



Eugene City Council

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EUGENE CITY COUNCIL AGENDA

May 20, 2026

12:00 p.m. CITY COUNCIL WORK SESSION

City Council Wednesday work sessions are held in hybrid format using in person and virtual meeting technology. Information about online or other options for access and participation will be available at <https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials>

**Meeting of May 20, 2026;
Her Honor Mayor Kaarin Knudson Presiding**

Councilors

Lyndsie Leech, President
Jennifer Yeh
Mike Clark
Randy Groves

Eliza Kashinsky, Vice President
Alan Zelenka
Greg Evans
Matt Keating

12:00 p.m. CITY COUNCIL WORK SESSION

1. WORK SESSION: Long Range Financial Planning - Financial Policies and Service Frameworks

The Eugene City Council welcomes your interest in these agenda items. This meeting location is wheelchair-accessible. For the hearing impaired, an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

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EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: Long Range Financial Planning - Financial Policies and Service Frameworks

Meeting Date: May 20, 2026
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Twylla Miller
Phone: 541-682-8417

ISSUE STATEMENT

This City Council work session is the next in a series of three informational work sessions prior to the City Council retreat on Long Range Financial Planning (LRFP) which is scheduled for June 30 and July 1, 2026. This session will focus on Financial Policies and Service Frameworks.

BACKGROUND

Financial Policies

The Financial Policies for the City of Eugene (**Attachment A**) provide the framework and direction for financial planning and decision-making by the City Council, City Boards, Commissions and Committees, and City staff. They are designed to ensure the financial integrity of the City and a service delivery system that addresses the needs and desires of the community.

Prudent management of Eugene's financial resources allows for the continued ability to provide municipal services, both operating services and infrastructure maintenance and enhancement. The management of municipal resources is complex. Sound financial management is needed to make effective and efficient use of City resources and ensure the security of City assets. An important process for assuring that financial management is both consistent and rational is through the adoption of Financial Policies.

The City Council adopted the Financial Policies on April 8, 1996. Minor edits have occurred since initial adoption. These include approval of the Unappropriated Ending Fund Balance Policy (B.7.) on July 14, 1997, and updating the Debt Issuance Guidelines on May 14, 2007.

The Budget Committee also has a role in reviewing and providing feedback on Financial Policies per the bylaws of the Committee. Also, per the Financial Policies, the Budget Committee will receive a communication with background information on policies that are waived if the City Council chooses to deviate from any policy.

Staff have been conducting a comprehensive review of financial policies. The review process includes current best practices from the Government Finance Officers Association, GFOA (the professional association for public financial officials), consulting with the city's financial advisor, PFM, in relation to Debt Issuance Guidelines, reviewing financial policies from other Oregon jurisdictions, and consulting with organizational partners. As part of Council work this summer in Phase 1 of the LRFP process (Attachment B), Financial Policy review will focus on policy A4 – Service Priorities along with refinement of the strategic plan. The more comprehensive review of

Financial Policies will occur this fall when staff will present recommended updates to our Financial Policies in four categories:

- **General administrative updates:** General housekeeping updates including language around biennial budgeting, ORS references and name changes such as the Annual Comprehensive Financial Report (ACFR).
- **Other City of Eugene policy/guidance documents:** Add references to other City of Eugene documents such as the strategic plan, investment policy, and public contracting rules.
- **Debt issuance guidelines:** update guidelines as appropriate to modern standards.
- **GFOA best practices:** Consider updating or adding new policies to meet current GFOA best practices in areas such as:
 - General Fund reserves
 - Other fund reserves
 - Structurally balanced budget
 - Economic development incentives

The Budget Committee will convene to review and provide feedback on Financial Policy revisions prior to the Council adopting the revised policies at a future Council meeting later this fall.

Service Prioritization

We are often asked, “what is the City required to provide” or “what are the core services of the City.”

This topic has come up at City Council, the Budget Committee, the Citizen Fiscal Stability Advisory committee (also known as the Technical Advisory Group on Fiscal Stability or TAG) and other conversations. One of the TAGs short-term recommendations in the area of Operational Efficiencies & Reductions focused on defining core services:

Identify “core” City services which are essential, then align the budget with stated priorities.

