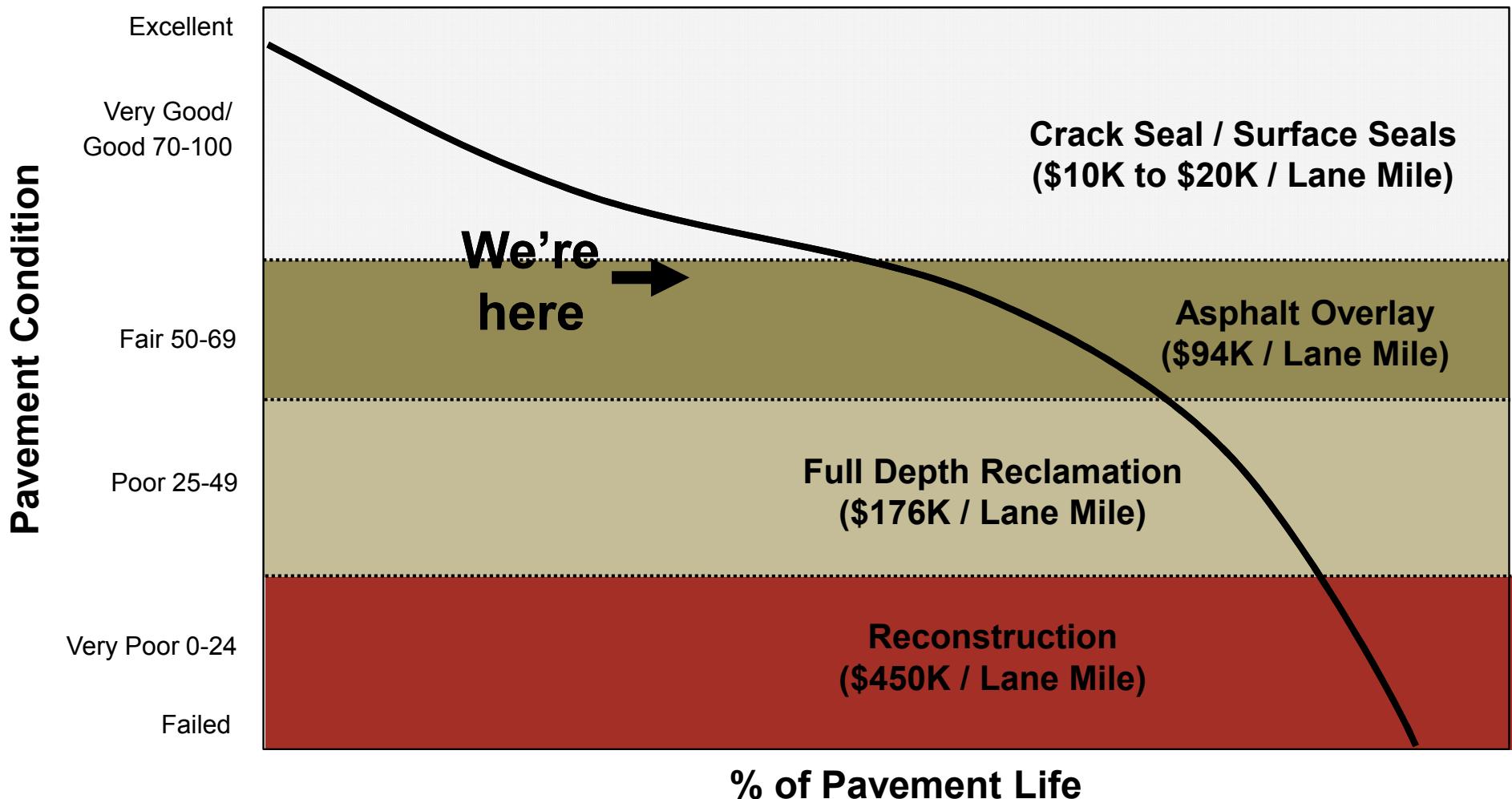
The cost of maintaining and repairing our roads has far out-paced revenue, creating a declining trend in road conditions.

