

A G E N D A



Joint Meeting of the City of Salem Budget Committee and the Salem Urban Renewal Agency Budget Committee

DATE: Wednesday, January 5, 2022
TIME: 6:00 PM
CHAIRPERSON: Paul Tigan

STAFF LIAISON:
Josh Eggleston, Budget Officer
503-588-6130
jeggleston@cityofsalem.net
Kelli Blechschmidt, Mgmt Analyst I
503-588-6049
kblechschmidt@cityofsalem.net

PLACE: VIRTUAL

Written comments on agenda items may be submitted at budgetoffice@cityofsalem.net Public comment may also be provided via Zoom. Please pre-register between 8:00AM and 2:00PM on the day of the meeting at the following link: <https://form.cityofsalem.net/s3/Sign-Up-to-Comment-at-January-5-2022-Budget-Committee-Meeting-copy>

1. OPENING EXERCISES – Chairperson Paul Tigan
2. PUBLIC TESTIMONY
 - a. Comment on agenda items other than public hearings and deliberations
3. MINUTES
 - a. Minutes from May 5, 2021 City of Salem and Urban Renewal Agency Budget Committee Meeting
4. ACTION ITEMS
 - a. Election of Officers
 - Chairperson
 - Vice-chairperson
 - Secretary
5. INFORMATION ITEMS
 - a. FY 2021 Q4 Financial Report for the City of Salem
 - b. FY 2021 Q4 Financial Report for the Urban Renewal Agency
 - c. FY 2022 Q1 Financial Report for the City of Salem
 - d. FY 2022 Q1 Financial Report for the Urban Renewal Agency
 - e. FY 2023 – FY 2027 Five-Year Forecast
6. PUBLIC HEARINGS
None
7. SPECIAL ORDERS OF BUSINESS
 - a. Presentation of Five-Year Forecasts – General Fund, Transportation Services Fund and Utility Fund
 - Presentation by Interim Chief Financial Officer Josh Eggleston
 - Discussion and review

8. PUBLIC TESTIMONY FOR FUTURE BUDGET ISSUES

The Budget Committee has set aside time for public comment to address items not on the agenda. Each individual testifying will be limited to no more than three (3) minutes.

9. ADJOURNMENT

The next Budget Committee meeting will be held on Wednesday, April 20, 2022 at 6:00 pm for presentation of the City Manager's proposed FY 2023 budget.

Budget staff is available for your convenience to discuss the budget document and process. Please call the staff listed above or 503-588-6040 if you have any questions.

The City of Salem budget information can be accessed on the internet at: www.cityofsalem.net/budget

NOTE: Disability-related accommodations, including auxiliary aids or services, in order to participate in this meeting, are available upon request. Sign language and interpreters for languages other than English are also available upon request. To request such an accommodation or interpretation, contact Kali Leinenbach, (503) 588-6231 or kleinenbach@cityofsalem.net at least 2 business days before this meeting. TTD/TTY telephone (503) 588-6439 is also available 24/7.

The City of Salem values all persons without regard to race, color, religion, national origin, sex, age, marital status, domestic partnership, disability, familial status, sexual orientation, gender identity and source of income.

MINUTES



Joint Meeting of the City of Salem Budget Committee and the Salem Urban Renewal Agency Budget Committee

DATE: Wednesday, May 5, 2021
TIME: 6:00 PM
CHAIRPERSON: Paul Tigan

STAFF LIAISON:
Josh Eggleston, Budget Officer
503-588-6130
jeggleston@cityofsalem.net
Kali Leinenbach, Senior Fiscal Analyst
503-588-6231
kleinenbach@cityofsalem.net

PLACE: Virtual Online Meeting

-
1. OPENING EXERCISES – Chairperson Paul Tigan called the meeting to order at 6:00PM

Members present: Stapleton, Chair Tigan, Secretary T. Andersen, Shirack, Phillips, Davis, Vice-chairperson Leung, McCoid, Gonzalez, Brown, Hoy, Sund, W. Andersen, Nordyke, Lewis, Bennett.

Members absent: Milton and DoCarmo.

2. PUBLIC TESTIMONY
None

3. MINUTES

- a. Move to approve the minutes from the April 28, 2021 City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Questions or comments by: Member Stapleton

Motion: Move to approve the meeting minutes from the April 28, 2021 City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Motion by: Secretary T. Andersen
Seconded by: Member Lewis

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

4. ACTION ITEMS

- a. Additions Agenda for the May 5, 2021 City of Salem and Urban Renewal Agency Budget Committee Meeting

Motion: Move to approve the additions agenda for the May 5, 2021 City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Motion by: Vice-chairperson Leung
Seconded by: Member Shirack

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

- b. Errata 6 – Community Renewal Fund Budget Increase (replacement pgs. 40, 173-176, 189, 251-255, 282-289)

Questions or comments by: Member W. Andersen

Motion: Move to approve staff recommendation for Errata Sheet 6.

Motion by: Vice-chairperson Leung
Seconded by: Member W. Andersen

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

5. INFORMATION ITEMS

- a. Staff Report: Summary of Budget Committee Actions Through April 28, 2021

Questions or comments by: None
Answers or explanations by: None

- b. Staff Report: Responses to Committee Members Questions

Questions or comments by: Members Hoy, W.Andersen, McCoid, Chair Tigan
Answers or explanations by: City Manager Steve Powers, Budget Officer Josh Eggleston

- c. Staff Report: Monday hours at the Main Salem Public Library

Questions or comments by: None
Answers and explanations by: None

- d. Staff Report: ARPA and Future Funding Framework

Questions or comments by: None
Answers and explanations by: None

- e. Proposed Motion from Secretary Andersen regarding a diversity recruitment coordinator position

Questions or comments by: None
 Answers and explanations by: None

- f. Mobile Crisis Response Unit Proposal from the United Way

Questions or comments by: Member Nordyke
 Answers and explanations by: None

6. PUBLIC HEARINGS

- a. None

7. SPECIAL ORDERS OF BUSINESS

- a. Approve FY 2022 Salem Urban Renewal Agency Ad Valorem Property Taxes
 Staff Report: Approval of Ad Valorem Property Taxes – Salem Urban Renewal Agency

Approve the estimated ad valorem property tax levies derived from the sum of the Division of Taxes and the Special Levy for the Salem Urban Renewal Agency Areas as follows:

	Division of Taxes	Special Levy	Estimated Total
1. Jory Apartments	100%	\$0	43,150
2. McGilchrist	100%	\$0	\$ 1,141,850
3. Mill Creek	100%	\$0	1,643,850
4. North Gateway	100%	\$0	4,392,140
5. Riverfront Downtown	100%	Remainder	7,885,620
6. South Waterfront	100%	\$0	502,620
7. West Salem	100%	\$0	1,899,470
			\$17,508,700

Motion: Move to approve staff recommendation for the FY 2022 Salem Urban Renewal Agency Ad Valorem Property Taxes.

Motion by: Member Bennett
 Seconded by: Member Shirack

Action: Motion passes
Vote:
Aye: Unanimous

Nay:
Abstentions:

- b. Recommend FY 2022 Salem Urban Renewal Agency Budget
Staff Report: Recommend FY 2022 Salem Urban Renewal Agency Budget

Questions or comments by: None
Answers or explanations by: None

Motion: Move to approve staff recommendation for the FY 2022 Salem Urban Renewal Agency Budget.

Motion by: Member Bennett
Seconded by: Member Hoy

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

- c. Approve FY 2022 City of Salem Ad Valorem Property Taxes
Staff Report: Approval of Ad Valorem Property Taxes – City of Salem

Recommendation:
Approve the ad valorem property taxes for the City of Salem General Fund and the City of Salem General Obligation Debt fund as follows:

1. Approve the City of Salem permanent tax rate of \$5.8315 for general fund operations.
2. Approve a General Obligation bond debt levy of \$17,559,180

Motion: Move to approve staff recommendation for City of Salem Ad Valorem property taxes for operations and general obligation debt.

Motion by: Member Shirack
Seconded by: Member Bennett

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Questions or comments by: None
Answers or explanations by: None

- d. Recommend FY 2022 City of Salem Budget
Staff Report: Recommend FY 2022 City of Salem Budget

Good Governance

- Expenditures: \$122,767,020

Questions or comments by: None
Answers or explanations by: None

Motion: Move to that the Budget Committee recommend \$25,000 to be allocated for Spanish and American Sign Language interpretation at all City Council meetings.

Questions or comments by: Members Gonzalez, Stapleton and Chair Tigan
Answers or explanations by: None

Motion by: Member Hoy
Seconded by: Member Nordyke

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Motion: Move to approve staff recommendation as amended by the previous motion for the Good Governance result area budget.

Motion by: Member Hoy
Seconded by: Member W. Andersen

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Natural Environment Stewardship

- Expenditures: \$20,040,300

Motion: Move to approve staff recommendation for the Good Natural Environment Stewardship result area budget.

Questions or comments by: Secretary Andersen, Chair Tigan
Answers or explanations by: None

Motion by: Secretary Andersen
Seconded by: Member Shirack

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Safe Community

- Expenditures: \$131,615,210

Motion: Move to amend the Safe Community budget to include \$500,000 for a mobile response unit.

Questions or comments by: Members Hoy, Bennett, Brown, Lewis, Stapleton, W. Andersen, Shirack, Sund, Davis, Phillips, Secretary Andersen, Chair Tigan

Answers or explanations by: Member Nordyke, Human Rights Liaison Bennett, City Manager Powers

Motion by: Member Nordyke
Seconded by: Vice-chairperson Leung

Amendment to the Motion: Move to amend the previous motion to an amount of \$135,000

Motion by: Member Bennett
Seconded by: Member Hoy

Action: Motion to amend the original motion
Vote:
Aye: Unanimous
Nay:
Abstentions:

Questions or comments by: Members Nordyke, W. Andersen, Chair Tigan
Answers or explanations by: City Manager Powers, Budget Officer Eggleston

Motion: Move to amend the Safe Community budget to include \$135,000 for a mobile response unit.

Motion by: Member Bennett
Seconded by: Member Hoy

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Motion: Move the Budget Committee recommend to the City Council that one new position of diversity recruitment coordinator for the Salem Police and Fire Departments be created in the 2021-2022 budget, with funding to be divided equally between the Fire and Police budgets

Motion by: Secretary Andersen
Seconded by: Member Stapleton

Questions or comments by: Secretary Andersen, Members Bennett, Brown, Hoy, W. Andersen, Gonzalez
Answers or explanations by: City Manager Powers, Chief Womack, Chief Niblock, Director Namburi

Motion withdrawn by Secretary Andersen

Motion: Move to include in the budget \$150,000 from ARPA funds for a Limited Duration Citywide Recruitment and Diversity, Equity and Inclusion (DEI) Coordinator as to modify the Good Governance result area.

Motion by: Secretary Andersen
Seconded by: Member McCoid

Questions or comments by: Member Brown, Hoy
Answers or explanations by: Chair Tigan, Secretary Andersen

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Motion: Move that the Budget Committee recommend City Council provide body cameras and / or dash cameras for our Police Department

Motion by: Member W. Andersen
Seconded by: Member Hoy

Questions or comments by: Members W. Andersen, Hoy, Nordyke, Lewis and Chair Tigan
Answers or explanations by: Chief Womack, City Manager Powers, Director Namburi, Budget Officer Eggleston

Motion withdrawn by Member W. Andersen

Motion: Move that the Budget Committee include a camera program (car and body) in the City budget with an amount to be determined by City Council at a later date.

Motion by: Member Hoy
Seconded by: Member W. Andersen

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Motion: Move to approve staff recommendation for the Safe Community result area budget as amended.

Motion by: Member Hoy
Seconded by: Member Shirack

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Safe, Reliable, and Efficient Infrastructure and Capital Improvements

- Expenditures: \$137,092,100 for the result area and \$201,707,770 for capital improvement projects
- Member Nordyke declared a potential conflict of interest regarding the Capital Improvements Plan.

Questions or comments by: Members W. Andersen, Lewis
Answers or explanations by: Budget Officer Eggleston, City Manager Powers

Motion: Move to approve staff recommendation for the Safe, Reliable and Efficient Infrastructure result area and Capital improvements budget.

Motion by: Member Bennett
Seconded by: Member McCoid

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Strong and Diverse Economy

- Expenditures: \$12,834,560

Questions or comments by: Members Bennett, Hoy, W. Andersen
Answers or explanations by: Director Fernandez

Motion: Move to approve staff recommendation for the Strong and Diverse Economy result area budget.

Motion by: Member Hoy
Seconded by: Member McCoid

Action: Motion passes
Vote:
Aye: Unanimous
Nay:
Abstentions:

Welcoming and Livable Community

- Expenditures: \$32,888,410

Questions or comments by: Members Stapleton, Nordyke, Lewis, Chair Tigan
Answers or explanations by: Budget Officer Eggleston, Director Retherford

Motion: Move to approve staff recommendation for the Welcoming and Livable Community result area budget

Motion by: Member Hoy
Seconded by: Member W. Andersen

Action: Motion passes
Vote:
Aye: Unanimous
Nay:

Abstentions:

8. PUBLIC TESTIMONY FOR FUTURE BUDGET ISSUES
None
9. ADJOURNMENT
Questions or comments by: Chair Tigan, Secretary Andersen
Answers or explanations by: None

The meeting was adjourned at 8:48PM

Respectfully Submitted,
Kelli Blechschmidt

The next meetings related to the FY 2022 budget will occur with the City Council as follows:

- *Monday, June 14, 2021, FY 2022 Budget and State Revenue Sharing Public Hearing*
- *Monday, June 28, 2021, FY 2022 Budget and CIP Adoption*

Budget staff are available for your convenience to discuss the budget document and process. Please call the staff listed above if you have questions.

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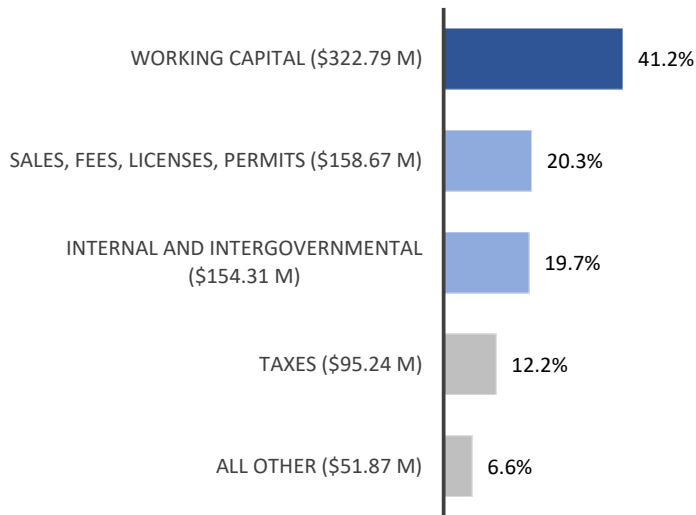
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CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

This financial summary provides FY 2021 year-end results that include July 2020 through June 2021. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2021 activity.

Citywide Results - All Funds

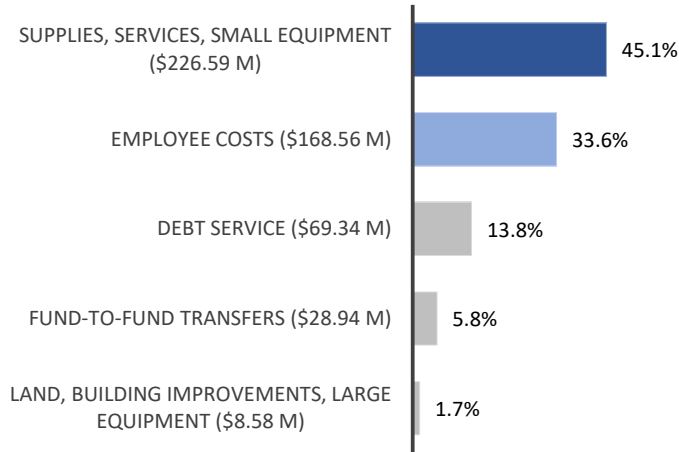
Total Resources of \$782.88 Million



This view of Citywide resources reveals the prominence of *Working Capital*—or cash-on-hand—at 41.2 percent of all resources. *Taxes* include property tax for General Fund operations and levies to pay debt service on voter-approved general obligation bonds, transient occupancy tax, and local marijuana sales tax. The category with *Sales, Fees* includes consumer-paid fees for water / sewer, franchise fees, building permits, and system development charges. *Internal and Intergovernmental* includes employer-paid insurance premiums, state shared revenues, and grants.

Total Expenditures of \$502.01 Million

Everything associated with the cost of more than 1,282 full-time equivalent employees—wages, overtime, insurances, and retirement benefits—is included in *Employee Costs*. The category of *Supplies, Services, Small Equipment* includes \$156.90 million of the total in just four of the City's 25 funds—Capital Improvements, Self Insurance Risk, Self Insurance Benefits, and Utility.



BY THE NUMBERS Expenditures

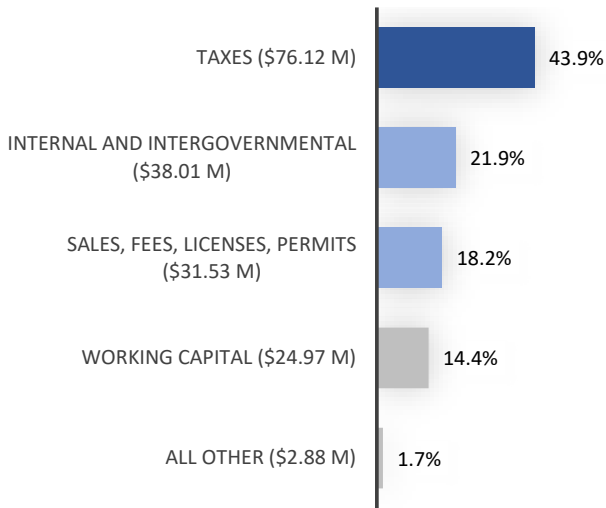
Total personnel expenditures increased by 4.47 percent year over year. The increase in total expenditures is influenced by anticipated cost escalators, such as labor contract / market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Differences are also influenced by changes in position vacancy rates and the slowing of hiring due to the COVID-19 pandemic. Materials and services experienced an increase from construction contracts from the various capital projects ongoing in 2021.

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

This financial summary provides FY 2021 year-end results that include July 2020 through June 2021. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2021 activity.

General Fund Results

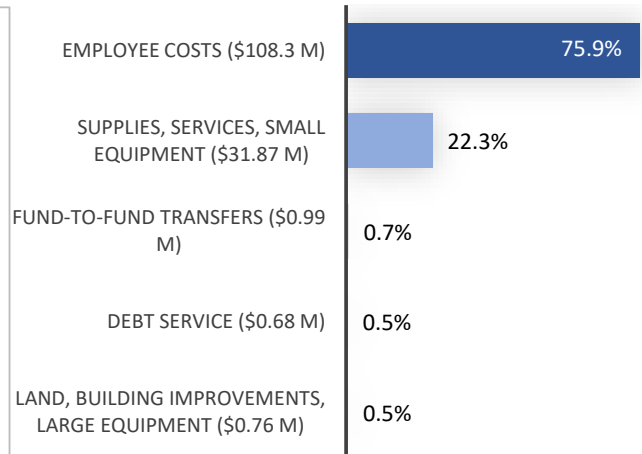
Total Resources of \$173.51 Million



Total resources for FY 2021 in the General Fund equal \$173.51 million, representing \$24.97 million in working capital and \$148.54 million in new revenues. Property taxes account for \$74.54 million in the category, *Taxes*, with the remaining \$1.58 million from the City's sales tax on marijuana. *Sales, Fees, Licenses, Permits* includes over \$18.82 million in franchise fees, \$7.21 million from the City's operation fee, \$1.74 in planning-related revenues, and \$219,960 from the City's ambulance contractor. Internal charges, including the cost for support services assessed to other City funds for services housed in the General Fund— such as Legal, Human Resources, Finance, and Information Technology— provide \$15.85 million of the \$38.01 million for the *Internal and Intergovernmental* category. Revenues shared by the State of Oregon add another \$7.58 million. *All Other* revenue includes \$502,390 in parking fines and \$1.05 million in court fines.

Total Expenditures of \$142.6 Million

The City's General Fund maintains the services of fire emergency response, municipal court, parks maintenance, police, multi-generational recreation programs, long range and current planning, code enforcement, social services program aid, Salem Public Library, and the support services that benefit all City departments and funds. At year end, expenditures for these services equaled \$142.60 million, representing an 8.70 percent increase over FY 2020. Additionally, federal funding provided \$10.3 million in aid for costs associated with the COVID-19 pandemic, including \$6.37 million from the American Rescue Plan Act (ARPA) and \$3.93 million from the Coronavirus Aid, Relief, and Economic Security Act (CARES).



Future Outlook

With the addition of the American Rescue Plan Act (ARPA) funding, the City was able to add to its fund balance in FY 2021. Even with this boost, expenses in the General Fund are still outpacing revenues. With ARPA funding already set aside for spending on sheltering programs, the City is likely to return to using fund balance to cover operating expenses in the coming years. This trend is further exacerbated by the on-going COVID-19 pandemic which continues to bring additional challenges to the community and the City.

