

CITY OF SALEM FINANCIAL SUMMARY

Quarter 2 / FY 2014-15

Compilation of second quarter financial summaries enhances and informs the concurrent process of developing the upcoming fiscal year budget. The data used in this summary document provides information used to trend year-end revenues and expenditures and calculate beginning working capital for FY 2015-16. Comparisons in this document are based on data through Q2 for all years.

PERFORMANCE AT A GLANCE

General Fund



Working Capital
Expenditures vs Revenues
Expenditures vs Budget



Property Tax Revenues
Franchise Fee Revenues
State Shared Revenues
Fines and Penalties

Other Funds

Building and Safety Fund
Cultural and Tourism Fund
Water and Sewer Fund
Self Insurance Fund
Plus remaining 12 funds

Public Works Fund
Airport Fund
Parking Fund
Emergency Services Fund
WVCC Fund

WHAT THE PERFORMANCE AT A GLANCE RATINGS MEAN

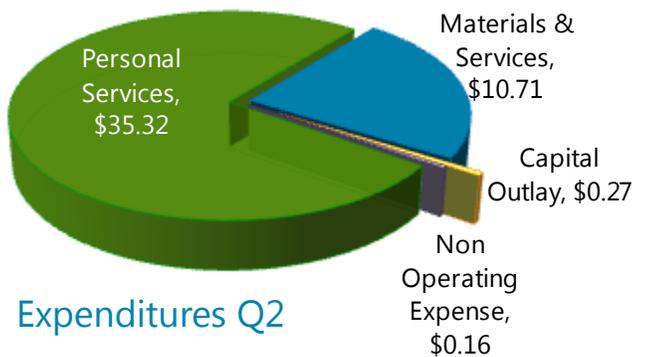
POSITIVE (green) – Current revenues and City Council-adopted use of reserves sufficient to support the current level of service. Fund working capital is stable over a 3-year forecast. No significant negative issues are identified.

WATCH (yellow) – Various stressors that may cause current revenues to be flat or decline and impact the fund's capacity to support the current level of service. Factors exist that may contribute to the instability of the fund working capital over the next year.

The Willamette Valley Communication Center (WVCC) Fund appears on the City Manager's watch list for the first time with this report. An imbalance between projected personal services costs for 9-1-1 services and revenue generated from user agencies is causing higher-than-anticipated use of working capital. Immediate steps are being taken to address this situation and include a proposal for a 7.9 percent rate increase for next fiscal year for all user agencies, plus a prepayment by the City's General Fund of \$250,000, which will be recovered through lowered rate increases over the next four years.

Resources Q2

GENERAL FUND



General Fund resources through the second quarter total \$90.7 million, a 3.2 percent increase over the prior year. Over \$2.4 million of the increase is property tax revenue. Expenditures through the quarter align with expectations. Values in both charts are expressed in millions.