BEND'S TRANSPORTATION FUNDING STORY

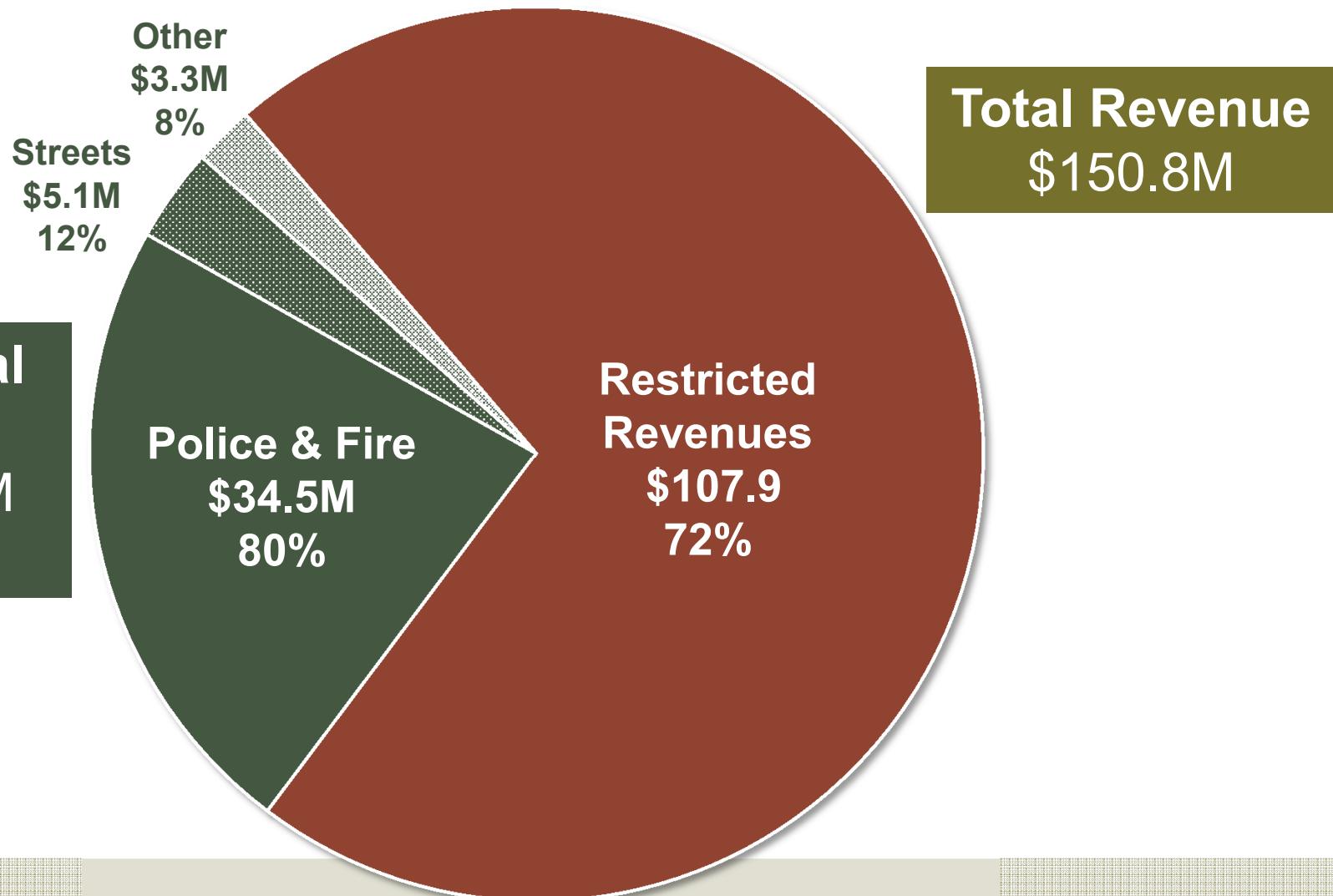




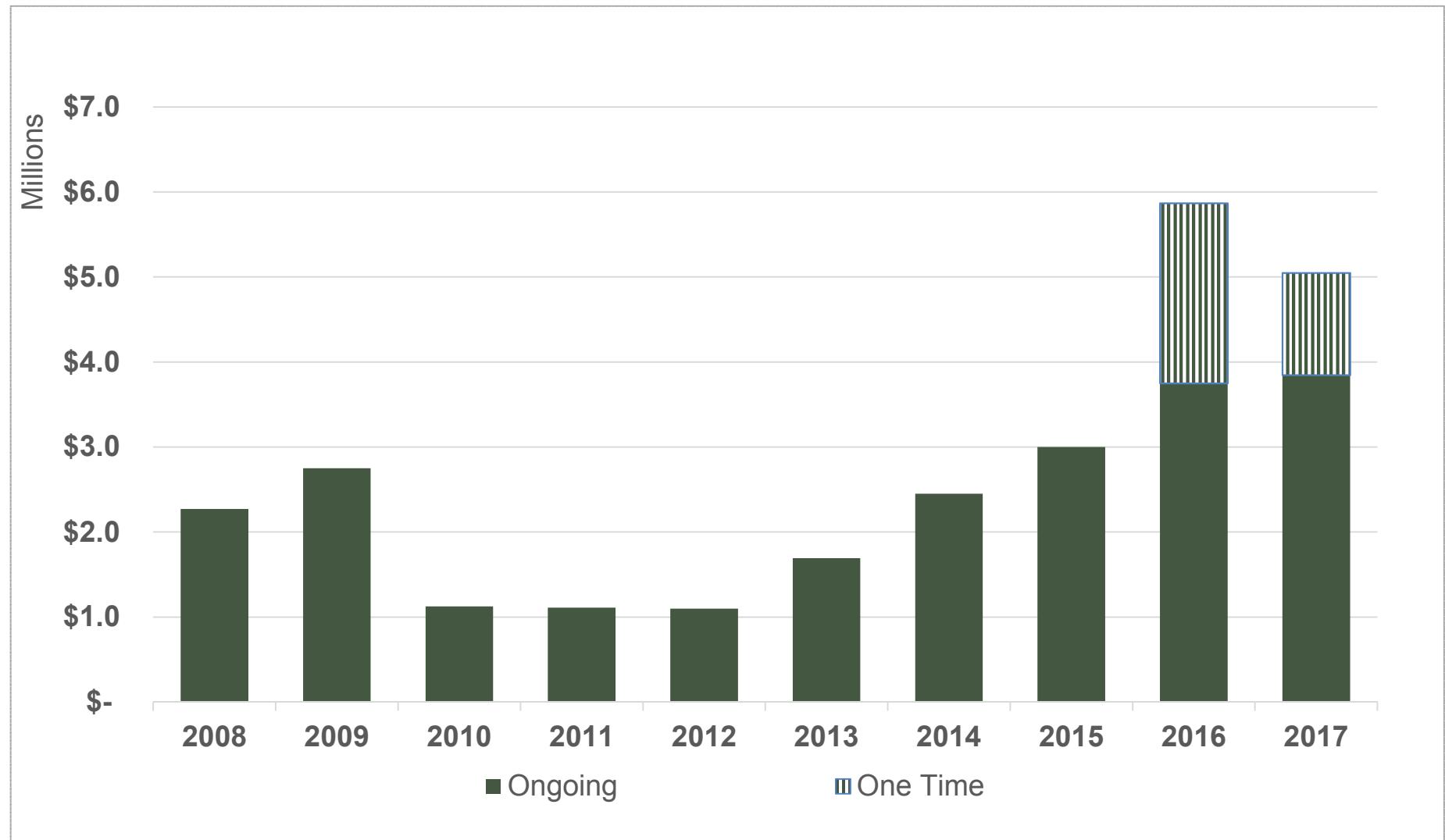
PAVEMENT CONDITION & LIFE OF A STREET



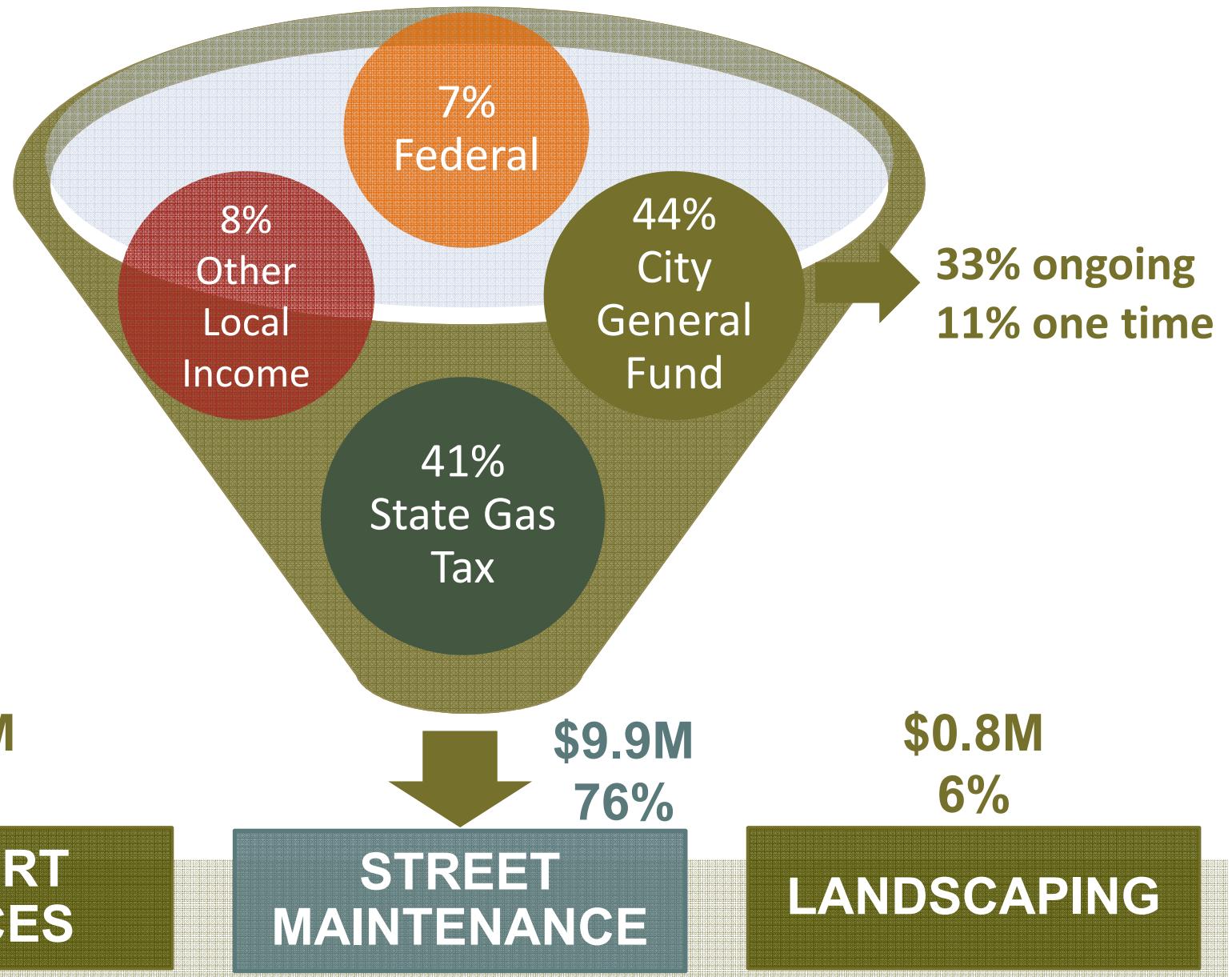
GENERAL FUND AND CITY-WIDE REVENUES FY 2016-17 BUDGET