- a) Update the Financial Policies and Procedures Manual to define City service priorities.
- b) Create a service prioritization framework to align the budget with realistic revenue projections.
- c) Direct limited resources toward functions that most directly impact safety, livability, and compliance obligations.

Staff have been working with Raftelis, our consulting and facilitation resource for this LRFP process. Raftelis staff have provided service framework examples from a range of cities. Potential framework approaches and considerations will be presented to Council at this work session to create a common understanding of the options that could be considered for the City of Eugene.

RELATED CITY POLICIES

The City of Eugene [Strategic Plan](#) outlines direction and organizational priorities for the 2023-2026 period. City of Eugene biennial budget adoption aligns with the Organizational Wellbeing focus area strategic goal to create a sustainable budget with balanced revenues and expenditures that provides funding for necessary services in the community.

May 20, 2026 Work Session – Item 1

PREVIOUS COUNCIL DIRECTION

[July 14, 2025 Work Session](#)

Councilor Leech, seconded by Councilor Clark, moved to direct the City Manager to create an ad hoc City Manager committee to act as a financial technical advisory panel that will begin work in September 2025, and complete work by a date specified by the City Manager.

Passed: 7:1 (Opposed by Councilor Zelenka)

[December 8, 2025 Work Session](#)

This was an informational session where Council received an update on the work of the Technical Advisory Group on Fiscal Stability (TAG) and an overview of draft recommendations to date.

[February 9, 2026 Work Session](#)

This was an informational session where Council received the final recommendations and report of the Technical Advisory Group on Fiscal Stability.

[March 11, 2026 Work Session](#)

This was an informational session where Council received information on how Eugene benchmarks to comparable cities and the next steps in the long-range financial planning work for council in the spring of 2026.

[April 8, 2026 Work Session](#)

This was a work session focused on Economic Development.

Councilor Leech, seconded by Councilor Kashinsky, moved to direct the City Manager to begin implementation of Strategic Recommendations on Economic Development from the TAG and to add three related positions to the Supplemental Budget.

Passed 4:3 (Opposed by Leech, Kashinsky, and Keating, with Mayor Knudson voting as a tiebreaker. Zelenka and Evans absent for the vote.)

[May 11, 2026 Work Session](#)

This was an information session where Council received information on the Long Range Financial Planning process, a financial overview and the elements of Long Range Financial Planning.

COUNCIL OPTIONS

None. This item is informational only.

CITY MANAGER'S RECOMMENDATION

None.

SUGGESTED MOTION

None.

ATTACHMENTS

- A. City of Eugene Financial Policies

B. LRFP Process Phases

FOR MORE INFORMATION

Staff Contact: Twylla Miller, Chief Financial Officer

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City of Eugene Financial Policies

Financial Management

It is the responsibility of City staff, in particular the Finance Division, to monitor the City's financial status. Revenues and expenditures are monitored continually to determine whether resources are materializing as projected and to ensure that expenditures do not exceed allowable limits. Supplemental budgets are designed to facilitate the review and adjustment process necessary to ensure expenditures do not exceed legal spending limits.

City staff takes an active role in investing available cash balances. The City has an investment policy that is designed to ensure that the public's monies are invested in a manner that is safe and secure and available when they are needed, yet at the same time are yielding market rates of return.

Debt Management

The City issues both short-term and long-term debt. Short-term notes or a line of credit are issued for construction-period financing for some capital improvements. The notes are repaid from the sale of long-term bonds or from property tax levies for general obligation bonds. The City does not borrow on a short-term basis to support on-going operations. The Non-Departmental Debt Service Section and the Financial Summaries Section provide further details regarding the City's outstanding debt.

Policy Direction

The Financial Policies for the City of Eugene provide the framework and direction for financial planning and decision making by the City Council, City Boards, Commissions and Committees, and City staff. They are designed to ensure the financial integrity of the City and a service delivery system that addresses the needs and desires of Eugene's citizens and policies are periodically updated to reflect changes in Council policy, legal and professional requirements, and changes in accepted industry practices. The City Council adopted the Financial Policies on April 8, 1996. Minor edits have occurred since initial adoption. These include approval of the Unappropriated Ending Fund Balance Policy (B.7) on July 14, 1997, and the Debt Issuance Guidelines on May 14, 2007.