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

General Fund Revenues

		Actual to Budget	Year - over- Year												
<p>Property Tax—In FY 2021, the largest revenue source for the General Fund received a 4.8% revenue increase above last year's actuals. The total revenues year-over-year increase was \$3.39 million.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>63.99</td><td>66.13</td><td>70.03</td><td>71.15</td><td>74.54</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	63.99	66.13	70.03	71.15	74.54	100.5%	4.8%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	63.99	66.13	70.03	71.15	74.54										
<p>Franchise Fees—Increases for refuse hauler fees, gains in electric and water / wastewater / storm-water utility, as well as higher gas and cable revenue added an increase year-over-year for City franchise fees of 4.0%.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>17.32</td><td>18</td><td>18</td><td>18.09</td><td>18.82</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	17.32	18	18	18.09	18.82	105.5%	4.0%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	17.32	18	18	18.09	18.82										
<p>Internal Charges—Less-than-anticipated revenues are offset with savings from vacant positions. A lower vacancy rate would have generated additional internal reimbursement revenues. However, the year-over-year increase was 1.8%.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>14.11</td><td>15.51</td><td>16.4</td><td>17.44</td><td>17.75</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	14.11	15.51	16.4	17.44	17.75	93.9%	1.8%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	14.11	15.51	16.4	17.44	17.75										
<p>Marijuana Sales Tax—Continued growth experienced with year-over-year increases of over 36.5%, and far exceeding budget estimates by 37.2%. Over 0.38M was realized in the final quarter of 2021.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>0.120</td><td>0.760</td><td>1</td><td>1.16</td><td>1.58</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	0.120	0.760	1	1.16	1.58	137.2%	36.5%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	0.120	0.760	1	1.16	1.58										
<p>State Shared Revenues—With Marijuana shared revenues raising and tobacco and alcohol tax shared revenues following trends, this category increased year-over-year, exceeding budget estimates by 6.8%.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>5.18</td><td>6.28</td><td>6.24</td><td>6.8</td><td>7.58</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	5.18	6.28	6.24	6.8	7.58	106.8%	11.4%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	5.18	6.28	6.24	6.8	7.58										
<p>Fees, Permits—User charges for fire protection, planning fees, recreation, fire safety permits, and apartment licensing supported increased receipts of \$4.18 million or 49.1% more than FY 2020. This stark increase is due to the City Operations Fee which began in January, 2020.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>4.63</td><td>4.81</td><td>5.45</td><td>8.53</td><td>12.71</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	4.63	4.81	5.45	8.53	12.71	88.7%	49.1%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	4.63	4.81	5.45	8.53	12.71										
<p>Other Agencies, Grants, All Other Revenue— There was a sharp increase in this category in the final quarter of 2021 due to \$6.37 million in ARPA grant funds and \$3.93 million CARES grant funds. Overall increase year-over-year is 44.3%</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Revenue</th><td>8.91</td><td>8.37</td><td>8.79</td><td>10.79</td><td>15.56</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Revenue	8.91	8.37	8.79	10.79	15.56	184.6%	44.3%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Revenue	8.91	8.37	8.79	10.79	15.56										
<p>Beginning Fund Balance—Fund Balance grew in FY 21 largely due to one-time ARPA revenue. Beginning fund balance increased \$2.8 million or 12.5% year-over-year. However, without federal COVID-19 relief funding, the City would have had to use Fund Balance to cover expenses.</p>	<table border="1"> <tr><th>Fiscal Year</th><td>FY 2017</td><td>FY 2018</td><td>FY 2019</td><td>FY 2020</td><td>FY 2021</td></tr> <tr><th>Balance</th><td>28.13</td><td>26.82</td><td>25.02</td><td>22.20</td><td>24.97</td></tr> </table>	Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Balance	28.13	26.82	25.02	22.20	24.97	106.7%	12.5%
Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021										
Balance	28.13	26.82	25.02	22.20	24.97										

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

General Fund Expenditures by Department

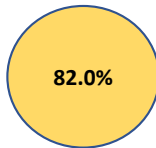
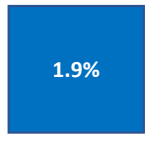
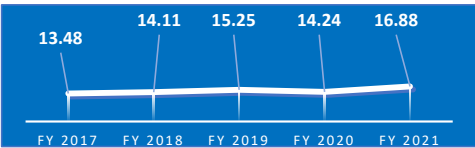
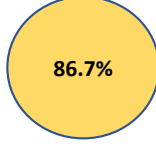
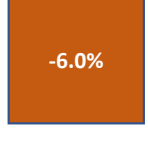
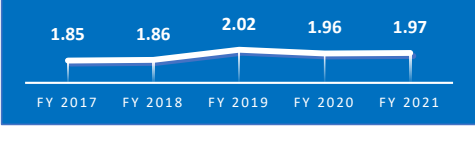
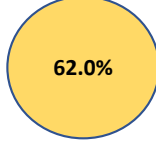
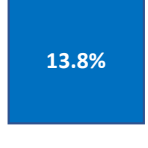
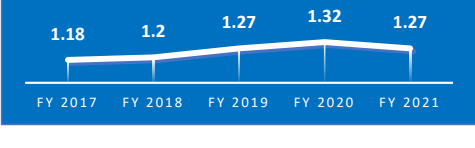
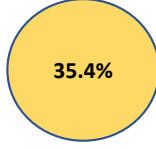
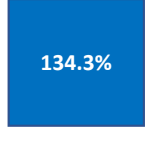
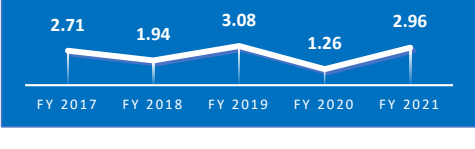
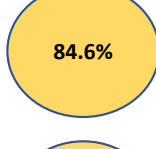
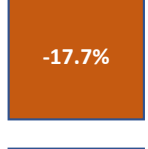
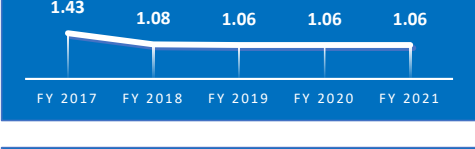
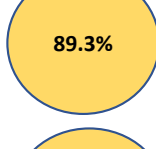
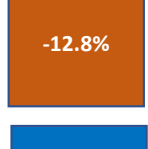
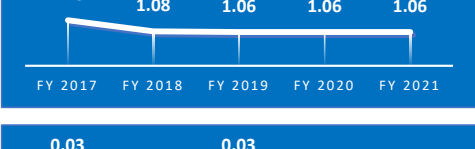

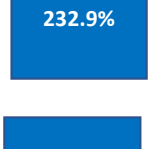
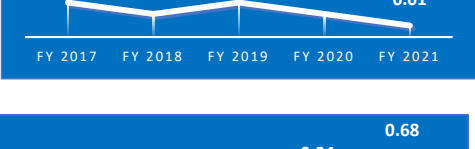
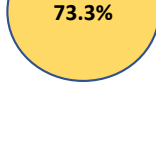
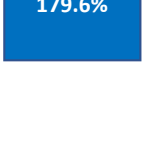
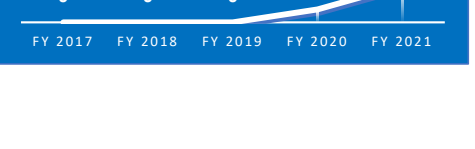
Expenditures by Department (in millions)	Personal Services	Materials Services	Capital Outlay	Interfund Transfers	Debt	Actual to Budget	Year - over - Year
Mayor & Council	\$ -	\$ 0.17	\$ -	\$ -	\$ -	81.1%	-3.4%
Municipal Court	1.47	0.39	-	-	-	85.2%	-1.3%
City Manager	1.13	0.08	-	-	-	95.1%	2.5%
Human Resources	1.42	0.26	-	-	-	100.0%	17.1%
Legal	2.26	0.11	-	-	-	93.3%	-1.3%
Finance	3.34	0.30	-	-	-	88.0%	1.1%
Parks and Recreation	5.29	5.78	0.23	0.06	-	97.0%	23.4%
Facilities Services	2.77	1.48	0.05	0.11	-	87.4%	5.5%
Community Development	3.94	0.69	0.05	0.01	-	87.5%	10.1%
Library	3.83	0.83	0.00	-	-	88.6%	3.9%
Police	38.74	8.52	0.11	-	-	96.9%	4.9%
Fire	33.19	4.67	0.03	-	-	97.8%	6.5%
Information Technology	7.49	1.72	0.24	-	-	95.4%	6.4%
Non Departmental	0.09	5.48	-	0.67	0.68	82.0%	82.3%
Urban Development	3.34	1.38	0.05	0.14	-	88.7%	-1.2%
Total Expenditures	\$ 108.30	\$ 31.87	\$ 0.76	\$ 0.99	\$ 0.68		

BY THE NUMBERS Expenditures

General Funded FY 2021 year-end expenditures totaled \$142.6 million which is \$8.3 million or 5.5 percent lower than the adopted budget. The 8.70 percent year-over-year increase in total is influenced by cost escalators, such as labor contract / market adjustments to salaries, the corresponding increase to PERS expense, and health benefits expense. Differences are also influenced by changes in position vacancy rates and the timing of materials and services expenses. Increase in Fund Balance is a result of one-time federal COVID funding and \$8.4 million of departmental savings.

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

Other Funds (in millions)

Expenditures by Fund (in millions)		Actual to Budget - FY 2021	Year - over - Year	Fund Resources 5-Year Trend, FY 2017-FY 2021
Transportation Services	\$ 14.32			
Personal Services	6.20			
Materials / Services	7.28			
Capital Outlay	0.03			
Interfund Transfers	0.81			
Streetlight	\$ 1.84			
Materials / Services	1.10			
Interfund Transfers	0.50			
Debt	0.24			
Airport	\$ 1.47			
Personal Services	0.50			
Materials / Services	0.63			
Interfund Transfers	0.30			
Debt	0.04			
Community Renewal	\$ 2.99			
Materials / Services	2.73			
Interfund Transfers	0.27			
Downtown Parking	\$ 0.96			
Materials / Services	0.96			
Interfund Transfers	-			
Cultural and Tourism	\$ 3.21			
Materials / Services	1.84			
Interfund Transfers	1.37			
Public Art	\$ 0.02			
Materials / Services	0.02			
Tourism Promotion Area	\$ 0.68			
Materials / Services	\$ 0.68			
Interfund Transfers	\$ -			

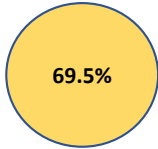
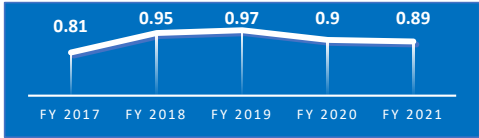
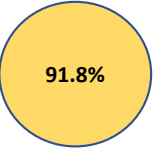
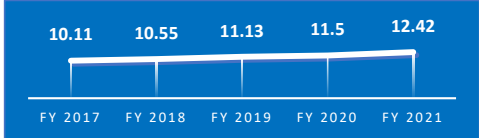
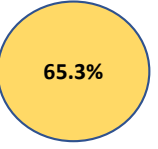
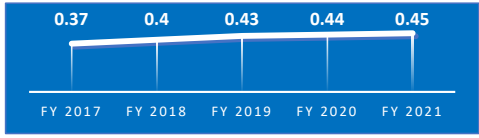
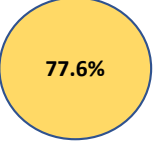
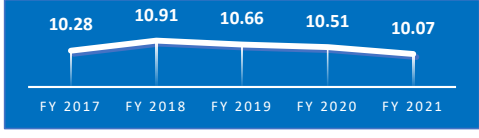
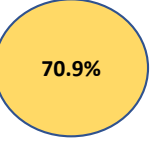
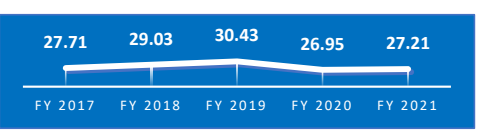
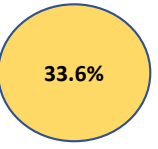

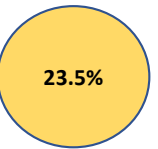
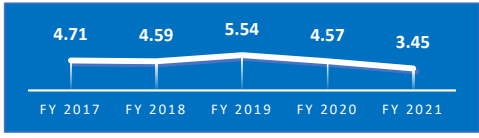
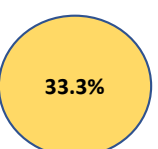
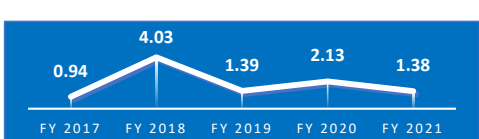
CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

Other Funds (in millions)

Expenditures by Fund (in millions)		Actual to Budget - FY 2021	Year - over - Year	Fund Resources 5-Year Trend, FY 2017-FY 2021
Parking Leasehold	\$ 0.65	71.2%	-14.9%	
Materials / Services	0.43			
Interfund Transfers	0.22			
Building and Safety	\$ 5.25	82.1%	5.4%	
Personal Services	3.28			
Materials / Services	1.47			
Interfund Transfers	0.50			
Traffic Safety	\$ 0.99	85.0%	71.9%	
Personal Services	-			
Materials / Services	0.68			
Interfund Transfers	0.32			
General Debt	\$ 49.30	225.8%	134.1%	
Debt	49.30			
Capital Improvements	\$ 95.92	51.7%	29.8%	
Materials / Services	93.33			
Capital Outlay	2.59			
Interfund Transfers	-			
Extra Capacity Facilities	\$ 12.54	27.6%	14.2%	
Materials / Services	10.18			
Capital Outlay	-			
Interfund Transfers	2.36			
Development Districts	\$ 0.73	12.6%	151.2%	
Materials / Services	0.23			
Interfund Transfers	0.50			
Utility	\$ 110.13	87.5%	7.3%	
Personal Services	36.84			
Materials / Services	33.60			
Capital Outlay	1.14			
Interfund Transfers	19.49			
Debt	19.08			

CITY OF SALEM FINANCIAL SUMMARY YEAR END / FY 2021

Other Funds (in millions)

Expenditures by Fund (in millions)	Actual to Budget - FY 2021	Year - over - Year	Fund Resources 5-Year Trend, FY 2017-FY 2021
Emergency Services	\$ 0.74		
Personal Services	0.43		
Materials / Services	0.27		
Interfund Transfers	-		
Capital	0.03		
WVCC	\$ 12.29		
Personal Services	9.51		
Materials / Services	1.66		
Interfund Transfers	1.00		
Capital	0.13		
Police Regional Records	\$ 0.36		
Materials / Services	0.15		
Capital	0.21		
City Services	\$ 9.12		
Personal Services	2.39		
Materials / Services	6.68		
Capital Outlay	-		
Interfund Transfers	0.05		
Self Insurance Benefits	\$ 27.22		
Personal Services	0.43		
Materials / Services	26.79		
Interfund Transfers	-		
Self Insurance Risk	\$ 3.87		
Personal Services	0.69		
Materials / Services	3.18		
Equipment Replacement	\$ 3.64		
Materials / Services	0.08		
Capital Outlay	3.57		
Interfund Transfers	-		
Trust and Agency	\$ 1.15		
Materials / Services	0.76		
Capital Outlay	0.12		
Interfund Transfers	0.27		

URBAN RENEWAL AGENCY FINANCIAL SUMMARY Through Q4 / FY 2021

This "By the Numbers" summary of FY 2021 activity for the 12-month period ending June 30, 2021 provides a brief update of the Urban Renewal Agency's seven active areas and the Agency-owned Salem Convention Center. For the comparisons to budget and prior year activity a positive percentage denotes FY 2021 results are greater.

Debt Service Fund	Resources			Expenditures		
	Actual through June 30	As a Percent of Budget	Difference FY 2020 to FY 2021 Actual	Actual through June 30	As a Percent of Budget	Difference FY 2020 to FY 2021 Actual
Riverfront Downtown	9,014,437	89.3%	5.5%	6,332,408	83.0%	-19.2%
Fairview	-	0.0%	0.0%	-	0.0%	0.0%
North Gateway	5,522,795	96.3%	2.1%	4,500,156	100.0%	14.6%
West Salem	2,736,244	106.3%	16.7%	2,000,069	100.0%	33.3%
Mill Creek	2,521,423	74.5%	-15.6%	1,393,145	100.0%	-23.4%
McGilchrist	1,318,465	95.4%	1.0%	900,031	99.9%	-10.0%
South Waterfront	665,987	94.8%	-6.6%	500,017	99.9%	0.0%
Jory Apartments TIF	-	0.0%	0.0%	-	0.0%	0.0%
Total	21,779,350	91.1%	2.2%	15,625,827	92.1%	-5.8%

Capital Improvements Fund	Resources			Expenditures		
	Actual through June 30	As a Percent of Budget	Difference FY 2020 to FY 2021 Actual	Actual through June 30	As a Percent of Budget	Difference FY 2020 to FY 2021 Actual
Riverfront Downtown	25,631,683	99.3%	6.1%	6,975,078	27.0%	-50.1%
Fairview	2,457,527	93.7%	-1.0%	53,303	2.0%	-47.3%
North Gateway	16,596,232	117.9%	21.0%	2,808,097	20.0%	47.4%
West Salem	7,152,483	104.0%	29.3%	511,163	7.4%	11.3%
Mill Creek	2,948,682	99.1%	-34.0%	1,133,611	38.1%	-44.9%
McGilchrist	5,930,951	59.4%	21.8%	739,807	7.4%	230.6%
South Waterfront	949,476	100.4%	-45.8%	94,694	10.0%	-92.8%
Jory Apartments TIF	-	0.0%	0.0%	522	1.3%	0.0%
Total	61,667,034	97.4%	8.2%	12,316,274	19.4%	-38.6%

Salem Convention Center Fund and Convention Center Gain / Loss Reserve

Resources for the Salem Convention Center Fund include working capital of \$195,483 and revenue from food sales, equipment and room rentals, and other revenue of \$320,405 for a total of \$515,888. Through the period, \$537,769 has been posted as the cost of providing convention services.

The Convention Center Gain / Loss Reserve* started the fiscal year with beginning fund balance of \$5.44 million. Interest postings, donations, and energy incentives through the fourth quarter added \$85,384. The Convention Center Kitchen Remodel project was \$1.29 million or 98% of FY 2021 expenses for the fund.

*A reserve established to cover any operational losses

Beginning working capital for both funds (above) was \$41.67 million. Current year taxes of \$15.65 million have been collected, and short-term borrowings, of \$14.40 million which provide additional resources for capital projects, have occurred.

Sixty percent design was complete for the McGilchrist Street Improvement Project and right of way acquisition to support the project is underway. \$840,000 of URA grant and loans funds were expended on 17 projects within the Riverfront Downtown, West Salem, Fairview, and North Gateway urban renewal areas for the quarter.

CITY OF SALEM FINANCIAL SUMMARY Through Q1 / FY 2022

The summary of FY 2022 first quarter (Q1) July 2021 through September 2021 financial activity displays expenditure information at the department level for the General Fund and resources displayed by type. For all other City funds, data is displayed with resources and expenditures. For all funds, the display includes columns noting comparison to budget and prior year actual activity. A positive number in the prior year comparison denotes an increase in FY 2022.

General Fund

Resources	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual	<p style="text-align: center;">BY THE NUMBERS Resources</p> <p>First quarter receipts are typically low. Current year Property Tax has not been collected. Franchise Fees and State Shared Revenue collections increase later in the year.</p> <p>State Shared resources have decreased due to the passage of Measure 110 which caps the state marijuana sales tax revenue available to cities and diverts funding to drug treatment programs. The category, Other Taxes, is local marijuana sales tax receipts. These are collected by the State and remitted to the City quarterly.</p> <p>Beginning Fund Balance—the funding available at the start of the fiscal year—equals almost 74.7 percent of total resources through Q1, and is 23.8 percent more than FY 2021. Year-to-year increases of 21.2 percent for Fees, Permits reflect the City Operations Fee and planning fees.</p> <p>Internal Charges include the support services charges, reimbursements for labor and overhead from other funds, and fund-to-fund transfers. The 11.5 percent increase is mainly due to in Service Charges and Transfers, which are received in regular intervals.</p>
Property Taxes	77,968,070	177,642	0.2%	-3.0%	
Franchise Fees	18,284,150	1,251,978	6.8%	5.1%	
Internal Charges	24,307,510	4,358,731	17.9%	11.4%	
Other Taxes	1,532,730	426,894	27.9%	16.4%	
State Shared	7,431,890	777,066	10.5%	-34.2%	
Fees, Permits	13,885,440	2,518,330	18.1%	21.2%	
All Other Revenues	16,508,560	937,917	5.7%	-33.3%	
Beginning Fund Balance	30,893,040	30,909,507	100.1%	23.8%	
Total Resources	190,811,390	41,358,063	21.7%	17.2%	

Expenditures by Department	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual
Mayor & Council	243,410	44,569	18.3%	21.9%
Municipal Court	2,344,940	421,248	18.0%	4.1%
City Manager	1,712,100	330,791	19.3%	23.5%
Human Resources	2,054,350	402,313	19.6%	25.9%
Legal	2,838,620	593,192	20.9%	6.2%
Finance	4,287,930	874,755	20.4%	9.1%
Parks and Recreation	11,121,120	2,290,345	20.6%	5.7%
Facilities Services	5,081,480	1,046,014	20.6%	19.3%
Community Development	4,915,150	1,063,837	21.6%	0.9%
Library	5,706,290	1,185,924	20.8%	15.8%
Police	51,763,530	11,560,595	22.3%	12.2%
Fire	39,959,010	9,215,477	23.1%	-0.5%
Information Technology	10,607,130	2,054,498	19.4%	11.7%
Non Departmental	13,308,030	1,379,550	10.4%	159.2%
Urban Development	5,757,590	1,087,268	18.9%	7.9%
Total Expenditures	161,700,680	33,550,376	20.7%	10.2%

<p>BY THE NUMBERS Expenditures</p>	<p>With 25 percent of the fiscal year complete, including 6 payroll periods (representing 23 percent of payroll periods for the year), expenditures are trending as anticipated. The 10.2 percent year-over-year increase is influenced by personnel factors such as vacancies and retirements with new hires for those positions at a lower step expense. The large increase in Non-Departmental is due primarily to increased spending on sheltering initiatives.</p>
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CITY OF SALEM FINANCIAL SUMMARY Through Q1 / FY 2022

Other Funds

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual
* Transportation Services	8,680,384	41.1%	55.3%	3,166,096	18.1%	-1.2%
Streetlight	1,549,429	49.6%	9.7%	238,490	11.5%	-20.0%
* Airport	1,385,158	60.8%	-16.4%	256,698	11.3%	5.8%
Community Renewal	515,768	4.7%	-0.7%	160,936	1.5%	-41.3%
Downtown Parking	608,544	46.8%	24.8%	295,536	22.7%	21.2%
Cultural and Tourism	2,738,447	44.3%	225.2%	636,243	17.8%	8.6%
Public Art	40,303	95.1%	-33.5%	11,069	26.1%	2162.6%
Tourism Promotion Area	195,285	28.1%	97.8%	84,778	12.2%	110.2%
Parking Leasehold	472,901	43.9%	-12.9%	118,640	11.0%	-28.6%
* Building and Safety	15,392,773	77.3%	8.7%	1,396,178	21.7%	-4.1%
Traffic Safety	414,289	28.5%	138.8%	126,994	9.2%	61.7%
General Debt	2,681,959	11.5%	-4.4%	-	0.0%	0.0%
Capital Improvements	78,741,687	54.8%	-41.9%	10,654,841	7.4%	-32.0%
Extra Capacity Facilities	40,470,907	76.4%	-2.1%	3,524,215	6.7%	-15.0%
Development Districts	7,283,458	87.7%	12.0%	18,888	0.2%	97.7%
* Utility	84,295,293	50.7%	9.1%	21,025,226	17.0%	9.4%
* Emergency Services	3,858,985	93.6%	13.9%	183,850	7.6%	27.1%
* WVCC	5,116,794	34.7%	7.1%	3,342,712	23.0%	21.4%
Police Regional Records	1,119,965	76.7%	9.5%	37,487	10.8%	28.1%
* City Services	11,352,656	58.8%	8.4%	6,149,302	38.8%	216.6%
* Self Insurance Benefits	18,630,858	49.1%	1.4%	7,200,215	19.0%	9.8%
* Self Insurance Risk	9,412,467	78.8%	-11.3%	2,332,479	19.5%	26.8%
Equipment Replacement	15,232,499	80.8%	34.8%	290,864	1.5%	82.5%
Trust and Agency	18,685,835	82.0%	115.0%	178,524	1.4%	-38.9%

Resources

Beginning fund balance accounts for \$257.6 million or 78.3 percent of the \$328.9 million total resources reported in the above table for all other City funds. To begin FY 2022, actual fund balance exceeded the budget by \$24.1 million or 10.5 percent. At the first quarter mark in the fiscal year, total resources equal 55.4 percent of the amount anticipated in the FY 2022 budget for this grouping of funds.