GENERAL FUND SUPPORT TO STREETS & OPERATIONS FUND

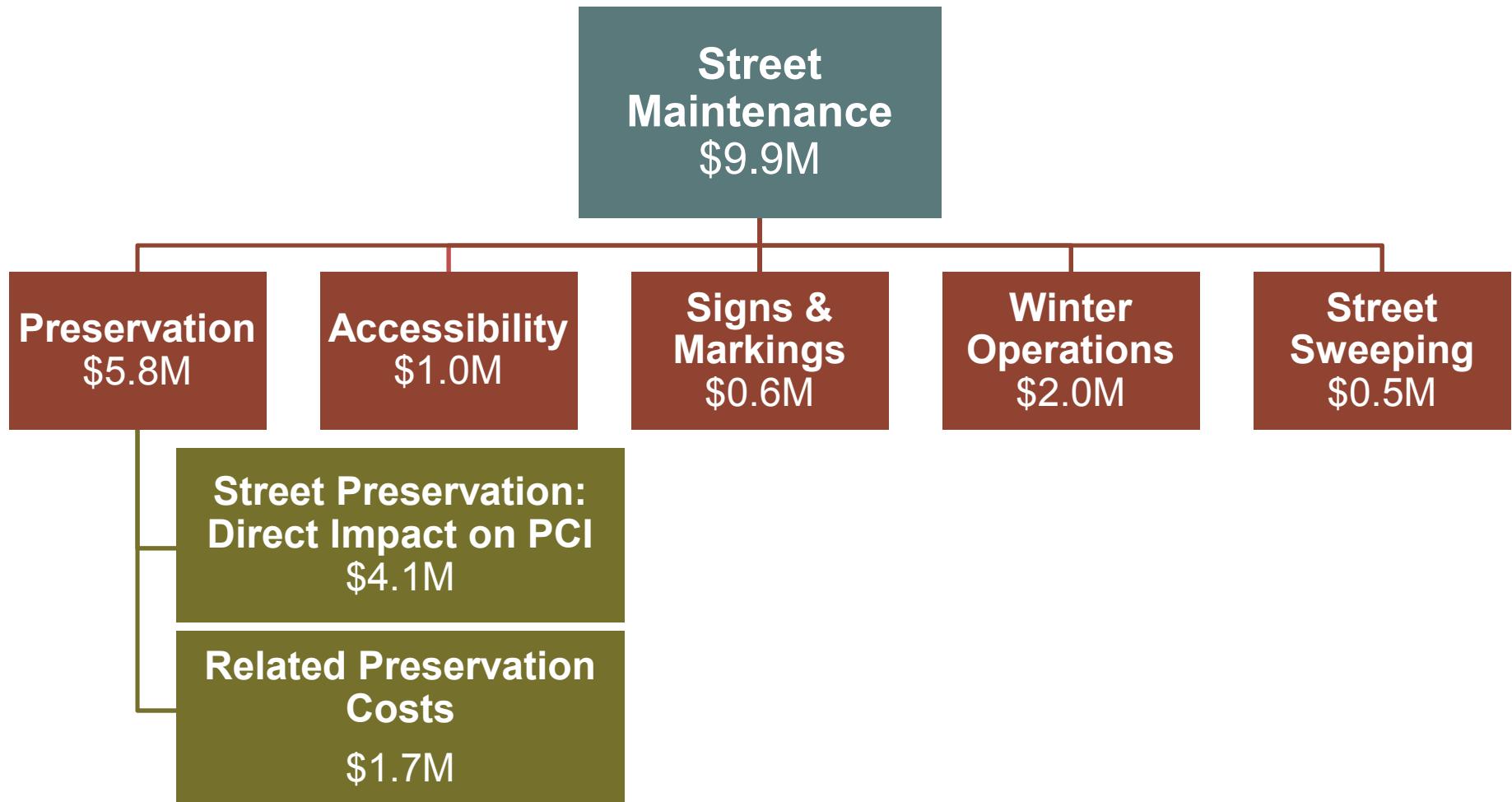


REVENUE IN STREET & OPERATIONS FUND FY 2016-17 BUDGET

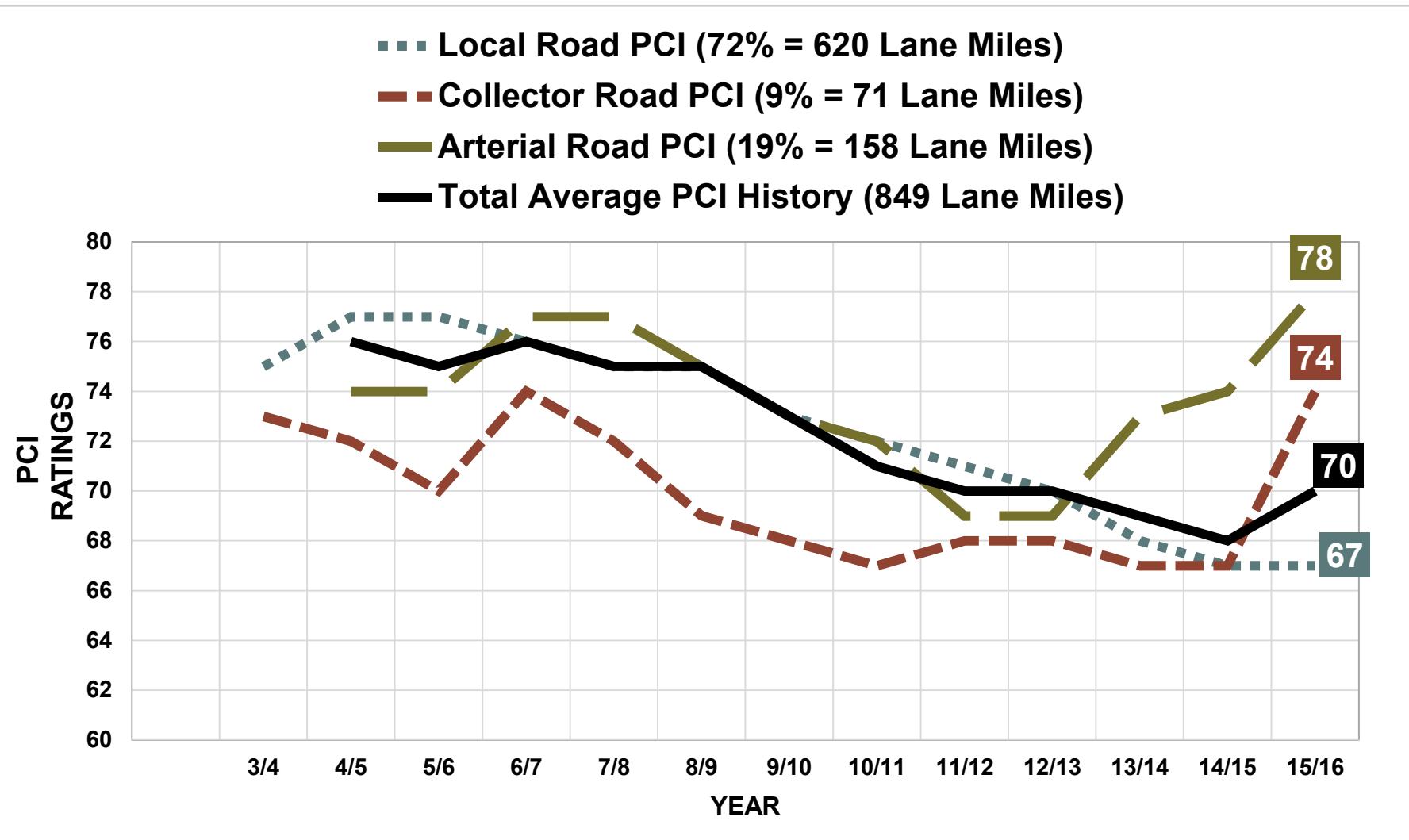


STREET MAINTENANCE PROGRAMS

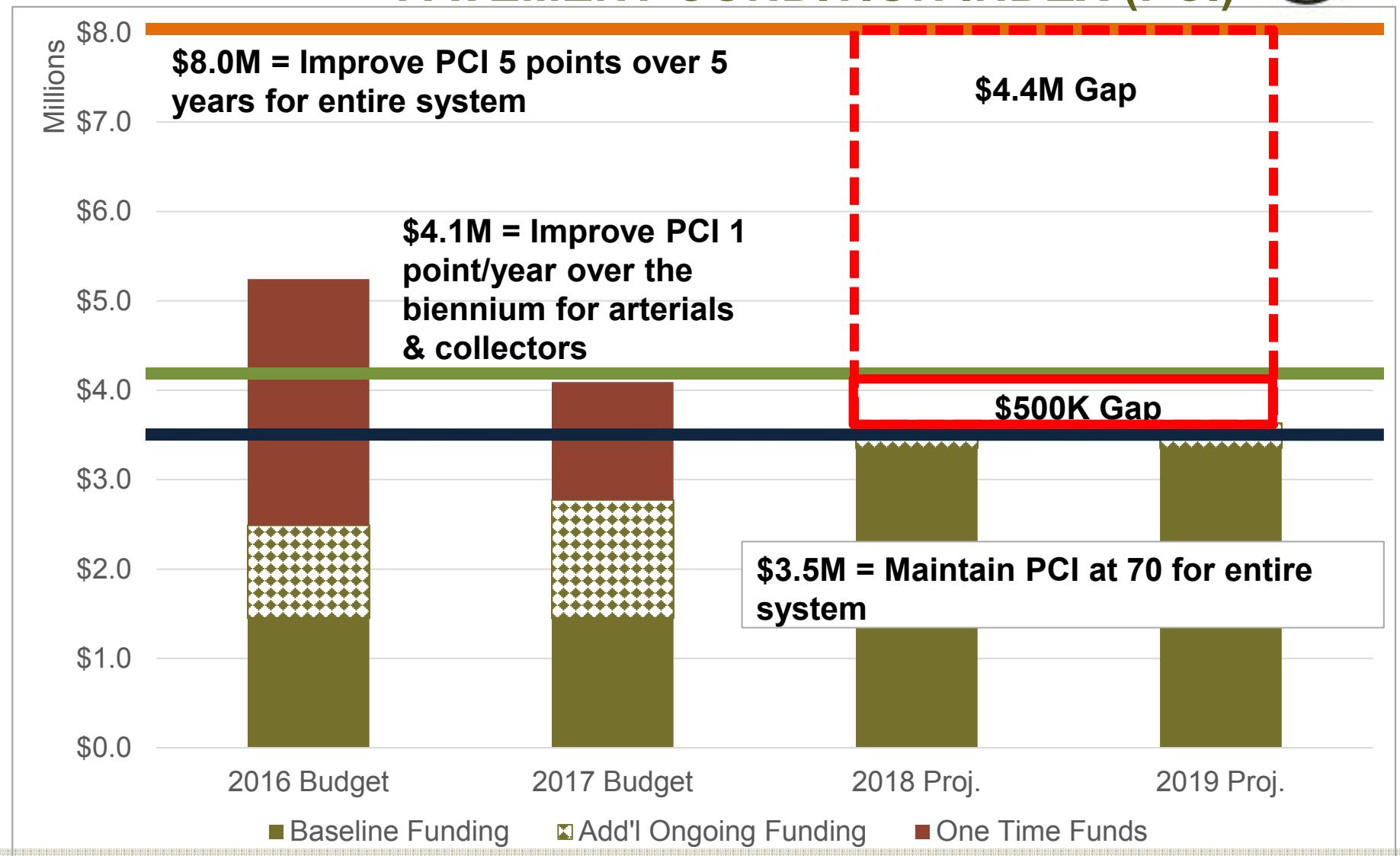
FY 2016-17 BUDGET



PAVEMENT CONDITION TRENDS



STREET PRESERVATION FUNDING & PAVEMENT CONDITION INDEX (PCI)



COUNCIL DECISIONS AFTER GAS TAX REJECTION



Phased approach to achieve funding target of an additional \$1 - \$1.3 Million per year

Funding Strategy	Amount
<u>Phase 1 - June 2016</u>	
Street Fund Reallocations	\$ 125,000
Use of Add'l General Fund Revenues	350,000
Central Services Reductions	310,000
	<hr/> \$ 785,000
<u>Phase 2 - Fall 2016</u>	
1st year of Local Marijuana Tax	\$ 250,000
Total Additional Funding for 2016-17	
	\$ 1,035,000