Prudent management of Eugene's financial resources allows for the continued ability to provide municipal services, both operating services and infrastructure maintenance and enhancement. The management of municipal resources is complex. Competent financial management is needed to make effective and efficient use of City resources and ensure the security of City assets. An important process for assuring that financial management is both consistent and rational is through the adoption of Financial Policies.

NOTE: If the City Council chooses to deviate from any policy, it will propose at one meeting and adopt at a subsequent meeting a motion waiving the particular policy in question related to a specific issue and stating the reason for the waiver. Any waiver will be communicated to the Budget Committee with appropriate background material. This process was adopted by the City Council on April 8, 1996.

City of Eugene Financial Policies

A. Resource Planning and Allocation Policies

Policy A.1. *(City Council Goals and Policies)*

The City budget will support City Council goals and policies, Council adopted long-range plans and service needs of the community.

Policy A.2. *(Reporting and Control)*

The City will maintain financial systems which will develop budgets, provide control, and report revenues and expenditures at the line-item detail.

Policy A.3. *(Service Budgeting)*

The City will budget and report actual expenditures by service as well as by fund and organizational unit.

Policy A.4. *(Service Priorities)*

Operating and Capital budgets which reflect Council adopted service levels, will be prepared by the City Manager and reviewed by the Budget Committee consistent with the following municipal service priorities:

- a. Service Level 1. Preserve the public safety system, which includes the police, fire and emergency services, Municipal Court, and the Intergovernmental Human Services program.
- b. Service Level 2. Maintain and replace the City's fixed assets, which include equipment, infrastructure, and facilities so as to optimize their life.
- c. Service Level 3. Maintain and enhance efficiency of the administrative support and community planning systems in order to provide efficient and effective business management service and orderly community growth.
- d. Service Level 4. Provide affordable housing, specialized services for the less advantaged population, land use permits, and cultural, educational and recreational services.
- e. Service Level 5. Address the balance of municipal services when required for the preservation of health, safety or quality of life in the community, or community demand for incremental services.

Policy A.5. *(Operating and Capital Budgets)*

The relationship between the Operating and Capital budgets will be explicitly recognized and incorporated into the budget process. Funding for the Operating and Capital budgets shall be sufficient to provide for operating services and maintenance or enhancement of fixed assets needed to support City services.

Policy A.6. *(Revenue and Expenditure Projections)*

Revenues, operating and capital expenditures, and debt service will be projected each year for at least the succeeding six years.

City of Eugene Financial Policies

Policy A.7. *(New Program Funding)*

Prior to authorizing funds for a new program, Council will receive an estimate of fiscal impact from the City Manager.

B. Accounting and Financial Practices Policies

Policy B.1. *(Accounting and Financial Reporting System)*

The City will maintain an accounting and financial reporting system that allows reporting in conformance with Generally Accepted Accounting Principles and Oregon Local Budget Law, and will issue a Comprehensive Annual Financial Report each fiscal year.

Policy B.2. *(Fund Management)*

The City will manage its funds as independent financial entities in accordance with legal, administrative, and Generally Accepted Accounting Principles and will ensure that funds are not co-mingled.

Policy B.3. *(Cost Allocation Plan)*

The City will annually prepare an internal Cost Allocation Plan (CAP). The CAP's purpose is to determine the cost of providing central business management services, or indirect costs, to the City's various funds. These indirect costs will be recovered from Non-General funds through the Central Services Allocation (CSA). This practice ensures the cost of General Fund central business management services are paid by Non-General funds receiving those services.

Policy B.4. *(Enterprise Funds)*

Whenever financially feasible, business type activities which receive their funding principally through user charges, will be established as Enterprise Funds if doing so will facilitate rate setting for cost recovery and provide information to determine the efficiency and effectiveness of operations.

Policy B.5. *(Contingency Funds)*

Each fund, as appropriate, will maintain a contingency account to meet unanticipated requirements during the budget year.

Policy B.6. *(Cash Balance and Financing)*

Each fund will maintain an adequate cash balance, borrow internally from another City fund, or, as a last resort, borrow externally to provide for cash flow requirements.

