

# A G E N D A



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

DATE:	Monday, December 10, 2018	STAFF LIAISON:
TIME:	5:30 PM	Kelley Jacobs, Budget Officer
CHAIRPERSON:	Raquel Moore-Green	503-588-6049
		<a href="mailto:kjacobs@cityofsalem.net">kjacobs@cityofsalem.net</a>
PLACE:	Salem City Hall	Kali Leinenbach, Mgmt Analyst
	Council Chambers	503-588-6231
	555 Liberty Street SE	<a href="mailto:kleinenbach@cityofsalem.net">kleinenbach@cityofsalem.net</a>

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1. OPENING EXERCISES – Chairperson Raquel Moore-Green
2. PUBLIC TESTIMONY
  - a. Comment on agenda items other than public hearings and deliberations
3. MINUTES
  - a. Minutes from May 9, 2018 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 2018 Q4 Financial Report for the City of Salem
  - b. FY 2018 Q4 Financial Report for the Urban Renewal Agency
  - c. FY 2019 Q1 Financial Report for the City of Salem
  - d. FY 2019 Q1 Financial Report for the Urban Renewal Agency
  - e. Priority Based Budgeting Implementation Update
  - f. Sustainable Services Revenue Task Force Update
  - g. FY 2020 – FY 2024 Five-Year Forecast
6. PUBLIC HEARINGS  
None
7. SPECIAL ORDERS OF BUSINESS
  - a. Presentation of Five-Year Forecasts – General Fund, Transportation Services Fund, Utility Fund, and Willamette Valley Communications Center Fund (forecast document provided at member desks on December 10)
    - Presentation by Budget Officer Kelley Jacobs
    - 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 Wednesday, April 24, 2019 at 6:00 pm in the City Council Chambers, 555 Liberty Street SE, Room 240 for presentation of the City Manager's proposed FY 2020 budget.*

*Budget staff is available for your convenience to discuss the budget document and process. Please call the staff listed above or 503-588-6231 if you have any questions.*

The City of Salem budget information can be accessed on the internet at: [www.cityofsalem.net/budget](http://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](mailto:kleinenbach@cityofsalem.net) at least 2 business days before this meeting. TTD/TTY telephone (503) 588-6439 is also available 24/7.

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# MINUTES

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



DATE:	Wednesday, May 9, 2018	STAFF LIAISON:	
TIME:	6:00 PM	Kelley Jacobs, Budget Officer	
CHAIRPERSON:	Raquel Moore-Green	503•588•6049	
		<a href="mailto:kjacobs@cityofsalem.net">kjacobs@cityofsalem.net</a>	
PLACE:	Salem City Hall	Ryan Zink, Budget Analyst	
	Council Chambers	503•588•6258	
	555 Liberty Street SE	<a href="mailto:rzink@cityofsalem.net">rzink@cityofsalem.net</a>	

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1. OPENING EXERCISES – Chairperson Raquel Moore-Green called the meeting to order at 6:05 p.m.

Members present – Bennett, Kaser, Andersen, Nanke, McCoid, Hoy, Lewis, Nordyke, Tigan, Moore-Green, Bassett, Judy, Hazlett, and Milton

Members absent – Ausec, Cook, Mingo, and Bergmann

**Motion:** Move to reorder the agenda to move the presentation by Deputy City Manager Kacey Duncan from item 7.d. to item 7.b.

Motion by: Member Bennett  
Seconded by: Member Nanke

**Action:** Motion passes

Vote:  
Aye: Unanimous  
Nay:  
Abstentions:

2. PUBLIC TESTIMONY
  - a. Comment on agenda items other than public hearings and deliberations
3. MINUTES
  - a. Minutes from May 2, 2018 City of Salem and Urban Renewal Agency Budget Committee Meeting

Comments or questions by: Member Hazlett

**Motion:** Move to approve the meeting minutes as amended from the May 2, 2018 City of Salem Budget Committee and Urban Renewal Agency Budget Committee Meeting.

Motion by: Member Nanke  
Seconded by: Member McCoid

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

4. ACTION ITEMS

- a. Errata Sheet 6 – General Fund Working Capital and Revenue (an additions agenda item)

**Motion:** Move to approve staff recommendation in Errata Sheet 6.

Motion by: Member McCoid  
Seconded by: Member Nanke

Comments or questions by: Members Nanke and Judy

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

5. INFORMATION ITEMS

- a. Summary of Budget Committee Actions Through May 2, 2018  
b. Correspondence from Jim Schepke regarding Library fees  
c. Correspondence from Craig Evans and Michael Evans regarding emergency preparedness in West Salem (an additions agenda item)  
d. Correspondence from Susan Watkins regarding funding for sidewalk replacement and the State Street Corridor (an additions agenda item)

6. PUBLIC HEARINGS

None

7. SPECIAL ORDERS OF BUSINESS

- a. Service Area Budget Review – Good Governance
- Overview by Deputy City Manager Kacey Duncan
  - Questions of staff and committee discussion

Questions or comments by: Members Bennett, Andersen, and McCoid

b. Committee Discussion

Presentation by Deputy City Manager Kacey Duncan

- Opportunity for the Budget Committee to discuss any issues or concerns regarding agenda items or items not on the agenda

Questions or comments by: Members Bennett, Nanke, Andersen, McCoid, Bassett, Hazlett, Tigan, Kaser, Nordyke, Judy, and Milton

**Motion:** Move to add to the FY 2019 proposed budget \$50,000 of funding in the Transportation Services Fund to install speed humps on the Winter-Maple Greenway.

Motion by: Member Kaser  
Seconded by: Member Andersen

Comments or questions by: Members Kaser, Bennett, Andersen, Milton, Nanke, and McCoid

**Action:** Motion fails

Vote:  
Aye: 7  
Nay: 8  
Abstentions:

**Motion:** Move to direct the City Manager to prepare recommendations for City Council consideration to create a revenue task force to explore new or additional revenue sources and review potential fee adjustments to close the gap between cost of service and available revenues to support those services.

Motion by: Member Bennett  
Seconded by: Member Judy

Comments or questions by: Members Bennett, Nanke, and Tigan

**Action:** Motion passes

Vote:  
Aye: Unanimous  
Nay:  
Abstentions:

Comments or questions by: Members Tigan, McCoid, Andersen, Nanke, Moore-Green, Hoy, Bassett, Kaser, Nordyke, and Lewis

c. Approve FY 2019 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 \$16,264,030.
  - o Discussion and review
  - o Motion to approve City of Salem FY 2019 ad valorem property taxes

**Motion:** Move to approve the City of Salem FY 2019 ad valorem property taxes

Motion by: Member Andersen  
 Seconded by: Member McCoid

Comments or questions by: Members Hazlett, Nanke, and Andersen

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

- d. Recommend FY 2019 City of Salem Budget  
 Staff Report: Recommend FY 2019 City of Salem Budget

- o Discussion and review
- o Motion to approve final recommendation of FY 2019 City of Salem Budget

**Motion:** Move to approve the City of Salem FY 2019 Budget as amended this evening

Motion by: Member Nordyke  
 Seconded by: Member McCoid

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

- e. Approve FY 2019 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 Fund Areas as follows:

	<u>Division of Taxes</u>	<u>Special Levy</u>	<u>Estimated Total</u>
1. Riverfront Downtown	100%	Remainder	\$7,213,260
2. North Gateway	100%	\$0	3,231,010
3. West Salem	100%	\$0	1,550,660
4. Mill Creek Industrial Park	100%	\$0	890,430
5. McGilchrist	100%	\$0	848,850
6. South Waterfront	100%	\$0	<u>315,570</u>
Estimated Total:			<u>\$14,049,780</u>

- o Discussion and review
- o Motion to approve Salem Urban Renewal Agency FY 2019 ad valorem property taxes

**Motion:** Move to approve the FY 2019 Urban Renewal Agency ad valorem property taxes

Motion by: Member McCoid  
 Seconded by: Member Hoy

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

f. Recommend FY 2019 Salem Urban Renewal Agency Budget  
 Staff Report: Recommend FY 2019 Salem Urban Renewal Agency Budget

- o Discussion and review
- o Motion to approve final recommendation of FY 2019 Salem Urban Renewal Agency Budget

**Motion:** Move to approve the final recommendation of the Urban Renewal Agency FY 2019 Budget

Motion by: Member McCoid  
 Seconded by: Member Kaser

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

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 meeting was adjourned at 7:55 p.m.

Respectfully Submitted,

Kali Leinenbach

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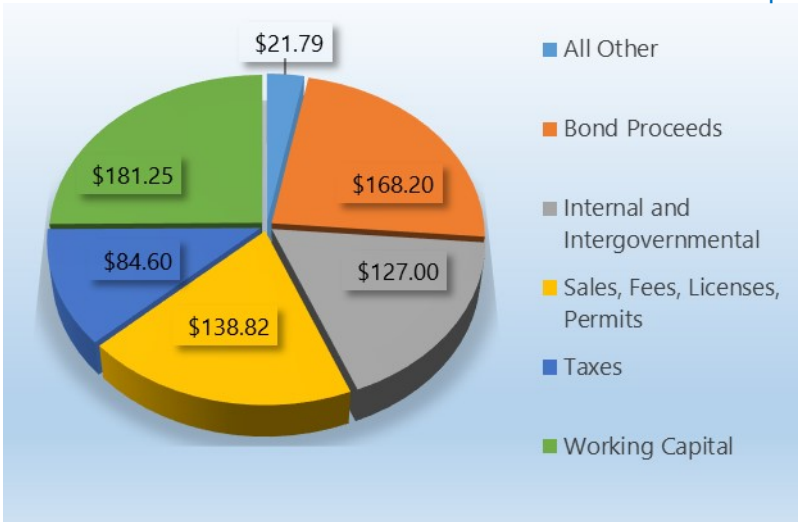
# CITY OF SALEM FINANCIAL SUMMARY

YEAR END / FY 2018

This financial summary provides FY 2018 year-end results. 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 2018 activity.