Expenditures

The nine funds marked with an * have a total of 539.1 full-time equivalent (FTE) authorized positions, approximately 41.8 percent of the total FTE count for the City in the FY 2022 budget. The General Fund supports the remaining 750.62 FTE positions. Of the \$61.4 million in total actual expense through September 30 documented in the above table, \$14.3 million or 23.3 percent is personal services expense.

Materials and services, purchases for supplies, equipment, and services, equal \$34 million or 55.4 percent of total expenses. Four funds—the Utility Fund, Self Insurance Benefits Fund, Self Insurance Risk Fund, and Capital Improvements Fund—account for \$41.2 million or 67.1 percent of the total quarterly expenses of all the other funds.

URBAN RENEWAL AGENCY FINANCIAL SUMMARY Through Q1 / FY 2022

This "By the Numbers" summary of FY 2022 activity for the period of July 2021 through September 2021 provides a brief update of the Urban Renewal Agency's eight active areas and the Agency-owned Salem Convention Center. For the comparisons to budget and prior year activity a positive percentage denotes FY 2022 results are greater.

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual
Debt Service Fund						
Riverfront Downtown	2,723,176	32.2%	268.9%	-	-	-
Fairview	-	-	-	-	-	-
North Gateway	1,039,491	19.0%	-30.9%	-	-	-
West Salem	744,258	26.7%	-12.7%	-	-	-
Mill Creek	1,135,196	40.8%	-3.7%	-	-	-
McGilchrist	422,624	26.8%	36.4%	-	-	-
South Waterfront	167,906	24.7%	-22.1%	-	-	-
Jory Apartments	-	0.0%	0.0%	-	-	-
Total	6,232,651	28.6%	29.9%	-	-	-

	Resources			Expenditures		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2021 to FY 2022 Actual
Capital Improvements Fund						
Riverfront Downtown	18,777,841	72.6%	81.6%	737,502	2.9%	6.5%
Fairview	2,411,399	97.6%	0.8%	13,388	0.5%	-42.0%
North Gateway	13,838,037	74.9%	16.5%	125,759	0.7%	-65.3%
West Salem	6,658,771	78.2%	30.7%	182,592	2.1%	101.6%
Mill Creek	1,820,921	64.5%	-24.9%	295,434	10.5%	65.1%
McGilchrist	5,222,810	47.7%	11.3%	103,991	0.9%	129.0%
South Waterfront	856,681	59.0%	92.8%	5,793	0.4%	2482.2%
Jory Apartments	(522)	-1.3%	0.0%	2	0.0%	0.0%
Total	49,585,939	70.3%	33.1%	1,464,461	2.1%	5.1%

Salem Convention Center Fund and Convention Center Gain / Loss Reserve

Resources for the Salem Convention Center Fund include beginning fund balance of -\$21,881 and revenue from food sales and equipment and room rentals of \$137,708 for a total of \$115,827. The negative fund balance is a result of expenses exceeding revenue in the previous fiscal year due to the COVID-19 Pandemic. Through the period, \$141,329 has been posted as the cost of providing convention services.

The Convention Center Gain / Loss Reserve* started the fiscal year with beginning fund balance of \$4.21 million. Interest postings and donations received through the quarter added \$29,858.

*A reserve established to cover any operational losses.

Most resources for both funds (above) are beginning fund balance as no current year taxes have been collected, and short-term borrowings, which provide additional resources for capital projects, have not occurred.

FISCAL YEARS
2023-27



Gerry Frank Salem Rotary Amphitheater

Five-Year Forecast



City of Salem Oregon

Five-Year Financial Forecasts

Fiscal Year 2023 through 2027

General Fund
Transportation Services Fund
Utility Fund
Airport Fund
Building and Safety Fund
Cultural and Tourism (TOT) Fund
Document Services, City Services Fund
Emergency Services Fund
Fleet Services, City Services Fund
Radio Communications, City Services Fund
Self Insurance Fund, Benefits
Self Insurance Fund, Risk
Streetlight Fund
Willamette Valley Communications Center (WVCC) Fund

Steve Powers, City Manager

City of Salem Budget Office

January 2022



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Appendix

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Five-Year Financial Forecasts, FY 2023 – FY 2027

The forecasts in this document were developed collaboratively with the Budget Office and other City departments.

Finance Department / Budget Office

Josh Eggleston, Interim Chief Financial Officer
James Wharton-Hess, Management Analyst II
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Kelli Blechschmidt, Management Analyst I
Ryan Zink, Senior Fiscal Analyst

Public Works Department

Forecasts: Streetlight Fund, Transportation Services Fund, and Utility Fund

Peter Fernandez, PE, Director
Alicia Blalock, Assistant Director
Brian Martin, PE, City Engineer
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Mark Bechtel, AICP, Assistant Director
Robert Chandler, PhD, PE, Assistant Director
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Heidi Rietman, Management Analyst I
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Employee, Enterprise, and Technology Services Department

Forecast: Document Services, City Services Fund; Fleet, City Services Fund; Self Insurance Fund, Benefits; and Self Insurance Fund, Risk

Krishna Namburi, Director
Michele Bennett, Assistant Human Resources Director
Marcus Pitts, Risk Manager
Tiffany Corbett, Business Services Manager
Lindsay Ewing, Management Analyst I

Community Development Department

Forecasts: Building and Safety Fund, Cultural and Tourism (TOT) Fund

Norman Wright, Director
Rebai Tamerhoulet, Building and Safety Administrator
Chris Neider, Management Analyst II

Fire Department

Forecast: Emergency Services Fund, Radio Communications, City Services Fund, WVCC Fund

Mike Niblock, Chief
Linda Weber, Management Analyst II
Rachael Hostetler, Management Analyst II

Urban Development Department

Forecast: Airport Fund

Kristin Retherford, Director
John Paskell, Airport Manager
Michael Brown, Financial Services Manager

Why We Forecast

A forecast is a planning tool to aid the City Council and Salem's executive management team in maintaining consistent service delivery to the community within available resources. The financial forecasts presented in this document represent one of many tools employed by staff to maintain City services to the community through sound financial management. City staff access a variety of costing models, plans, and analyses, and use assumptions to project anticipated Citywide revenues and expenditures for the forecast period.

The current mission statement of the City is to provide fiscally sustainable and quality services to enrich the lives of present and future residents, protect and enhance the quality of our environment and neighborhoods and support the vitality of our economy. Fiscal stewardship and sustainability continue to be a City focus.

The intended outcome of this focus is alignment of the cost of City services with available resources and stabilization of fund balance. As Salem continues to grow and diversify, so does the need for essential City services and additional programs not typically provided by the City. With the increase in expenses, strategies to move toward alignment include analysis of alternate ways to deliver services, opportunities for additional revenues or revenue sources, and possibilities to generate cost savings.

A financial forecast is a widely accepted best practice to evaluate current and future fiscal conditions. The Government Financial Officer's Association recommends that governments at all levels forecast major revenues and expenditures and that the forecast extend several years into the future. It is important to note that to realize the outcome illustrated in the forecast document, all revenue, expense, and savings assumptions would need to be experienced exactly as predicted. The General Fund section of the document includes a demonstration of variability with the forecast assumptions (page 17).

In addition to the General Fund, this document includes forecasts for 13 funds. It highlights in greater detail three of the forecasts prepared by City staff – General Fund, Transportation Services Fund, and Utility Fund. The forecasts are developed within the framework of City Council goals, fiscal responsibility, and continuity of City services.

How To Use This Document

The General Fund, Transportation Services Fund, and Utility Fund each have a section in the document, which includes:

- a brief summary and additional information about forecast results,
- a schedule demonstrating the result of revenue and expenditure assumptions for the five-year forecast period,
- revenue and expenditure detail, and
- revenue risk factors and rankings.

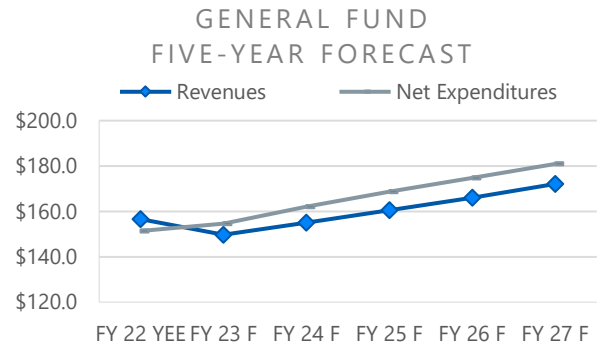
The remaining 11 fund forecasts are presented next in the document with a one-page summary for each fund. The page includes a numeric table with the five-year result, a brief narrative explanation, highlighted risk factors, and graphic displays of historical and projected revenues and expenditures.

To provide additional context for the forecasts presented in this document, a brief national, state, and local economic outlook follows the fund forecast sections.

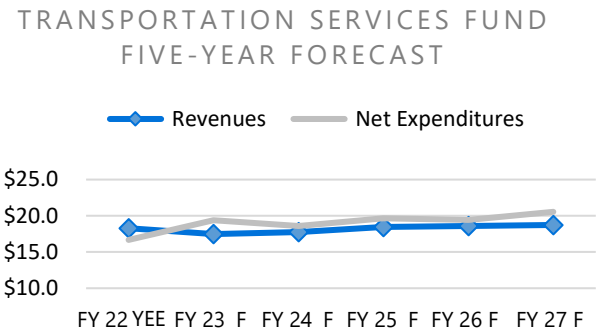
An analysis of Citywide expenditure risk factors and rankings closes the document. The appendices focus primarily on the General Fund and property tax, but also provide additional detail on assumptions employed in developing the forecasts.

Forecast Snapshot

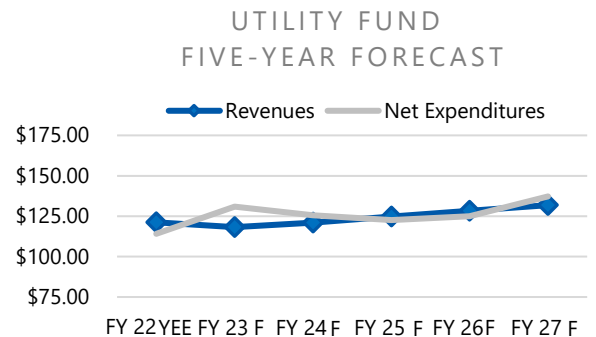
The forecast for the *General Fund* demonstrates a structural imbalance between current, available revenue and the cost of providing services. Even with the additional revenue generated by the City Operations fee and federal stimulus funds to support General Fund services, this imbalance continues throughout the forecast period. (More detail on page 8.)



The *Transportation Services Fund* forecast reflects cost savings as the result of shifting the operation and maintenance of the streetlight system to the Streetlight Fund (forecast on page 45) and anticipated increases in State Highway Fund revenues. However, these two contributions are not sufficient to stall an imbalance between current revenues and the expense of transportation services. (More detail on page 19.)



Consistent rate increases are modeled in the forecast for the *Utility Fund* and provide sufficient resources to operate and maintain the water, wastewater, and stormwater utility systems over the five-year period. In addition, the forecast demonstrates an approximate \$36-51 million annual contribution through debt service payments and pay-as-you-go funding for Utility capital improvements. (More detail on page 28.)

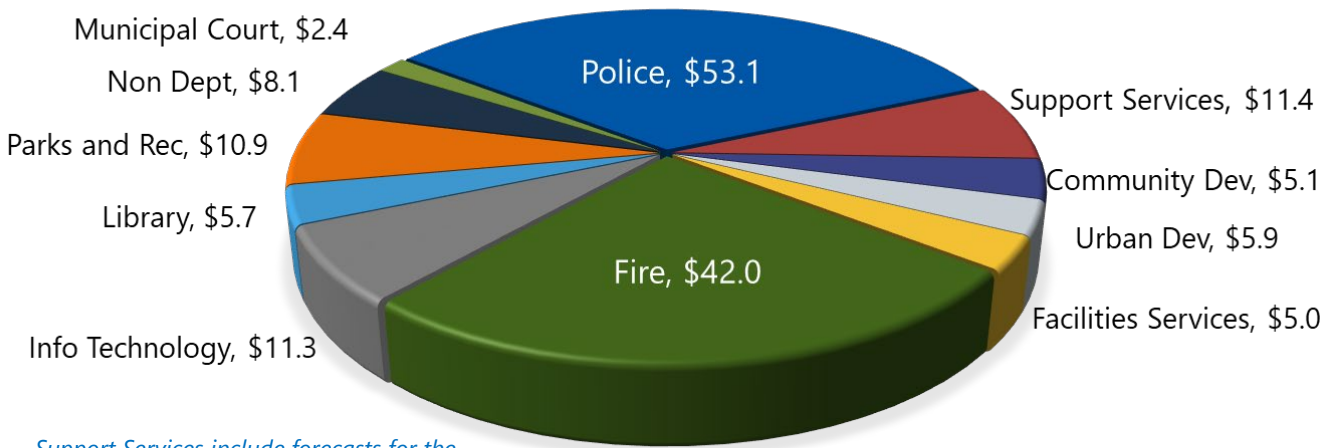


General Fund

Summary

The City's General Fund supports operations in the areas of public safety, planning, code enforcement, public library, municipal court, parks and recreation, urban development, and support services that provide a Citywide benefit. The General Fund five-year forecast is built with a baseline set of assumptions that represent a reasonable level of consistency with current service delivery.

General Fund FY 2023 Forecast
Total Expenditures \$160.9 Million



Support Services include forecasts for the City Manager's Office, Finance, Legal, Human Resources, and Mayor and Council. All values in millions.

The goal of the forecast is to display an estimate of revenues and expenditures as accurately as possible. However, there are bound to be variations from the estimates. Major drivers of expenditures and revenues are analyzed and evaluated at a very granular level. For example, property tax information is received from the counties and individual properties are compared year-over-year. This level of analysis has produced highly accurate estimates in the City's budget. Personnel costs – the major expense associated with delivering services – are calculated at the position level to afford accuracy in future year projections.

The General Fund forecast for FY 2023 – 2027 continues the trend experienced during fiscal years 2017 through 2019 where expenditures exceed revenues. In the final three years of the forecast, the growth rate of expenses stabilizes, and expenses are approximately \$8.6 million more than revenues each year.

Current Status

The City's strong financial management practices have helped to maintain General Fund working capital at or above the City Council's policy of 15 percent of budgeted revenues. Ensuring fiscal sustainability of City services is a priority of the City Council and the Executive Leadership Team. In the General Fund, fiscal sustainability allows for the continuity of services valued by the community, supports a favorable credit rating which reduces borrowing costs for capital improvements, and provides resources to manage the cyclical nature of revenue receipts. The City needs over \$32 million in available cash or fund balance to avoid borrowing from other funds to pay for expenses from July through October each fiscal year in the General Fund. The General Fund's largest revenue source, property taxes, begin to be received in the month of November.

FY 2022 began with fund balance of over \$30 million. The change to this balance from July 2016 to June 2019 – the span of three fiscal years – was a decrease of \$5.9 million. During fiscal year 2020, fund balance grew by \$2.8 million due in large part to reimbursement grant funding for local government agencies included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In May 2021, the General Fund received \$3.9 million more revenue from the American Rescue Plan Act (ARPA) to replace City revenue lost during the pandemic with another \$5.9 million expected this May. This infusion of federal stimulus has temporarily stabilized the budget to provide for continued City services. These one-time funds have allowed fund balance to increase for fiscal years 2020 through 2022 and should peak at \$36.1 million. City Council allocated an additional \$8.1 million in ARPA funds to expand sheltering services and programs for unsheltered residents. The federal funds will be nearly expended during fiscal year 2022 and continuation of these programs is not included in the General Fund forecast.

Future Outlook

The outlook for the next five years still anticipates a gap between ongoing revenues and expenditures. While additional revenue from the City Operating Fee narrowed the gap, the growth of expenditures continues to outpace the growth in revenue. Ending fund balance remains positive through the fourth year of the forecast but falls below Council policy by the third year. Fund balance is also bolstered by legislative changes to PERS that redirect a portion of the 6 percent employee Individual Account Program (IAP) contribution to stabilize employer contribution rates, lowering the growth in expenses over the forecast period. While fund balance was not accessed to balance expenditures in FY 2021 or anticipated in FY 2022, the trend of using fund balance is projected to continue throughout the forecast period.

Factors contributing to the use of working capital to balance General Fund expenditures include:

- The benefit of the 3 percent statutory limit on property tax growth is the consistent source of revenue it provides. Property tax is estimated at \$80.8 million for FY 2023, representing 54 percent of all General Fund revenues. This demonstrates the disadvantage of the consistent rate of growth for property tax - its insufficiency to keep pace with the rate of cost increases for General Fund services. The forecast for FY 2024 through FY 2027 anticipates property valuation gains of 4.1 percent, the statutory limit plus a level of increase for new growth.
- Forecasted costs for the General Fund’s two largest departments – Police and Fire – equate to \$95 million for FY 2023, over 60 percent of the fund’s budget (without contingency). The FY 2023 forecast expense for the two public safety departments exceeds the current year base budget by \$3.5 million or 3.8 percent.

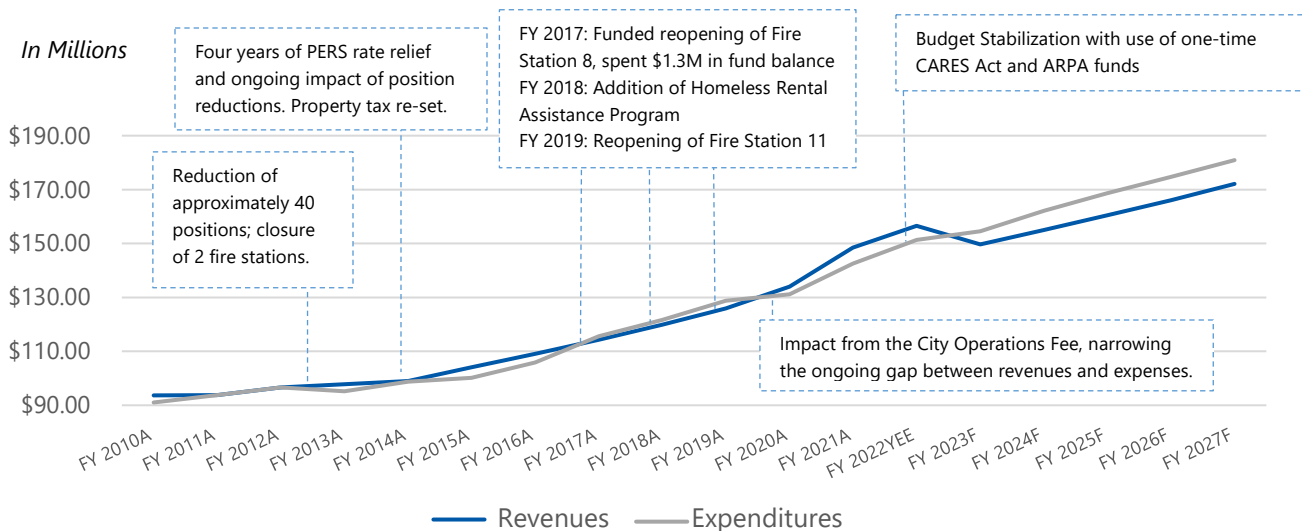
Forecast Result

The outlook for the next five years, which incorporates the conditions noted above, as well as dozens of assumptions for both revenues and expenses, provides ongoing evidence of a structural imbalance between the estimated cost of General Fund services and anticipated revenues. With inclusion of the Operations Fee, the imbalance was postponed but persists.

The pandemic negatively impacted many categories of City revenue. With the assumption of revenue returning to the pre-pandemic trend during fiscal year 2023, the fund is predicted to realize aggregate increases of 3.0 percent to 3.6 percent through the forecast period, excluding federal stimulus. This projected revenue growth is not sufficient to meet the increasing cost of providing services, which are anticipated to grow by a range of 3.5 percent to 6.3 percent. The primary drivers of expense increases for the fund remain those associated with the cost of employees that provide City services.