PART II

STRATEGIES TO INCREASE

STREET FUNDING

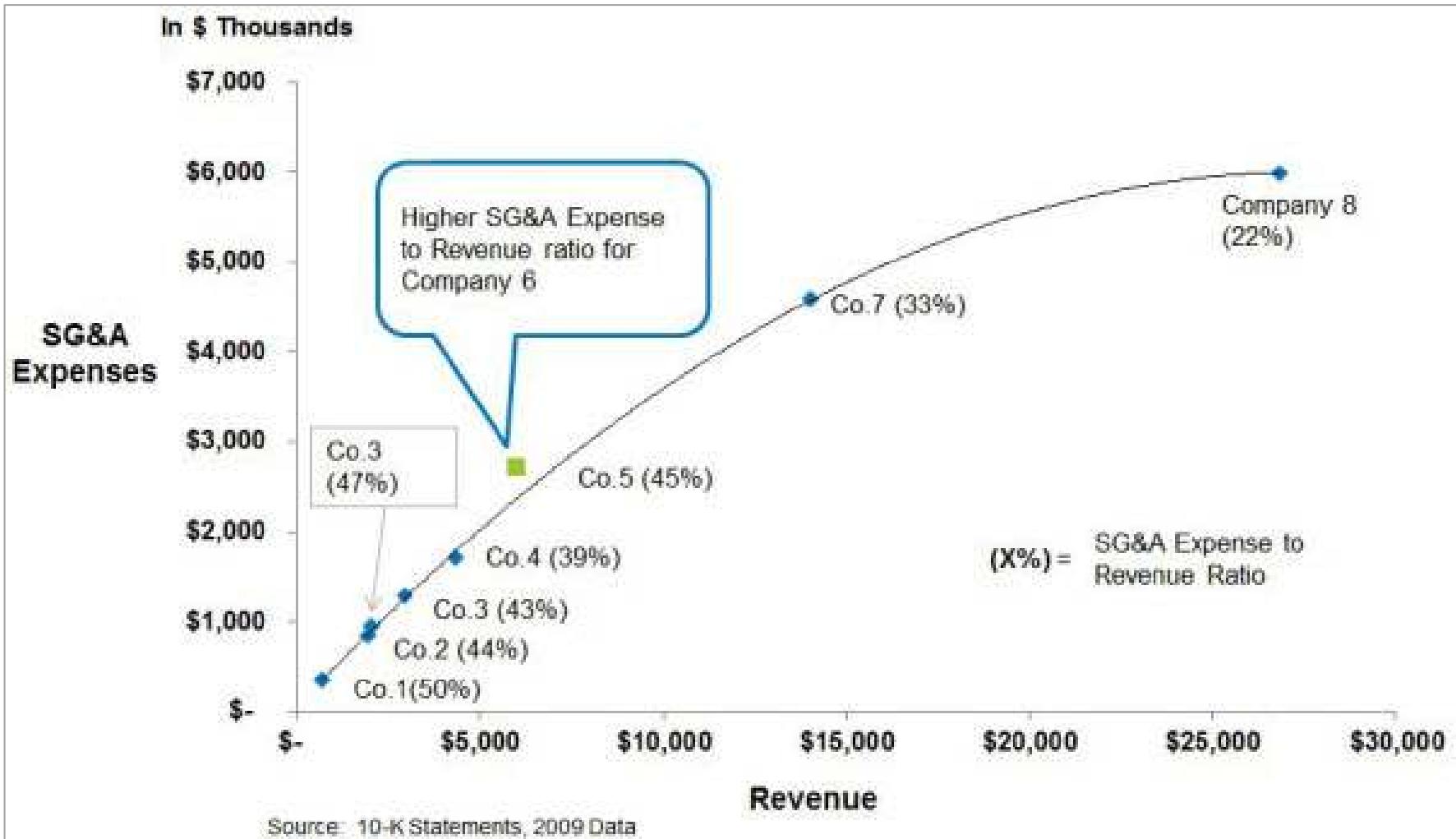
POSSIBLE STRATEGIES FOR BIENNIUM



- Proposed Central Services reductions
- Temporary use of General Fund reserves
- Temporary shift of discretionary revenue
- Temporary shift of Fire and Emergency Medical Services funding
- Re-allocation of Room Tax revenues

CENTRAL SERVICES REDUCTIONS

PRIVATE SECTOR EXAMPLE



WHAT ARE CENTRAL SERVICES?



City Attorney's
Office

City Manager's
Office

Communications

Human
Resources

Information
Technology

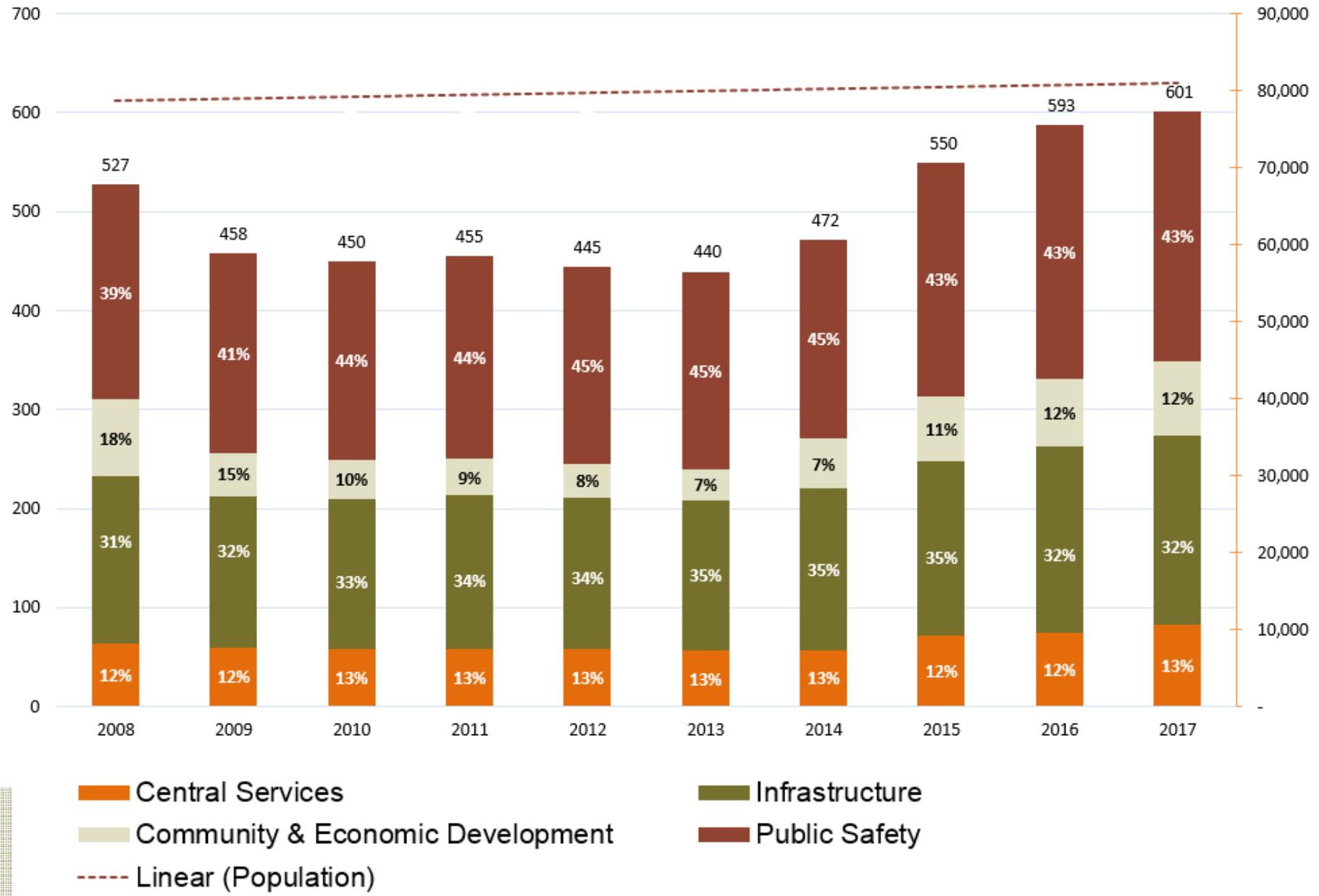
Facilities

Finance

LEAP
(Leading Effective
Applications & Processes)