Policy B.7. *(Unappropriated Ending Fund Balance)*

In order to maintain a prudent level of reserves in the General Fund and any local option levy funds, the target amount of Unappropriated Ending Fund Balance (UEFB) to be budgeted shall be at least two months of operating expenses (excluding reserves and contingency).

Policy B.8. *(Replacement Accounts)*

The City will develop and fund replacement accounts for the City's fixed assets.

Policy B.9. *(Non-Dedicated Revenues)*

With the exception of grants or earmarked donations, the City will not normally earmark revenue for specific public purposes in general service funds such as the General Fund.

City of Eugene Financial Policies

Policy B.10. *(Reserve Accounts, Non-Departmental)*

Non-Departmental Reserve accounts will be used for non-departmental resources designated for specific purposes. Appropriation by City Council is required prior to expenditure of funds.

Policy B.11. *(Marginal Beginning Working Capital)*

The highest priorities for use of Marginal Beginning Working Capital (difference between Actual Ending Working Capital in the prior year and Budgeted Beginning Working Capital in the current year) are: General Capital Projects Fund; Unappropriated Ending Fund Balance (up to target amount as defined in Policy B.7); General Fund Contingency, (not in priority order).

C. Revenue and Collection Policies

Policy C.1. *(Revenue Base)*

The City will work to diversify the supporting revenue base in the General Fund.

Policy C.2. *(Cost Recovery – Fee Supported Services)*

The City Council will establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will determine the percent range of full service costs to be recovered through fees. The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate.

Policy C.3. *(Serial Tax Levies)*

To the maximum extent possible, serial tax levies will be used only for time-limited operating services or for capital improvements subject to the rate limitation for non-school governments.

Policy C.4. *(Dedicated Revenue – Capital Projects)*

To the maximum extent possible, the City will secure a dedicated revenue source to fund general and storm sewer capital projects.

Policy C.5. *(Foreclosure on Delinquent Accounts)*

Properties foreclosed under the Assessment Program and other programs which use foreclosure as a collection device, such as the Systems Development Charges Program, will be managed and disposed of in such a manner so as to attempt to reimburse the program for all direct and indirect costs incurred and so as not to disrupt the private real estate marketplace.

Policy C.6. *(Non-Recurring Revenue)*

Except for local option levies approved by the voters, the City will use non-recurring revenue on limited-duration services, capital projects, equipment requirements, or services that can be terminated without significant disruption to the community or City organization.

City of Eugene Financial Policies

D. Capital Improvements Policies

Policy D.1. *(Capital Improvement Program)*

The City will plan for capital improvements over a multi-year period of time. The Capital Improvements Program will directly relate to the long-range plans and policies of the City. Operating funds to maintain capital improvements and to fund additional staff and service needs will be estimated and identified prior to making the decision to undertake specific capital improvements.

Policy D.2. *(Revenue Bonds – Capital Projects)*

Whenever a service is an enterprise or utility-based operation and where the ratepayer directly benefits, the City will work to finance capital improvements by using self-supporting revenue bonds, which could be General Obligation backed.

Policy D.3. *(General Obligation Bonds – Capital Projects)*

Use of General Obligation bonds will be limited to major capital construction or improvements as defined in ORS 310.140 in support of general municipal services.

Policy D.4. *(Assessments Bonds – Capital Projects)*

Financing of infrastructure improvements through use of Assessment bonds will be limited to those projects where the required assessed value-to-assessment ratio is met and to the extent the City's financial position permits the use of this financing device.

Policy D.5. *(City's Physical Assets)*

To maintain the City's physical assets, a current inventory of all of the City's physical assets and their condition and maintenance costs will be maintained.

Policy D.6. *(Sinking Funds)*

Council will make a specific determination whether to establish a replacement reserve sinking fund when creating an asset with a value in excess of \$1 million and a useful life in excess of 10 years.

E. Debt and Investment Management Policies

Policy E.1. *(Bond Rating)*

The City will seek to maintain, and, if possible, improve its current Aa1 bond rating so its borrowing costs are minimized and its access to credit is preserved.

Policy E.2. *(Debt Issuance Guidelines)*

The City will have a specific set of debt issuance guidelines consistent with Federal, State, and local laws and policies.