The graph below illustrates recent revenue and expenditure history in the General Fund with projections for the current fiscal year and the five-year forecast period. A high-level summary of the five-year forecast with indicators of fund balance status appears on the next page.

General Fund Revenue and Expenditure History and Forecast



General Fund Table 1, FY 2023 – FY 2027 Forecast Summary

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 30.91	\$ 36.10	\$ 31.24	\$ 24.13	\$ 15.97	\$ 7.27
Revenues	\$ 156.56	\$ 149.72	\$ 154.98	\$ 160.53	\$ 166.03	\$ 172.11
Net Expenditures	\$ 151.37	\$ 154.58	\$ 162.09	\$ 168.69	\$ 174.73	\$ 180.92
Ending Fund Balance	\$ 36.10	\$ 31.24	\$ 24.13	\$ 15.97	\$ 7.27	\$ (1.54)
Fiscal Year Impact	\$ 5.19	\$ (4.86)	\$ (7.11)	\$ (8.16)	\$ (8.70)	\$ (8.81)
Fund Balance Policy at 15% of Revenues	\$ 23.48	\$ 22.46	\$ 23.25	\$ 24.08	\$ 24.90	\$ 25.82
<i>Council Policy Compliance</i>	\$12.62	\$8.79	\$0.89	-\$8.11	-\$17.63	-\$27.36

Forecast Result – General Fund Current Service Level Detail

The forecast expenditure base is adjusted for all known and projected service level costs. This includes market adjustments or cost-of-living increases for all represented work units, as well as non-represented staff. These increases are held at 3 percent in the forecast for any year not included within a current labor contract. The expenditure base also includes estimated PERS rate escalations for FY 2024 and FY 2026. Health benefits rate increases align with actuarial guidance. Most materials and services category items (professional services, supplies, equipment) have a 3 percent inflation in the first year of the forecast, reducing to 2 percent by the final year. The forecast also includes a contribution of 1 percent of direct compensation for the Oregon Paid Family and Medical Leave Insurance Program that after being postponed one year, begins January 1, 2023.

Despite increases, which align with a five-year (FY 2016 – FY 2020) compounded rate of growth, the forecast demonstrates a level of projected revenues lower than the anticipated increases in service delivery costs. It also displays savings derived from unspent fund contingencies and a level of naturally occurring savings from employee attrition and other unanticipated economies averaging 3.4 percent through the forecast period. As context, the level of aggregate savings realized in FY 2021 was 5.9 percent and FY 2022 year-end savings are estimated at 6.3 percent.

General Fund Table 2, FY 2023 – FY 2027 Forecast

The assumptions in the forecast lead to a diminishing fund balance with it falling below the minimum in the City’s financial policies by year-end FY 2025. Throughout the forecast period, net expenditures exceed revenues by a range of \$4.9 million to \$8.8 million. This imbalance is illustrated in Table 1 on the preceding page and with additional detail in Table 2 below.

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 30.91	\$ 36.10	\$ 31.24	\$ 24.13	\$ 15.97	\$ 7.27
Revenues	\$ 156.56	\$ 149.72	\$ 154.98	\$ 160.53	\$ 166.03	\$ 172.11
Total Expenditures	\$ 151.37	\$ 160.90	\$ 168.62	\$ 175.38	\$ 181.58	\$ 187.92
Unspent Contingency	0	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings	0	(3.82)	(4.03)	(4.19)	(4.35)	(4.50)
Net Expenditures	\$ 151.37	\$ 154.58	\$ 162.09	\$ 168.69	\$ 174.73	\$ 180.92
Fiscal Year Impact	\$ 5.19	\$ (4.86)	\$ (7.11)	\$ (8.16)	\$ (8.70)	\$ (8.81)
Ending Fund Balance	\$ 36.10	\$ 31.24	\$ 24.13	\$ 15.97	\$ 7.27	\$ (1.54)

General Fund Table 3, FY 2023 – FY 2027 Forecast, Carryovers

The forecast outcome of Table 3 mirrors Table 2 with the addition of an estimate for carryovers in FY 2022. The General Fund always has projects or purchases that are initially budgeted in one fiscal year but require completion in the subsequent fiscal year. Year-end estimates and forecasts assume those projects or purchases will be completed and the funds expended. However, this assumption can create a disconnect comparing the ending fund balance display in the forecast for the current fiscal year (*FY 2022 YE Estimate*, Table 2) with the result of carryover expenses and resources included in the adoption of the new fiscal year budget.

Table 3 adds the impact of carryover expenditures in the *FY 2022 YE Estimate* column. This demonstration reduces net expenditures by \$1.5 million and shifts additional resources to ending fund balance¹. While there is an increase to fund balance for the next fiscal year, there is also the offsetting increase to total expenditures².

(Values in Millions, YE = Year-End)

	FY 2022 YE Estimate	FY 2023 Forecast	
Fund balance	\$ 30.91	\$ 36.10	1
Revenues	156.56	149.70	
TOTAL RESOURCES	\$ 187.47	\$ 185.82	
TOTAL EXPENDITURES	\$ 151.37	\$ 162.40	2
Unspent Contingency			
2% Savings			
Carryovers	(1.50)		
NET EXPENDITURES	\$ 149.87		1
ENDING FUND BALANCE	\$ 36.10		
Chg to Fund balance	5.19		

Forecast Result – Revenue Detail

The revenue estimates presented in this document rely on analysis of county property tax records, adjustments in utility rates / costs, local building activity, legislated changes, recent historical trends, and other economic drivers. Revenue projections include the estimated impact of the COVID-19 pandemic on City revenues as well as the assumption of recovery to historical trends by July 2022. While the General Fund's largest revenue sources have remained generally unaffected, parks and recreation fees, parking and court fines, and parking rent decreased sharply during the pandemic. The American Rescue Plan Act granted federal funding to cities in part to offset revenue lost during the pandemic. The General Fund received \$9.8 million in ARPA funding to replace lost revenue which resulted in the increase of fund balance in FY 2021 and FY 2022. The forecast uses FY 2022 revenue sources and year-end estimates augmented with assumptions for growth in all revenue categories with the exception of grants due to one-time federal funding, other government agencies from the school resource officer contract that was not renewed, and other revenue as interest income declines corresponding with the use of fund balance. The range of growth assumptions includes:

- The impact of the full 3 percent statutory increase and 0.7 to 1.14 percent for new growth in current property tax revenues. Tax receipts increase year-over-year in the forecast by \$2.8 million to \$3.7 million.
- A franchise fee base remaining flat for FY 2022 estimates and ongoing aggregate increases ranging from 0.8 percent to 2.0 percent, an anticipated reduction of cable receipts with changes in technology and demand, and a reduction in telecommunications to reflect changes in federal regulations.
- The decline in parking activity downtown during the pandemic translated to a drastic reduction in parking meter and parking permit revenue in FY 2021 and FY 2022. Other impacts to rents are the cyclical effect of legislative sessions on meter revenue with an approximate 15 percent increase during a full session (FY 2023, FY 2025, FY 2027) and a decrease due to City employees no longer paying to park at the Library or Pringle parkades.
- The impact of an increase by the state to 9-1-1 revenues in FY 2022, as well as steady increases at 4 percent to alcohol and revenue sharing combined with a decrease to marijuana state shared revenues due to the passage of Measure 110 drives an average 3.3 percent increase to this revenue category, which also includes taxes on cigarette sales (declining). In November 2020, voters approved an increase to cigarette taxes which is dedicated to State programs and does increase state shared revenues received by the City.
- The City Operations Fee which is expected to generate between \$7.4 million and \$8.5 million in each year of the forecast and grow by the rate of inflation.

General Fund Table 4, Revenues by Source (Values in Millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Property Taxes	\$ 80.75	\$ 84.06	\$ 87.51	\$ 91.10	\$ 94.83
Sales Tax	1.78	1.88	2.00	2.12	2.24
Franchise Fees	19.59	19.97	20.32	20.63	20.96
State Shared Revenues	7.82	8.07	8.34	8.61	8.90
Fees for Services / Other Fees	12.36	12.70	13.06	13.38	13.71
Fines, Penalties, and Forfeitures	1.89	2.05	2.06	2.12	2.14
Rents, Permits, Licenses	3.21	3.12	3.29	3.20	3.38
Cost Allocation / Internal Chgs	17.27	18.11	19.04	19.97	20.99
Other Agencies, Grants	1.97	1.95	1.90	1.93	1.98
Transfer from Other Funds	2.35	2.35	2.36	2.43	2.50
Miscellaneous	0.73	0.70	0.65	0.54	0.47
TOTAL REVENUES	\$ 149.72	\$ 154.98	\$ 160.53	\$ 166.03	\$ 172.11
% Change from Previous Year	-4.37%	3.51%	3.58%	3.43%	3.66%

Forecast Result – Expenditure Detail

The base forecast for the General Fund is developed using cost escalation information from labor agreements, health insurance consultant analysis, up-to-date PERS rate information and estimates for future years, vendor contracts, the Consumer Price Index, and other research to inform five years of expense inflation factors. The assumption tables used for expenditures are included in Appendix A. The forecast includes a general inflationary increase of between 2 percent and 3 percent to expenses in the materials and services category.

General Fund Table 5 summarizes the five-year expenditure forecast by expense category. Increased rates for compensation market adjustments, PERS obligations, and health insurances for current employees prompt increases in personal services. The area of the table with italicized text demonstrates the effect on base expenditures of anticipated savings and unspent contingencies to provide the calculation in the *Total Net Expenditures* row. In the FY 2023 column, the percent change from the previous year (bottom row) is based on the comparison of FY 2022 year-end estimates and the FY 2023 forecast.

General Fund Table 5, Expenditures by Category (Values in Millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services	\$ 124.77	\$ 132.34	\$ 137.84	\$ 143.63	\$ 148.76
Materials and Services	30.72	31.60	32.55	33.35	34.30
Capital Outlay	0.51	0.43	0.45	0.40	0.34
Debt Service	0.39	0.79	0.79	0.79	0.79
Transfers*	1.51	0.46	0.74	0.40	0.73
Contingency	3.00	3.00	3.00	3.00	3.00
TOTAL EXPENDITURES	\$ 160.90	\$ 168.62	\$ 175.38	\$ 181.58	\$ 187.92
<i>Less:</i>					
<i>Unspent Contingency</i>	<i>(2.50)</i>	<i>(2.50)</i>	<i>(2.50)</i>	<i>(2.50)</i>	<i>(2.50)</i>
<i>Anticipated Savings (2.5%)</i>	<i>(3.82)</i>	<i>(4.03)</i>	<i>(4.19)</i>	<i>(4.35)</i>	<i>(4.50)</i>
TOTAL NET EXPENDITURES	\$ 154.58	\$ 162.09	\$ 168.69	\$ 174.73	\$ 180.92
% Change from Previous Year	2.12%	4.86%	4.07%	3.58%	3.54%

*Transfers include funding for information technology and facilities asset maintenance projects.

Forecast Variability – Fund Balance Scenarios

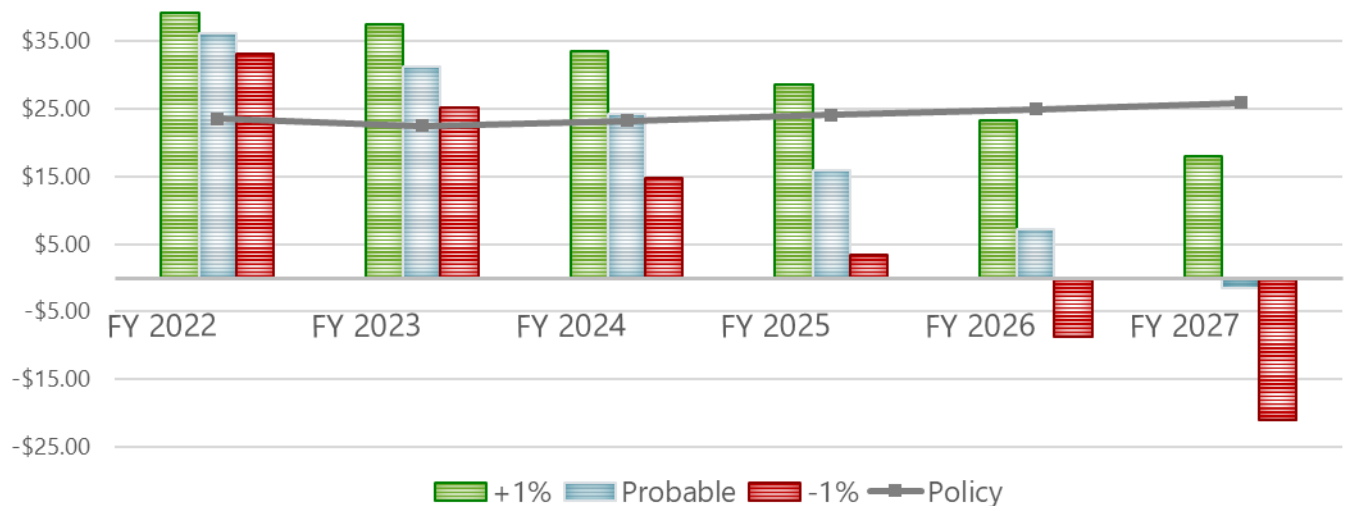
The graph below demonstrates variable results of the FY 2023 – FY 2027 forecast through the display of fund balance - the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

Scenario 1, Probable Scenario. The blue bar at the center of each grouping represents the result reflected in the numeric tables on the preceding pages of this document. The values reflect the forecasted levels of fund balance. This result is compared against the gray horizontal line representing the dollar equivalent of City Council policy for General Fund working capital.

Scenario 2, Higher Revenue / Lower Expenses. The green bar in each fiscal year grouping represents the forecast result augmented by an additional 1 percent of revenue and an additional 1 percent of expenditure savings. The outcome of these variables does stabilize fund balance. Fund balance remains in compliance with policy until the fiscal year 2026 in this scenario.

Scenario 3, Lower Revenue / Higher Expenses. The red bar uses the forecast fund balance as the base for assuming 1 percent lower revenues and 1 percent higher expense for each fiscal year. The result falls well below City Council policy and fund balance would be fully expended by the end of FY 2025.

Fund balance Forecast Variability (Values in Millions)





Transportation Services Fund Summary

The Public Works Department's Transportation Services Fund (Fund 155) supports the operation and maintenance of the City's streets, traffic signals, bridges, alleys, and pedestrian network. The Transportation Services Fund provides the financial structure for the department to respond to City Council goals that address public safety, livability, environmental health, and economic development.

Current Status

In 2017, the Oregon State Legislature passed HB 2017, Keep Oregon Moving, providing increases in State Highway Fund revenue for the purpose of making a significant investment in transportation. The legislation contains conditional increases anticipated in January 2022 and 2024 which will boost overall revenues through the forecast period; however, if the accountability requirements in the legislation are not met, the forecasted revenue may not be realized.

The City's Transportation Services Fund forecast is based on the October 2021 Oregon Department of Transportation (ODOT) forecast. ODOT anticipates a moderate increase over the prior forecast for most revenues, and in some cases like weight-mile and motor fuels, a significant increase. In the fifth year of the ODOT revenue forecast, the anticipated impact of additional fuel efficient, hybrid, and electric vehicles results in declining revenue. It is unknown at this time whether there will be a change in motor vehicle fees and taxes to reflect the changing economic conditions.

The FY 2022 Transportation Services Fund beginning fund balance was \$5.8 million and is projected to increase to \$7.3 million by the end of the fiscal year. This increase is due to greater than anticipated State Highway Fund revenue, pandemic related American Rescue Plan Act (ARPA) revenue, Federal Emergency Management Agency (FEMA) and insurance reimbursements for February 2021 ice storm costs, and savings from planned work deferred as a result of the ice storm, wildfires and record high heat waves.

If assumptions hold, and the conditional State Highway Fund revenue increases are realized in 2022 and 2024, the Transportation Services Fund will be able to sustain basic operations throughout the forecast period. Funding is insufficient, however, to support either structural pavement maintenance and reconstruction activity, or a robust Safer Pedestrian Crossings Program without additional funding from other sources. Investment for the Safer Pedestrian Crossings Program will be funded through limited remaining Streets and Bridges Bond savings, federal grants, and matching funds from State Highway

Fund revenue. The sidewalk repair program and pavement maintenance activities continue at current levels through the five years of the forecast; however, the risk of industry-wide inflation in construction materials, particularly the rising cost of asphalt as petroleum prices increase, may impact programming levels.

Future Outlook

This five-year forecast is an analysis of the Transportation Services Fund based upon current and reasonable economic assumptions. It provides a view of the financial impacts of the City's services, priorities, and policies within the context of national, state, and local economic factors; emerging vehicle technologies; worldwide and regional petroleum supplies and prices; consumer behavior; and growth in primary revenue sources. The forecast includes a variety of assumptions for expenditure activity over five years. The primary drivers increasing expenditures include wages, Public Employees Retirement System (PERS) rates, health care, energy, and inflation on contracted goods and services. The tables for the expenditure assumptions are included in the appendix.

The primary funding source for Transportation Services is the City's monthly allocation of State Highway Fund revenues, which includes motor vehicle fuel taxes; heavy commercial vehicle weight / mile taxes; and title, licensing, and registration fees. Many factors impact fuel usage trends including changes in the consumers' fleet (fuel efficient, hybrid, and electric vehicles) and the effect of retail fuel prices on consumption.

Expenditures in the City's forecast include minimal asphalt paving using in-house City resources to complete a combination of maintenance overlays as well as mill and inlay repairs. Preventive pavement maintenance, including crack seal and slurry seal treatments, will continue on residential and higher traffic volume streets. Beyond this limited in-house maintenance program, available funding is insufficient to support ongoing structural pavement rehabilitation projects, replacement of residential concrete streets, or investment in neighborhood traffic calming measures.

To recruit qualified candidates and sustain a skilled workforce, four full-time career positions are proposed as conversions from seasonal labor. These positions will support the in-house paving and crack seal programs, assist with fall leaf haul, install signs and markings, and complete preventative bridge maintenance activities. Costs are partially offset by the elimination of seasonal labor. The forecast also includes the addition of one position in FY 2025 to support street sweeping activities, which are fully reimbursed with stormwater revenue. Due to current funding limitations, equipment replacement and capital outlay have been carefully planned to reduce impact in any single budget year.

In November 2008, Salem voters approved a “Keep Salem Moving” \$100 million / 40+ project bond to pay for street and bridge projects that relieve congestion, improve safety, and rebuild or maintain pavement and bridges. Due to careful financial and project management, the City was able to use bond savings and leverage other funds to address additional transportation needs, including neighborhood sidewalk reconstruction. As the bond-funded projects near completion, remaining bond proceeds may be allocated to future transportation projects. In FY 2022, a portion of the 2008 Streets and Bridges bond savings was programmed for pedestrian safety improvements, relieving the Transportation Services Fund of \$125,000 in annual transfers until FY 2027.

In compliance with the Americans with Disabilities Act (ADA), whenever a street surface is altered, all necessary ADA facilities are installed or upgraded. Accessibility improvements represent about 30 percent of the current street overlay program expenditures. The City will continue a sidewalk repair program along ADA prioritized pedestrian routes with the Sidewalk Rehabilitation Team. The Sidewalk Response Team will conduct smaller planned improvements and temporary maintenance, such as sidewalk patching and grinding in response to identified hazards in neighborhoods. The City will also continue important routine maintenance activities such as signs, markings, striping, right-of-way landscape and tree maintenance, snow and ice response, shoulder / alley grading, pedestrian and bicycle safety improvements, and traffic signal operations and maintenance.

The forecast employs a 4 percent savings rate, commensurate with recent experience, which supports the assumption that ongoing efforts to reduce costs will have a corresponding impact on the capacity to save. Values in the forecast are represented in millions and have been rounded to the nearest ten thousand.

Forecast Result

Transportation Services Fund Current Service Level Detail

The forecast is based on the service level represented by Transportation Services' FY 2022 budget and maintains the \$2.0 million annual program for sidewalk maintenance and replacement, including the Sidewalk Response Team, during the five years of the forecast. The forecast also maintains \$4.0 million each year for pavement maintenance activities that include trench patching, asphalt and concrete road surface maintenance, and preventive crack seal or slurry seal contracts. While legislated gas tax increases are intended to provide an increase to State Highway Fund revenue – the primary revenue source for the Transportation Services Fund – realization of these funds is dependent on continued economic recovery from the COVID-19 pandemic. Routine activities such as signs, markings, striping, right-of-way landscape and tree maintenance, snow and ice response, shoulder / alley grading, pedestrian and bicycle safety improvements, and traffic signal operations and maintenance are supported throughout the forecast period. Available revenue is insufficient to fund an ongoing structural pavement rehabilitation program. Large capital investments in the transportation system will require supplemental funding through future bond measures. Pedestrian safety improvements are assumed to be funded with remaining bond funds.

A greater level of pavement maintenance and sidewalk replacement is desired over time. The 2018 Sustainable Services Revenue Task Force recommended City Council explore three revenue generating opportunities. The first two represented revenue to the General Fund. The Operations Fee was implemented in January 2020, and the payroll tax was scheduled to be on the ballot in May 2020 but was pulled from consideration during the pandemic. The third recommendation, a local option gas tax, remains to be considered and referred to voters at some point in the future. If enacted at a rate of \$0.06 per gallon, a local option gas tax is anticipated to provide \$4.8 million in annual resources. A portion of these resources could be directed to maintaining existing programs at current levels, as costs continue to escalate, and a portion could be directed to capital projects for pavement and sidewalk rehabilitation and replacement. The local tax would allow all who benefit from the transportation system – residents, workers, and visitors – to contribute to its maintenance.

Another option to reduce the pressure of the fund is to determine the future of the Sidewalk Repair program which the City Council adopted in 2007. The program places a significant portion of the maintenance responsibility for sidewalks on the City, and maintenance needs far surpass the capacity of the current program. A part of the department's strategic plan is to examine the program's effectiveness, evaluate potential improvements, and explore alternative approaches.