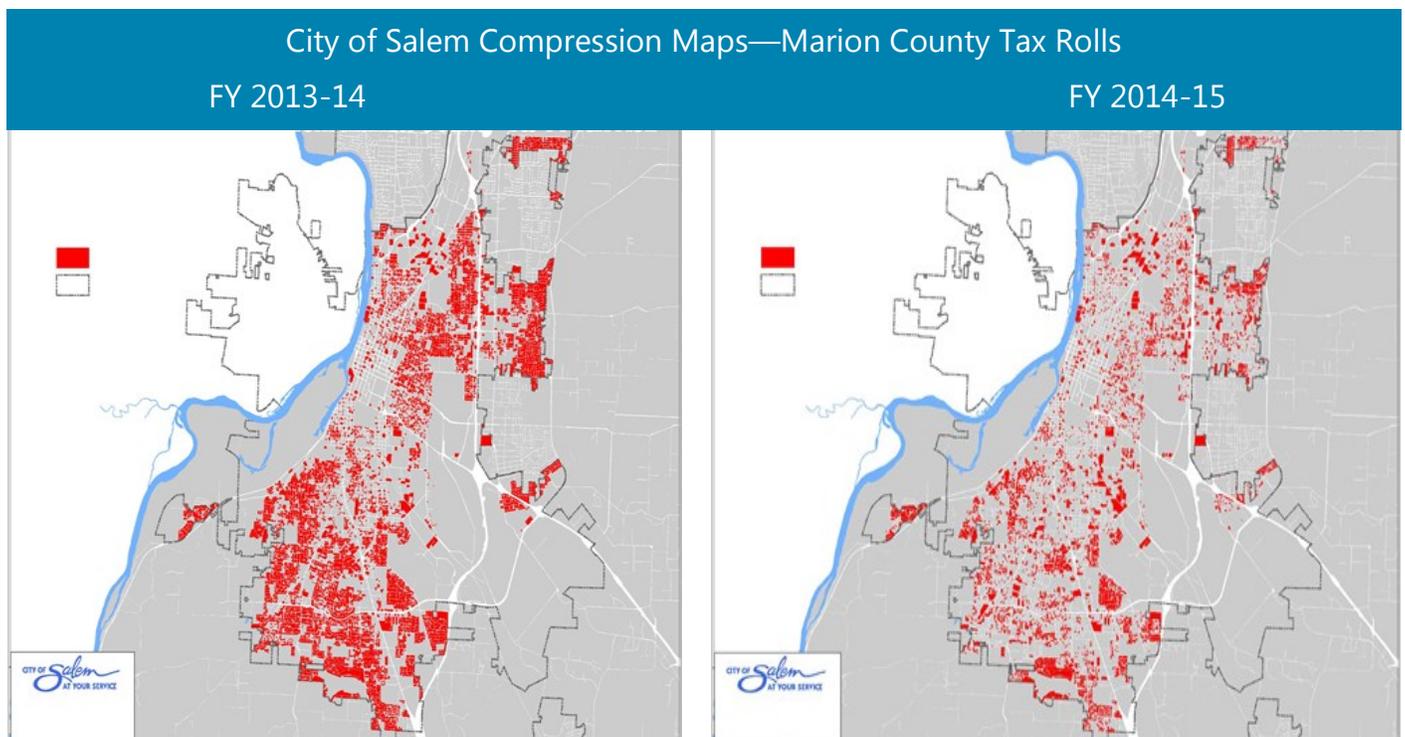
GENERAL FUND—RESOURCES Q2

Year-to-Year Comparison	Fiscal Year 2013-14			Fiscal Year 2014-15			Difference FY to FY
	Budget	12/30/13	% YTD	Budget	12/30/14	% YTD	
Beginning Working Capital	\$ 18,195,680	\$ 20,799,360	114%	\$ 19,564,780	\$ 20,997,247	107%	\$ 197,887
Property Taxes	56,427,780	50,926,491	90%	57,015,410	53,331,227	94%	2,404,736
Franchise Fees	15,921,880	3,407,958	21%	15,620,450	3,518,519	23%	110,561
Internal Charges	11,034,910	5,286,204	48%	11,241,730	5,376,086	48%	89,882
State Shared Revenues	4,588,060	1,743,885	38%	4,724,940	1,833,494	39%	89,610
Fees, Licenses, and Permits	3,469,700	1,908,324	55%	3,839,620	1,908,630	50%	307
Rents and Other Agencies	2,754,910	1,171,866	43%	2,522,740	1,249,049	50%	77,183
Fines, Penalties, and Forfeitures	2,730,970	1,272,796	47%	2,613,630	1,253,414	48%	(19,382)
Grants, Other Misc. Revenue *	7,174,410	1,364,372	19%	10,400,200	1,201,764	12%	(162,607)
Current Revenues	\$ 104,102,620	\$ 67,081,894	64%	\$ 107,978,720	\$ 69,672,184	65%	\$ 2,590,290
* includes du jour loan proceeds							
Total Resources	\$ 122,298,300	\$ 87,881,254	72%	\$ 127,543,500	\$ 90,669,431	71%	\$ 2,788,177