Purchasing

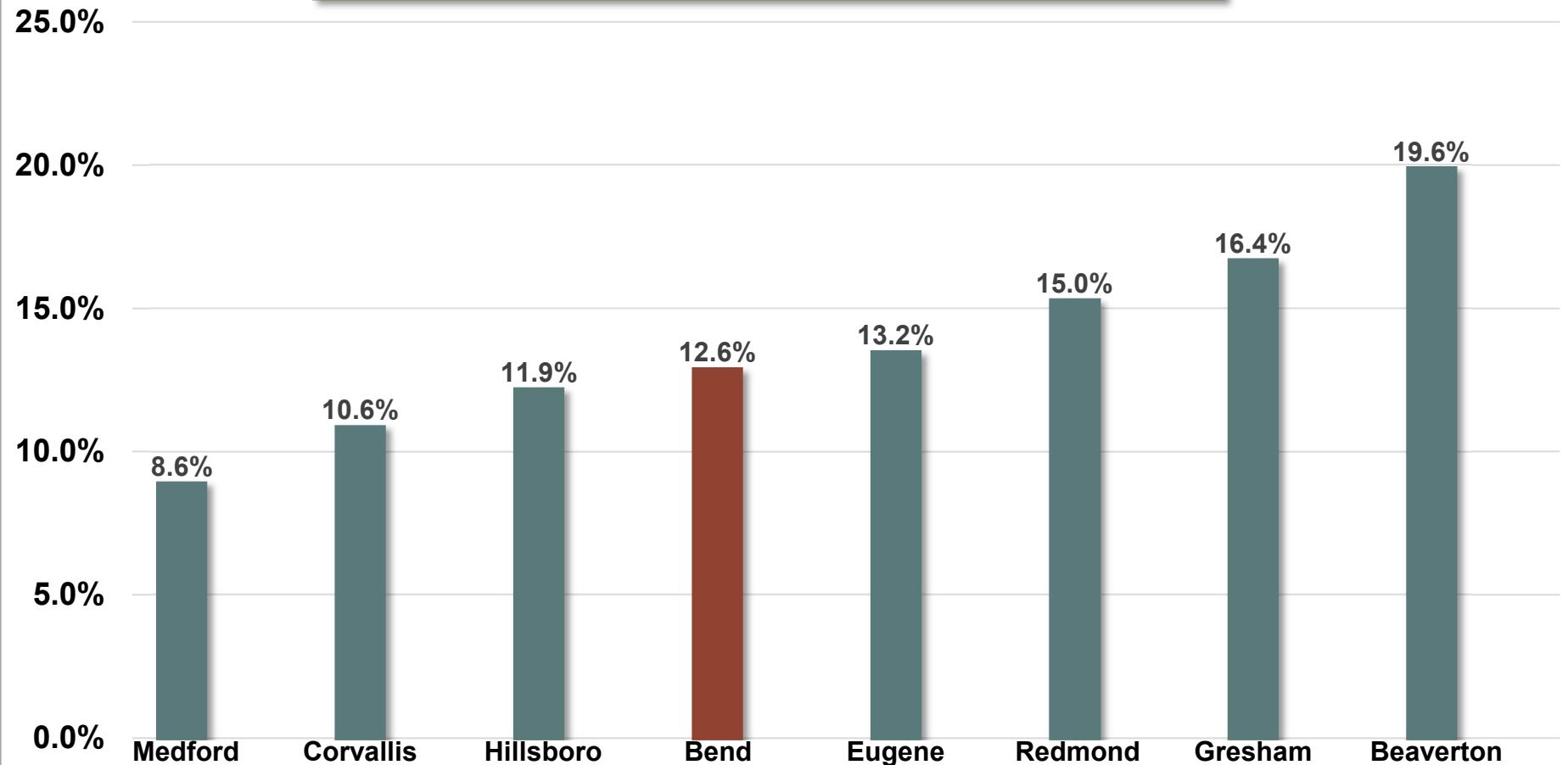
EMPLOYEES BY SERVICE AREA



COMPARING BEND TO PEER CITIES



Central Services FTE as Percent of Total FTE FY 2015-16



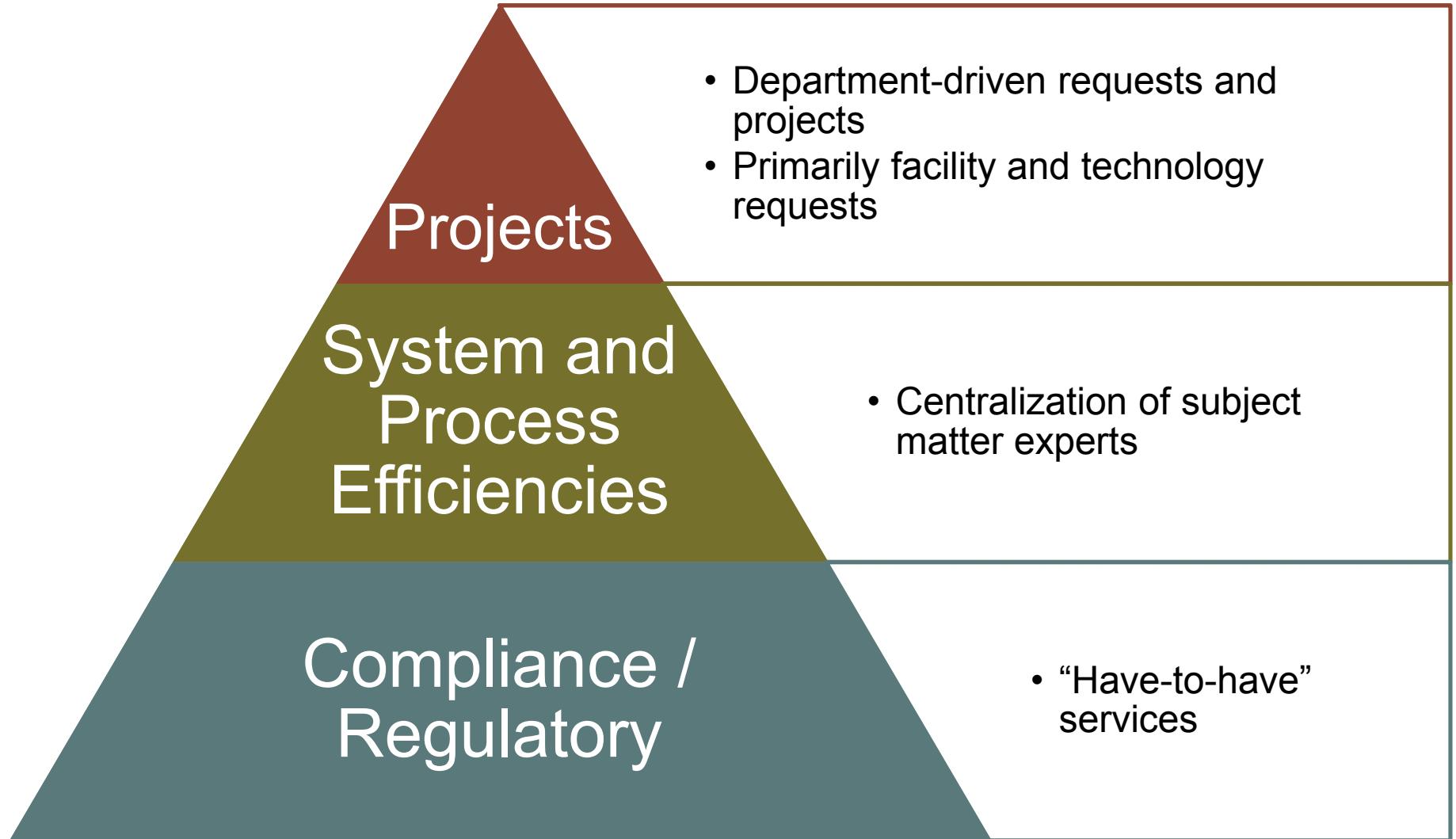
A CASE STUDY - HILLSBORO



COMPARISON	BEND	HILLSBORO
Population (7/1/16 PSU)	83,500	99,340
Total City Full Time Equivalent (FTE) FY 2015-2016	598	760 (144 Library, Parks & Recreation)
Central Services FTE	75.25	90.63
Information Technology	17 (1.5 LEAP)	31
Finance	26.5 (4 LEAP)	19
City Manager's Office	8.75	13.5
Human Resources	7 (2 LEAP)	9.5
Facilities	5	9.13
Purchasing	4 (1 LEAP)	3
Communications	2	2
City Attorney	4	0 (Contracted)
Accessibility Program	1	0
Risk Management	0	3.5
Emergency Operations	0	2