The City will continue to monitor revenue and expenditures to balance resources with the escalating cost of providing desired services. Each year, the City will review the fiscal health of the fund and reevaluate program priorities should the current levels of service become unsustainable.

TS Fund Table 1, FY 2023 – FY 2027 Forecast Summary

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 5.80	\$ 7.39	\$ 5.48	\$ 4.63	\$ 3.45	\$ 2.64
Revenues	\$ 18.27	\$ 17.48	\$ 17.76	\$ 18.46	\$ 18.61	\$ 18.73
Net Expenditures	\$ 16.67	\$ 19.39	\$ 18.61	\$ 19.63	\$ 19.42	\$ 20.55
Ending Fund Balance	\$ 7.39	\$ 5.48	\$ 4.63	\$ 3.45	\$ 2.64	\$ 0.83

Change to Fund Balance

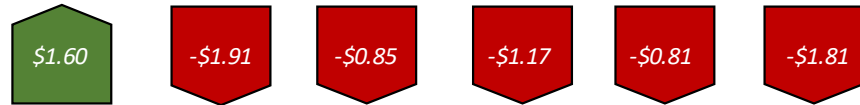


Table 2 is the full summary of the Transportation Services Fund forecast, including the components of Net Expenditures. Personal services costs in this forecast are based on current labor contracts, and in the later years of the forecast, annual adjustments to salary are 3 percent.

TS Fund Table 2, FY 2023 – FY 2027 Forecast Summary

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 5.80	\$ 7.39	\$ 5.48	\$ 4.63	\$ 3.45	\$ 2.64
Revenues	\$ 18.27	\$ 17.48	\$ 17.76	\$ 18.46	\$ 18.61	\$ 18.73
Total Expenditures	\$ 16.67	\$ 20.61	\$ 19.85	\$ 20.91	\$ 20.71	\$ 21.87
Unspent Contingency		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
4% Savings		(0.72)	(0.74)	(0.78)	(0.79)	(0.83)
Net Expenditures	\$ 16.67	\$ 19.39	\$ 18.61	\$ 19.63	\$ 19.42	\$ 20.55
Fiscal Year Impact	\$ 1.60	\$ (1.91)	\$ (0.85)	\$ (1.17)	\$ (0.81)	\$ (1.81)
Ending Fund Balance	\$ 7.39	\$ 5.48	\$ 4.63	\$ 3.45	\$ 2.64	\$ 0.83

Forecast Result – Revenue Detail

The revenue forecast is developed using conservative growth expectations for Transportation Services’ revenue sources. It reflects current revenue, acknowledges the continued anticipated impact of HB 2017 and COVID-19, and assumes no new or unrealized revenue. Approximately 78 percent of Transportation Services’ resources (excluding beginning fund balance) come from State Highway Fund revenue.

With HB 2017, additional increases of 2 cents per gallon are anticipated in 2022 and 2024 subject to the state meeting accountability and reporting requirements. The State Highway Fund’s revenue distribution is approximately 50 percent to the Oregon Department of Transportation, 30 percent to counties, and 20 percent to cities. Salem’s allocation which is based on population is 5.72 percent of the total available for cities.

Table 3 summarizes the five-year revenue forecast by revenue source. This table demonstrates all revenues anticipated to be received in the Transportation Services Fund. Approximately 15 percent of State Highway Fund revenues received in the Transportation Services Fund are subsequently used in the General Fund to support Parks Operations’ maintenance of the City’s street trees. This expense is included in the expenditure forecast.

TS Fund Table 3, Revenues by Source

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
State Highway Revenue	13.57	13.74	13.90	14.34	14.37	14.33
Intra City Billings and Transfers	2.56	2.90	2.99	3.23	3.33	3.47
Other Agencies, Grants	0.93	0.51	0.52	0.54	0.55	0.57
All Other Sources	1.21	0.33	0.34	0.35	0.36	0.37
Total REVENUES	\$ 18.27	\$ 17.48	\$ 17.76	\$ 18.46	\$ 18.61	\$ 18.73

Forecast Result – Expenditure Detail

The expenditure forecast is developed based on anticipated increases in the cost of labor, materials, and capital. When available, it uses known expenditure information such as labor agreements, vendor contracts, PERS rates, health care cost increases, and inflation factors.

Table 4 summarizes the five-year expenditure forecast by expense category. The forecast assumes \$2.0 million for sidewalk maintenance programs and \$4.0 million for pavement maintenance activities annually. City crews will undertake most of this work through utility trench patching, pothole repair, skin patching, focused mill and inlay repair, and overlays. A yearly average of \$220,000 is planned for annual preventive pavement maintenance contracts. Revenue is insufficient to sustain a pavement rehabilitation and construction program. Expenditure assumption tables are included in the appendix. Projected growth in service delivery costs is anticipated to result in a decline in fund balance of over \$6.5 million by the end of the forecast period (see Table 2, Ending Fund Balance), even with the elimination of pavement rehabilitation contracts.

TS Fund Table 4, Expenditures by Category

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Personal Services	\$ 7.01	\$ 7.67	\$ 8.15	\$ 8.60	\$ 8.96	\$ 9.55
Materials and Services	8.73	10.32	10.38	10.84	10.78	11.08
Capital Outlay	0.33	0.34	0.28	0.35	-	-
Debt Service	-	-	-	-	-	-
Transfers	0.61	1.78	0.55	0.62	0.47	0.74
Contingency	-	0.50	0.50	0.50	0.50	0.50
Total Expenditures	\$ 16.67	\$ 20.61	\$ 19.85	\$ 20.91	\$ 20.71	\$ 21.87
Less:						
Unspent Contingency	-	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
Anticipated Savings	-	(0.72)	(0.74)	(0.78)	(0.79)	(0.83)
Net Expenditures	\$ 16.67	\$ 19.39	\$ 18.61	\$ 19.63	\$ 19.42	\$ 20.55

Forecast Variability – Fund Balance Scenarios (Values in Millions)

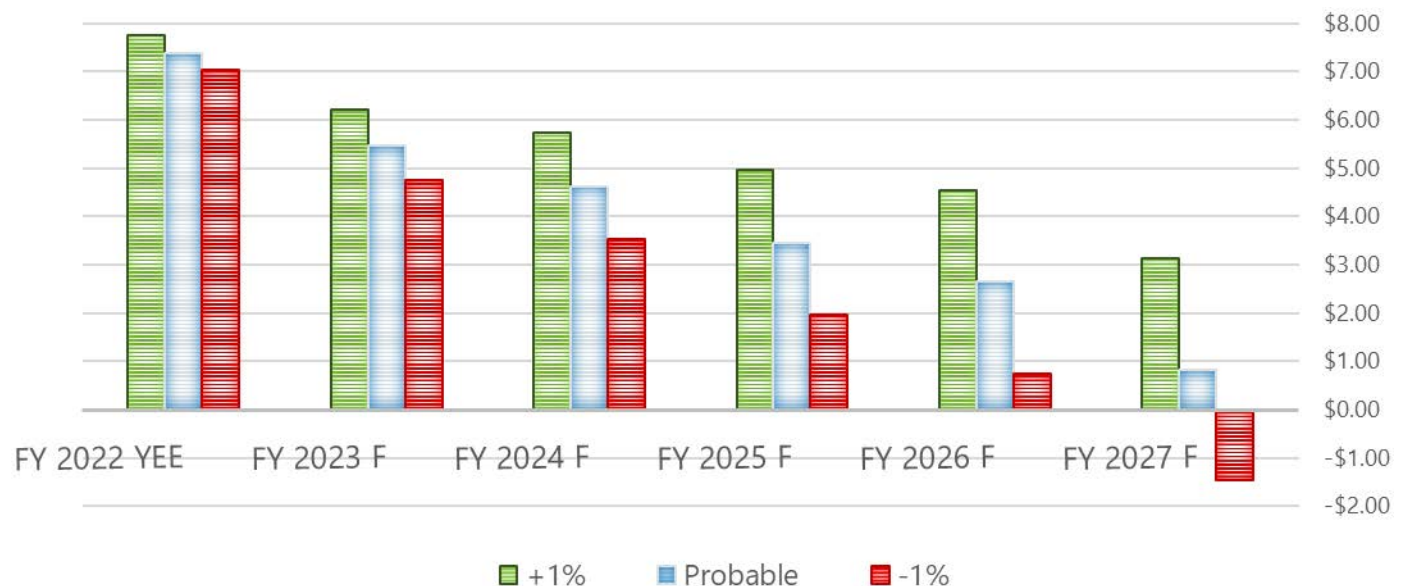
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Scenario 1, Probable Scenario. The blue bar at the center of each grouping represents the result reflected in the numeric tables on the preceding pages of this document. The values reflect the forecasted levels of fund balance.

Scenario 2, Higher Revenue / Lower Expenses. The green bar in each fiscal year grouping represents the forecast result to fund balance augmented by an additional 1 percent of revenue growth and an additional 1 percent of expenditure savings. For the Transportation Services Fund, these changes represent increases to fund balance of \$349,420 to \$406,055 each year of the forecast.

Scenario 3, Lower Revenue / Higher Expenses. The red bar uses the forecast fund balance as the base for assuming 1 percent lower revenues and 1 percent higher expense for each fiscal year. By year-end FY 2026, this demonstration reflects fund balance being depleted by 89.4 percent, a loss of \$6.29 million, as compared to year-end FY 2022.

(Values in Millions, YEE = Year-End Estimate, F = Forecast)



Transportation Services Fund Forecast Risks and Rankings

Transportation Services will be able to sustain the current level of services during the five-year period. Forecast risk is evaluated on the degree it will impact service delivery. The evaluation of existing and potential risk assists in determining actions to be taken over the five-year period to ensure a balanced budget. The most significant risk to Transportation Services' resources is a reduction in State Highway Fund revenue, which is summarized below.

Forecast Risk – Revenue

	Ranking	Percent Total Revenue
State Highway Fund Revenue	MEDIUM	78%

State Highway Fund Revenue

Transportation Services' primary revenue source is the City's allocation of State Highway Fund revenues – a revenue source over which the City has little or no control. Revenues are impacted by worldwide, national, and regional factors including the COVID-19 pandemic, availability of fuels, prices, transport costs, refinery capacity, vehicle technology, and consumer behavior. The amount and allocation of motor vehicle fuel taxes and Department of Motor Vehicle fees are determined by the state legislature. The ongoing risk to the City is that if actual State Highway Fund revenue received is less than forecasted, a corresponding reduction in City services will be required.

Risk Factor Ranking – MEDIUM

State Highway Fund revenue can be subject to changes in legislation, technology, petroleum supplies, prices, and consumer behavior. As the primary revenue source for the City's transportation services, potential changes need to be monitored and, in the case of legislative challenges, defended.

Utility Fund Summary

The City manages its utility services in a fiscally responsible manner to ensure ongoing day-to-day operations and provide capital funding for infrastructure. The Utility Fund (Fund 310) supports:

- Treatment, storage, and delivery of drinking water to residents, businesses, and industries;
- Collection, conveyance, and treatment of wastewater before it returns to the Willamette River; and
- Collection and conveyance of stormwater runoff from streets, buildings, and other hard surfaces to prevent flooding and protect the environment.

Current Status

The Utility Fund is financially stable, but the utility infrastructure requires significant ongoing capital investment. City Council has consistently adopted prudent rate increases, and staff has worked effectively to manage expenses, allowing the City to operate, maintain, and modernize the Utility's assets and systems.

Over twenty years ago, a \$300 million capital investment was undertaken to modernize and expand utility infrastructure including wastewater treatment capacity. The bonded debt for these improvements will be retired in 2027, resulting in additional future financial capacity in the fund for capital investment. In August 2021, the Frank Mauldin Ozone Treatment Facility opened, funded by the 2020 utility revenue bond for projects focused on water treatment and supplemental supply. Continued improvements must be made to the Utility at a sustainable pace, balancing rate impacts with the rehabilitation, expansion, resiliency, and modernization needs of the systems.

FY 2022 began with a fund balance of \$56.8 million, an increase of \$4.6 million from the prior fiscal year. The increase resulted from a combination of greater than anticipated savings and unanticipated revenue from the federal American Rescue Plan Act (ARPA) as well as one-time insurance and Federal Emergency Management Agency (FEMA) reimbursements from the 2021 ice storm.

Future Outlook

The forecast presented this year provides a fund balance that exceeds the one-year debt service reserve and a 120-day operating reserve as required in Council Policy C-14 (Utility Fund Financial Policy). Maintaining reserves is a best practice to ensure resources are available to meet obligations in the case of an emergency or an economic downturn. These

reserves have allowed the City of Salem to respond effectively to the 2018 water advisory, the 2020 wildfires, the February 2021 ice storm, and the ongoing COVID-19 pandemic while maintaining a financial profile consistent with previous forecasts. The reserves also provide financial resiliency for a revenue stream that can vary as a result of weather, economic conditions, or other factors impacting customer demand. In any year, a new economic development project or unanticipated system failure may require an immediate expenditure of several million dollars in capital investment.

In FY 2021 through FY 2023, Utility funds are also being invested in the construction of a new Public Works Operations building to replace City Shops Buildings 2 and 14 that house Public Works dispatch, utility, transportation, and parks operations. These facilities are at the end of their useful life and are increasingly costly to maintain. The new building will also house the Administration Division as well as the Engineering Division, currently located in leased office space, resulting in annual savings of \$290,000. Colocation of these groups will provide opportunity for enhanced collaboration for maximizing the lifecycle of assets, from identification of issues, to design of solutions, development of improvements, and operation and maintenance of the systems.

Based on the assumptions used in the forecast, revenue is sufficient to maintain operations and allow for an increase in capital investment throughout the forecast period as debt is retired. Assumptions and highlights of this forecast include:

- In FY 2023, Utility Fund total revenues are 2.5 percent less than FY 2022 which contains the last year of proceeds from the \$16.9 million water rights sale to Hillsboro. Revenues grow at an average rate of 2.8 percent the remaining four years of the forecast.
- The first and second years of the forecast reflect substantial investment in the new Public Works Operations building. Between FY 2025 and FY 2027, investment in infrastructure increases from around \$23 million each year to \$41.5 million as debt obligations are reduced from \$19.1 million to \$4.6 million annually.
- In January 2021, delinquencies accumulated during the pandemic were transferred to a 12-month, no interest, no penalty payment plan managed by the City's Finance Department. Of the \$1.27 million transferred to the plan, approximately \$400,000 has been received or is anticipated to be received. With one month remaining, it is estimated that up to \$870,000 may eventually age and be referred to a collection agency.

Forecast Result

Utility Fund Current Service Level Detail

The Utility Fund forecast provides a view of the financial impact on the City's utilities services, priorities, and policies in relation to projected economic activity through FY 2027. This view is influenced by federal and state economic factors and trends, local business activity and property development, and growth in primary revenue sources. Water, wastewater, and stormwater rate revenues are anticipated to provide approximately 85 percent of the fund's revenue in FY 2023. Additionally, the forecast includes a variety of assumptions for expenditure activity over five years. The primary drivers of expense increases include labor agreements, PERS and health care costs, and inflationary increases on contracted goods and services. The tables for expenditure assumptions are included in Appendix A of this document.

Developing a forecast for water, wastewater, and stormwater utilities requires establishing specific assumptions regarding the customer base, growth, consumption, economic trends, operating needs, and capital requirements for each of the utility systems. All assumptions have been reviewed based on historical data through FY 2021 and in the context of current economic trends and industry standards. Each assumption about economic variables can have a restrictive or expansive effect on projected cash flow. The goal is to be realistically conservative while not overly restricting financial capacity for operations, maintenance, and capital improvements.

The values in the Utility Fund forecast are expressed in millions of dollars and have been rounded to the nearest ten thousand. The forecast builds out the five years using the FY 2022 Year End Estimate (YEE) Estimate column as the base year. The base year uses current information to update revenue trends and adjust the expenditure base for any ongoing service level changes. The fund maintains adequate fund balance levels throughout the forecast period.

Utility Fund Table 1, FY 2023 – FY 2027 Forecast Summary

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 56.77	\$ 63.89	\$ 51.29	\$ 46.75	\$ 48.94	\$ 52.23
Revenues	\$ 121.22	\$ 118.23	\$ 121.04	\$ 124.72	\$ 128.29	\$ 131.82
Net Expenditures	\$ 114.10	\$ 130.83	\$ 125.58	\$ 122.52	\$ 125.01	\$ 137.23
Ending Fund Balance	\$ 63.89	\$ 51.29	\$ 46.75	\$ 48.94	\$ 52.23	\$ 46.82



Table 2 on the next page is the full summary of the Utility Fund forecast, including the components of *Net Expenditures*. Personal services costs in this forecast are based on current labor contracts, and in the later years of the forecast, annual adjustments to salary of 3 percent for each bargaining unit. The forecast also includes a 1 percent expense of direct compensation for the State Paid Family and Medical Leave Program that is expected to begin January 2023.

Utility Fund Table 2, FY 2023 – FY 2027 Forecast Summary

(Values in Millions, YEE = Year-End Estimate, F = Forecast)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Beginning Fund Balance	\$ 56.77	\$ 63.89	\$ 51.29	\$ 46.75	\$ 48.94	\$ 52.23
Revenues	\$ 121.22	\$ 118.23	\$ 121.04	\$ 124.72	\$ 128.29	\$ 131.82
Total Expenditures	\$ 114.10	\$ 140.66	\$ 135.68	\$ 132.85	\$ 135.60	\$ 148.04
Unspent Contingency		(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
8% Savings		(6.83)	(7.11)	(7.33)	(7.60)	(7.81)
Net Expenditures	\$ 114.10	\$ 130.83	\$ 125.58	\$ 122.52	\$ 125.01	\$ 137.23
Fiscal Year Impact	\$ 7.12	\$ (12.60)	\$ (4.54)	\$ 2.20	\$ 3.28	\$ (5.41)
Ending Fund Balance	\$ 63.89	\$ 51.29	\$ 46.75	\$ 48.94	\$ 52.23	\$ 46.82

Forecast Result – Revenue Detail

The revenue forecast is developed using conservative growth expectations for the Utility Fund. Approximately 85 percent of Utility Fund resources (excluding beginning fund balance) come from one external source – rate revenue. New rates are adopted by City Council every two years. The October 2020 biennial City Council-adopted rate adjustment is reflected for calendar year 2022: 3 percent for water, 3 percent for wastewater, and 5 percent for stormwater. The remaining years of the forecast assume a 3 percent revenue slope for each of the three utility systems. Table 3 summarizes the five-year revenue forecast by revenue source.

Utility Fund Table 3, Revenues by Source (Values in Millions)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Water, Wastewater, Stormwater Rates	\$ 97.35	\$ 100.06	\$ 103.29	\$ 106.34	\$ 109.33	\$ 112.39
Franchise Fees	3.95	4.14	4.28	4.41	4.53	4.66
Other Fees	2.94	2.82	2.89	2.97	3.05	3.13
Permitted Development	2.39	1.59	1.64	1.69	1.74	1.79
Internal Charges	6.71	7.02	7.27	7.67	7.95	8.34
All Other Sources	7.89	2.60	1.67	1.63	1.70	1.51
Total	\$ 121.22	\$ 118.23	\$ 121.04	\$ 124.72	\$ 128.29	\$ 131.82

Forecast Result – Expenditure Detail

The expenditure forecast is developed based on anticipated increases in the costs of labor, materials, capital, and generally agrees with assumptions used across all City funds. When available, it uses known expenditure information such as labor agreements, vendor contracts, the most recent information for PERS rates and health care cost increases, and inflation factors. Future costs associated with higher PERS obligations for current employees are included. Table 4 summarizes the five-year expenditure forecast by category.

Transfers are anticipated annually from the Utility Fund to the Capital Improvements Fund for utility construction projects including the new Public Works Operations building, and transfers in FY 2023 and FY 2024 are greater due to the timing of construction. Capital transfers are \$22.5 to \$23 million in FY 2025 and FY 2026 and capacity increases to \$41.5 million by FY 2027 as debt obligations are reduced to \$4.6 million. The goal for the past decade has been to increase the annual capital construction transfers, as debt is retired, until the transfers are \$40 million or more. This amount is estimated to be approximately 1 percent of total system value assuming that, on average, infrastructure last 100 years.