Policy E.3. *(Investments)*

When making investments, the City will follow State law and local investment guidelines, and shall abide by the following criteria in priority order:

- a. Preservation of capital
- b. Maintenance of a liquid position
- c. Maximum yield

City of Eugene Financial Policies

F. Organizational Policies

Policy F.1. *(Organizational Structure Reviews)*

The City Manager will review the organizational structure at frequent intervals to assure that it is responsive to current conditions and minimizes service duplication in the organization and with other local government jurisdictions.

Policy F.2. *(City Employment Force Funding)*

The City will provide adequate funding to stabilize the City employment force to minimize uncertainty about the continuity of the service delivery system.

Policy F.3. *(Staffing Levels)*

The City will match job classifications and number of positions to the service delivery system and will communicate service and staff adjustments to the public and parties affected by changes.

Policy F.4. *(Service Levels and Performance Standards)*

The City Council will adopt service levels and performance standards which reflect community expectations and requirements set by other levels of government. The City is committed to examining how it provides services so that service levels and performance standards are met or exceeded at the least cost to the public.

Policy F.5. *(Market Based Employee Compensation)*

Consistent with available resources, employee compensation will be market based, comparable to public and private sector compensation paid in the relevant recruiting area.

Policy F.6. *(Evaluation of Service Delivery System)*

The City will routinely evaluate both its administrative and direct service delivery systems, according to established efficiency and effectiveness criteria, to determine whether a service should be provided by the City, or by agreement with another provider, or eliminated due to changes in community requirements.

Policy F.7. *(Intergovernmental Contracts)*

The City will evaluate its use of intergovernmental service contracts to prevent duplication of services in overlapping jurisdictions and to assure an effective and efficient service delivery system to the community.

Policy F.8. *(Multi-Agency Service Reviews)*

The City will participate in multi-agency reviews (including local government, public utilities, school districts, and not-for-profit agencies) to evaluate and change service systems to ensure optimal use of public funds.

G. Other Policies

Policy G.1. *(Compliance with Laws and Standards)*

The City will comply with mandatory Federal, State, and local laws and regulations and, when appropriate, will comply with industry and professional requirements or standards.

City of Eugene Financial Policies

Policy G.2. *(Budget Committee)*

A Budget Committee will be appointed in conformance with ORS 294.335 and Eugene Code 2.013. Lay members of the Budget Committee serve for terms of three years. The Budget Committee's chief purpose is to review the City Manager's Proposed Budget and prepare a recommendation for Council consideration. The Budget Committee may consider and develop recommendations on other financial issues at the direction of City Council.

Policy G.3. *(Supplemental Budgets)*

After adoption of the City's annual budget, the Council will process supplemental budgets in compliance with ORS 294.480 as needed to keep the budget reflective of the current service environment and to ensure that the appropriations are as current as possible.

Policy G.4. *(Related Entities)*

Entities established or sanctioned by the City Council for which the City is deemed to be 'financially accountable', will comply with the Eugene Code and City Council-adopted policies and procedures and will be accountable for operational and financial compliance and reporting standards as established by the Council or its designee.

Debt Issuance Guidelines

(Revisions Approved by City Council on May 14, 2007)

The following debt issuance guidelines apply to debt issued by the City of Eugene and the Eugene Urban Renewal Agency.

Credit Worthiness

1. The City will seek to maintain and, when feasible, improve its credit rating so its borrowing costs are minimized and its access to credit is preserved and enhanced.
2. The City will maintain good communications about its financial condition with credit rating agencies and the credit market.
3. The City will follow a policy of full disclosure that meets or exceeds the disclosure guidelines developed by the Government Finance Officers Association and the Governmental Accounting Standards Board.

Purposes for Borrowing

1. The City will not fund current operations from externally borrowed funds, except to meet short term cash flow requirements.
2. The City may borrow on a short-term basis for capital improvements in anticipation of issuing long-term debt or for cash flow purposes during a construction project.
3. The City will confine long-term borrowing to capital improvements or projects that cannot be fully funded from current revenues.
4. The City will encourage the use of pay-as-you-go financing for capital improvements when feasible and affordable.
5. Assessment bonds may be issued for local improvements in accordance with the City's assessment policies.