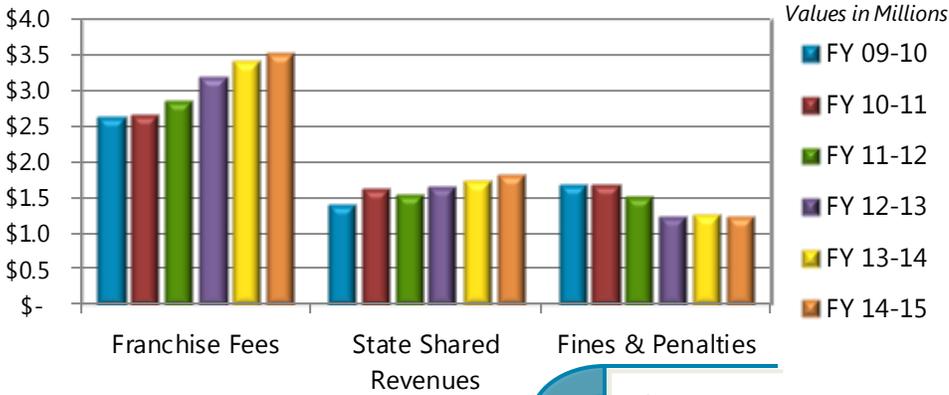
WHAT'S HAPPENING WITH PROPERTY TAX? Over the past several years, the Real Market Value (RMV) of many properties dropped below the Assessed Value (AV), which is used to calculate property tax. The lower RMV effectively became the new AV, and the Measure 5 limit of \$10 per \$1,000 in RMV resulted in higher compression losses. However, in FY 2014-15 residential properties experienced RMV growth of over 11 percent. This change in RMV created an adequate spread between RMV and AV to prevent the government rate of \$10.5138 per \$1,000 AV from being compressed for some properties.

As the result, the City is projecting property tax receipts to be higher than anticipated at adoption of the FY 2014-15 budget. Growth in RMV has resulted in higher tax revenue, plus relieved some pressure—and loss of tax revenue—caused by compression.

The maps below reflect what a difference one year can make. The City map to the left is dominated with red properties in FY 2013-14 signaling tax compression. The City map to the right is FY 2014-15 with compression fading.



GENERAL FUND—RESOURCES

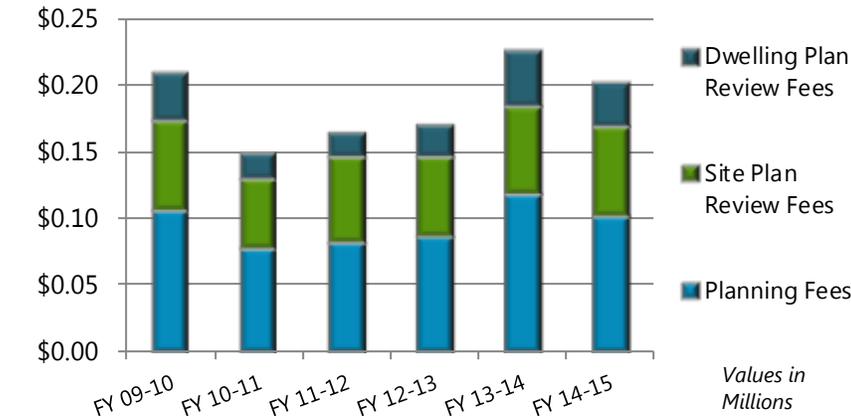
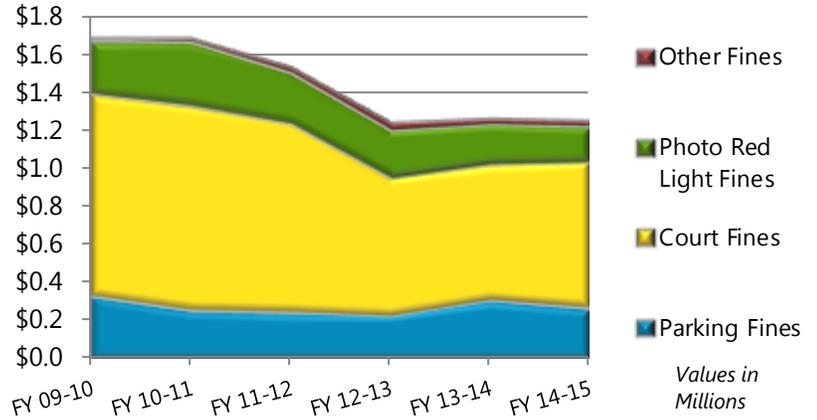


The General Fund's top 3 external revenue sources—after property tax—are charted at left. The 6-year comparison reveals steady growth for both franchise fees and state shared revenues.

Through Q2, franchise fees realized a 3.2 percent year-over-year increase, and gains for state shared revenues are 5 percent. Fines and penalties reflect no growth.