Utility Fund Table 4, Expenditures by Category (Values in Millions)

	FY 2022 YEE	FY 2023 F	FY 2024 F	FY 2025 F	FY 2026 F	FY 2027 F
Personal Services	39.08	45.05	47.67	49.70	51.85	53.81
Materials and Services	35.35	40.29	41.15	41.92	43.13	43.85
Capital Outlay	1.51	1.32	1.32	1.32	1.32	1.32
Debt Service	19.06	19.08	17.34	14.42	13.31	4.56
Transfers	19.10	31.93	25.20	22.50	23.00	41.50
Contingency	-	3.00	3.00	3.00	3.00	3.00
Total Expenditures	114.10	140.66	135.68	132.85	135.60	148.04
Less:						
Unspent Contingency		(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
Anticipated Savings		(6.83)	(7.11)	(7.33)	(7.60)	(7.81)
Total Net Expenditures	114.10	130.83	125.58	122.52	125.01	137.23

Forecast Variability – Fund Balance Scenarios (Values in Millions)

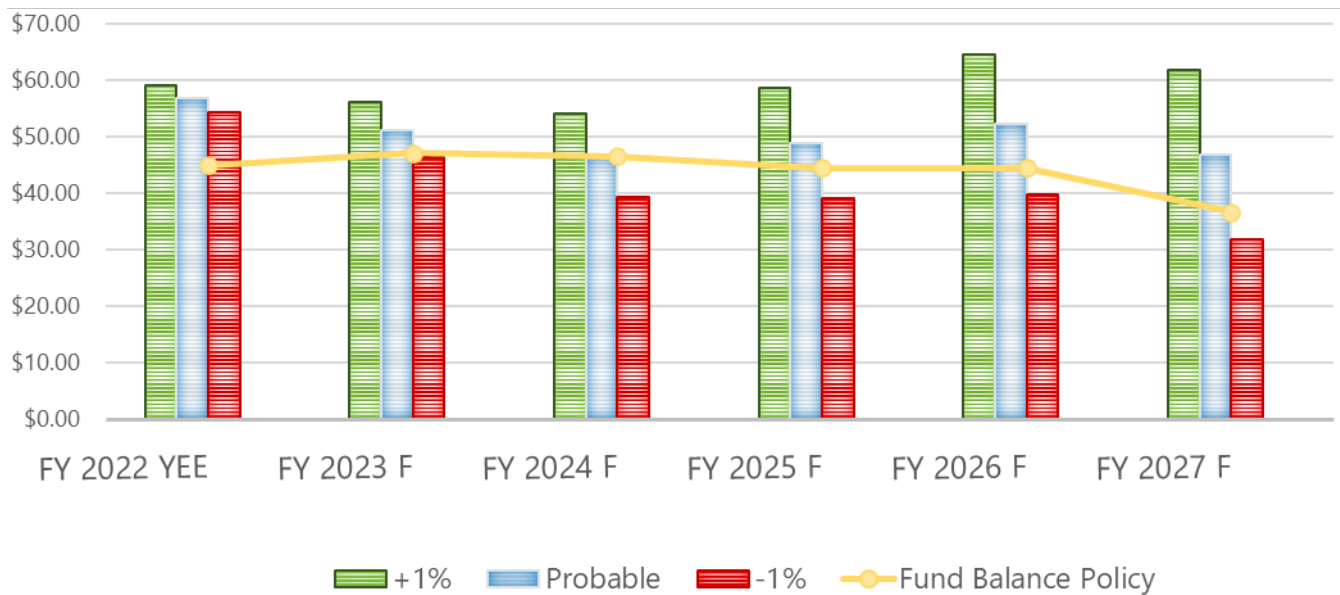
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Scenario 1, Probable Scenario. The blue bar at the center of each grouping represents the result reflected in the numeric tables on the preceding pages of this document for the Utility Fund. The values reflect the forecasted levels of fund balance.

Scenario 2, Higher Revenue / Lower Expenses. The green bar in each fiscal year grouping represents the forecast result augmented by an additional 1 percent of revenue growth and an additional 1 percent of expenditure savings. For the Utility Fund, these changes represent increases to fund balance by up to \$15.0 million during the forecast period.

Scenario 3, Lower Revenue / Higher Expenses. The red bar uses the forecast fund balance as the base for assuming 1 percent lower revenues and 1 percent higher expenditures for each fiscal year. By year-end FY 2027, this demonstration results in fund balance declining by \$24.9 million or 44.0 percent from the estimate for fiscal year-end 2022.

(Values in Millions)



Utility Fund Forecast Risks and Rankings

The forecast acknowledges that there are risks associated with sustaining the resources needed to fund current and future City utility services. Each identified risk is evaluated on the degree it will impact service delivery and assists in determining courses of action to be taken over the five-year period.

Forecast Risk – Revenue

	Ranking	Percent Total Revenue
Water, Wastewater, Stormwater Revenue	LOW	85%

Water and Wastewater Rate Revenue

Declining or stable water consumption is a national trend, and Salem is not unique in facing this challenge. Most of the costs to provide utility services to customers are fixed. A very small percentage of costs are related to the volume of water produced or wastewater accepted. When consumption declines and revenue is adversely impacted, water utilities must increase rates to maintain operations. Overall water consumption declined by 4.7 percent in FY 2020 and increased by 6.5 percent in FY 2021 to the highest level in the past three years. In FY 2021, residential and multifamily consumption grew while public building, industrial, and institutional consumption decreased reflecting the effects of the pandemic and the closure of state facilities and a food processing company in Salem.

Risk Factor Ranking – LOW

One method that utility systems utilize to stabilize revenue is to recover more costs through fixed rates rather than volume / consumption. The 2018 Cost of Service Analysis shifted some additional cost recovery for water from variable to fixed rates to assign costs of operating the system more appropriately.

Airport Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 SUMMARY *(in millions)*

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 1.01	\$ 0.71	\$ 0.46	\$ 0.47	\$ 0.47	\$ 0.46
Revenues	1.21	1.31	1.35	1.38	1.41	1.44
Total Expenditures	\$ 1.50	\$ 2.02	\$ 1.81	\$ 1.85	\$ 1.88	\$ 1.90
Unspent Contingency		(0.45)	(0.46)	(0.46)	(0.45)	(0.43)
2% Savings on M&S		(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
NET EXPENDITURES		\$ 1.56	\$ 1.34	\$ 1.37	\$ 1.42	\$ 1.46
Fiscal Year Impact	(0.29)	(0.25)	0.01	0.00	(0.01)	(0.02)
Ending Fund Balance	\$ 0.71	\$ 0.46	\$ 0.47	\$ 0.47	\$ 0.46	\$ 0.44

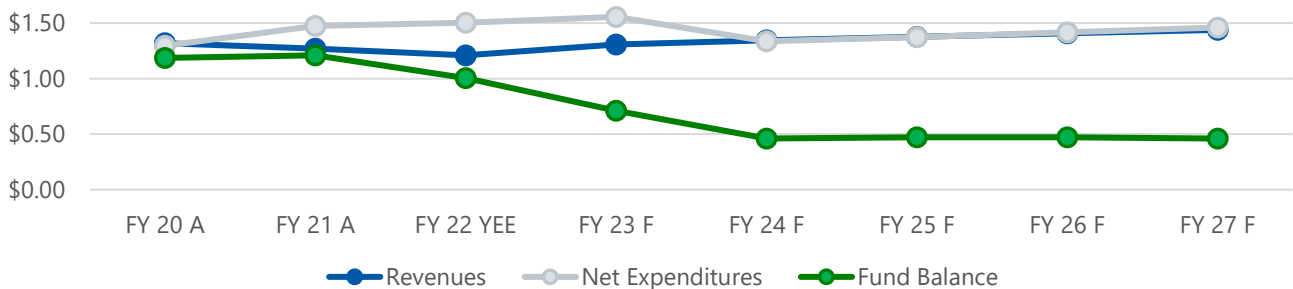
The financial forecast for the Airport Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth. Included is a level of projected increase in revenues nearly equal to the anticipated growth in expenditures in the final four years of the forecast period. The forecast demonstrates a return to trend for parking revenues as shuttle service to the Portland Airport and travel is impacted less by the pandemic. It also displays savings derived from unspent fund contingencies and a level of naturally occurring savings through unanticipated economies of 2 percent on materials and services.

Anticipated improvement projects to buildings at the Airport have been postponed, which significantly improves the forecast outlook saving over \$1 million during the forecast period. The result demonstrates a positive fund balance through year five of the forecast and fund balance ends at \$.44 million.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Fund Balance	Medium
Land / Building Rent	High
Parking Rent	Medium
Operational Expenses	High
Match for Federal Grants	Low
Building Improvement Project Funding	High

Airport Fund Revenues, Expenditures and Working Capital *(in millions)*



Building and Safety Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary *(in millions)*

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 14.00	\$ 14.77	\$ 15.13	\$ 15.46	\$ 15.83	\$ 16.22
Revenues	\$ 6.82	\$ 6.80	\$ 7.01	\$ 7.21	\$ 7.43	\$ 7.65
Total Expenditures	\$ 6.05	\$ 6.95	\$ 7.19	\$ 7.37	\$ 7.56	\$ 7.75
Unspent Contingency		(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
3.0% Savings		(0.21)	(0.22)	(0.22)	(0.23)	(0.23)
Net Expenditures	\$ 6.05	\$ 6.44	\$ 6.67	\$ 6.85	\$ 7.03	\$ 7.22
Fiscal Year Impact	\$ 0.77	\$ 0.36	\$ 0.34	\$ 0.36	\$ 0.39	\$ 0.43
Ending Fund Balance	\$ 14.77	\$ 15.13	\$ 15.46	\$ 15.83	\$ 16.22	\$ 16.65

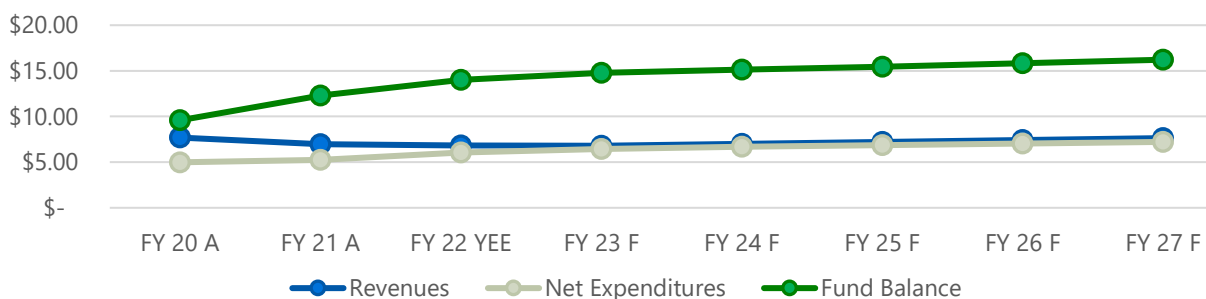
The City’s annual financial forecast for the Building and Safety Fund provides for the continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue. The forecast includes the elimination of transfer revenue from the Parking Services Fund and General Fund for parking permit administration.

The forecast anticipates steady permitting revenues of 3 percent annually. It also displays savings derived from unspent fund contingencies and a level of naturally occurring savings from other unanticipated economies. This level of savings is anticipated at 3 percent of expenses. The forecast demonstrates an increase of ending fund balance over the five-year period.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Working Capital	Low
Permit Revenue	Medium
PERS Rates	High
Health Benefits	Medium
Other Labor Factors	High

Building and Safety Fund Revenues, Expenditures and Working Capital *(in millions)*



Cultural Tourism (TOT) Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 SUMMARY (in millions)

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 1.84	\$ 1.71	\$ 1.44	\$ 1.28	\$ 1.36	\$ 1.29
Revenues	\$ 3.50	\$ 3.78	\$ 4.34	\$ 4.69	\$ 4.92	\$ 5.17
Total Expenditures	\$ 3.75	\$ 4.16	\$ 4.63	\$ 4.72	\$ 5.11	\$ 5.30
Unspent Contingency	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)
NET EXPENDITURES	\$ 3.63	\$ 4.04	\$ 4.51	\$ 4.60	\$ 4.99	\$ 5.18
Fiscal Year Impact	(0.13)	(0.26)	(0.17)	0.08	(0.07)	(0.01)
Ending Fund Balance	\$ 1.71	\$ 1.44	\$ 1.28	\$ 1.36	\$ 1.29	\$ 1.28

The Cultural Tourism (TOT) Fund was directly impacted by the COVID-19 pandemic. The revenue replacement of \$1.5 million in federal COVID-19 relief funds has allowed the City to maintain its traditional commitments in the fund including Parks Operations and Maintenance funding along with supporting cultural grants in the community.

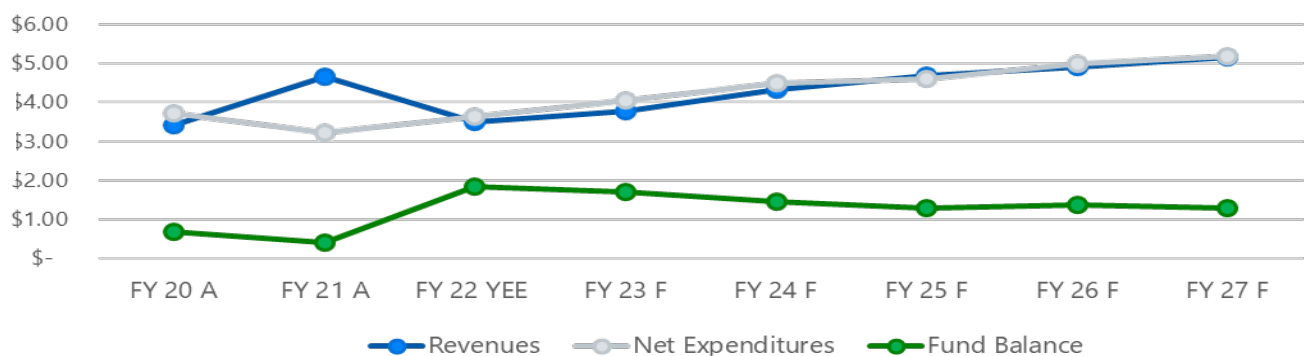
The five-year forecast projects a return to pre-pandemic level of revenues by fiscal year 2024. The introduction of the COVID-19 vaccine, changes in the tourism industry to protect travelers and the public's adjustment to living in a pandemic environment have proved promising.

Along with increased optimism about the health of the fund, competing needs continue including capital expenses for parks and historical buildings, tourism promotion (through contracts with both Travel Salem and the Salem Convention Center) along with the operational expenses of Parks Operations and Maintenance and cultural grants important to the community.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Working Capital	Medium
Tax Revenue	High
Expense: Parks Transfer	High
Capital Projects (CIP)	High
Tourism Promotion Allocation	High

Cultural and Tourism (TOT) Fund Revenues, Expenditures and Fund Balance (in millions)



Document Services, City Services FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 SUMMARY (in millions)						
	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 0.39	\$ 0.37	\$ 0.35	\$ 0.26	\$ 0.17	\$ -
Revenues	\$ 1.09	\$ 1.11	\$ 1.14	\$ 1.15	\$ 1.17	\$ 1.19
Total Expenditures	\$ 1.11	\$ 1.14	\$ 1.24	\$ 1.26	\$ 1.35	\$ 1.35
2% Savings on M&S		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
NET EXPENDITURES	\$ 1.11	\$ 1.13	\$ 1.22	\$ 1.25	\$ 1.34	\$ 1.34
Fiscal Year Impact	\$ (0.02)	\$ (0.02)	\$ (0.09)	\$ (0.09)	\$ (0.17)	\$ (0.15)
Ending Fund Balance	\$ 0.37	\$ 0.35	\$ 0.26	\$ 0.17	\$ (0.00)	\$ (0.15)

The base forecast for the Document Services Division of the City Services Fund reflects a decrease in internal service levels with assumptions for inflationary factors to increase service costs.

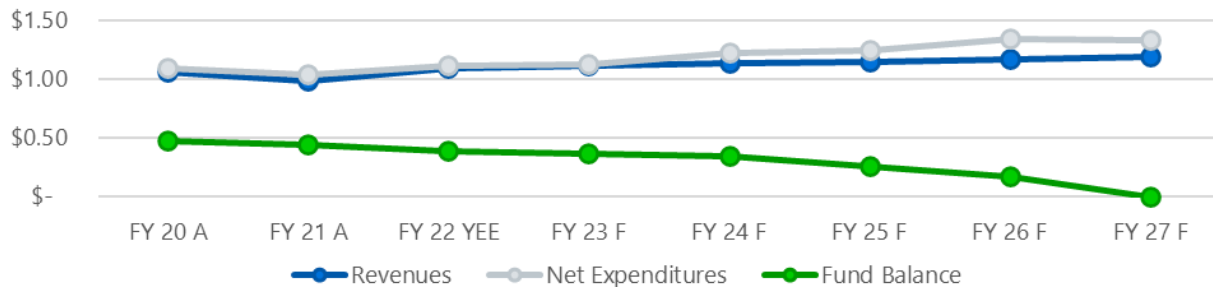
The forecast demonstrates a level of projected increase in revenues that does not keep pace with the anticipated growth in expenditures over the five-year period. It also displays a level of naturally occurring savings from unanticipated economies. This level of savings is anticipated at 2 percent for materials and services.

Document Services recovers approximately 77 percent of its costs through fees for service or working capital, with mail and courier services supported through a direct transfer from the General Fund. To reduce this impact to the General Fund, several potential changes to the product and services portfolio are being evaluated.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Fund Balance	High
Internal Revenue	High
Other Labor Factors	High
Copier Replacement Strategy	Medium

Document Services, City Services Fund Revenues, Expenditures and Fund Balance



Emergency Services Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary (in millions)

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 3.51	\$ 2.44	\$ 2.46	\$ 2.47	\$ 2.49	\$ 2.59
Revenues	\$ 1.32	\$ 1.04	\$ 1.10	\$ 1.14	\$ 1.17	\$ 1.21
Total Expenditures	\$ 2.40	\$ 1.09	\$ 1.17	\$ 1.19	\$ 1.15	\$ 1.23
Unspent Contingency		(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
3% Savings on M&S		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Net Expenditures	\$ 2.40	\$ 1.02	\$ 1.09	\$ 1.11	\$ 1.07	\$ 1.15
Fiscal Year Impact	\$ (1.07)	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.10	\$ 0.06
Ending Fund Balance	\$ 2.44	\$ 2.46	\$ 2.47	\$ 2.49	\$ 2.59	\$ 2.66

The City's annual financial forecast for the Emergency Services (EMS) Fund provides for the continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth.

The forecast demonstrates a level of projected increases in revenue that allows the EMS Fund to remain balanced with anticipated growth of on-going expenditures. It also displays savings derived from unspent fund contingencies and a level of naturally occurring savings from unanticipated economies. This level of savings is anticipated at 3 percent in the materials and services category.

The EMS Fund is required to maintain a fund balance that provides resources for six months of immediate and uninterrupted ambulance transport services. With the purchase of new cardiac monitors (12-lead defibrillators) for \$1.4 million in FY 2022, the fund dropped below required fund balance and the fund currently does not meet the minimum requirement. The EMS Fund is anticipated to maintain current fund balance at this level, with small incremental growth through the forecast.

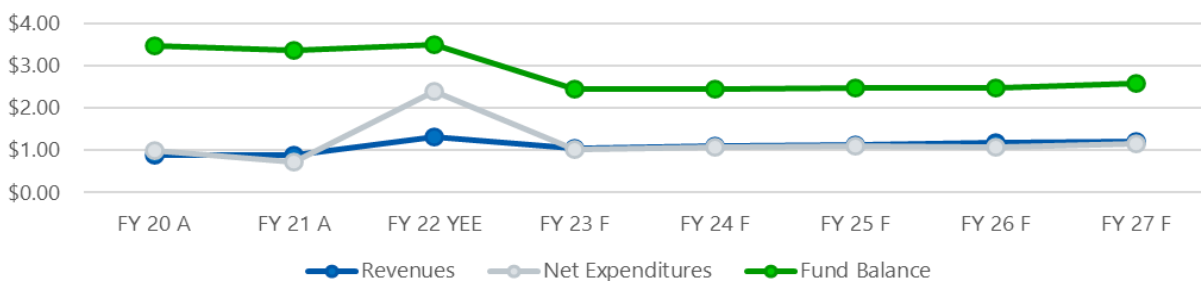
Future capital equipment needs continue to account for the highest risk factor for the health of the EMS Fund. Starting in FY 2019, expenditures included an annual transfer to the Capital Reserve Fund to provide funding for required capital equipment purchases. This annual transfer has been discontinued until the EMS Fund balance once again meets Council Policy C-12. The Fire Department is continually looking for new funding sources as the current Capital Reserve Fund is insufficient to provide for future equipment needs.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk Ranking

Fund Balance	High
Ambulance Service Revenue	Low
Medicare / Medicaid Reimbursement	Medium
General Materials / Services	Medium
Capital Equipment Needs	High

Emergency Medical Services Fund Revenues, Expenditures and Fund Balance (in millions)



Fleet, City Services Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary *(in millions)*

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 1.75	\$ 1.78	\$ 1.58	\$ 1.38	\$ 1.18	\$ 0.98
Revenues	\$ 4.33	\$ 4.43	\$ 4.65	\$ 4.81	\$ 4.98	\$ 5.14
Total Expenditures	\$ 4.30	\$ 4.80	\$ 5.02	\$ 5.19	\$ 5.37	\$ 5.53
3.5% Savings		(0.17)	(0.17)	(0.18)	(0.19)	(0.19)
Net Expenditures	\$ 4.30	\$ 4.63	\$ 4.86	\$ 5.01	\$ 5.18	\$ 5.34
Fiscal Year Impact	\$ 0.02	\$ (0.20)	\$ (0.21)	\$ (0.20)	\$ (0.20)	\$ (0.20)
Ending Fund Balance	\$ 1.78	\$ 1.58	\$ 1.37	\$ 1.18	\$ 0.98	\$ 0.79

The City’s annual financial forecast for Fleet Services in the City Services Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth.

The forecast demonstrates a level of projected increase in revenues slightly lower than the anticipated growth in expenditures. It also displays a level of naturally occurring savings. This level of savings is anticipated at 3.5 percent of expenses.

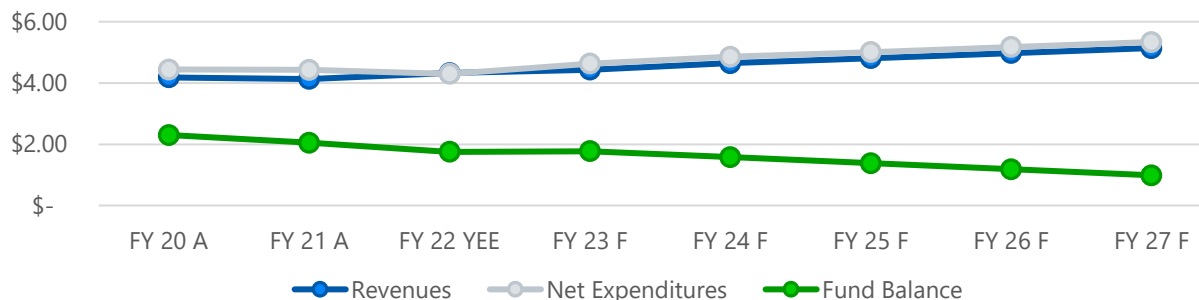
The reduction in fund balance reflects an effort to reduce the fund balance over the five-year period. The balance at the end of the forecast period is estimated at 25% of planned expenditures for Fiscal Year 2027.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk Ranking

<i>Fund Balance</i>	Medium
<i>Internal Charge Revenue</i>	Medium
<i>PERS Rates</i>	High
<i>Health Benefits</i>	Medium
<i>Other Labor Factors</i>	High

Fleet, City Services Fund Revenues, Expenditures and Fund Balance (in millions)



Radio Comm., City Services Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary (in millions)

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Fund Balance	\$ 4.94	\$ 1.15	\$ 1.04	\$ 1.01	\$ 1.01	\$ 1.10
Revenues	\$ 1.39	\$ 1.48	\$ 1.54	\$ 1.59	\$ 1.65	\$ 1.71
TOTAL EXPENDITURES	\$ 5.18	\$ 1.92	\$ 1.89	\$ 1.93	\$ 1.88	\$ 2.08
23% Savings on PS		(0.13)	(0.13)	(0.14)	(0.15)	(0.15)
10% Savings on M&S		(0.13)	(0.12)	(0.12)	(0.11)	(0.13)
70% Savings on Capital		(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
NET EXPENDITURES	\$ 5.18	\$ 1.59	\$ 1.57	\$ 1.60	\$ 1.55	\$ 1.72
Fiscal Year Impact	\$ (3.79)	\$ (0.11)	\$ (0.03)	\$ (0.01)	\$ 0.10	\$ (0.02)
ENDING FUND BALANCE	\$ 1.15	\$ 1.04	\$ 1.01	\$ 1.01	\$ 1.10	\$ 1.09

The City’s annual financial forecast for Radio Communications provides for the continuation of current service levels with assumptions for inflationary factors that reflect increasing service costs and estimates for revenue growth.