## Citywide Results—All Funds

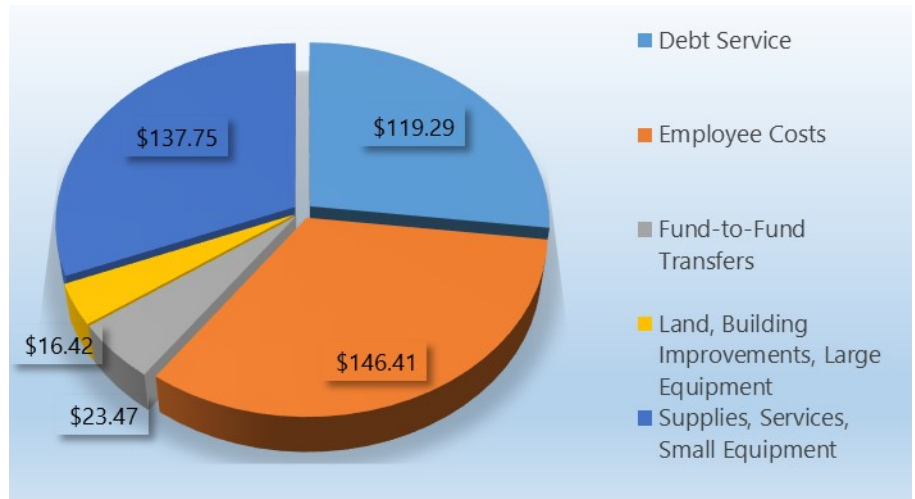
### Total Resources of \$721.65 Million



This view of Citywide resources reveals the prominence of *Working Capital*—or cash-on-hand—at 25 percent of all resources. *Bond Proceeds* have a disproportionate share, which includes an approximate \$65 million refinancing for the Utility, \$61.80 million for police station construction, and \$18.60 million for the library upgrade. *Taxes* include property tax for General Fund operations and levied 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,

All chart and graph values displayed in millions

### Total Expenditures of \$443.32 Million



On the expenditure side, *Debt Service*, with its relationship to bond proceeds, is disproportionately large from the refinancing of Utility revenue bonds. By contrast, debt service in the prior year was \$43.76 million. Everything associated with the cost of more than 1100 full-time equivalent employees—wages, overtime, insurances, and retirement benefits—is included in *Employee Costs*. The category of *Supplies, Services, Small Equipment* includes \$81.37 million of the total in just three of the City's 22 funds—Capital Improvements, Self Insurance, and Utility.

### Fund Quick Reference

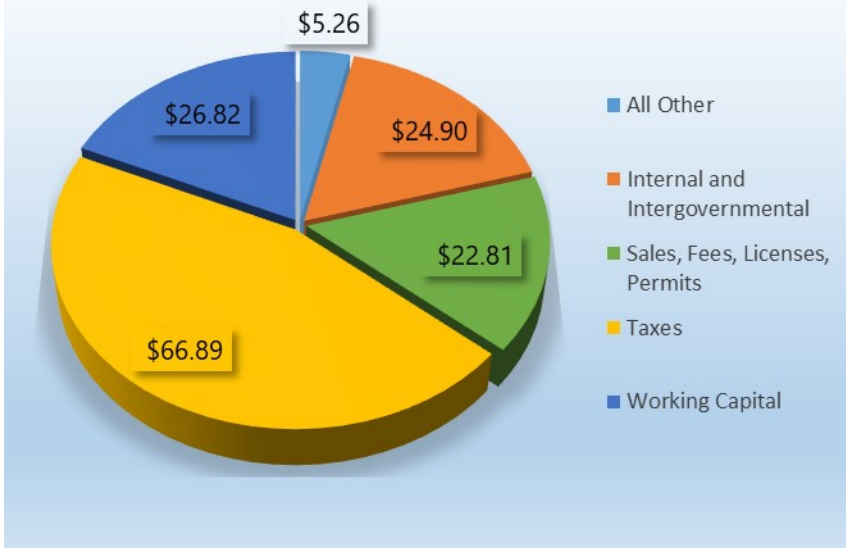
The "ticker" at the bottom of each page provides a quick view of resources and expenditures through FY 2018 year end. Each fund display includes an "EWC," which represents the ending working capital as of the period ending June 30, 2018. The color of each EWC represents its status

as compared to the beginning of the fiscal year. **Green** signifies working capital that has grown or remained constant, while **blue** is used to signify working capital that has decreased.

General Fund - YE		Transportation Fund - YE		Streetlight Fund - YE	
Resources	\$146,680,792	Resources	\$ 18,760,723	Resources	\$ 2,094,029
Expenses	121,656,383	Expenses	14,838,507	Expenses	1,368,931
EWC	\$ 25,024,409	EWC	\$ 3,922,216	EWC	\$ 725,098

# General Fund Results

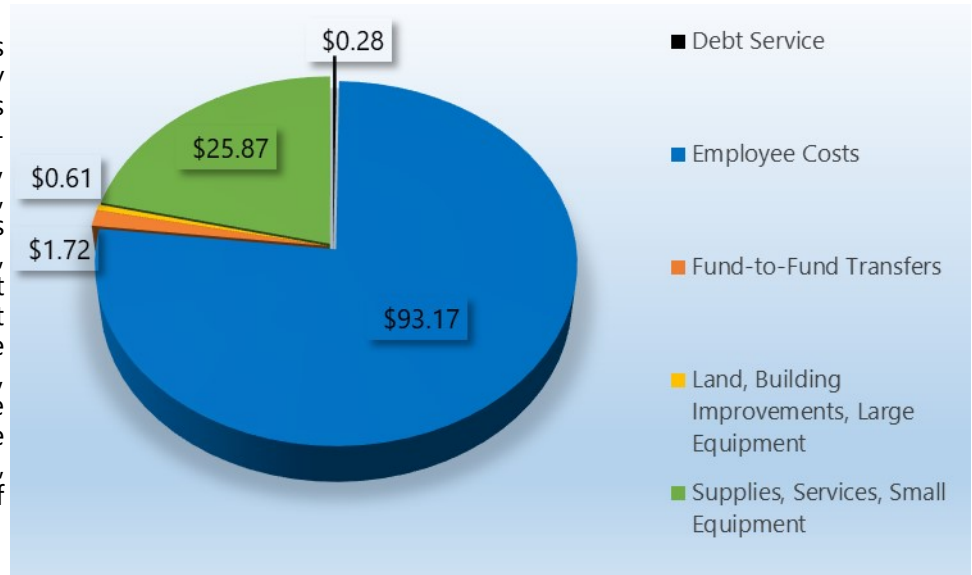
## Total Resources of \$146.68 Million



Total resources for FY 2018 in the General Fund equal \$146.68 million, representing \$26.82 million working capital and \$119.86 million in new revenues. Property taxes provide \$66.13 million in the category, *Taxes*, with the remaining \$758,250 from the City's sales tax on marijuana. *Sales, Fees, Licenses, Permits* includes over \$18 million in franchise fees, \$731,580 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—Legal, Human Resources, Finance, and Information Technology—provide \$14.44 million of the \$24.90 million for the *Internal and Intergovernmental* category. Revenues shared by the State of Oregon add another \$6.27 million. *All Other* revenues include \$2.89 million in fines and penalties and \$1.54 million in parking rents.

## Total General Fund Expenditures of \$121.66 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 \$121.66 million, representing a 5.3 percent increase over FY 2017. To offset the imbalance of expenditures over revenues, approximately \$1.8 million of working capital was used to balance.



**Future Outlook:** The use of working capital in the General Fund to balance ongoing expenses is illustrative of the issues defined in the City Council's strategic goal of *Sustainable Services Delivery*. Initiatives for this goal include redesigning the City's budget process; defining the desired level of City services and the associated costs; evaluating new, additional revenue sources; and exploring new ways to provide the services our community seeks, create partnerships, and improve efficiencies. To help fulfill the direction of Council, City staff are implementing the best practice, Priority Based Budgeting (PBB). The purpose of PBB is to identify what the City is in the business of doing and ensuring resources are allocated to the highest and best use to support the results of Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy; and Welcoming and Livable Community.

### Fund Quick Reference

	Airport Fund - YE	Comm. Renewal Fund - YE	Parking Fund - YE	Cultural/Tourism Fund - YE
Resources	\$ 2,122,189	\$ 2,224,504	\$ 1,749,847	\$ 4,502,767
Expenses	985,470	1,732,623	1,441,662	3,713,371
EWC	\$ 1,136,719	\$ 491,881	\$ 308,185	\$ 789,396

# General Fund Revenues —Year End FY 2018 and History (in millions)

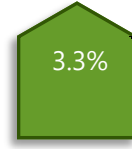
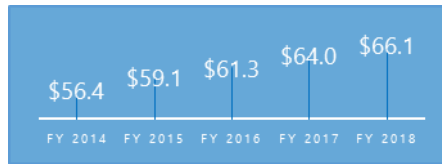
## Resource Type

## 5-Year Trend, FY 2014-FY 2018

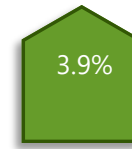
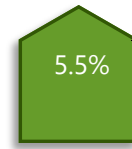
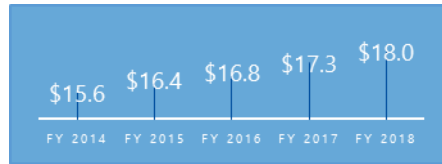
## Actual to Budget

## Year-over-Year

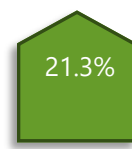
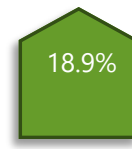
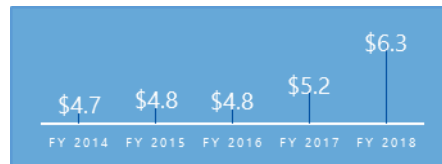
**Property Tax**—In FY 2018, this revenue source continued to achieve the 3% statutory increase. However, assessed valuation did not increase commensurate with budget estimates. The year-over-year increase was \$2.1 million or 3.3%.