City of Eugene Financial Policies

6. The City may refund existing debt according to the policies set out under “Refunding Debt” section below.
7. The City may act as a conduit issuer according to the policies set out under “Conduit Financings” section below.

Refunding Debt

1. Borrowing externally to fund the unfunded accrued liability of the Public Employees Retirement System (PERS) is considered refunding of an existing liability to PERS.
2. The City will issue advance refunding bonds (as defined by federal tax law) when advantageous, legally permissible, prudent and when the net present value savings is a minimum of three percent of the refunding par amount, as required by state law.
3. The City will issue current refunding bonds (as defined by federal tax law) when advantageous, legally permissible, prudent and when the net present value savings exceed \$100,000.
4. Refundings may also be undertaken for other reasons when legally permissible, prudent and when in the best interests of the City.

Security for Debt Issues

1. Approval to use the general obligation pledge will be sought from voters only for projects that cannot be self-supporting and that provide a general benefit to City residents.
2. The City’s full faith and credit (i.e., the General Fund) may be pledged as a primary or secondary source of repayment of long-term debt obligations when it is determined that this pledge is in the best interests of the City. Debt secured by the City’s full faith and credit should be supported by predictable revenues. In addition, the City may require administrative measures designed to protect the City’s General Fund, such as internal rate covenants and reserves. These internal administrative measures will not be pledged to bondholders.
3. Enterprise funds and other revenue-backed bond issues will maintain the highest level of debt service coverage ratios and reserves as possible, balanced against the cost of such measures, the need to preserve equity and a desire to maintain affordability in user fees.
4. Credit enhancement should be considered for debt issues where the cost of the enhancement is expected to be less than the savings in interest over the life of the issue.
5. Prior to issuing Bond Anticipation Notes, the City will have secured authority for the permanent bond financing that will be used to repay the notes.

Financing Methods

1. The City will analyze the various financing methods available for any proposed borrowing and choose the method that is most cost effective, that is appropriate from a risk perspective, and that is legally and administratively feasible. Financing methods examined could include, but are not limited to, general obligation bonds, full faith and credit securities, revenue bonds, notes, lines of credit, commercial paper, lease or lease purchase transactions, grants, federal or state loans, intergovernmental agreements, or partnerships with the private sector.
2. Lease purchase debt, including certificates of participation, will be considered as an alternative financing method for capital projects or long-term vendor leases when cost effective and when the City does not want to seek the General Obligation pledge from voters.

City of Eugene Financial Policies

Administration of City Debt

1. The City will consider affordability prior to entering into any new borrowing program. The debt ratio guidelines contained in this policy define the affordable level of debt for the City.
2. When the City issues long-term debt, it will repay the debt within a period not to exceed the useful life of the improvements or equipment.
3. The City will repay debt rapidly to recapture its credit capacity for future use and to minimize interest costs. For major capital projects, repayment on such debt will not exceed 21 years. Assessment debt will mature over a 10-year period. Debt issued to fund a pension obligation may be for a longer period of time to match the amortization schedule used by PERS in determining the City's annual payment obligation.
4. Revenues dedicated to make bond payments are to be budgeted for debt service payments before they are appropriated for any other purpose.
5. All voter-approved general obligation debt will be sold through competitive bids. Exceptions may be made for refunding bond issues or where the City is issuing bonds with different security pledges at the same time as the general obligation debt. Non-general obligation debt may be sold on a negotiated basis if the City determines that it offers significant advantages in marketing the issue.
6. Private placement of debt may be appropriate under certain circumstances. The costs of private placement of debt will be compared to market financing before recommending this method.