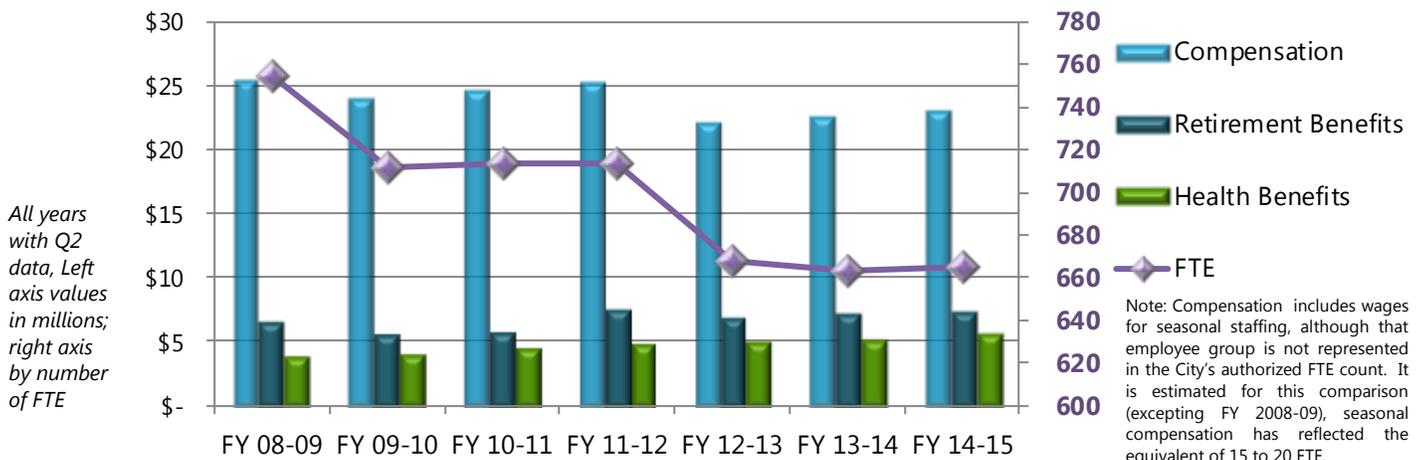
An apparent decline in court fine revenue, as detailed at right, results from completing the processing of older, backlogged cases during the earlier years of the comparison.

Demonstrating a trend that is being experienced across all types of development-related revenues in the City, the General Fund planning fees revenue chart featured below reflects a year-to-year decrease of almost 11 percent.



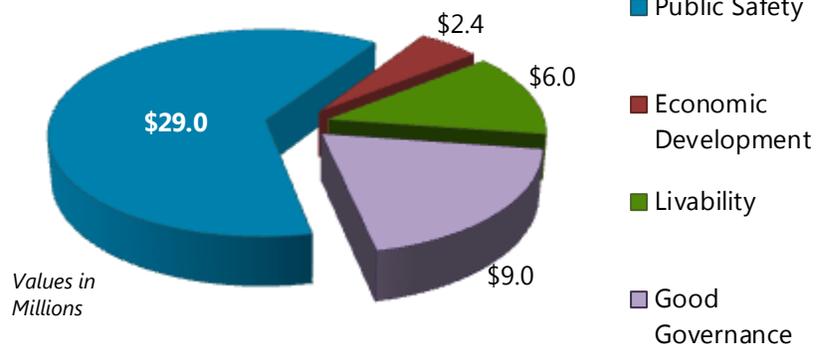
The chart across the bottom of this page reflects General Fund staffing and employee compensation through Q2 for a 7-year comparison. The total of retirement benefits includes FICA / Medicare and all Public Employee Retirement System expenses. The total for health benefits includes the employer-paid premiums for medical, dental, vision, worker's compensation, and disability insurances, as well as specialized health benefits for public safety employees. The line graph and right axis demonstrates a net 88.95 FTE loss from FY 2008-09 to the present.

GENERAL FUND—EXPENDITURES Q2



GENERAL FUND—EXPENDITURES Q2

One additional view of FY 2014-15 General Fund expenditures through Q2, provided at left, groups year-to-date expenses within four result areas—Public Safety, Livable Community, Vibrant Economy, and Good Governance.