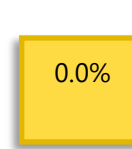
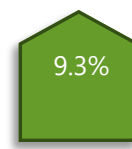
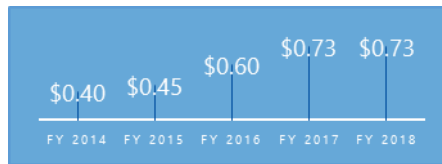
**Franchise Fees**—The impact of increases for refuse hauler fees, ongoing growth in telecomm receipts, and gains in electric and water / wastewater / stormwater utility receipts added \$677,692 or 3.9% year-over-year for City franchises.



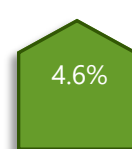
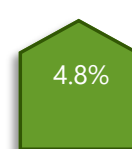
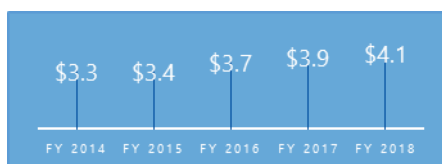
**State Shared Revenues**—Marijuana shared revenues of more than \$917,000 fueled a year-over-year increase of 21.3% in this category. Marijuana receipts included current year activity plus 18 months of prior activity paid in arrears.



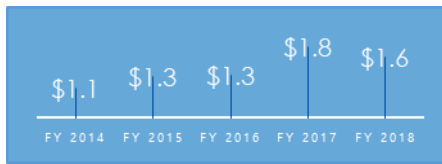
**Planning-Related Fees**—No year-over-year change occurred with the three fees in this grouping—planning, site plan review, and dwelling plan review.



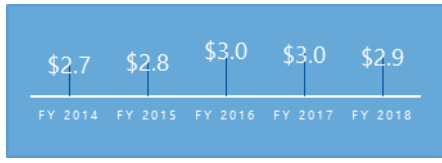
**Other Fees**—User charges for fire protection, code enforcement, softball, parks reservations, fire safety permits, apartment licensing, and sign permits supported increased receipts of \$178,174 or 4.6% more than FY 2017.



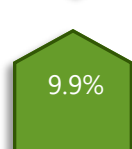
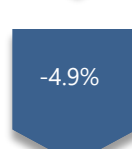
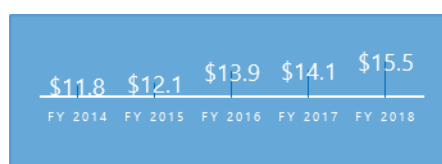
**Rents**—the lack of a full legislative session has a significant impact on the City's parking-related revenues. The year-over-year decrease of 10.4% represents receipts lowered by more than \$187,000.



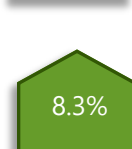
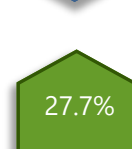
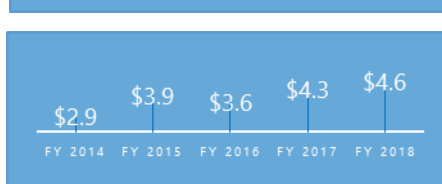
**Fines**—With court fines declining by more than \$200,000 in FY 2018, the category of fines realized an overall decrease of \$72,207 or 2.4% — similar to the percentage decrease experienced in FY 2017 for this revenue category.



**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 almost 10%.



**Other Agencies, Grants, All Other Revenue**—Year-over-year gains resulting from marijuana sales tax receipts, City proceeds from the sale of state-owned property in the Mill Creek Urban Renewal Area, reimbursement for state conflagrations, and interest earnings combined for a \$354,857 increase.



## Fund Quick Reference

	Public Art Fund - YE	Leasehold Fund - YE	Building/Safety Fund - YE	General Debt Fund - YE
Resources	\$ 61,155	\$ 1,235,860	\$ 12,004,715	\$ 19,374,911
Expenses	27,914	588,450	4,314,852	18,451,224
EWC	\$ 33,242	\$ 647,411	\$ 7,689,863	\$ 923,686

# General Fund Expenditures by Department

<i>Expenditures FY 2018 Year End</i>	<i>Actual to Budget</i>	<i>Year-over- Year (YOY)</i>	<i>Expenditures FY 2018 Year End</i>	<i>Actual to Budget</i>	<i>Year-over- Year (YOY)</i>
Budget, Finance, and Purchasing—\$3.64M Personal Services, \$3.19M Materials / Services, \$0.45M	94.1%	8.1%	Mayor and Council—\$0.18M Materials / Services, \$0.18M	80.0%	-16.0%
City Manager's Office—\$1.34M Personal Services, \$1.19M Materials / Services, \$0.15M	96.7%	17.8%	Municipal Court—\$1.81M Personal Services, \$1.26M Materials / Services, \$0.56M	91.8%	6.3%
Community Development—\$3.74M Personal Services, \$3.30M Materials / Services, \$0.44M Interfund Transfer, \$5,000	84.5%	2.3%	Parks—\$7.13M Personal Services, \$3.75M Materials / Services, \$3.31M Capital Outlay, \$0.06M	100.9%	3.3%
Facilities Services—\$4.11M Personal Services, \$2.53M Materials / Services, \$1.59M	98.2%	7.0%	Police—\$42.60M Personal Services, \$34.25M Materials / Services, \$7.97M Capital Outlay, \$0.38M	98.7%	8.2%
Fire—\$30.52M Personal Services, \$26.31M Materials / Services, \$4.18M Capital Outlay, \$0.04M	97.6%	4.5%	Recreation and Center 50+—\$2.20M Personal Services, \$1.42M Materials / Services, \$0.77M Interfund Transfers, \$7,500	96.7%	9.9%
Human Resources—\$1.39M Personal Services, \$1.20M Materials / Services, \$0.19M	88.2%	13.0%	Urban Development—\$4.29M Personal Services, \$2.85M Materials / Services, \$1.31M Interfund Transfers, \$0.14M	82.2%	0.5%
Info Technology—\$7.16M Personal Services, \$6.02M Materials / Services, \$1.00M Capital Outlay, \$0.14M	89.2%	5.8%	Non Departmental—\$4.75M Personal Services, \$0.08M Materials / Services, \$2.84M Debt Service, \$0.28M Interfund Transfers, \$1.55M	58.9%	-6.5%
Legal—\$2.18M Personal Services, \$2.04M Materials / Services, \$0.14M	95.1%	8.2%	General Fund Total—\$121.66M Personal Services, \$93.17M Materials / Services, \$25.87M Capital Outlay, \$0.61M Debt Service, \$0.28M Interfund Transfers, \$1.72M	93.6%	5.3%
Library—\$4.60M Personal Services, \$3.78M Materials / Services, \$0.80M Interfund Transfers, \$0.02M	92.7%	-3.8%			

## Fund Quick Reference

	Capital Improve. Fund - YE	Extra Capacity Fund - YE	Dev. District Fund - YE	Utility Fund - YE
Resources	\$162,998,710	\$ 31,110,354	\$ 3,506,086	\$212,871,069
Expenses	44,791,476	7,182,416	330,161	166,618,513
EWC	\$118,207,234	\$ 23,927,938	\$ 3,175,925	\$ 46,252,556

