

# City of Salem Financial Summary

Through Q2 / FY 2018

Financial summaries through the second quarter of each year complement development of both the five-year forecast for the General Fund and the upcoming fiscal budget for all City funds. The data used in this summary document provides information used to trend year-end revenues and expenditures and calculate beginning working capital for the upcoming fiscal year. Comparisons in this document are based on data through Q2 for all years.

## General Fund

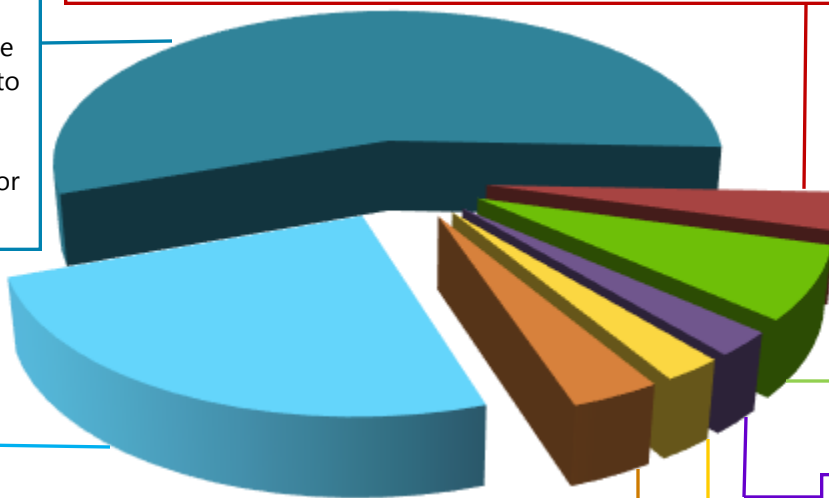
### Resources—Through Q2 FY 2018

At **\$61.5M**, **property tax** receipts are 3.8 percent greater than the same period last fiscal year. Collections through Q2 represent 92.6 percent of *estimated* total tax revenue for FY 2018 as compared to 92.5 percent collected through FY 2017 Q2 of *actual* year-end receipts for the prior fiscal year.

**Franchise fees** are the second largest external funding source for the General Fund. Current revenues reflect a 10 percent increase year-over-year as compared to Q2 FY 2017. Timing of payments can impact this comparison. Receipts equal **\$4.09M**.

**Internal charge revenue** for the fund includes the indirect cost allocation plan—payment from other funds for HR, IT, Legal, Finance, and Purchasing services. Total of all internal charges plus transfers is **\$7.86M** for the period.

**Beginning working capital** for the fund is **\$26.8M**, a \$1.3M decrease over the prior year, which represents the largest year-over-year decline in working capital since FY 2007. More than \$6 million of the total working capital is derived from legislated—and now ended—PERS rate relief, which the City held in reserve for three years in anticipation of higher, future rates.



At **\$3.87M**, the category of "**all other revenues**" includes grants, payments from other agencies, rents, and fines. The subset of rents includes parking meters, carpool permits, and space rental at the Civic Center and Pringle garages. Revenues from the new parking meters in the Capitol Mall area are consistent with budget estimates.

**Fees, licenses, and permits** are experiencing a 6.5 percent increase over the prior year with **\$2.60M** in revenue. Receipts from fire safety permits and softball program fees provide the year-over-year gain.

At **\$2.64M**, receipts for **state shared revenues** exceed the prior year for the period by about 42 percent. Current receipts include a payment in arrears of \$461,968 for shared marijuana sales tax for the period of January 2016 through June 2017.

### Q2 Property Tax Comparison—Total Tax Received Compared to Total Revenue Received

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Property Tax	\$50.93	\$53.33	\$56.02	\$59.20	\$61.47
Total Revenue	\$67.08	\$70.10	\$73.83	\$78.23	\$82.52
<i>As % of Total Revenue</i>	75.9%	76.1%	75.9%	75.7%	74.5%

