

TO: Sustainable Services Task Force Members

FROM: Kacey Duncan, Deputy City Manager
City Manager's Office

DATE: October 26, 2018

SUBJECT: **Revenue Task Force Meeting Two-October 30, 2018**

Thank you for your responses to the revenue survey. As you will note, the agenda for the October 30 meeting of the task force includes staff presentations for the top 7 revenue ideas from the survey response. The presentations should assist you in determining which of the top 7 may be viable options to include in your recommendation to City Council.

Sustainable Services Task Force Recommendation:

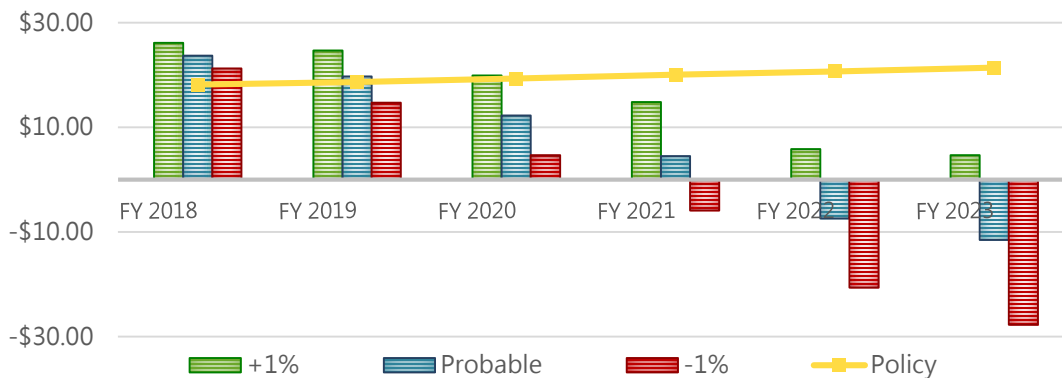
A recommendation to City Council is the desired outcome for this task force. It is a significant responsibility, but your perspectives as members of the community that will be asked to support these initiatives is invaluable to this effort.

By definition, Sustainable Services is about aligning annual expenditures with revenues. With your member notebook, staff provided an update to the FY 2019 five-year reforecast, which was presented to the Budget Committee in May 2018, demonstrating the potential gap by employing numerous assumptions and including continuation of current service levels into the future. Work on the FY 2020 forecast is underway.

At the meeting, staff did not specifically identify the level of imbalance in the General Fund. There are dozens of variables for both revenues and expenditures that influence it. The below bar chart, which we will discuss in greater detail at the next meeting, demonstrates forecast variability. It displays what would happen to General Fund working capital comparing two scenarios on the next page.

The blue bar is based on the May 2018 reforecast. If revenue grew by an additional 1 percent and expenses were 1 percent less, the positive result is represented by the green bar. Conversely, the red bar uses the reforecast result and assumes 1 percent lower revenues and 1 percent higher expenses for each fiscal year. In this scenario, working capital falls below City Council policy (represented by the gold line) by the end of the current fiscal year.

Five Year Forecast Probability



Despite this noted variability, any new source of revenue will have a positive impact. Further diversifying General Fund revenues and lessening reliance on other constrained sources will have a positive impact. Additional sources of revenue could mitigate the level of expenditure reduction generated by eliminating services and programs benefitting the community that would be required to balance the fund.

The recommendation of the task force could come in a myriad of forms. The following illustrates a recommendation that could be compiled over the next three task force meetings to provide the City Council with flexibility moving forward.

Sustainable Services Revenue Task Force Recommendation

Following review, evaluation, and deliberation of numerous potential options to generate additional revenue to offset anticipated expenses in the City's General Fund, the task force recommends to the City Council the following options:

Revenue Option 1: Name of Revenue Idea

Narrative describing option and defining the task force's support including ease or difficulty of implementation, potential timing of implementation, and any other factors.

Recommendation: The task force recommends considering Revenue Option 1 at a rate that would realize revenue within a range of \$X million to \$X million annually.

Revenue Option 2: Name of Revenue Idea

Narrative describing option and defining the task force's support including ease or difficulty of implementation, potential timing of implementation, and any other factors.

Recommendation: The task force recommends considering Revenue Option 2 at a rate that would realize revenue within a range of \$X million to \$X million annually.

The task force recommendation also could vary to include:

- suggested limitations on new revenue raising measures;
- additional ideas for new revenues to enhance – not just maintain – City services; and
- strategies for new revenue implementation – immediate options versus ideas to be considered into the future.

In closing, the analysis and evaluation of General Fund current revenue sources and the expenditures associated with existing services indicate an ongoing imbalance. Absent new and additional revenue, the City Council's choices for curing the imbalance will be limited to reductions in services and positions. The tandem efforts of the revenue task force and the City's implementation of Priority Based Budgeting – with the intent of ensuring resources are applied to programs and services that best address desired results for the community – seek to deliver options to address this challenge within the framework of a balanced approach.

**CITY OF SALEM
CITY MANAGER'S OFFICE
BUDGET AND FINANCE DIVISIONS**

Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

Disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting or event, are available upon request. Sign language and interpreters for languages other than English are also available on request. To request such an accommodation or interpretation, contact the Finance Division at 503-588-6040 at least **two business days** before meeting; or TTD/TTY telephone (503) 588-6439, is also available 24/7.