5%, 10% AND 15% SCENARIOS

WHAT CENTRAL SERVICES DOES



FUNDING SOURCES FOR PRIMARY PROGRAMS

General Fund & Public Safety

General Fund
Police
Muni Court
GF Allocations

Fire/EMS

City-Wide Admin & Support

Legal
Admin/Finance
Facilities
Risk Mgmt
Garage
IT

Gen. Fund supported

Infrastructure

Streets
Water
Sewer
Cemetery
Stormwater
Transportation Construction
GO Bond

Utilities Lab

Rate & Fee supported

Community & Economic Development

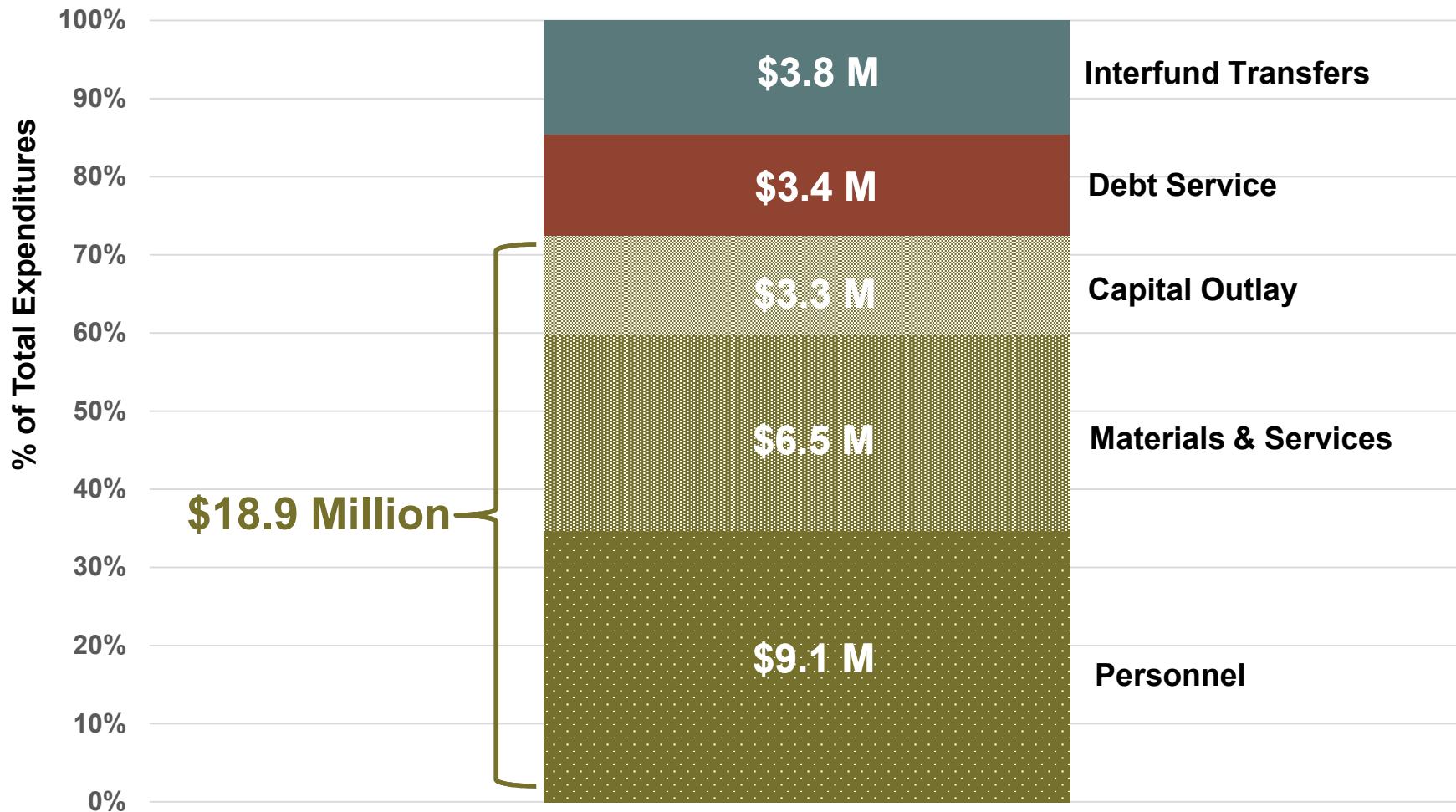
Biz. Advocacy
CDBG
Tourism
EID
Parking
BURA
Affordable Housing
Building
Code Enf.
Planning
Priv Develop Eng.
Growth Mgmt
Airport

Cost Allocated

FY 2016-17 CENTRAL SERVICES EXPENDITURE BUDGET



Total Expenditure Budget \$26.1 Million



FINANCIAL IMPACTS OF BUDGET REDUCTIONS



FY 2016-17 Central Services Operating Budget \$18.9M

	Total Central Services Reduction	Savings to General Fund and Streets
5% Reduction	\$945,000	\$245,700
10% Reduction	\$1,890,000	\$491,400
15% Reduction	\$2,835,000	\$737,100

Every dollar of reductions in Central Services results in approximately **26 cents of savings** for the General Fund and Streets & Operations Fund

5% CUT SCENARIO SUMMARY: TARGET \$945,000



5% Reductions	Cost	Risks/Impacts of Proposed 5% Reductions
Technology projects and initiatives	\$392,000	Increased business risk (disaster recovery planning, cyber security enhancements), which may increase downtime; Reduced operational efficiency (increased age of PCs & Laptops, elimination of conference room technology upgrades), which may decrease employee productivity
Facility maintenance & improvements	346,000	Deferred maintenance of facilities which will increases costs in the long run; Lack of proactive planning for future facility needs
Training and employee development	53,000	Increased probability of legal claims and/or union grievances due to inadequate supervisory competence or application of uniform practices. Reduced employee skill in the areas of compliance, technology, and supervisory/leadership best practices.
General citywide support	24,000	Limited consulting dollars in Finance and Legal which may limit ability to assist with add'l or complex issues that arise
Community outreach	72,000	Convert Our City Newsletter from paper to electronic format; Reduced community outreach-fewer City Edition videos, reduce mediation contract; Limited advertising.
Revenue Audits	42,000	Eliminate franchise and room tax audits which ensure franchisees and lodging providers are remitting taxes correctly and in compliance with City code.
Total Cost Reductions	\$929,000	
Savings in the General Fund and Streets	\$470,000	

10% CUT SCENARIO SUMMARY: TARGET \$1,890,000



10% Reductions	Cost	Risks / Impacts of Proposed 10% Reductions
Summary of 5% reductions	\$ 929,000	Refer to previous slide
Shut down the LEAP project on 6/30/17	1,209,000	Do not complete implementation of HR/Payroll module that is scheduled to "go live" in January 2018, do not start the other 4 modules (Fleet/Work Orders/Facilities, Licensing/Inspections/Permitting, Utility Billing, and Municipal Court), Layoff of 3 FTE.
Total Cost Reductions	\$ 2,138,000	
Savings in the General Fund and Streets	\$ 784,000	

Sunk costs/stranded investment = \$1,044,000

15% CUT SCENARIO SUMMARY: TARGET \$2,835,000



15% Reductions	Cost	Risks / Impacts of Proposed 15% Reductions
Summary of 5% and 10% reductions	\$ 2,138,000	See previous slides
Staff reductions, 6.0 - 9.0 FTE	700,000	Unable to support operating departments in implementation of growth strategies and achievement of Council goals. Staff are unable to respond to customer (internal and external) requests in a timely manner, reactive vs. proactive management of city operations.
Total Cost Reductions	\$ 2,838,000	
Savings in the General Fund and Streets	\$ 966,000	