The forecast demonstrates a stable revenue stream with moderate growth in ending working capital as funds are set aside for the future replacement of equipment. It also displays naturally occurring savings through unanticipated economies and a lower ongoing need for equipment maintenance and replacement. This level of savings is anticipated at 10 percent in the materials and services category and 70 percent in capital expenditures. Savings in personal services reflects the intention to hold a position vacant while assessing technical support needs for the new system.

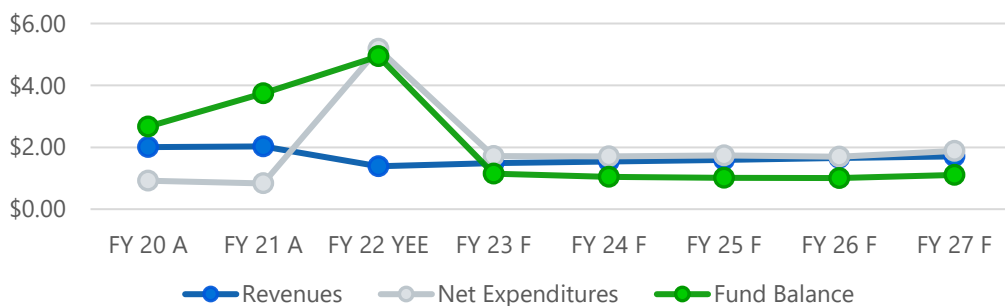
General Fund departments account for approximately 70 percent of participating agency rate revenue. With the deployment of the City’s new radio system in Fiscal Year 2021, replacement expenses are expected to be relatively low and stable for the next several years. During this time, funds will be collected and held in reserve for future replacement.

Departmental replacement reserves were moved to the Equipment Reserve Fund in Fiscal Year 2021, accounting for the drop in working capital and expenditures between Fiscal Year 2022 to Fiscal Year 2023.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Fund Balance	Low
Agency Rates	Low
Operation Expenses	Low/Medium
Capital Equipment Needs	Low

Radio Communications, City Services Fund Revenues, Expenditures and Fund Balance (in millions)



Self Insurance Benefits Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary *(in millions)*

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 11.78	\$ 10.94	\$ 9.88	\$ 8.79	\$ 7.67	\$ 6.49
Revenues	\$ 25.50	\$ 26.65	\$ 28.14	\$ 29.73	\$ 31.40	\$ 33.18
Total Expenditures	\$ 26.35	\$ 27.71	\$ 29.23	\$ 30.85	\$ 32.59	\$ 34.49
Net Expenditures	\$ 26.35	\$ 27.71	\$ 29.23	\$ 30.85	\$ 32.59	\$ 34.49
Fiscal Year Impact	\$ (0.85)	\$ (1.06)	\$ (1.08)	\$ (1.12)	\$ (1.18)	\$ (1.31)
Ending Fund Balance	\$ 10.94	\$ 9.88	\$ 8.79	\$ 7.67	\$ 6.49	\$ 5.18

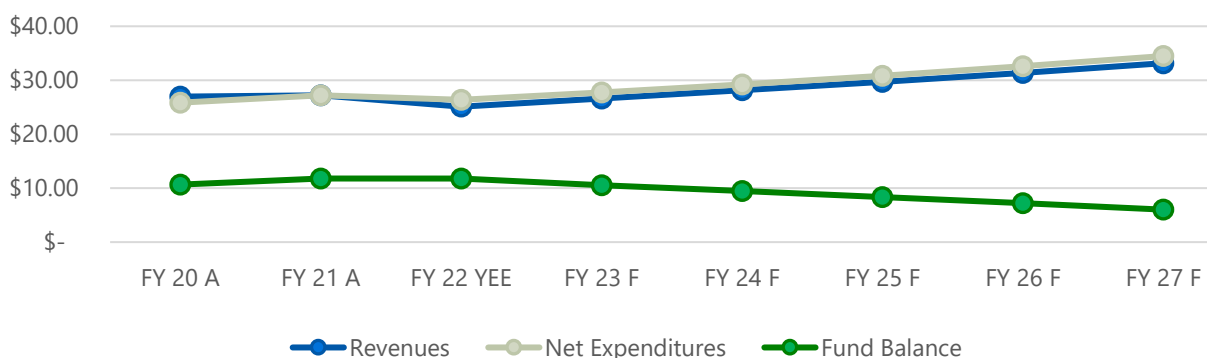
The City's annual financial forecast for the Benefits Self Insurance Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth. An enhancement to the forecast this year is the use of seasonal dollars for general administration work.

The forecast demonstrates a level of projected increase in revenues lower than the anticipated growth in expenditures. Reduced premium rate increases are demonstrated to lower the reserve levels. If claims experience is less than anticipated, it will result in a greater fund balance.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Fund Balance	Low
Internal Revenue	Medium
Health Care Legislation	High
Changing Demographics	High

Benefits, Self Insurance Fund Revenues, Expenditures and Fund Balance (in millions)



Self Insurance Risk Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 SUMMARY (in millions)

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 8.51	\$ 8.16	\$ 7.88	\$ 7.68	\$ 7.60	\$ 7.63
Revenues	\$ 3.71	\$ 4.20	\$ 4.40	\$ 4.62	\$ 4.84	\$ 5.08
Total Expenditures	\$ 4.40	\$ 4.86	\$ 4.98	\$ 5.10	\$ 5.22	\$ 5.33
Savings	(0.34)	(0.38)	(0.39)	(0.39)	(0.40)	(0.41)
NET EXPENDITURES	\$ 4.06	\$ 4.48	\$ 4.60	\$ 4.70	\$ 4.81	\$ 4.92
Fiscal Year Impact	(0.34)	(0.28)	(0.19)	(0.08)	0.03	0.16
Ending Fund Balance	\$ 8.16	\$ 7.88	\$ 7.68	\$ 7.60	\$ 7.63	\$ 7.79

The City’s annual financial forecast for the Risk Self Insurance Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

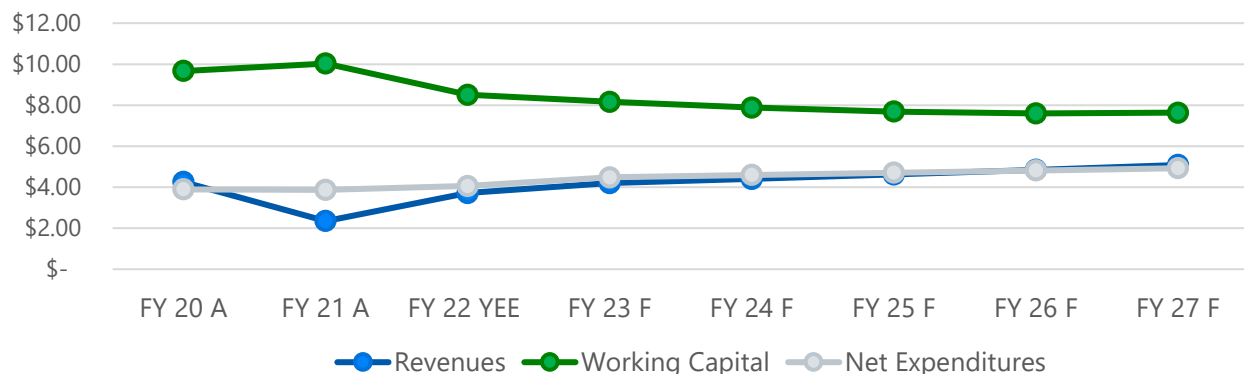
The forecast demonstrates a decrease in fund balance over the five-year period that is still within actuarial guidelines for the fund balance.

Forecast Risk Ranking

<i>Working Capital</i>	Medium
<i>Internal Revenue</i>	Low
<i>Liability Claims</i>	High

Claims experience fluctuates and has been more favorable than projected in recent years and is anticipated to remain at that level or improve. This would result in a higher fund balance than forecasted and lower internal rates. The insurance market has been volatile in recent years and the self insured retention for general liability claims has increased from \$500,000 to \$1,000,000 to maintain reasonable rates.

Self Insurance Risk Revenues, Expenditures and Working Capital (in millions)



Streetlight Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary (in millions)

	FY 22 YEE	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 1.22	\$ 1.35	\$ 1.31	\$ 1.25	\$ 1.15	\$ 1.02
Revenues	\$ 2.02	\$ 1.97	\$ 1.97	\$ 1.98	\$ 1.98	\$ 1.99
Total Expenditures	\$ 1.88	\$ 2.24	\$ 2.28	\$ 2.31	\$ 2.35	\$ 2.39
Unspent Contingency		(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
3.0% Savings on M&S		(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Net Expenditures	\$ 1.88	\$ 2.01	\$ 2.04	\$ 2.08	\$ 2.11	\$ 2.15
Fiscal Year Impact	\$ 0.14	\$ (0.04)	\$ (0.07)	\$ (0.10)	\$ (0.13)	\$ (0.16)
Ending Fund Balance	\$ 1.35	\$ 1.31	\$ 1.25	\$ 1.15	\$ 1.02	\$ 0.87

Since the 2015 enactment of the Streetlight Fee and formation of the Streetlight Fund:

- All fixtures in the rights-of-way have been converted to light-emitting diodes (LEDs).
- Maintenance and electricity costs are supported through the Streetlight Fund. There is an anticipated 3 percent annual increase resulting from increased electricity costs and system expansion.
- New streetlights are being installed in underserved areas based on a prioritized list.
- Since FY 2020, electricity and maintenance are being provided for lighting fixtures in parks, relieving the General Fund of approximately \$100,000 per year in expenses.

The five-year forecast anticipates no increase in rates and a small increase in new customer accounts. Expenditures in the forecast are consistent with the current year and adjusted for growth.

A 2017 interfund loan from the Utility Fund allowed the system re-lamping to be completed

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk Ranking

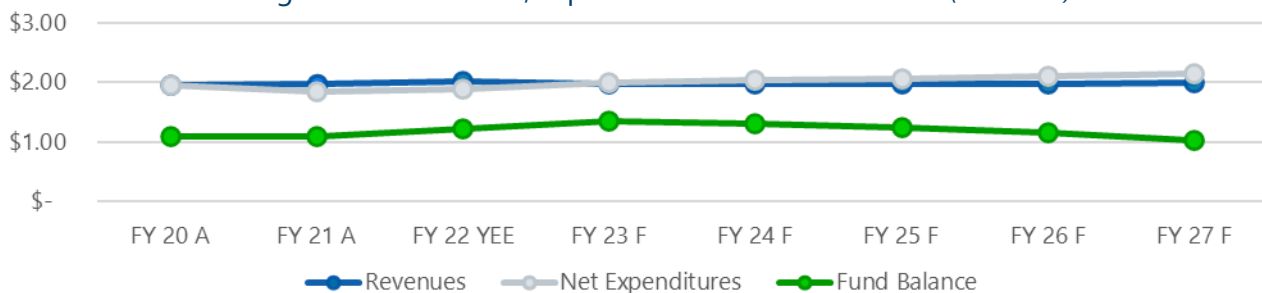
<i>Streetlight fee</i>	Low
<i>Electricity savings</i>	Low
<i>Capital improvement transfers</i>	Low

within a year resulting in energy cost savings. The loan will be fully repaid in 2027.

The forecast maintains the following assumptions over the five-year period:

- Transfer to Capital Improvements Fund for replacement and new pole installation projects at \$600,000 per year.
- Continued support for electricity and maintenance expenses for all poles in rights-of-way and parks.

Streetlight Fund Revenues, Expenditures and Fund Balance (in millions)



WVCC Fund FY 2023 – FY 2027 Five-Year Forecast

FY 2023 - FY 2027 Summary *(in millions)*

	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
Beginning Fund Balance	\$ 1.81	\$ 1.61	\$ 1.71	\$ 1.87	\$ 1.87	\$ 1.82
Revenues	\$ 13.24	\$ 13.84	\$ 14.39	\$ 15.06	\$ 15.75	\$ 16.48
Total Expenditures	\$ 13.44	\$ 14.64	\$ 15.16	\$ 15.99	\$ 16.76	\$ 17.33
Unspent Contingency		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
3% Savings		(0.40)	(0.42)	(0.44)	(0.46)	(0.47)
Net Expenditures	\$ 13.44	\$ 13.74	\$ 14.23	\$ 15.06	\$ 15.80	\$ 16.36
Fiscal Year Impact	\$ (0.20)	\$ 0.10	\$ 0.16	\$ 0.00	\$ (0.05)	\$ 0.12
Ending Fund Balance	\$ 1.61	\$ 1.71	\$ 1.87	\$ 1.87	\$ 1.82	\$ 1.94

The City’s annual financial forecast for the Willamette Valley Communication Center (WVCC) provides for the continuation of current service levels with assumptions of inflationary factors to account for increasing service costs and estimated revenue growth.

The forecast demonstrates a level of projected increases in revenue that allows the WVCC Fund to remain balanced with anticipated growth of on-going expenditures. It also displays savings derived from unspent fund contingencies and a level of naturally occurring savings from unanticipated economies. This level of savings is anticipated at 3 percent in the personal services and materials and services categories.

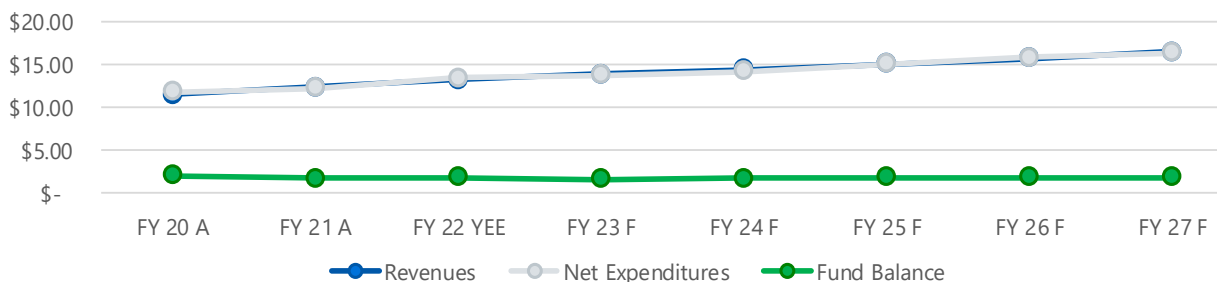
The WVCC Fund is required to maintain a fund balance that provides resources sufficient to cover three pay periods. The fund currently meets the minimum requirement and anticipates maintaining fund balance at this level through the forecast. Personal Services account for 75 percent of the budget for this service-oriented organization which requires overtime to cover temporary position vacancies. Strategies and ongoing efforts continue to minimize the use of overtime.

City of Salem General Fund departments account for approximately 43 percent of participating agency rate revenue.

Forecast Risk factors are evaluated on the degree of impact to continued service delivery and fund fiscal health.

Forecast Risk	Ranking
Working Capital	Low
Member Agency Rates	Low
Overtime Expense	Medium
Salary Expense	Medium
CAD System Replacement	Low

WVCC Revenues, Expenditures and Working Capital *(in millions)*



Summary of Findings

National Summary

The COVID-19 pandemic brought an unexpectedly abrupt end to what was the record-breaking expansion that followed the 2007-09 recession. However, a more robust than expected economic recovery in 2021 presents new opportunities and challenges that are anticipated to continue into 2022. While unemployment remains at record low levels, faster than anticipated inflation rates create some continued economic uncertainty.

Following the record drop in activity in the second quarter of 2020, unemployment and economic activity rates have rapidly improved to near pre-pandemic levels. National output grew at an annualized rate of 6.7% in the second quarter of 2021 followed by a 2.1% growth rate in the third. The Unemployment rate has also improved from a pandemic high of 14.8% in the first half of 2020 to 4.8% at the end of the third quarter of 2021.

Economic progress spurred by low unemployment and increasing GDP remains vulnerable to ongoing pandemic developments including new variants and relatively modest vaccination rates. Continued supply chain issues caused by global pandemic measures, US port capacity, and employment vacancies in the logistics industry similarly threaten the pace of economic growth moving forward. Higher than anticipated inflation rates also present a risk to the economy. The Consumer Price Index inflation markers at the end of the third quarter of 2021 indicated a record inflation rate of 5.4% over the previous year. If inflation figures prove not to be transitory, sustained price increases pose a serious risk to economic health.

The following trends are expected to be supportive of continued economic recovery:

1. **Pent up demand.** Households have accumulated billions of dollars in excess savings as the result of fiscal support and reduced spending. The leisure and hospitality sector will continue to see a rebound in demand as households tap this saving to ramp-up spending in 2022.
2. **Strong housing.** Supported by low interest rates and demographic shifts, demand for housing has been high. New home sales spiked higher to levels last seen during the housing bubble that preceded the 2007-09 recession. Housing is traditionally a very good leading indicator of overall activity and numbers like these indicate a strong economy in 2022.
3. **Demographics.** The demographic picture is very different than that of the last decade in which the Baby Boomers were aging out of the economy and being replaced by the smaller group of Gen-Xers. Now the situation is reversing such that the Gen-Xers are aging out and being replaced by the larger Millennial population. The Millennial generation is just beginning to enter its peak homebuyer and earning years and will provide considerable spending power to support the economy.
4. **Solid underlying job market.** Low unemployment and high demand for workers indicates a strong underlying job market.

The primary negative risks to the outlook are higher than expected inflation and continued uncertainty around the pandemic. The primary positive risk to the economic outlook is that the economic impact of the Infrastructure Investment and Jobs Act, passed in November 2021, will help boost activity in 2022 and beyond.

Oregon Summary

The Oregon economy has seen improvement since the start of the COVID-19 pandemic in March of 2020. Unemployment has steadily fallen from a high of 14.3% in April 2020 to 4.4% in October of 2021. Recovery continues to be evident in the growth of non-farm payroll employment increasing in all six broad regions across the state between October 2020 and October 2021 according to the Oregon Employment Department. The State is currently projecting that in the next 10 years, jobs in Oregon are projected to increase by 16% due to the retirement of the Baby Boomer generation and increase in Oregon residents. The Oregon Economic and Revenue Forecast was released in November of 2021 and is prepared by the Oregon Office of Economic Analysis. The forecast describes return to normal revenues with the expiring of federal aid that provided much relief to the Oregon economy in 2020 and early 2021 and the increase in workers returning to the labor market.

Concern over the inflation is evident across all levels of the economy, including in Oregon. The pressure on supply chains coupled with an increased demand for products and services has caused an increase of inflation beyond a traditional 2 percent to 3 percent. Seasonally adjusted inflation for all items less food and energy in West region US cities have increased steadily throughout the year and is up 6% from October 2020 to October 2021. Although the increase of inflation is costly to the consumer, workers in supply chain related employment are now above pre-pandemic levels and growing according the Oregon Economic and Revenue Forecast.

Similar to the national economy, Oregon's economy is expected to continue recovering in 2021. The State Office of Economic Analysis predicts an increase in the 2021-23 biennium of \$710 million in revenues from forecast, a strong indicator of personal and corporate tax growth which reflects the overall health of the Oregon economy.

Salem Summary

The Salem economy was hit hard by the pandemic; as of April 2020, the region had an unemployment rate of 11.6 percent. As of October 2021, the seasonally adjusted unemployment rate has dropped to almost pre-pandemic levels at 4.4 percent. Latest data released in October for the Salem Metropolitan Statistical Area (MSA) shows that largest private sector growth in professional and business services, private education, health and trade. The public sector also showed a growth in hiring at both State and local levels. Wages are also increasing in the region. As mentioned in the above section, all six geographically region across the state have experienced growth in non-farm payroll. The Willamette Valley region had the highest increase in this payroll than any other region in Oregon of 3.8 percent.

Local development has continued throughout the pandemic with a slower pace than the prior year. By the end of fiscal year 2020 more than 2,370 permits had been issued by the City's Building and Safety division while the end of fiscal year 2021 the number had dropped to 2,033. Although total permits issued declined, permits for single family and duplexes continued to rise with a year-over-year increase of 10.5 percent.

Tourism has rebounded since the beginning of the COVID-19 pandemic. Increase in vaccination availability, education about the virus and tourism safety standards has benefited the industry. Tourism Occupancy Tax (TOT) collections in May 2020 (for stays occurring in April of 2020) totaled just over \$79,470 in Salem, implying rental activity of just under \$883,100. In October 2021 TOT collections reached over \$500,000 for the first time since

September 2019. While TOT revenue has recently grown, COVID-19 variants such as Delta and Omicron remind of the vulnerability the industry has to this pandemic.