# Other City Funds—Expenditures Year End FY 2018

Expenditures FY 2018 Year End	Actual to Budget	Year-over- Year (YOY)	Fund Resources 5-Year Trend, FY 2014-FY 2018												
<b>Airport—\$0.99M</b> Personal Services, \$0.48M Materials / Services, \$0.04M Debt Service / Interfund Transfers, \$0.02M	50.5%	-19.0%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$1.9</td><td>\$1.7</td><td>\$1.9</td><td>\$2.1</td><td>\$2.1</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$1.9	\$1.7	\$1.9	\$2.1	\$2.1
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$1.9	\$1.7	\$1.9	\$2.1	\$2.1										
<b>Building and Safety—\$4.31M</b> Personal Services, \$2.69M Materials / Services, \$1.05M Interfund Transfers, \$0.58M	86.0%	3.6%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$7.6</td><td>\$7.9</td><td>\$8.8</td><td>\$10.3</td><td>\$12.0</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$7.6	\$7.9	\$8.8	\$10.3	\$12.0
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$7.6	\$7.9	\$8.8	\$10.3	\$12.0										
<b>Capital Improvements—\$44.79M</b> Materials / Services, \$21.44M Capital Outlay, \$7.58M Debt Service, \$14.93M Interfund Transfers, \$0.84M	52.0%	27.8%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$72.3</td><td>\$75.2</td><td>\$71.7</td><td>\$70.4</td><td>\$163.0</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$72.3	\$75.2	\$71.7	\$70.4	\$163.0
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$72.3	\$75.2	\$71.7	\$70.4	\$163.0										
<b>City Services—\$10.38M</b> Personal Services, \$2.40M Materials / Services, \$6.42M Capital Outlay, \$0.055M Interfund Transfers, \$1.50M	76.5%	0.7%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$25.4</td><td>\$21.8</td><td>\$14.6</td><td>\$16.4</td><td>\$17.0</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$25.4	\$21.8	\$14.6	\$16.4	\$17.0
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$25.4	\$21.8	\$14.6	\$16.4	\$17.0										
<b>Community Renewal—\$1.73M</b> Materials / Services, \$1.73M	48.3%	-29.1%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$3.7</td><td>\$4.5</td><td>\$4.0</td><td>\$2.7</td><td>\$2.2</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$3.7	\$4.5	\$4.0	\$2.7	\$2.2
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$3.7	\$4.5	\$4.0	\$2.7	\$2.2										
<b>Cultural and Tourism—\$3.71M</b> Materials / Services, \$2.24M Interfund Transfers, \$1.48M	88.8%	-20.9%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$3.7</td><td>\$4.5</td><td>\$4.9</td><td>\$5.2</td><td>\$4.5</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$3.7	\$4.5	\$4.9	\$5.2	\$4.5
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$3.7	\$4.5	\$4.9	\$5.2	\$4.5										
<b>Debt Service—\$18.45M</b> Debt Service, \$18.45M	99.4%	4.9%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$14.0</td><td>\$15.2</td><td>\$16.5</td><td>\$18.2</td><td>\$19.4</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$14.0	\$15.2	\$16.5	\$18.2	\$19.4
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$14.0	\$15.2	\$16.5	\$18.2	\$19.4										
<b>Development District—\$0.33M</b> Materials / Services, \$0.33M	9.7%	12.0%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$1.6</td><td>\$1.6</td><td>\$1.8</td><td>\$2.4</td><td>\$3.5</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$1.6	\$1.6	\$1.8	\$2.4	\$3.5
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$1.6	\$1.6	\$1.8	\$2.4	\$3.5										
<b>Downtown Parking—\$1.44M</b> Materials / Services, \$1.14M Interfund Transfers, \$0.30M	77.2%	-15.3%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$2.0</td><td>\$2.4</td><td>\$2.0</td><td>\$2.4</td><td>\$1.7</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$2.0	\$2.4	\$2.0	\$2.4	\$1.7
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$2.0	\$2.4	\$2.0	\$2.4	\$1.7										
<b>Emergency Medical Services—\$0.60M</b> Personal Services, \$0.39M Materials / Services, \$0.21M	83.1%	-12.3%	<table border="1"> <tr><th>Fiscal Year</th><td>FY2014A</td><td>FY2015A</td><td>FY2016A</td><td>FY2017A</td><td>FY2018A</td></tr> <tr><th>Resources</th><td>\$3.4</td><td>\$3.6</td><td>\$3.4</td><td>\$3.5</td><td>\$3.8</td></tr> </table>	Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A	Resources	\$3.4	\$3.6	\$3.4	\$3.5	\$3.8
Fiscal Year	FY2014A	FY2015A	FY2016A	FY2017A	FY2018A										
Resources	\$3.4	\$3.6	\$3.4	\$3.5	\$3.8										

## Fund Quick Reference

	Emergency Svcs. Fund - YE	WVCC Fund - YE	PRRMS Fund - YE	City Services Fund - YE
Resources	\$ 3,793,286	\$ 11,582,331	\$ 1,830,410	\$ 16,988,632
Expenses	601,154	10,215,802	595,390	10,377,444
EWC	\$ 3,192,131	\$ 1,366,529	\$ 1,235,020	\$ 6,611,187

# Other City Funds—Expenditures Year End FY 2018

Expenditures FY 2018 Year End	Actual to Budget	Year-over- Year (YOY)	Fund Resources 5-Year Trend, FY 2014-FY 2018
<b>Equip. Replacement Reserve—\$3.58M</b> Materials / Services, \$0.02M Capital Outlay, \$3.40M Interfund Transfers, \$0.16M	35.8%	20.8%	
<b>Leasehold—\$0.59M</b> Materials / Services, \$0.39M Interfund Transfers, \$0.20M	48.2%	14.2%	
<b>Police Regional Records—\$0.60M</b> Materials / Services, \$0.36M Capital Outlay, \$0.24M	32.5%	128.5%	
<b>Public Art—\$0.03M</b> Materials / Services, \$0.03M	47.5%	43.4%	
<b>System Develop. Charge—\$7.18M</b> Materials / Services, \$4.06M Capital Outlay, \$2.97M Interfund Transfers, \$0.16M	25.6%	64.2%	
<b>Self Insurance—\$27.62M</b> Personal Services, \$0.81M Materials / Services, \$26.81M	65.0%	7.5%	
<b>Streetlight—\$1.37M</b> Materials / Services, \$0.89M Debt Service, \$0.23M Interfund Transfers, \$0.25M	66.4%	-38.1%	
<b>Transportation Svcs—\$14.84M</b> Personal Services, \$5.37M Materials / Services, \$8.68M Capital Outlay \$0.33M Interfund Transfers, \$0.46M	92.6%	7.3%	
<b>Utility—\$166.62M</b> Personal Services, \$32.52M Materials / Services, \$33.14M Capital Outlay \$1.17M Debt Service, \$85.35M Interfund Transfers, \$14.44M	149%	63.1%	
<b>WVCC—\$10.22M</b> Personal Services, \$8.62M Materials / Services, \$1.57M Capital Outlay, \$0.03M	93.2%	3.3%	

## Fund Quick Reference

Self Insurance Fund - YE		Equip. Reserve Fund - YE		Trust Fund - YE	
Resources	\$ 45,235,741	Resources	\$ 11,326,596	Resources	\$ 9,598,192
Expenses	27,621,828	Expenses	3,575,515	Expenses	2,303,333
EWC	\$ 17,613,913	EWC	\$ 7,751,081	EWC	\$ 7,294,859

The City's trust funds hold donations and other revenues benefitting Police, Fire, Salem Public Library, parks, Center 50+, Minto Island restoration, and various neighborhood enhancement efforts.



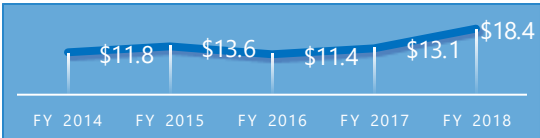
# URBAN RENEWAL AGENCY FINANCIAL SUMMARY—YEAR END FY 2018

## Capital Improvements Fund *(values in millions)*

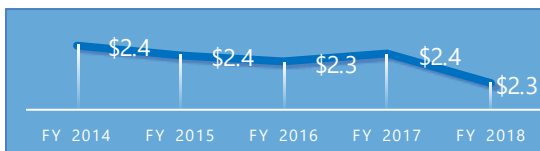
### Resources—5 Year Trend

FY 2014 through FY 2018

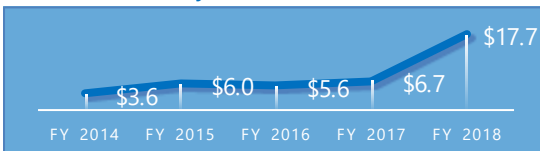
#### Riverfront Downtown



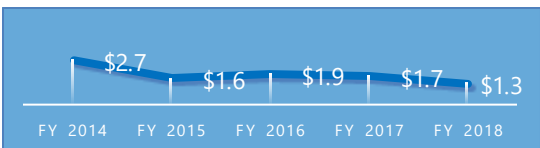
#### Fairview Industrial



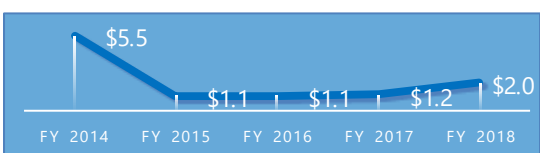
#### North Gateway



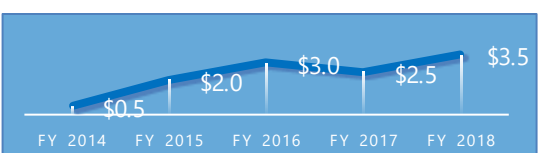
#### West Salem



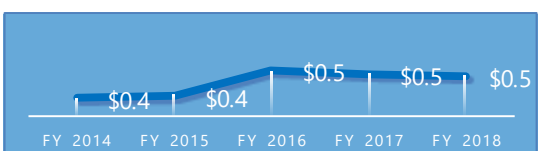
#### Mill Creek



#### McGilchrist

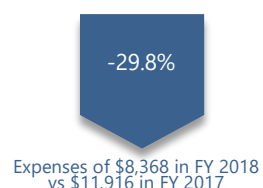
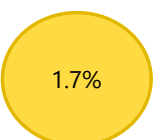
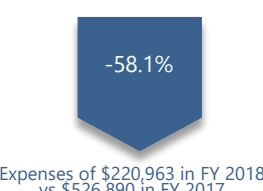
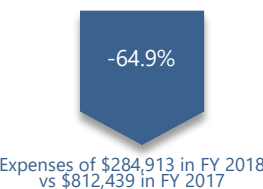
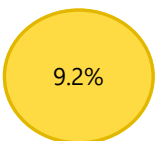
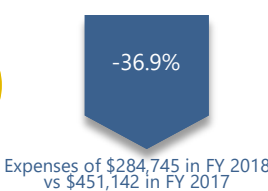
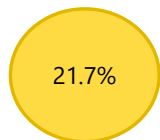
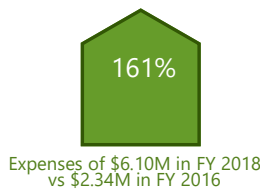
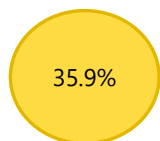
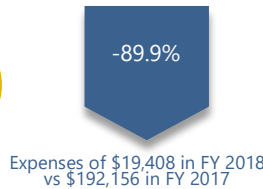
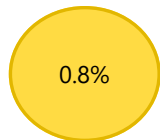
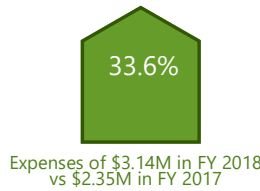
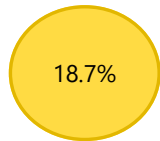


#### South Waterfront



### Expenditures

Actual to Budget Year-over-Year



Financial data for Salem's seven active urban renewal areas is included with this summary report. While the Fairview Urban Renewal Area (URA) has funding available to accomplish projects, tax increment is no longer collected. Of Salem's URAs, only Riverfront Downtown imposes a special levy.