OTHER FUNDS

RESOURCES Q2

Fund Number and Name	Resources 12/30/2013	Resources 12/31/2014	% of FY15 Resources Budget	Variance 13-14 to 14-15
155 <i>Public Works</i>	\$ 9,135,534	\$ 9,618,202	51.7%	\$ 482,668
160 <i>Airport</i>	1,402,075	1,245,591	77.0%	(156,484)
165 <i>Community Renewal</i>	916,957	1,598,096	29.5%	681,138
170 <i>Parking</i>	1,388,854	1,297,612	47.0%	(91,242)
172 <i>Economic Improvement Dist.</i>	402,518	173,416	98.1%	(229,102)
175 <i>Cultural and Tourism</i>	2,166,022	2,735,857	66.2%	569,835
176 <i>Public Art</i>	2,330	5,343	88.0%	3,013
180 <i>Leasehold</i>	817,793	845,931	69.7%	28,139
185 <i>Building and Safety</i>	5,575,302	6,176,156	81.6%	600,854
210 <i>General Debt Service</i>	11,057,343	12,001,587	79.8%	944,244
255 <i>Capital Improvements</i>	65,929,607	60,168,708	57.3%	(5,760,900)
260 <i>Extra Capacity Facilities</i>	20,790,858	20,309,181	83.6%	(481,678)
275 <i>Development Districts</i>	1,464,749	1,575,010	80.5%	110,261
310 <i>Water and Sewer</i>	78,862,307	79,484,558	65.8%	622,251
320 <i>Emergency Medical Services</i>	3,363,197	3,298,779	97.3%	(64,418)
330 <i>WVCC*</i>	5,469,477	5,456,101	56.7%	(13,376)
335 <i>PRIORS</i>	1,023,367	1,146,925	90.9%	123,558
355 <i>City Services</i>	19,157,954	16,765,468	76.8%	(2,392,486)
365 <i>Self Insurance</i>	22,718,299	24,885,818	68.8%	2,167,519
388 <i>Equipment Reserve</i>	4,246,726	5,019,427	102.7%	772,701
400 <i>Trust</i>	6,647,105	5,871,952	61.6%	(775,153)
TOTAL FOR REPORT	\$262,538,375	\$259,679,716	69.0%	\$ (2,858,659)

Timing of federal reimbursements

No further sale of bonds for Streets and Bridges projects

2nd year for this fund, growing fund balance is a goal

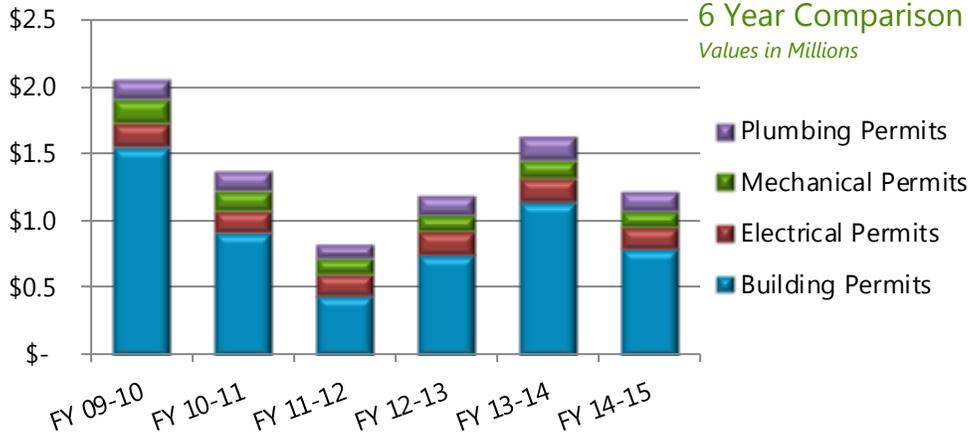
Italicized text denotes funds with direct costs for staff.

*Willamette Valley Communication Center

Additional year-to-year variances in the above table include:

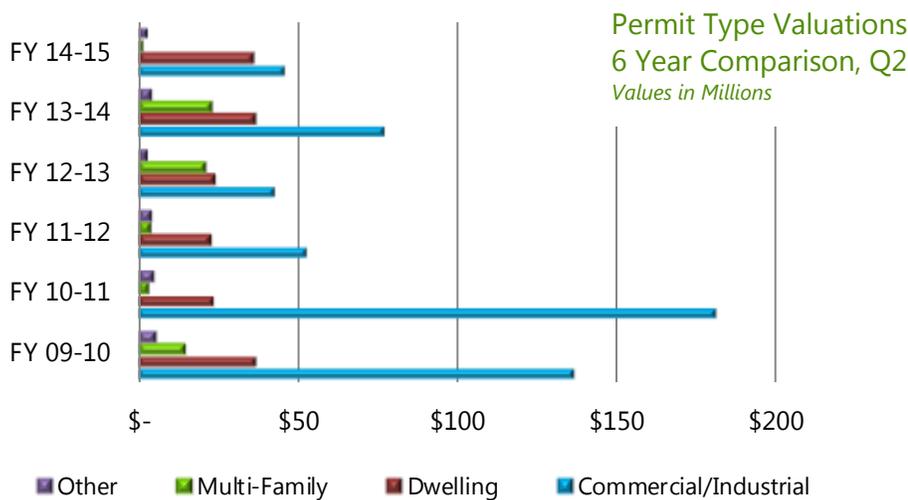
- +**\$0.57 M**—Cultural and Tourism Fund—year-to-year increase in fund balance and revenues up 14 percent.
- +**\$0.60 M**—Building and Safety Fund—increased working capital, but current year permit receipts are down.
- +**\$0.62 M**—Water and Sewer Fund—increased rate revenues.
- **\$2.39 M**—City Services Fund—transfer of equipment reserve to new fund in FY 2013-14.
- +**\$2.17 M**—Self Insurance Fund—growth in working capital of over \$1.2 M, increased health benefit premiums.
- **\$0.77 M**—Trust Funds—additional receipts for Minto Island restoration and miscellaneous Public Works projects.

OTHER FUNDS—RESOURCES Q2



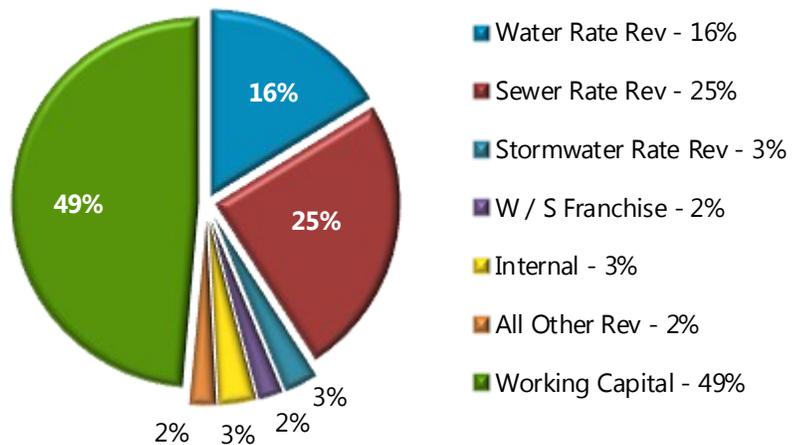
Through the second quarter of FY 2014-15, permit revenues are not maintaining the rate of escalation experienced over the previous two years, largely due to the absence of a significant, new commercial / industrial project as compared to the prior year. The forecast for the upcoming Building and Safety Fund budget identifies the level of activity in FY 2012-13 and the current year as the post-recession base or norm.

The bar graph of permit valuations at left demonstrates extraordinary valuation for commercial / industrial projects in FY 2009-10 through FY 2010-11 with a lower level of activity in the other years of the comparison. In FY 2014-15, new dwelling valuation is commensurate with prior year activity, while multi-family activity has dropped.

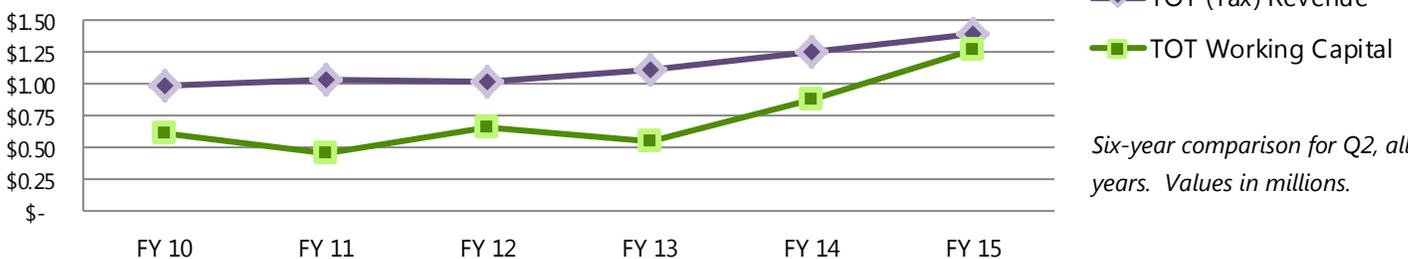


WATER AND SEWER FUND RESOURCES Q2

The pie chart at right is the distribution of Water and Sewer Fund resources. During FY 2014-15 stormwater rate revenue will be 75 percent separated from sewer revenue.; full separation is scheduled for February 2016. While working capital experienced a 2.5 percent year-over-year decline in FY 2014-15, consumption increased during the dry summer and autumn causing rate revenues to exceed expectations. As a group, receipts for the three rate types are 5 percent higher than the previous year for the period.