Forecast Summary

Below is the Oregon Office of Economic Analysis (OEA) employment growth forecast as the principle driver of the Salem job forecast. **Actual percentage changes realized are also sensitive to employment data revisions.**

Nonfarm Payroll Growth Forecasts
OR (OEA)* Salem MSA**

2020 (last)	-6.4%	-5.3%
2021(current)	2.3%	3.6%
2022	4.3%	

(*OR (OEA) refers to the official state annual employment annual data tables (dated December 2021). ** October to October % change.)

Uncertainty/Risks

The COVID-19 pandemic that began in early 2020 continues to have global and local health and economic implications. Last forecast cycle, vaccines were not yet widely available resulting in a higher level of uncertainty at the time. Today, with vaccines already available to the general public for eight months coupled with job growth and unemployment dropping, economists are seemingly cautiously optimistic. New variants such as Delta and Omicron remind the public of the impacts of COVID-19 on both the health and economy of the US, Oregon and Salem. After the announcement of Omicron being concerning for the World Health Organization, the stock market fell. Even though the announcement took place on Black Friday, a historic day that is a boost to the national economy, the Dow fell 900 points.

Local Revenue Implications

Unlike the 2008 Recession, the property values of homes have continued to grow through the COVID-19 pandemic. Revenue from the growth in assessed value for the past three years has averaged 4.19%. Although local governments are limited in property tax revenue generation due to Measure 50, development and improvements to property have allowed for growth higher than 3% as limited by statute. For context, coming out of the 2008 Recession, assessed values grew at only 0.18% in 2013. While assessed values have grown, so has compression which results in loss in property tax revenue for local jurisdictions. This compression is a fraction of the 2013 high of \$1.1 million, but it is something to note and may be an indicator of future property values falling.

Although it is promising that property tax revenue continues to increase, expenditures in the City’s General Fund are growing at a higher rate. City work on services like sheltering and homelessness has increased pressure on the fund as well as rising PERS rates, compensation market adjustments and general inflation. Work on new general fund revenue initiatives will need to happen within the next year in order to continue delivering services on which the community relies.

Citywide Financial Forecast Risks and Rankings

Risks to Expenditure Forecast

This summary presents risks to the expenditure forecast by evaluating the degree by which each identified risk will impact service delivery. This assessment assists in determining actions to be taken over the five-year period.

PERS Costs and Employer Rate Increases

Through its most recent *Actuarial Valuation Report* for the PERS system (as of December 31, 2019), the PERS Board provided the City with employer contribution rates for July 1, 2021 through June 30, 2023. The rates, which are used in the forecast, appear in Table 1 below. Rates for the two-year periods beginning July 1, 2023 and July 1, 2025 were developed using the following key assumptions:

- The contributions rates are not impacted by the rate collar;
- Includes the impact of the re-amortization of the unfunded liability in SB 1049;
- The employer offset from the employee Individual Account Program (IAP) redirect;
- The investment returns are at least 5 percent (PERS Board assumed rate is 6.9 percent);
- Side account relief rate expected to stabilize at 7.25 percent; and
- OPSRP replacement percentage will continue to increase as Tier 1 and 2 employees retire.

Expenditures Risks, Table 1 PERS Employer Contribution Rates

PERS Type	FY 2018 – FY 2019	FY 2020 – FY 2021	FY 2022 – FY 2023	FY 2024 – FY 2025	FY 2026- FY 2027
Tier 1 and 2	21.07%	25.49%	24.21%	27.21%	27.71%
OPSRP General Service	11.97%	16.41%	17.40%	20.40%	20.90%
OPSRP Fire and Police	16.74%	21.04%	21.76%	24.76%	25.26%

See Appendix A for a complete table of PERS related expenses.

Risk Factor Ranking – HIGH

Accelerating PERS rates are a significant factor in year-over-year forecast cost increases, particularly in the General Fund. The Oregon Legislature passed SB 1049 with various components to stabilize PERS employer contribution rates. The portion of SB 1049 that impacted the City of Salem PERS rates most significantly is the re-amortization of the PERS unfunded liability. By re-amortizing over a longer period of time, the impact on rates to pay down the unfunded liability will be less year-to-year. It is unclear if the

Oregon Legislature will undertake any additional PERS reform during upcoming legislative sessions. The City will continue to monitor for any potential legislative changes and impacts on rates.

Health Care Costs

The City's rates are developed annually with the assistance of a consultant knowledgeable of the industry. The rate analysis is based on a review of national and statewide health care cost trends, legislated health care reforms, the required cash reserves to meet obligations year-over-year and the City's claims activity from previous years. The rate of increase for health benefits premium costs is assumed to increase over the five-year period with PPO medical premiums escalating by 4.0-6.0 percent. See Appendix A for the detailed assumption table.

Risk Factor Ranking – MEDIUM

Health care costs can be higher or lower throughout the forecast period depending on a variety of factors, which are difficult to predict year-to year. These factors include increased costs in the health care industry, the amount of filed claims, and the mix of enrollees.

Labor Agreements

Approximately 75 percent of the City's workforce is represented by one of five unions—SPEU (police), IAFF (firefighters and battalion chiefs), PCEA (9-1-1 communications), AFSCME (general unit), and SCABU (City attorneys). Wage increases associated with the most recent agreements are incorporated in the forecast. For the years beyond the term of these agreements, an assumed 3.0 percent wage increase is used.

Risk Factor Ranking – HIGH

Negotiations are underway with two labor unions – PCEA and IAFF– during the current fiscal year. The risks associated with increased costs from future labor negotiations beyond FY 2022 are difficult to measure at this time.

Inflation

The Bureau of Labor Statistics reported for November 2021 that the Consumer Price Index, Western Region, CPI-U increased 6.5 percent from November 2020. For purposes of this forecast, 3.0 percent inflation factors are used on general goods and services. Inflation factors for internal City services such as motor pool, radio communications, and 9-1-1 call-taking and dispatch are tied to the projected cost of providing the service during the forecast period.

Risk Factor Ranking – MEDIUM

Inflation may become a more significant factor over the forecast period for the goods and services that the City purchases. Energy price fluctuations will be monitored but are not anticipated to be significant risks at this time.

Over the five-year forecast period, risk factors with medium rankings will be monitored and action will be taken should they begin to move to a higher risk status. All high-ranking risks are monitored closely and, when possible, steps will be taken to lower the City's exposure.

Forecast Risk – Expenditures

	Ranking	Percent Total Expenditures
PERS Costs / Employer Rate Increases	HIGH	10.5%
Health Benefit Costs	MEDIUM	8.1%
Labor Agreements / Salary Costs	HIGH	37.6%
Inflation	HIGH	Varies

Comparative data for *PERS Employer Rate Increases* include the costs of PERS employer, PERS pickup (6 percent of salary), and the City's assessment for its unfunded PERS liability. *Labor Agreements / Salary Costs* equal salary, overtime, standby, differential, incentives, and seasonal wages. Percentages in the expenditures table are based upon comparison with the total operations budget for the three funds – General, Transportation Services, and Utility – in the FY 2023 forecast year. The operations budget includes personal services, materials and services, capital outlay, debt service, contingencies, and transfers.

Expenditure Assumptions Table

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Wage Projections	% Increase	% Increase	% Increase	% Increase	% Increase
Market adjustment – AFSCME	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Attorneys (SCABU)	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Police (SPEU)	1.50% / 1.50%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Battalion Chiefs (IAFF)*	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Fire (IAFF)*	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Non-represented	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – PCEA (9-1-1)*	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
<i>Note: Italicized text represents a rate outside a current labor contract.</i>					
<i>*In final year of union contract.</i>					
Other Personal Services Costs	Annual Percentage Change in Benefits Projections				
PPO Medical (effective Dec 1, each fiscal year)	4.00%	6.00%	6.00%	6.00%	6.00%
Kaiser Medical (effective Dec 1, each fiscal year)	-2.00%	6.00%	6.00%	6.00%	6.00%
Dental (effective Dec 1, each fiscal year)	-5.00% - 0.00%	0.00% - 3.00%	0.00% - 3.00%	0.00% - 3.00%	0.00% - 3.00%
Vision (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Workers' compensation	9.56%	5.00%	5.00%	5.00%	5.00%
Life insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Disability insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
	PERS Rates on Eligible Earnings				
Retirement-Employer – Tier 1 and 2	24.21%	27.21%	27.21%	27.71%	27.71%
Retirement-Employer – OPSRP General	17.40%	20.40%	20.40%	20.90%	20.90%
Retirement-Employer – OPSRP Police and Fire	21.76%	24.76%	24.76%	25.26%	25.26%

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Materials and Services	% Increase	% Increase	% Increase	% Increase	% Increase
General inflation factor	3.00%	2.50%	2.00%	2.00%	2.00%
Gasoline / Diesel	38.00%	5.00%	5.00%	5.00%	5.00%
Internal charges	Varies by department, overall 4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%	4.00% - 6.00%
Liability insurance	5.00%	5.00 %	5.00 %	5.00 %	5.00 %
Motor pool (Fleet Services)	Varies by department, overall 9.64%	4.00 %	6.00 %	4.00 %	6.00 %
Radio communications	Varies by department, overall 4.00%	4.00%	4.00%	4.00%	4.00%
9-1-1 services*	4.70%	4.70%	4.70%	4.70%	4.70%

General Fund Revenues Assumptions Table

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	%	%	%	%	%
	Increase	Increase	Increase	Increase	Increase
Current year property tax	3.74 %	4.10 %	4.10 %	4.10 %	4.10 %
Electric franchise	-1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
Telecommunications franchise	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Natural gas franchise*	0.50 %	0.50 %	0.00 %	0.00 %	0.00 %
Cable franchise	0.00%	0.00%	0.00%	0.00%	0.00%
Refuse (solid waste) franchise	2.00 %	4.00 %	3.00 %	3.00 %	3.00 %
Fees for service	3.90 %	2.90 %	2.90 %	2.50 %	2.50 %
Planning, site, dwelling review fees	3.50 %	3.00 %	3.00 %	2.50 %	2.50 %
Other fees	3.50 %	1.50 %	1.50 %	2.10 %	2.10 %
Licenses, permits	3.10 %	1.70 %	1.70 %	1.70 %	1.70 %
Rents (parking, building)**	75.90 %	-9.20 %	11.60%	-9.14%	11.60%
Indirect cost allocation (ICAP)	6.00 %	4.00 %	6.00 %	4.00 %	6.00 %
Other internal charges	4.00 %	6.00 %	4.00 %	6.00 %	4.00 %
State shared revenue***	3.30 %	3.30 %	3.30 %	3.30 %	3.30 %
Other agencies	-8.56 %	-0.90%	-3.40%	2.50%	3.10%
Grants****	-97.10 %	-2.70 %	0.00 %	0.00 %	0.00 %
Fines, penalties	2.30 %	8.20 %	0.80 %	2.70 %	0.80 %

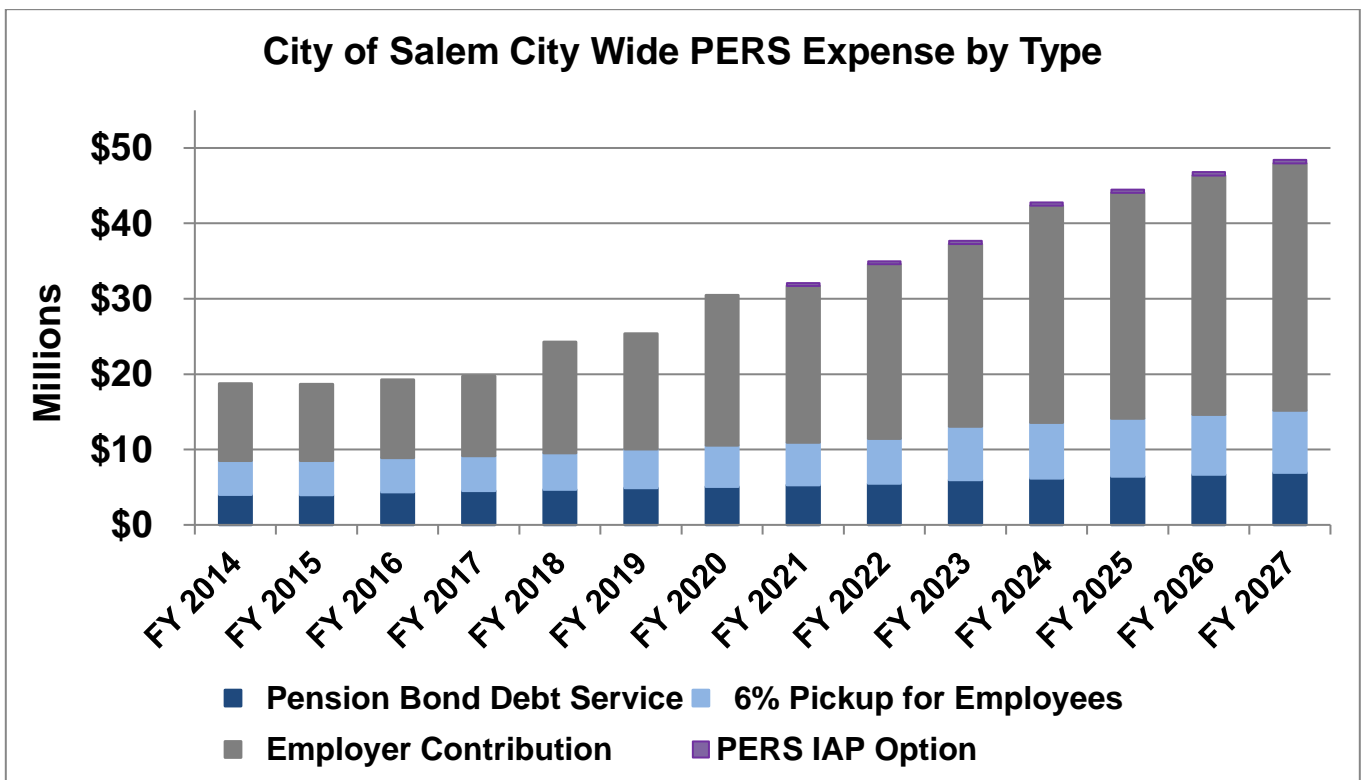
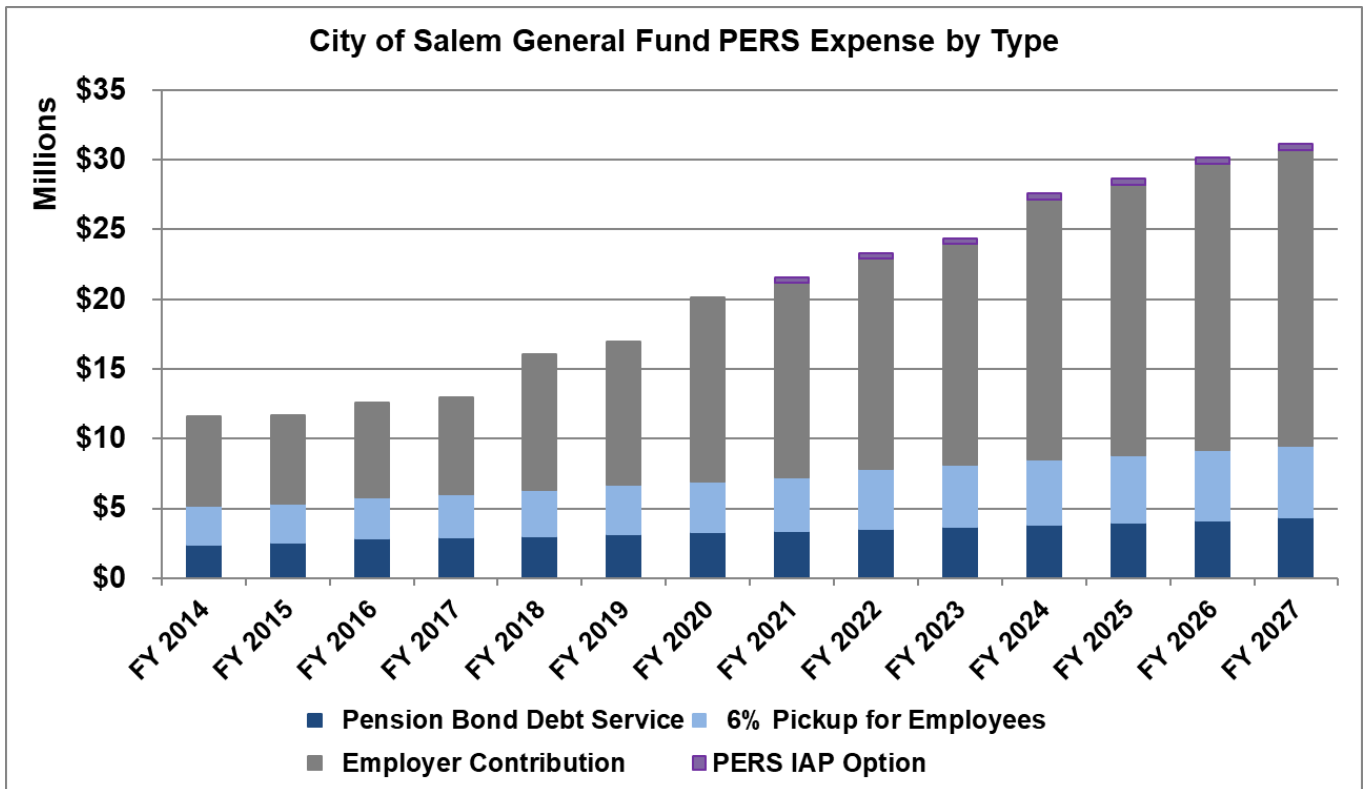
FY 2023 escalators or de-escalators for specific accounts are calculated against the FY 2022 estimates for year-end revenue totals by type. Factors for categories represent an average increase for the entire category. Large increases in rates represent recovery of revenue from COVID-19 losses, unless otherwise noted.

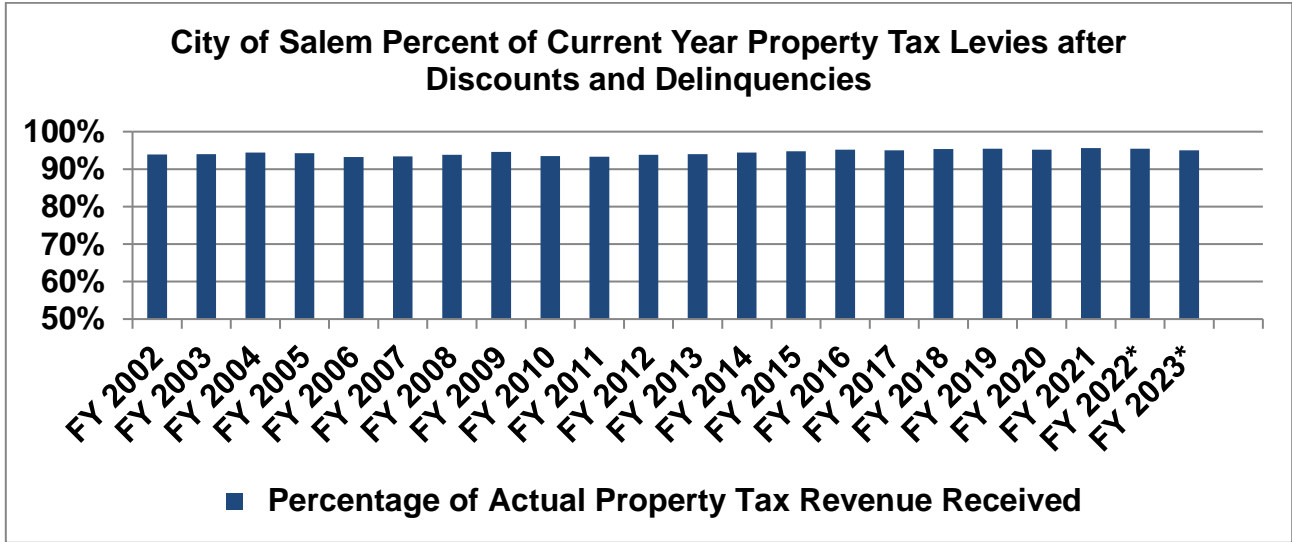
*Decreasing, then flattening natural gas franchise revenues relate to a current request from Northwest Natural Gas to the Public Utility Commission for a lowering of rates.

**Increasing, assuming a return to normal parking practices. Then the pattern of escalation and de-escalation for rent revenues reflects the impact of biennial full legislative sessions.

***The passage of measure 110 limits state shared revenue derived from Marijuana sales.

****Large reduction in factor for FY 2023 due to receipt of ARPA funding in FY 2022.





**Table 2 - Historic Changes in Property Tax Levies
Since the Passage of Measure 50**

Fiscal Year	Levy	Increase	Actual	Increase
FY 2002	36,754,990	-	34,517,563	-
FY 2003	38,815,890	5.6%	36,495,536	5.7%
FY 2004	40,564,780	4.5%	38,309,011	5.0%
FY 2005	42,316,782	4.3%	39,880,157	4.1%
FY 2006	44,234,818	4.5%	41,238,540	3.4%
FY 2007	46,747,259	5.7%	43,661,990	5.9%
FY 2008	49,708,758	6.3%	46,619,613	6.8%
FY 2009	51,979,085	4.6%	49,177,277	5.5%
FY 2010	53,837,888	3.6%	50,330,937	2.3%
FY 2011	55,258,868	2.6%	51,547,855	2.4%
FY 2012	56,259,395	1.8%	52,765,171	2.4%
FY 2013	56,224,933	-0.1%	52,860,672	0.2%
FY 2014	57,476,027	2.2%	54,281,270	2.7%
FY 2015	60,123,315	4.6%	56,987,431	5.0%
FY 2016	62,877,738	4.6%	59,874,938	5.1%
FY 2017	65,808,335	4.7%	62,526,467	4.4%
FY 2018	67,942,307	3.2%	64,772,793	3.6%
FY 2019	70,553,597	3.8%	67,345,574	4.0%
FY 2020	73,298,536	3.9%	69,793,377	3.6%
FY 2021	76,574,086	4.5%	73,208,446	4.9%
FY 2022*	79,793,872	4.2%	76,163,251	9.1%
FY 2023*	83,620,318	4.8%	79,439,302	8.5%

* Projected

City of Salem Residential Properties where Real Market Value is equal to Assessed Value