Year-to-year expenditure variances as illustrated on this page generally relate to the timing and completion of projects within the URA.

This report also includes summary financial information for the Salem Convention Center.

### FY 2018 By the Numbers

#### Fund 220—Debt

Total Resources—\$31.69M  
 Total Expenditures—\$23.99M

#### Fund 265—Capital Improvements

Total Resources—\$45.71M  
 Total Expenditures—\$10.06M

#### Fund 345—Convention Center

Total Resources—\$5.54M  
 Total Expenditures—\$4.72M

#### Fund 428—Convention Center Gain / Loss Reserve

Total Resources—\$5.15M  
 Total Expenditures—\$276,090

### Serving the Community

The Urban Renewal Agency funded \$5.43 million in grants and loans to help businesses locate and expand in the City's North Gateway, Riverfront Downtown, and West Salem urban renewal areas.

Urban Renewal Agency funds during FY 2018 supported more than \$3.10 million in transportation system and streetscape improvements including \$2.4 million along Portland Road in the North Gateway URA.

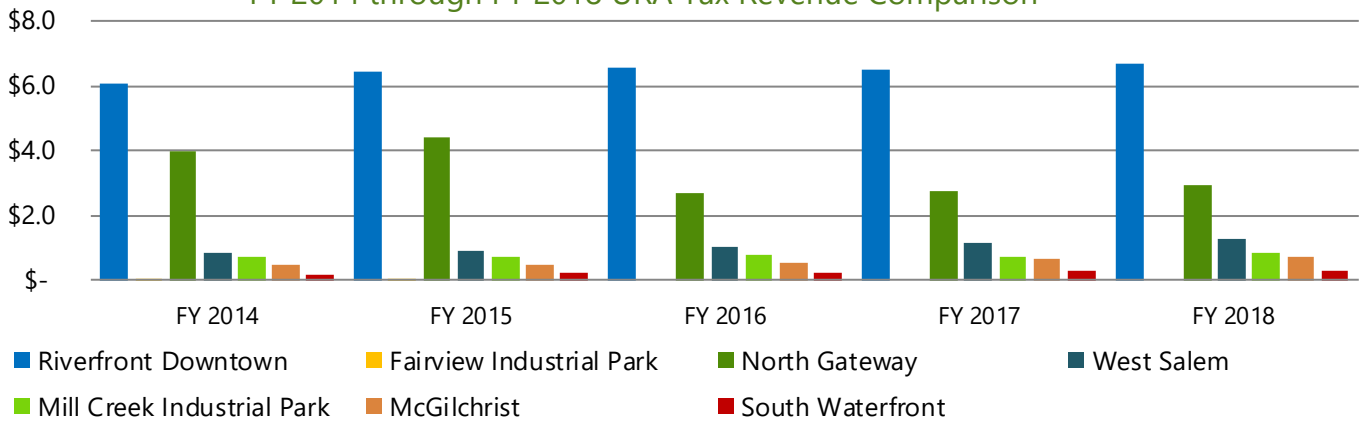
## STATUS AT A GLANCE

Urban Renewal Area Status	Riverfront		North		South		
	Downtown	Fairview	Gateway	West Salem	Mill Creek	McGilchrist	Waterfront
Maximum Tax Collected	✓		✓	✓	✓	✓	✓
Special Levy Imposed	✓						
Ceased Tax Levy		✓					
Long Term Debt	✓				✓		
Short Term Debt FY 2018	✓		✓		✓	✓	
Debt Retirement	2024	2014	2015	2018			

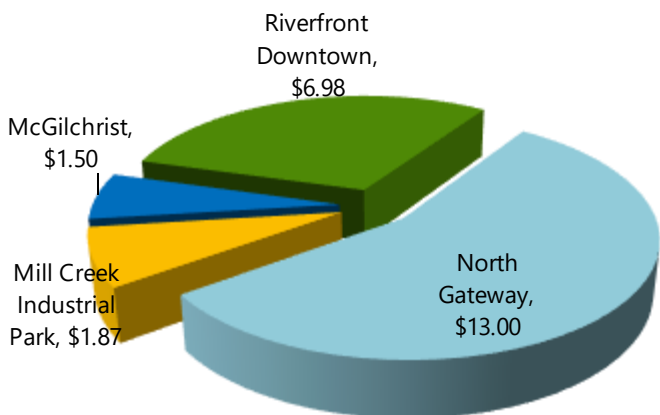
The Tax Allocation (Capital) Improvement Fund, with financial data appearing on page 1 of this summary, provides for the use of proceeds from bonds or short-term loans to fund a variety of improvement projects to spur redevelopment in an urban renewal area. A second Urban Renewal Agency Fund, the Tax Allocation Bond Debt Fund, provides for the receipt of tax increment revenue, which is derived from an increase in property values during the life of an urban renewal area. The tax increment revenue is used to repay the debt that supports the urban renewal area's redevelopment projects. And to collect the tax increment, the urban renewal area must have debt.

The graphics below provide a five year history of tax increment collections in Salem's urban renewal areas and the debt repayment for FY 2018.

### FY 2014 through FY 2018 URA Tax Revenue Comparison



### FY 2018 URA Debt Service Payments *In Millions*



### Salem Convention Center (SCC) and Gain / Loss Reserve

Resources through FY 2018 for the SCC Fund were \$5.54 million with expenditures of \$4.72 million for convention services and food and beverage sales and the annual transfer to the Gain / Loss Reserve.

The annual transfer to the reserve from Convention Center program income has grown significantly over the past several years. In FY 2014, the transfer was \$274,831. By contrast, the supplement to the reserve in FY 2018 equaled \$683,727, an increase of 148.8 percent.

The Gain / Loss Reserve opened the fiscal year with beginning working capital in excess of the reserve target at \$4.4 million. With revenues of \$750,958 and SCC project expenses of \$276,090 funded by the reserve, working capital increased by almost \$475,000 by year end.

FY 2018 debt payments for the Salem Urban Renewal Agency totaled \$23.37 million. Of this amount, approximately \$870,660 was used for repayment of long-term indebtedness.

The balance of debt service was paid on short-term borrowings in the four URAs represented in the above chart—Riverfront Downtown, McGilchrist, Mill Creek, and North Gateway. Short-term borrowings create the required indebtedness allowing tax increment revenue to be available for improvement projects.



# CITY OF SALEM FINANCIAL SUMMARY

## Through Q1 / FY 2019

The summary of FY 2019 first quarter (Q1) 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 2019.

### GENERAL FUND

### BY THE NUMBERS Resources

Resources	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual
Property Tax	\$ 68,863,040	\$ 1,554,947	2.3%	528.8%
Franchise Fees	18,436,350	1,297,480	7.0%	8.5%
Internal Charges	16,788,770	4,203,335	25.0%	5.3%
Other Taxes	723,630	571,370	79.0%	0.0%
State Shared	5,931,000	599,148	10.1%	44.3%
Fees, Permits	5,372,350	924,069	17.2%	-12.4%
All Others	8,264,540	1,417,295	17.1%	-17.1%
Beginning Working Capital	25,879,730	25,024,409	96.7%	-6.7%
<b>TOTAL RESOURCES</b>	<b>\$ 150,259,410</b>	<b>\$ 35,592,054</b>	<b>23.7%</b>	<b>0.4%</b>

First quarter receipts are typically low. Current year *Property Tax* has not been collected. The year-over-year increase primarily relates to the payment of taxes paid in arrears by Comcast. Other sources, like *Franchise Fees* and *State Shared Revenues* lag until year end. The category, *Other Taxes*, is local marijuana sales tax receipts.

*Beginning Working Capital*—the funding available at the start of the fiscal year—equals almost 70.3 percent of total resources through Q1, and is 6.7 percent less than FY 2018.