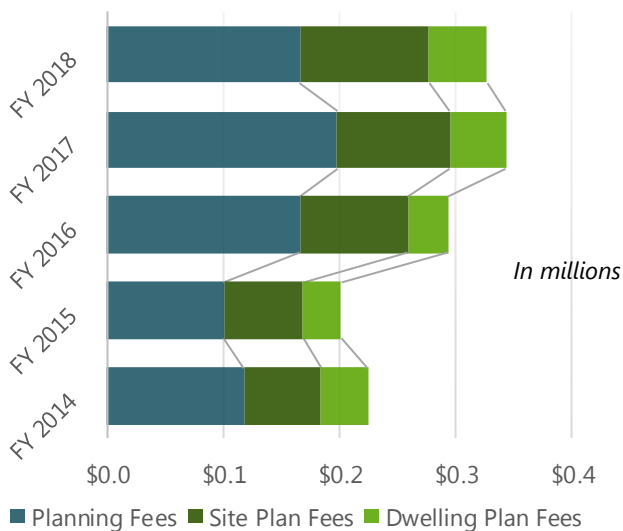
# General Fund—Resources FY 2018

Q2 in each fiscal year represents a significant benchmark for information used to calculate year-end results and inform estimates used in the five-year forecast and the upcoming fiscal year budget. The table below provides FY 2018 budget, year-to-date (Q2) actuals, an indicator of comparability to the budget, and year-end estimates for all General Fund resources. It also includes the resources proposed for FY 2019 in the five-year forecast. The resources used in the upcoming FY 2019 proposed budget may change somewhat over the four months from publication of the forecast to finalizing the City Manager’s budget proposal.

<i>In Millions</i>	FY 2018 Budget	FY 2018 Q2	Q2 FY 2018 as % of	FY 2018 YE Estimate	FY 2019 Forecast	FY 2019 F to FY 2018 YE
Property Tax	\$ 66.64	\$61.47	92.2%	\$66.34	\$68.86	3.8%
Franchise Fees	17.06	4.09	24.0%	18.02	18.24	1.2%
Internal Charges	16.32	7.86	48.2%	16.22	16.91	4.2%
State Shared	5.28	2.64	50.0%	6.08	5.78	-4.9%
Fees, Licenses, Permits	4.56	2.60	56.9%	4.97	5.17	3.9%
All Others	8.24	3.87	46.9%	9.12	8.73	-4.3%
<b>TOTAL REVENUES</b>	<b>\$118.10</b>	<b>\$82.52</b>	<b>69.9%</b>	<b>\$120.76</b>	<b>\$123.70</b>	<b>2.4%</b>
Beginning Working Capital	26.43	26.82	101.5%	26.82	22.22	-17%
<b>TOTAL RESOURCES</b>	<b>\$144.53</b>	<b>\$109.34</b>	<b>75.7%</b>	<b>\$147.58</b>	<b>\$145.91</b>	<b>-1.1%</b>

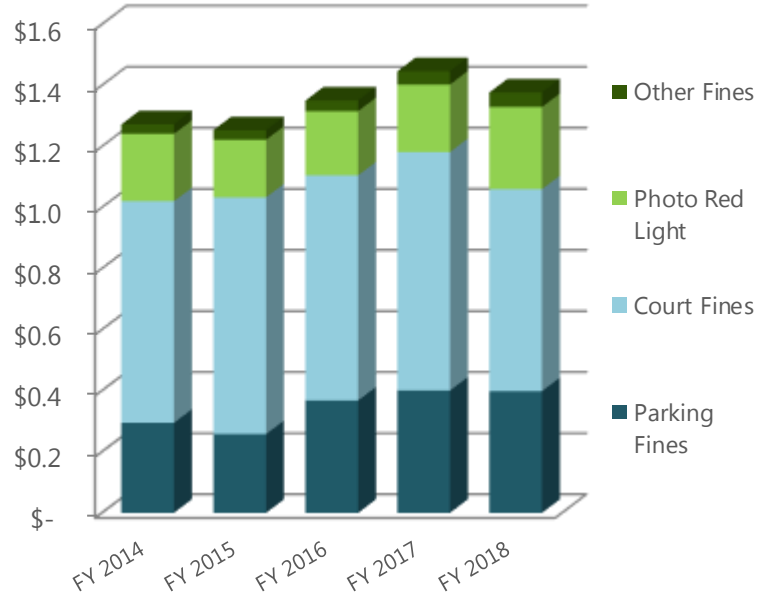
## Q2 Planning Fee Revenues

Included in “Fees, Licenses, Permits” revenue grouping above



## Q2 Revenues from Fines and Penalties

Included in “All Others” revenue grouping above



## General Fund Expenditures by Department—Through Q2 FY 2018

Expenditures	Actual to Budget	Year over Year	Expenditures	Actual to Budget	Year over Year
Community Development—\$1.84M 31.20 Budgeted FTE	41.6%	1.2%	Parks and Recreation— \$4.92M 49.70 Budgeted FTE	53.6%	18%
Fire Department— \$15.56M 165.00 Budgeted FTE	49.7%	5.7%	Police Department— \$20.73M 233.00 Budgeted FTE	48.2%	9.3%
Library—\$2.21M 43.70 Budgeted FTE	44.6%	-0.1%	Urban Development— \$1.97M 32.50 Budgeted FTE	37.7%	-1.5%
Municipal Court— \$0.86M 14.00 Budgeted FTE	43.4%	-0.5%	Info Technology— \$3.41M 47.00 Budgeted FTE	42.5%	10%