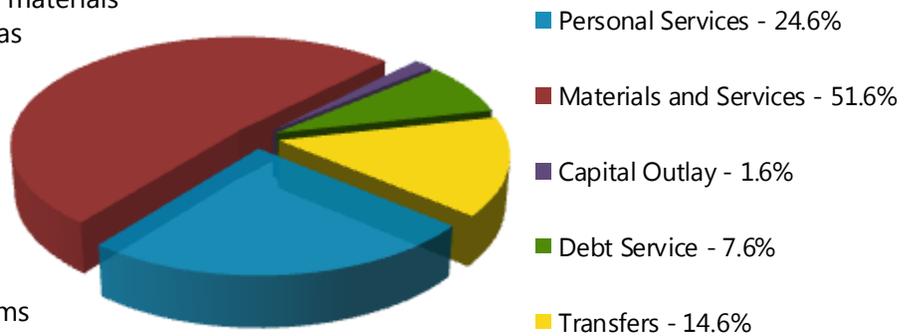
Cultural and Tourism (TOT) Fund Revenue and Working Capital



Six-year comparison for Q2, all years. Values in millions.

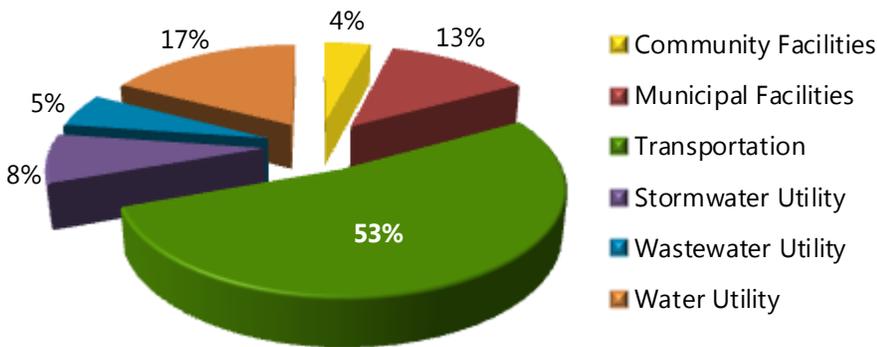
OTHER FUNDS—EXPENDITURES Q2

This breakdown of expenses through December 31, 2014 for 21 City funds weighs heavily to materials and services expenses and debt service as compared to the General Fund. Only 8 of the "other" City funds include personal services expenses for 502 authorized positions. Materials and services expenses include all capital construction, costs associated with operating the water and wastewater utilities, City fleet maintenance, and claims expense for the City's self insurance programs. Over \$3.9 million has been paid for General Obligation and Pension Obligation bonds and \$3.1 in Water and Sewer revenue bonds through the period.



In the City's budget capital construction projects are grouped in multiple categories. Community facilities and municipal facilities represent parks / historic properties and buildings / systems used for City operations, respectively. The pie chart represents expenses from both the Capital Improvements Fund and the Extra Capacity Facilities (or system development charge) Fund. To date in FY 2014-15, expenditures are \$5.9 million or 32 percent less than last year.

Capital Construction Expenditures - Q2



Project	FY 2014-15 Expense	Project Total to Date
Glen Creek Road Intersection Widening at Wallace Road All improvements are completed and only minor clean-up activities and right-of-way close-out activities remain.	\$1,984,397	\$3,786,842
Market Street / Swegle Road Corridor Improvements The majority of construction activities are completed and only minor clean-up activities remain.	\$1,221,251	\$7,318,864
Waln Creek Improvements at Woodside Drive The project is complete; final close-out underway.	\$510,300	\$627,686
Skyline Road Corridor Improvements Design is completed and the project has been advertised for construction bids.	\$419,994	\$1,193,640