Expenditures by Department	Budget	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual
City Manager's Office	\$ 1,547,650	\$ 307,487	19.9%	6.6%
Budget, Finance, Purchasing	3,822,710	782,307	20.5%	-2.7%
Community Development	4,789,950	951,457	19.9%	16.2%
Facilities Services	4,305,090	1,061,807	24.7%	17.5%
Fire	34,355,010	7,494,313	21.8%	1.9%
Human Resources	1,505,150	324,998	21.6%	21.1%
Information Technology	8,611,500	1,696,238	19.7%	3.3%
Legal	2,337,860	495,262	21.2%	-0.9%
Library	5,031,120	1,134,068	22.5%	15.3%
Mayor and Council	234,440	34,828	14.9%	9.6%
Municipal Court	2,048,930	361,579	17.6%	-11.9%
Non Departmental	8,427,780	1,274,337	15.1%	7.2%
Parks	6,901,780	1,535,291	22.2%	-16.9%
Police	44,840,570	9,857,094	22.0%	4.6%
Recreation Services	2,378,130	644,195	27.1%	1.9%
Urban Development	5,152,030	1,033,615	20.1%	24.1%
<b>TOTAL EXPENDITURES</b>	<b>\$ 136,289,700</b>	<b>\$ 28,988,877</b>	<b>21.3%</b>	<b>3.8%</b>

Year-to-year decreases of 12.4 percent for *Fees, Permits* reflect fluctuations in planning related fees and fire safety permits; code enforcement fees, and sign permits. The year-over-year decrease to the category, *All Others*, represents lowered state reimbursement revenue. In FY 2018, the City received a \$359,670 payment for the sale of property in the Mill Creek Industrial Park.

*Internal Charges* include the support services charges—, reimbursements for labor and overhead from other funds, and fund-to-fund transfers. The 5.3 percent gain is partially due to the 2.9 percent year-over-year increase in the overall budget for this revenue category and the 5.0 percent increase for budgeted transfers and interfund transfers, which are received in regular intervals.

### BY THE NUMBERS Expenditures

With 25 percent of the fiscal year complete, including 6 payroll periods (representing 23 percent of periods for the year), expenditures are trending as anticipated. The 3.8 percent year-over-year increase in total 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 timing of materials and services expenses.

# OTHER FUNDS—FY 2018, Q1

## BY THE NUMBERS

	RESOURCES			EXPENDITURES		
	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual
Transportation Services	6,535,191	36.0%	-19.0%	4,562,180	25.7%	18.6%
Streetlight	1,162,394	43.9%	67.1%	189,487	10.0%	-30.7%
Airport	1,573,631	69.2%	18.1%	243,263	10.7%	30.6%
Community Renewal	645,515	12.9%	23.5%	90,749	1.8%	-67.6%
Downtown Parking	773,335	53.0%	-34.2%	244,628	16.8%	-31.3%
Cultural and Tourism	1,755,889	34.2%	21.5%	715,377	15.3%	-43.4%
Public Art	51,443	65.1%	8.7%	730	0.9%	-54.3%
Parking Leasehold	770,573	57.4%	-11.9%	127,258	9.5%	79.2%
Building and Safety	8,806,296	70.8%	10.8%	1,698,059	31.3%	55.5%
General Debt	2,484,268	11.6%	32.3%	-	0.0%	0.0%
Capital Improvements	125,505,990	74.5%	214.0%	6,032,655	3.6%	65.6%
Extra Capacity Facilities	28,879,761	87.9%	32.7%	1,167,264	3.6%	142.9%
Development Districts	3,763,034	53.3%	15.0%	267	0.0%	-99.7%
Utility	70,359,648	45.9%	-2.4%	20,243,316	17.4%	12.0%
Emergency Services	3,592,783	94.6%	17.4%	197,232	22.5%	28.0%
WVCC*	4,120,505	33.7%	8.3%	2,373,693	20.7%	1.5%
Police Regional Records	1,339,935	82.4%	-12.5%	73,609	5.3%	35.1%
City Services	9,069,639	56.5%	8.4%	2,487,162	21.9%	34.3%
Self Insurance	24,877,416	57.4%	7.7%	7,326,871	16.9%	11.3%
Equipment Replacement	9,450,229	88.0%	24.6%	432,274	4.1%	-23.7%
Trust and Agency	7,666,157	83.0%	-5.2%	99,572	3.7%	-45.2%

\*Willamette Valley Communication Center

## Resources

Beginning working capital accounts for \$253.3 million or 80.9 percent of the \$313.2 million total resources reported in the above table for all other City funds. To begin FY 2019, actual working capital exceeded the budget by \$1.27 million or 0.5 percent. At the first quarter mark in the fiscal year, total resources equal 59.2 percent of the amount anticipated in the FY 2019 budget for this grouping of funds.

## Expenditures

The eight yellow-highlighted funds include employees and the direct costs associated with their employment. The eight funds have a total of 512.30 full-time equivalent (FTE) authorized positions, approximately 41.4 percent of the total FTE count for the City in the FY 2019 budget. The General Fund supports the remaining 724.0 FTE positions. Of the \$48.3 million in total actual expense through September 30 documented in the above table, \$12.7 million or 26.3 percent is personal services expense.

Materials and services purchases for supplies, equipment, and services equal \$27.1 million or 56.1 percent of total expenses. Three funds—the Utility Fund, Self Insurance Fund, and Capital Improvements Fund—account for \$19.9 million—or 73.4 percent—of the total.

Urban Renewal  
 Agency of the

CITY OF SALEM

Summary through Q1 / FY 2019

This "By the Numbers" summary of FY 2018-19 (FY 2019) activity for the period ending September 30, 2018 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 2019 results are greater.

Debt Service Fund Resources and Expenditures	RESOURCES			EXPENDITURES			Resources For Urban Renewal areas with a negative number in the Resources column, which compares FY 2019 data with the same period in the prior year, the cause is lowered working capital. This is not a concerning result as funding is intended to be made available to be spent on projects.
	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual	
Riverfront Downtown	\$ 1,654,362	19.0%	-29.8%	\$ -	0.0%	0.0%	
Fairview	-	0.0%	0.0%	-	0.0%	0.0%	
North Gateway	1,289,085	29.3%	-88.4%	-	0.0%	0.0%	
West Salem	2,660,816	63.9%	101.6%	-	0.0%	0.0%	
Mill Creek	1,343,554	60.5%	-43.1%	-	0.0%	0.0%	
McGilchrist	449,739	35.4%	-62.1%	-	0.0%	0.0%	
South Waterfront	729,065	70.2%	66.1%	-	0.0%	0.0%	
<b>TOTAL FOR FUND</b>	<b>\$ 8,126,622</b>	<b>37.3%</b>	<b>-56.6%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>	

Capital Improvements Fund Resources and Expenditures	RESOURCES			EXPENDITURES			Expenditures For this same period in FY 2018, project expenses were \$1.19M or three times less than current year expenses in the URA Capital Improvements Fund.
	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual	Actual through Sept 30	As a Percent of Budget	Difference FY 2019 to FY 2018 Actual	
Riverfront Downtown	\$15,362,457	65.6%	41.1%	\$ 2,124,851	9.1%	390.7%	
Fairview	2,274,003	100.2%	4.1%	3,727	0.2%	-0.3%	
North Gateway	11,666,346	72.8%	152.6%	3,476,902	21.7%	544.2%	
West Salem	1,027,617	22.7%	-20.6%	14,197	0.3%	-83.2%	
Mill Creek	2,414,359	57.0%	353.2%	113,683	2.7%	26.2%	
McGilchrist	3,299,928	37.4%	65.9%	106,374	1.2%	180.9%	
South Waterfront	483,452	39.2%	-0.2%	460	0.0%	-79.6%	
<b>TOTAL FOR FUND</b>	<b>\$36,528,162</b>	<b>60.3%</b>	<b>66.1%</b>	<b>\$ 5,840,194</b>	<b>9.6%</b>	<b>390.3%</b>	

Salem Convention Center Fund and  
 Convention Center Gain / Loss Reserve

Resources for the Salem Convention Center Fund include working capital of \$817,953 and revenues from food sales and equipment and room rentals of \$293,586 for a total of \$1,111,539. Through the period, \$418,500 has been posted as the cost of providing convention services.

The Convention Center Gain / Loss Reserve\* initiated the fiscal year with beginning working capital of \$4.87 million. Interest postings through the quarter added \$20,404. Expenses of \$10,066 were incurred through September 30 for a study to potentially expand the convention center and LEED recertification.

\*A reserve established to cover any operational losses—none have occurred since opening the convention center—and / or for capital improvements (e.g., expanded kitchen).

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

Expenses in the Capital Improvements Fund included \$1.5M in the Riverfront Downtown URA for property acquisition; \$1.5M for Fisher Road improvements and \$1.07M for streetscape in the North Gateway URA; and \$110,682 supporting road improvement design for 12th Street in the McGilchrist URA.

TO: Budget Committee Members  
FROM: Steve Powers, City Manager  
SUBJECT: Priority Based Budgeting Implementation

**ISSUE:**

To provide the Budget Committee with an update on the City's implementation of Priority Based Budgeting.

**RECOMMENDATION:**

Information only.

**SUMMARY AND BACKGROUND:**

In the 2018 policy agenda, City Council directed staff to achieve progress on the *Sustainable Services Delivery* goal area initiatives. The initiatives include redesigning the budget process; defining the desired level of City services and the associated costs; evaluating new, additional revenue sources; and exploring new ways to provide the services our community seeks, create partnerships, and improve efficiencies.

City staff are endeavoring to fulfill City Council direction through implementation of the ICMA- and GFOA-identified, best practice of Priority Based Budgeting. The purpose of Priority Based Budgeting is to identify what the City is in the business of doing and ensuring resources are allocated to the highest and best use. The City's inventory of programs and services are viewed through the lens of six broadly-framed outcomes or results for the community – Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy; and Welcoming and Livable Community.

**FACTS AND FINDINGS:**

**First-Year Implementation**

The City completed the first year implementation for Priority Based Budgeting.