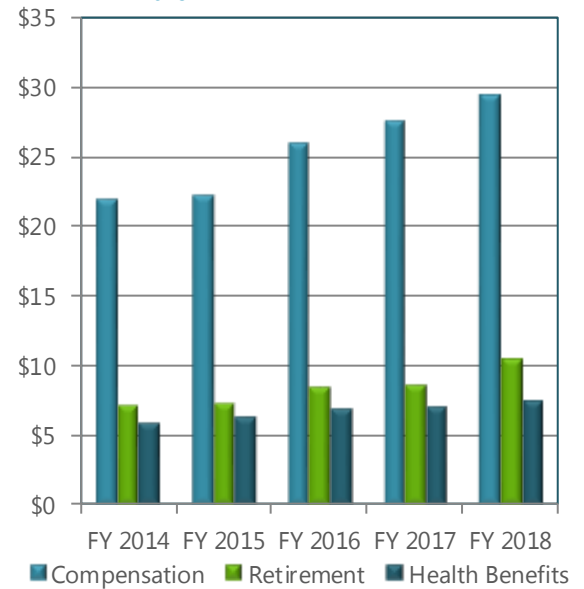
Support Services, Non Departmental—\$7.84M, includes Mayor and Council; City Manager’s Office; Human Resources; Budget, Finance, and Purchasing; Legal; Facilities Services; and Non Departmental with a total of 90.00 budgeted FTE.

## General Fund Expenditures by Category—Through Q2 FY 2018

In Millions	FY 2018 Q2 Actual	FY 2018 Actual as % of Budget	FY 2018 Q2 Compared to FY 2017 Q2
Personal Services	\$46.91	48.2%	9.6%
Materials and Services	11.89	43.6%	0.3%
Capital Outlay	0.05	4.2%	19%
Debt Services	0.14	50.0%	0.0%
Transfers	0.36	36.6%	-51%
<b>TOTAL EXPENDITURES</b>	<b>\$59.35</b>	<b>45.7%</b>	<b>6.8%</b>

## Personal Services Through Q2

*In millions*



The year-over-year increase in personal services is due to a number of factors—market adjustments to salaries, the impact of those adjustments on escalating Public Employee Retirement System (PERS) rates, and increased expense for health benefits. The increased cost also reflects 7.50 FTE position additions incorporated in the FY 2018 budget and full operation of Fire Station 11, which was not reflected through Q2 of the previous fiscal year.

A biennial increase to PERS rates was effective July 1, 2018 representing a 33.2 percent increase to the rate charged to employers for PERS Tier 1 and 2 employees. The rate for the Oregon Public Service Retirement Plan (OPSRP, a subset of PERS created in 2003) increases by 31.5 percent for police and fire employer costs and 38.9 percent for the employer rate covering general service employees. It is estimated the rate increases calculated on a larger salary base added \$2.8 million in expense to the General Fund for FY 2018.

# City of Salem "At Your Service"—By the Numbers

Through Q2 FY 2018

Human Resources processed	106
recruitments and received employment applications, which resulted in career hires	5,094
and temporary / seasonal hires.	79
	34

This is the second year in a row that Willow Lake Wastewater Treatment Facility has run its secondary (advanced) treatment at capacity through continuous process optimization. This optimization decreases the chance of sanitary sewer overflow into the Willamette River.

150%

1,900 pages of Salem Revised Code recodified and now hosted through *Municode*.

1,614 eighth grade students were trained on how to provide CPR and use an AED by the Salem Fire Department during fall semester. With this training and take home CPR instruction kits, the students in turn reported training 699 parents and siblings.

25% of Youth Program Participants used the new online registration system in its first 3 months.

12 police officer recruits have been hired since July 1, 2017, and 22 recruits are currently in various stages of training. During this period, 6 police officer recruits achieved solo status. In February, 7 recruits are scheduled to solo with 5 more ready in March.

42 building permits to provide 512 multi-family housing units—an increase of 53.8% for units from Q2 FY 2017 permits.

The City's Facebook following across its largest accounts increased an average of 57%

## What the Dollars Do for the Community

60 new Automated External Defibrillators (AED) units were distributed to City vehicles or facilities by the Public Works and Fire departments.