ADDITIONAL STRATEGIES

TEMPORARY REDUCTION OF GENERAL FUND RESERVES



- Temporarily reduce General Fund reserve target from 20% to 17% for the 2017-2019 biennium
- Should not negatively impact City's credit rating

Option 1

- Temporarily reduce General Fund reserves **\$250,000/year**

Option 2

- Temporarily reduce General Fund reserves **\$500,000/year**

TEMPORARY REDIRECTION OF DISCRETIONARY REVENUES



- Water/sewer franchise fee revenues are allocated equally between the Accessibility Construction and Transportation Construction Funds
- Propose a temporary redirection of the revenues currently recorded in the Transportation Construction Fund to street maintenance for the upcoming 2017-2019 biennium

Option 1

- Temporarily redirect **100%** from Transportation Construction to street maintenance
- Approx. \$670,000 per year

Option 2

- Temporarily redirect **\$300,000/year**

TEMPORARY REDIRECTION OF PROPERTY TAX REVENUES FROM FIRE & EMS



- Condition of roads has a strong correlation to emergency response times

Recommendation from Rural Fire District to redirect \$200K/yr for three years contingent upon the following:

- Adjusting ambulance fees to reflect current cost of service which could generate approx. \$1.0 Million in incremental annual revenue
- Voter approved renewal of the 5 year Local Option Levy in 2018

REALLOCATION OF ROOM TAXES



Current Room Tax Revenue Allocations

	General Fund	Tourism Promotion	Public Safety
First 9% of taxes	70.0%	30.0%	
Additional 1.4%		70.0%	30.0%
% of Total Revenues	60.6%	35.4%	4.0%

Reallocated Room Tax Revenues

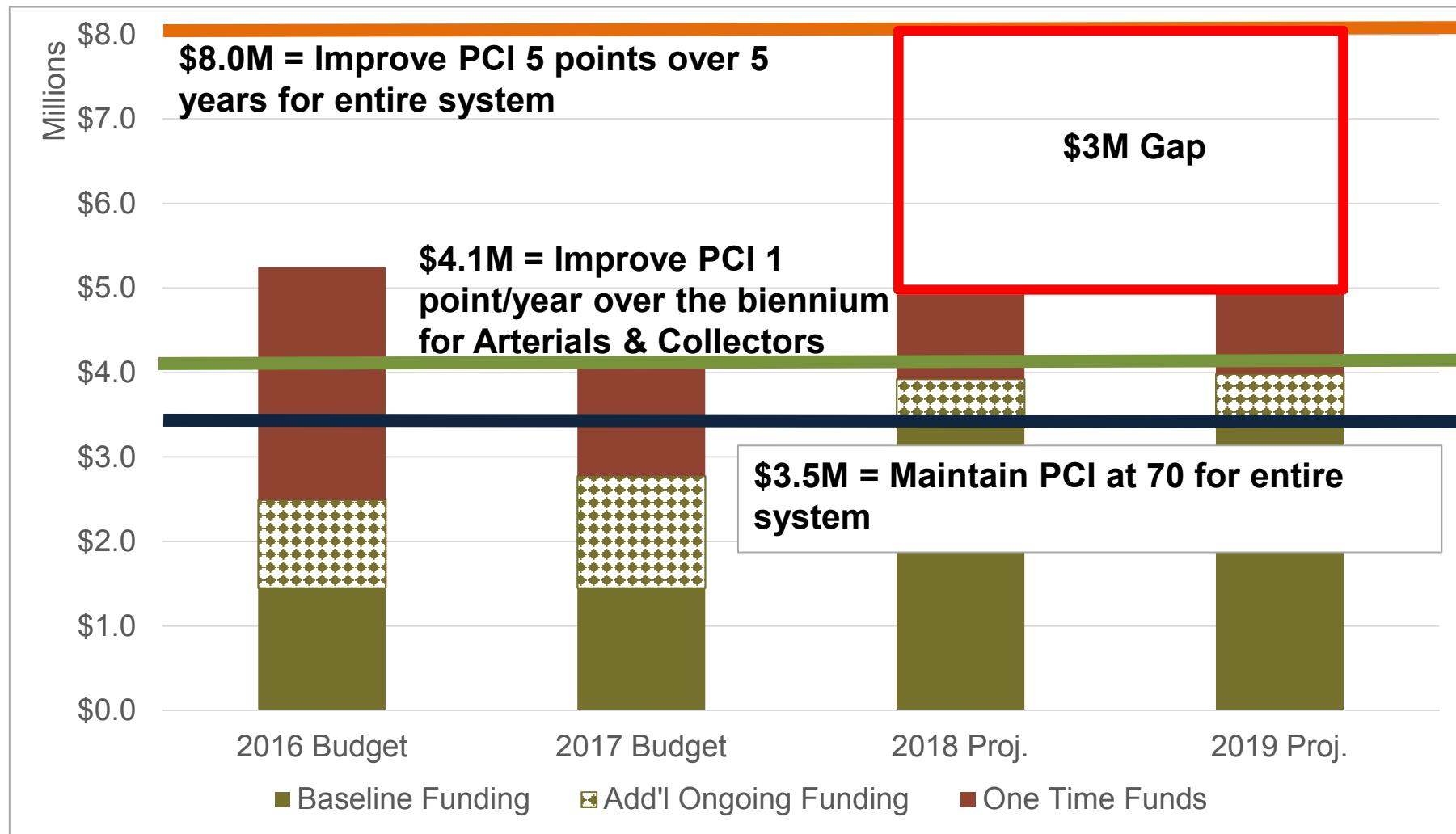
	General Fund	Tourism Promotion	Public Safety
First 9% of taxes	74.8%	25.2%	
Additional 1.4%		70.0%	30.0%
% of Total Revenues	64.8%	31.2%	4.0%

- Requires changes to local ordinance
- Results in approx. **\$350,000** in additional discretionary revenues

PART III

STAFF RECOMMENDATIONS

STREET PRESERVATION FUNDING & PCI BASED ON STAFF RECOMMENDATION



SUMMARY OF RECOMMENDATIONS



Recommendation	Annual Target Amount
Central Services reductions of 2%	\$250,000 (which requires \$424K of Central Services budget reductions)
Temporary reductions in General Fund reserves	\$250,000
Temporary redirection of discretionary revenues	\$300,000
Temporary redirection of Fire/EMS funds	\$200,000
Re-allocation of Transient Room Taxes	\$350,000
\$4.95 Million available for Street Preservation each year of the biennium improves pavement conditions	TOTAL = \$1.35 Million (+\$3.6 Million of existing funds)

LONGER TERM STRATEGIES



Evaluate citywide administrative costs beyond Central Services

- Annually track and monitor total costs
- Review all vacant positions

Commitment from Council on long term funding strategies for Transportation

- Street maintenance
- Capital projects

PART IV

COUNCIL DISCUSSION

NEXT STEPS

COUNCIL DISCUSSION AND NEXT STEPS



Wednesday, May 3

(during regular Council Work Session)

- Receive 2017-2019 Biennial Budget document and Budget Message

Tuesday – Thursday, May 9-11

(5-9 p.m. at the Fire Training Center)

- 2017-2019 Biennial Budget Committee Deliberations



STREET PRESERVATION PROJECTS 2017

bendoregon.gov/streetpreservation