Components of the implementation included:

- Program inventory development;
- Program cost allocation;
- Department scoring of program influence on result areas and alignment with basic program attributes;
- Peer reviewers (32 City staff in teams) scoring of all City programs – influence on result areas and alignment with basic program attributes; and

- Final reviewers (3 department heads, 3 peer reviewers) evaluating programs with a downward shift of one or two quartiles comparing peer reviewer scores with department scores.

### What Went Well

The team at the Center for Priority Based Budgeting (CPBB) and ResourceX offers guidance and assistance through webinars, training videos, regular conference call check-ins, and by simply being available to respond to questions as they arise during implementation. The CPBB team also includes former city managers and analysts, who have experienced Priority Based Budgeting as end users. The City's first experience included the following outcomes:

- The City's budget database perfectly supported the work of allocating costs to programs.
- Departments were largely objective in scoring programs. Only 11 programs for the entire City experienced a two quartile downward shift comparing peer reviewer scores with department scores.
- The peer review process functioned very well. Teams were thoughtful, consistent, and equitable.
- Every City program now has an initial assessment of how well it aligns with the City's result areas as currently defined and to the series of basic program attributes – cost recovery, demand, mandate, population served, and reliance.

### Proposed Improvements for Next Year

The City has consistently framed its planned implementation of Priority Based Budgeting as an iterative process. This approach aligns with the implementation experiences for other jurisdictions as well. Over the next several months, the budget team will expand outreach to City leadership, analysts, program scorers, and peer reviewers to further develop the next phase of implementation. With the City's initial experience, the budget team documented several potential improvements, including:

- The process of program scoring and peer review feedback revealed to departments some programs that could potentially be aggregated or disaggregated in the future.
- It may be necessary to review result area definitions for phrasing that could cause unintended program exclusions. As an example, creating a connection between the Library and the result area descriptions and definitions posed some challenges.
- The Priority Based Budgeting basic program attributes are very broadly defined. There is an opportunity to evaluate each of the five attributes for clarity and enhance definitions to be more meaningful while maintaining the prescribed scoring ranges for attributes.
- Data is an important element for scoring the basic program attributes and was absent in some cases. Measuring performance presents opportunities for improvement.

## How to Best Utilize the First-Year Implementation

As novice users of the Priority Based Budgeting tools, the data from the first-year implementation may have the most utility as an internal aid for departments to evaluate program effectiveness. It was clear from the City's initial experience that identification of key performance indicators – data points that effectively demonstrate influence on a result area or progress toward an outcome – are an emergent need as the City evolves its Priority Based Budgeting practices. The budget team recommends the outcome of the first-year implementation be utilized as follows:

- How a program aligns with the series of basic program attributes is very informative from a management perspective. As an example, if a program is not mandated, demand is flat or declining, and costs are only partially recovered, a management discussion should occur regarding the relative value of the program. Discussion / evaluation prompted by program alignment with results and attributes within each department is an expected outcome of the City's first year of Priority Based Budgeting experience.
- Refining the City's application of Priority Based Budgeting to achieve its full potential with multiple steps of mastery has always been viewed as iterative, at a minimum over two years. Purposefully evaluating the first year for potential improvements in how a significant change in practice is implemented / managed should be an expected outcome for any long-term, process-shifting endeavor.
- Again, data, or the lack of data, presents challenges for a fully realized Priority Based Budgeting approach. Effort needs to be focused over the next 12 months on identifying data needs.

TO: Budget Committee Members  
FROM: Steve Powers, City Manager  
SUBJECT: Sustainable Services Revenue Task Force Update

ISSUE:  
To provide the Budget Committee with an update on the Sustainable Services Revenue Task Force.

RECOMMENDATION:  
Information only.

SUMMARY AND BACKGROUND:  
At the adoption of the FY 2019 budget, the City Council unanimously approved the creation of a sustainable services revenue task force to explore new and additional sources of revenue to sustain current City services, as well as recent investments toward achieving community priorities identified in the strategic plan.

The Council-appointed, Sustainable Services Revenue Task Force members include Mayor Bennett, Councilors Ausec and McCoid, City Budget Committee Chair Raquel Moore-Green, and ten members of the community representing the City's result areas of Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy; and Welcoming and Livable Community.

FACTS AND FINDINGS:  
On November 28, 2018, after reviewing more than a dozen revenue options over several public meetings, the task force recommended three new sources for consideration by the City Council. The task force recommendation included advice to consider phasing or timing one or more of the following revenue options: an operating fee, an employee-paid payroll tax, and a local gas tax. While a local gas tax is required to be submitted to voters, the task force also recommended the two other options be referred.

The staff reports related to the three revenue options from the task force's final meeting are attached as reference.

A full report of the task force's recommendation will be presented to the City Council in January 2019.

Attachments: 1) Operating Fee; 2) Employee-Paid Payroll Tax; and 3) Local Gas Tax

**TO:** SUSTAINABLE SERVICES REVENUE TASK FORCE  
**FROM:** STEVE POWERS, CITY MANAGER  
**SUBJECT:** CITY OPERATING FEE

**ISSUE:**

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a City operating fee?

**SUMMARY AND BACKGROUND:**

At the November 7, 2018, meeting, the task force discussed the details of a potential City operating fee. While there are many different ways to allocate a fee, staff presented an allocation method based on the City's current streetlight fee. After discussion, the task force asked staff to return with additional scenarios, focusing on multi-family per unit rates, as well as state offices, which reside in the commercial and public building customer classes. The following examples represent three methods to generate approximately \$6 million dollars in net revenue.

*Example Allocation Methodology 1*

Table 1 details the methodology provided at the November 7, 2018, task force meeting. Under this scenario, multi-family customers would pay a fee based on the number of units within a range: 2-4 units would pay \$9.20 per month in total, 5-25 units would pay \$34.10 per month in total, and customers with over 25 units would pay \$59.00 per month in total. Commercial and public building classifications would pay \$44.25 per month.

**Table 1: Allocation Method 1 (multi-family unit range)**

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$9.20	\$110.40	\$4,386,413	71.6%
Multi-Family Units <5	1,259	2.9%	\$9.20	\$110.40	\$138,994	2.3%
Multi-Family Units 5-25	393	0.9%	\$34.10	\$409.20	\$160,816	2.6%
Multi-Family Units >25	177	0.4%	\$59.00	\$708.00	\$125,316	2.0%
Irrigation	23	0.1%	\$9.20	\$110.40	\$2,539	0.0%
Small Commercial	70	0.2%	\$9.20	\$110.40	\$7,728	0.1%
Commercial	2,360	5.3%	\$44.25	\$531.00	\$1,253,160	20.4%
Industrial	12	0.0%	\$44.25	\$531.00	\$6,372	0.1%
Institutional	8	0.0%	\$44.25	\$531.00	\$4,248	0.1%
Public Building	81	0.2%	\$44.25	\$531.00	\$43,011	0.7%
<b>Total</b>	<b>44,115</b>				<b>\$6,128,596</b>	



*Example Allocation Methodology 2*

Table 2 details a different methodology that shifts a portion of the allocation from residential to multi-family through a per unit charge, lowering the residential fee amount from \$9.20 to \$6.15 per month, and increasing multi-family customers accordingly. In this example, per unit multi-family monthly fees would be equal to the residential rate of \$6.15 per month.

In addition to the multi-family per unit methodology change, the four classifications of commercial through public building were increased from \$44.25 to \$50.00 per month, which generates an additional \$169,809 annually from those classifications.

**Table 2: Allocation Method 2 (residential rate applied to multi-family based on unit count)**

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$6.15	\$73.80	\$2,932,222	47.8%
Multi-Family (Per Unit)	23,951	4.1%	\$6.15	\$73.80	\$1,767,584	28.8%
Irrigation	23	0.1%	\$6.15	\$73.80	\$1,697	0.0%
Small Commercial	70	0.2%	\$6.15	\$73.80	\$5,166	0.1%
Commercial	2,360	5.3%	\$50.00	\$600.00	\$1,416,000	23.1%
Industrial	12	0.0%	\$50.00	\$600.00	\$7,200	0.1%
Institutional	8	0.0%	\$50.00	\$600.00	\$4,800	0.1%
Public Building	81	0.2%	\$50.00	\$600.00	\$48,600	0.8%
<b>Total</b>	<b>66,237</b>				<b>\$6,183,269</b>	

*Example Allocation Methodology 3*

Table 3 demonstrates a similar methodology, but lowers the multi-family fee to one half of the residential fee. This method shifts a portion of the allocation back to residential, resulting in a monthly fee of \$7.60, and provides a monthly per unit multi-family fee of \$3.80. As an example, this methodology would result in the City's 924 duplexes paying the same rate as the \$7.60 residential rate.

**Table 3: Allocation Method 3 (1/2 residential rate applied to multi-family based on unit count)**

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$7.60	\$91.20	\$3,623,558	59.1%
Multi-Family (Per Unit)	23,951	4.1%	\$3.80	\$45.60	\$1,092,166	17.8%
Irrigation	23	0.1%	\$7.60	\$91.20	\$2,098	0.0%
Small Commercial	70	0.2%	\$7.60	\$91.20	\$6,384	0.1%
Commercial	2,360	5.3%	\$50.00	\$600.00	\$1,416,000	23.1%
Industrial	12	0.0%	\$50.00	\$600.00	\$7,200	0.1%
Institutional	8	0.0%	\$50.00	\$600.00	\$4,800	0.1%
Public Building	81	0.2%	\$50.00	\$600.00	\$48,600	0.8%
<b>Total</b>	<b>66,237</b>				<b>\$6,200,806</b>	

Table 4 compares the three example allocation methods, along with the corresponding monthly fee ranges.