**CITY OF SALEM
REVENUE TASK FORCE**

Committee Members

Mayor Chuck Bennett-Chair
Councilor Matthew Ausec
Councilor Steve McCoid
Britni Davidson-Cruickshank
Antonia Decker
Mike Erdmann
Jesse Gasper
Theresa Haskins
Dayna Jung
Raquel Moore-Green
Monica D. Pacheco
Kasia Quillinan
Ray Quisenberry
Dan Wellert

City Staff

Kacey Duncan, Deputy City Manager
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Ryan Zink, Budget Analyst
Kali Leinenbach, Budget Analyst
Josh Eggleston, Budget Analyst
Samantha Naluai, Management Analyst
Kelli Blechschmidt, Administrative Analyst

Next Meeting: November 7th, 2018

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

MEETING AGENDA

October 30th, 2018

6:00 PM

555 Liberty Street SE, Council Chambers

1. Call to Order
2. Public Testimony
(Appearance of persons wishing to address the Task Force on agenda items)
3. Minutes
 - a. Approval of October 15th, 2018 Minutes
4. Action Items
 - a. None
5. Information Items
 - a. Survey Results and Context
 - i. Staff Presentation by Deputy City Manager Duncan
 - b. Presentations of Top Revenue Selections
 - i. Staff Presentations
 1. *City Operating Fee*-Samantha Naluai
 2. *Construction Excise Tax*-Josh Eggleston
 3. *Payment in Lieu of Taxes (PILOT)*-Josh Eggleston
 4. *Income Tax (Payroll Tax)*-Kelli Blechschmidt
 5. *Local Gas Tax*-Kali Leinenbach
 6. *Lift Assist/Bed Fee*-Ryan Zink
 7. *Local Option Levy*-Samantha Naluai
6. Special Orders of Business
 - a. Task Force Discussion and Question Period
 - b. Direction for Staff
7. Adjournment



**City of Salem Sustainable Services Revenue Task Force
Minutes**

DATE: October 15, 2018

CHAIRPERSON: Mayor Bennett

PLACE: Council Chambers

STAFF LIAISON:

Kelley Jacobs, Budget Officer

503-588-6049

kjacobs@cityofsalem.net

Members Present:

Mayor Chuck Bennett
Councilor Steve McCoid, Vice Chair
Member Britni Davidson-Cruickshank
Member Antonia Decker
Member Mike Erdmann
Member Jesse Gasper
Member Dayna Jung
Member Raquel Moore-Green
Member Monica D. Pacheco
Member Kasia Quillinan
Member Ray Quisenberry
Member Dan Wellert

Staff Present:

Steve Powers, City Manager
Kacey Duncan, Deputy City Manager
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Ryan Zink, Budget Analyst
Kali Leinenbach, Budget Analyst
Josh Eggleston, Budget Analyst
Samantha Naluai, Management Analyst
Kelli Blechschmidt, Administrative Analyst

Members Absent:

Councilor Matt Ausec
Member Theresa Haskins

1. CALL TO ORDER: 6:01 PM – Quorum

2. APPROVAL OF MINUTES:

- a. None

3. PUBLIC COMMENT:

- a. None

4. ACTION ITEMS:

- a. A motion was made by Mayor Bennett to nominate Councilor McCoid as Vice Chair of the Sustainable Services Revenue Task Force.

The motion carried by the following vote:

Aye: 12

Nay: 0

Absent: 2-Ausec, Haskins

Abstain: 0

- b. Budget Officer Jacobs explained the Revenue Survey to members and asked for these to be completed and submitted to staff for further topic research by Friday, October 19th, 2018.

5. INFORMATION ITEMS:

- a. Staff presentation by Kelley Jacobs, Budget Officer on handout materials and explanation of the Revenue Options Survey.

Questions or Comments by: Mayor Bennett.

- b. Staff presentations by David Lacy, Finance Operations Manager on Oregon Property Tax.

Question or Comments by: Mayor Bennett, Councilor McCoid and Members Erdmann, Moore-Green, Quillinan, Quisenberry, Wellert.

- c. Staff presentation by David Lacy, Finance Operations Manager, on Oregon Public Employees Retirement System (PERS).

Questions or Comments by: Mayor Bennett, Councilor McCoid and Members Erdmann, Moore-Green, Pacheco, Quillinan, Wellert, City Manager Powers.

- d. Staff presentation by Kacey Duncan, Deputy City Manager on Priority Based Budgeting Context and Update:

Question or Comments by: Mayor Bennett, Councilor McCoid and Members Decker, Erdmann, Moore-Green, Pacheco, Quillinan, Quisenberry, Wellert, City Manager Powers, Budget Officer Jacobs.

6. STAFF UPDATES:

- a. Revenue Options Survey requested to be filled out and submitted to staff by Friday, October 19th, 2018 for staff research and preparation in accordance to Task Force revenue interests.

7. ADJOURNMENT: 8:20 PM

The next meeting of the Sustainable Services Revenue Task Force is Tuesday, October 30th, 2018 at 6PM in Council Chambers