Conduit Financings

1. Conduit financings are financings that the City provides for the benefit of non-governmental entities to allow those non-governmental entities to obtain low cost, tax-exempt financing. Conduit financings are not secured by any revenues or assets of the City except revenues and assets provided by the non-governmental entities that benefit from the conduit financings. The United States Internal Revenue Code substantially limits the ability of the City to provide conduit financing; conduit financings are only available for small manufacturing facilities, facilities used by qualified 501(c)(3) organizations, certain kinds of low income housing projects, and other projects that can be financed with "qualified bonds" as defined in the Internal Revenue Code.
2. Recognizing that the City is able to issue debt for broad purposes, it may be appropriate to enter into a conduit financing on behalf of another party when the City Council determines that the proposed project will provide a general benefit to City residents and/or the City economy.
3. Conduit financing will be considered only when a project is consistent with the city's overall service and policy objectives.
4. The City should not incur any moral or financial obligation under a conduit borrowing.
5. The City will only consider conduit financings that will insulate the City from any credit risk.
6. Any financing issued through the City must qualify for an investment grade rating by one of the nationally recognized statistical rating agencies or provide alternative credit enhancement from a third party satisfactory to the City or a corporate guaranty if the corporation carries an investment grade rating.
7. All expenses related to conduit financing will be borne by the third-party applicant for whom the debt is being issued.
8. The City will establish review procedures of the requesting party for projects, including adherence to public contracting requirements, development of a financial feasibility study of the project, and submission of annual financial statements to ensure the ability to repay the debt.

City of Eugene Financial Policies

Key Debt Ratios

The City's ability to issue general obligation debt is limited by state statutes to 3% of real market value. This level of outstanding debt would be financially burdensome and not considered a prudent amount of debt by credit analysts and bond investors. There are several key debt ratios that investors and financial analysts use when reviewing a city's credit worthiness. The City of Eugene has established this set of debt ratio guidelines that are to be used as a measure of the affordability of a new debt program. These guidelines are periodically reviewed by the Investment Advisory Board, and are listed below.

1. Net direct debt as a percentage of real market value shall be a maximum of 1.0%.
2. A minimum of 50% of net direct debt shall be retired within 10 years.
3. Maximum annual debt service on all General Fund-backed debt shall be limited to 10% of General Fund expenditures in the year in which the debt is issued. Of this amount, long-term debt that has a primary pledge of General Fund resources shall be no more than 5% of General Fund expenditures.

The following definitions apply to the City's debt ratio guidelines:

- **Net direct debt** includes all debt that is repaid from taxes (excluding URA tax increment revenues), such as General Obligation bonds and bonds backed by the City's full faith and credit pledge. Debt secured solely by revenues and Urban Renewal Agency debt are excluded from the City's net direct debt.
- Debt that includes a General Obligation or full faith and credit pledge may be excluded from the calculation of net direct debt as **self-supporting debt** where it can be demonstrated that there are other non-tax revenues available that are sufficient to make the debt service payments.
- **Pension obligation debt** will be excluded from the City's calculation of net direct debt in order to provide a debt statement comparable to other jurisdictions. This debt does not represent a new obligation of the City; rather, it represents replacement of an existing obligation that the City had in the form of an unfunded pension obligation that had previously been paid in installments to PERS.
- Short-term debt and leases that are subject to appropriation are not included in the statement of gross direct debt or net direct debt.
- The definition of net direct debt may change as the revenues supporting a debt issue change, or as new types of debt are added to the City's debt position. In categorizing debt on the statement of net direct debt, the City will attempt to mirror the calculation prepared by the bond rating agencies that rate the City's debt.
- **General Fund-backed debt** is debt that has a primary or secondary security pledge from the City's General Fund, such as limited tax assessment bonds, Library Full Faith and Credit Obligations, Broadway Place Limited Tax Bonds, and Atrium Full Faith and Credit Obligations. Voter-approved General Obligation bonds and the pension obligation bonds are excluded from the definition of General Fund debt.
- The **General Fund expenditures** used for the purpose of measuring debt service to expenditures will be those in the main General Fund, excluding any subfunds.
- Extraordinarily high debt service on a bond issue in the first or last year (such as a long first interest payment or a balloon payment at the end) shall not be subject to the debt service to expenditures policy.

LRFP Process Phases

City Council Process

Common understanding

Service Framework

Review Financial Policies

Strategic Plan alignment

City Council

Adopt revised financial policies

Adopt Supplemental Budget

Budget Committee

Review draft financial policies

Update by-laws

Information updates

City Council

Adopt CIP

Budget Committee

CIP presentation

Dept capacity update

High-level unfunded needs update

City Council

Adopt Budget

Budget Committee

Review Proposed Budget

May – July 2026

PHASE 1

September – December 2026

PHASE 2

January – March 2027

PHASE 3

April – June 2027

REGULAR CYCLE