**Table 4: Comparison of Allocation Methodologies (\$6 Million Revenue Target)**

Monthly Allocation Expense Comparison	Allocation Method 1	Allocation Method 2 (Res. Rate per Unit)	Allocation Method 3 (1/2 Res. Rate per Unit)
Residential	\$9.20	\$6.15	\$7.60
Multi-Family Units <5	\$9.20	\$12.30 to \$24.60	\$7.60 to \$15.20
Multi-Family Units 5-25	\$34.10	\$30.75 to \$153.75	\$19.00 to \$95.00
Multi-Family Units >25	\$59.00	\$159.90 to \$1,377.60	\$98.80 to \$851.20
Irrigation	\$9.20	\$6.15	\$7.60
Small Commercial	\$9.20	\$6.15	\$7.60
Commercial	\$44.25	\$50.00	\$50.00
Industrial	\$44.25	\$50.00	\$50.00
Institutional	\$44.25	\$50.00	\$50.00
Public Building	\$44.25	\$50.00	\$50.00

A detailed comparison of the impact of the three allocation methodologies on multi-family customers is presented in Attachment 1.

Due to the variability of forecasting, this report includes multiple examples of revenue options to generate a minimum of \$6 million dollars per year, while also demonstrating what would be needed to generate a higher amount. Table 5 compares the same three allocation methods, but with the rates needed to generate \$8 million in revenue.

**Table 5: Comparison of Allocation Methodologies (\$8 Million Revenue Target)**

Monthly Allocation Expense Comparison	Allocation Method 1	Allocation Method 2 (Res. Rate per Unit)	Allocation Method 3 (1/2 Res. Rate per Unit)
Residential	\$11.40	\$7.80	\$9.60
Multi-Family Units <5	\$11.40	\$15.60 to \$31.20	\$9.60 to \$19.20
Multi-Family Units 5-25	\$42.25	\$39.00 to \$195.00	\$24.00 to \$120.00
Multi-Family Units >25	\$73.11	\$202.80 to \$1,747.20	\$124.80 to \$1,075.20
Irrigation	\$11.40	\$7.80	\$9.60
Small Commercial	\$11.40	\$7.80	\$9.60
Commercial	\$75.00	\$75.00	\$75.00
Industrial	\$75.00	\$75.00	\$75.00
Institutional	\$75.00	\$75.00	\$75.00
Public Building	\$75.00	\$75.00	\$75.00

## OTHER CONSIDERATIONS

As discussed at the previous task force meeting, there are efficiencies that are gained by using the existing City utility bill to collect a fee. However, there are also limitations regarding the commercial, industrial, institutional, and public building classifications. The small commercial classification was created as part of the streetlight fee implementation to provide a lower streetlight fee to smaller commercial accounts, identified by stormwater impervious surface data (less than 3,000 sqft. of impervious surface).

The additional classifications, including public buildings, were allocated a set rate due to the complexity of the data. Since the City does not have additional relevant data, including employee count or type of business, it is difficult to differentiate the classes. While the use of meter size or impervious surface was also considered, neither method creates a sufficient nexus to support their use as part of the methodology.

Affordability and equity are other topics discussed by the task force. Under any of the approaches discussed above, considerations could be made to provide some method of fee relief for low income residents. Options could include credits or exemptions for providers of affordable housing, or an application process where income factors could be considered. Depending on the desired credit amounts and level of participation, the fee structure may need to be revised to generate a similar level of total net revenue.

## **RECOMMENDATION:**

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a City operating fee to generate a minimum of \$6 million dollars to help sustain current service levels in the General Fund.

Attachment 1: Sample Multi-Family Unit Allocations Based on Size of Complex

**TO:** SUSTAINABLE SERVICES REVENUE TASK FORCE  
**FROM:** STEVE POWERS, CITY MANAGER  
**SUBJECT:** CITY PAYROLL TAX

**ISSUE:**

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a City payroll tax?

**SUMMARY AND BACKGROUND:**

At the November 7, 2018 meeting, the task force discussed the details of a potential City payroll tax. After discussion, the task force asked staff to return with additional information, including options that address equity and affordability.

A payroll tax can be implemented in two different ways. An *employer-paid* payroll tax is utilized by Tri-Met in the Portland Metropolitan area and the Lane County Transit District. This method is a tax that is assessed on the employer, based on employee wages, and paid to the taxing jurisdiction by the employer. An *employee-paid* payroll tax is paid by the employee through payroll wage withholding, and submitted to the taxing jurisdiction by the employer on the employee’s behalf. Both methods result in a progressive tax methodology, which would be based on a percentage of an employee’s individual gross wages.

As discussed at the November 7, 2018 task force meeting, Salem specific wage data is difficult to isolate, as the Oregon Employment Department aggregates the data at the county level within the Salem Metropolitan Statistical Area (MSA), which includes Marion and Polk counties. Table 1 uses 2012 US Census data as a way to provide a Salem estimate.

**Table 1: Estimated wages for the Salem MSA**

Estimated Wage Income	2012 Data	2017 Data
Salem MSA <i>OR Empl. Dept (Marion and Polk Counties)</i>	\$5,540,131,375	\$7,547,078,422
Salem Estimate* <i>2012 US Census Data (NAICS)</i>	\$2,457,862,000	\$3,348,237,796
<i>Allocation Percentage</i>	<i>0.4436</i>	<i>0.4436</i>

\* Salem 2017 wages are estimated by comparing the 2012 Salem MSA data to the 2012 Salem specific NAICS data, and allocating a similar percentage to the 2017 Salem MSA data.

While the previous table provides an estimate for Salem wages, it is important to note that more analysis will be needed if the task force recommends moving a payroll tax forward for City Council’s consideration. Staff has had conversations with the Department of Revenue regarding wage data and potential administrative costs, but additional work will be needed. Those continuing conversations may result in tax rates that differ from the examples provided in this report.

**EMPLOYEE PAYROLL TAX RATE OF 0.2%**

Based on estimated Salem wages, a tax rate of 0.2% (two tenths of one percent) would generate approximately \$6.7 million in revenue. Table 2 details the impact to wage earners based on sample income amounts.

**Table 2: Tax Impact on sample annual wage rates**

Sample Gross Wage Amount	Tax Percentage	Monthly Tax	Annual Tax
\$10,000	0.20%	\$1.67	\$20.00
\$25,000	0.20%	\$4.17	\$50.00
\$50,000	0.20%	\$8.33	\$100.00
\$75,000	0.20%	\$12.50	\$150.00
\$100,000	0.20%	\$16.67	\$200.00

**EMPLOYEE PAYROLL TAX RATE OF 0.25%**

Table 3 details the impact of a 0.25% (one quarter of one percent) tax, which would generate approximately \$8.4 million in revenue.

**Table 3: Tax Impact on sample annual wage rates**

Sample Gross Wage Amount	Tax Percentage	Monthly Tax	Annual Tax
\$10,000	0.25%	\$2.08	\$25.00
\$25,000	0.25%	\$5.21	\$62.50
\$50,000	0.25%	\$10.42	\$125.00
\$75,000	0.25%	\$15.63	\$187.50
\$100,000	0.25%	\$20.83	\$250.00

**RECOMMENDATION:**

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a City payroll tax applied to employees of all employers within Salem, and in a method that generates a minimum of \$6 million dollars to sustain current service levels in the General Fund.

**TO:** SUSTAINABLE SERVICES REVENUE TASK FORCE  
**FROM:** STEVE POWERS, CITY MANAGER  
**SUBJECT:** LOCAL GAS TAX

**ISSUE:**

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a local gas tax?

**SUMMARY AND BACKGROUND:**

At the November 7, 2018 meeting, the task force discussed a local gas tax, which would help to sustain transportation system operations and maintenance.

The current financial forecast for the City's Transportation Services Fund is relatively stable in the short term but most essential activities, such as pavement maintenance, are funded at minimal levels. There are many unmet needs, and this significant, additional revenue stream could be used to conduct or enhance pavement, sidewalk, or bridge maintenance, or traffic signal operations.

A gas tax is an amount charged per gallon of motor vehicle fuel used or distributed in a city or county. The Oregon Constitution mandates that revenue derived from the sale, import or distribution of motor vehicle fuel must be used to construct, improve, repair, maintain, or operate public highways, road, and streets.

In addition to the state tax, 27 cities and 2 counties have a local gas tax ranging from one cent to ten cents per gallon of motor vehicle fuel. Since 2009, all local gas tax measures must be approved by voters. If voters approved a local gas tax in Salem, implementation could occur in a short timeframe and without the addition of City administrative positions if the Oregon Department of Transportation were to administer and collect the tax.

### LOCAL GAS TAX

The data below, which was first reviewed by the task force at its October 30, 2018 meeting, demonstrates local gas tax rates of neighboring jurisdictions with an example of a Salem rate.

City	Gas Tax Rate per Gallon	Revenue Based on FY 2017	Miles of Streets
Eugene	\$0.05	\$3,081,192	538
Portland	\$0.10	\$9,787,463	2,002
Springfield	\$0.03	\$1,071,487	267
Tigard	\$0.03	\$844,866	150
<i>Salem</i>	<i>\$0.06</i>	<i>\$4,818,000•</i>	<i>640</i>

- Estimation of Salem revenue based on Oregon Department of Transportation fuel distribution records. Revenue estimate is discounted by 20 percent to account for gas stations outside of Salem city limits, but within the fuel distribution area.

### RECOMMENDATION:

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a local gas tax to generate revenue to help sustain transportation system operations and maintenance.