\$9,484,225 savings on utility bonds for Salem rate payers through bond refinancing and the City's financial stewardship.

\$150,000 in total discounts on flood insurance premiums for Salem property owners; a 25% savings through the City's involvement in FEMA's Community Rating System.

726 children in 272 families shared the joy from the Salem Police Department's 2017 toy drive. The department partners with Community and Partners of East Salem—or CaPES—to produce the annual event. Donations of toys and money are collected at locations around Salem. In 2017, 163 volunteers served a total of 520 hours sorting and wrapping gifts for officers and cadets to deliver.

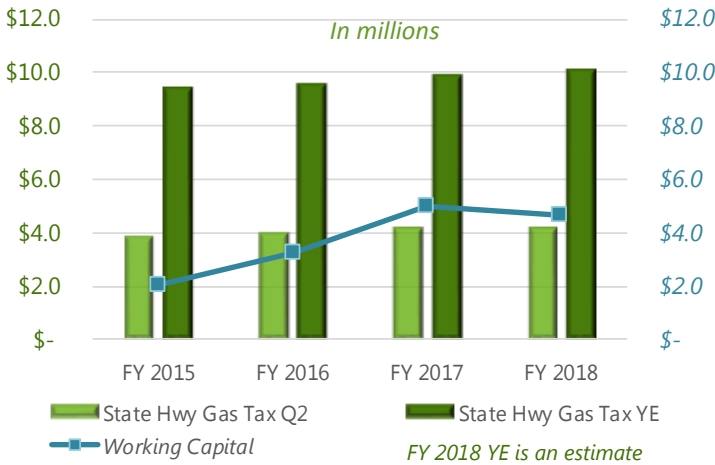
413 complaints filed and 179 judgements obtained by criminal prosecution.

6,500,000 views of Salem Fire Department's viral video of a department trainer demonstrating backdraft.

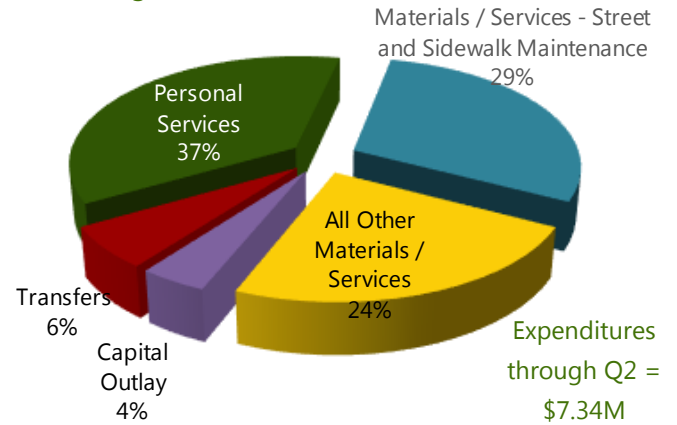
8,750,000 kilowatt-hours of electricity may be saved annually thanks to recent and ongoing projects to improve energy efficiency. Switching streetlights to LEDs, updating the Willow Lake Wastewater Treatment Facility's cogeneration capacity with a \$3M PGE grant, and replacing the cooling system at the Civic Center campus will all contribute to saving the City about \$834,000 per year.

# Other City Funds—Resources and Expenditures Through Q2 FY 2018

## Transportation Services Fund Resources

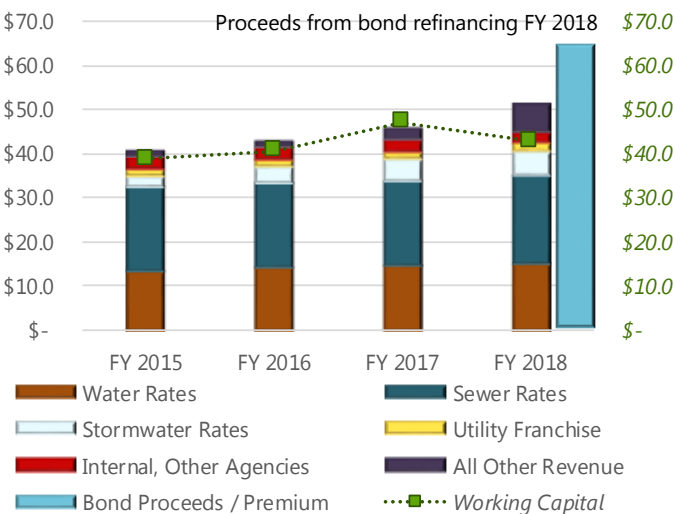


## Transportation Services Fund Expenditures Through FY 2018 Q2

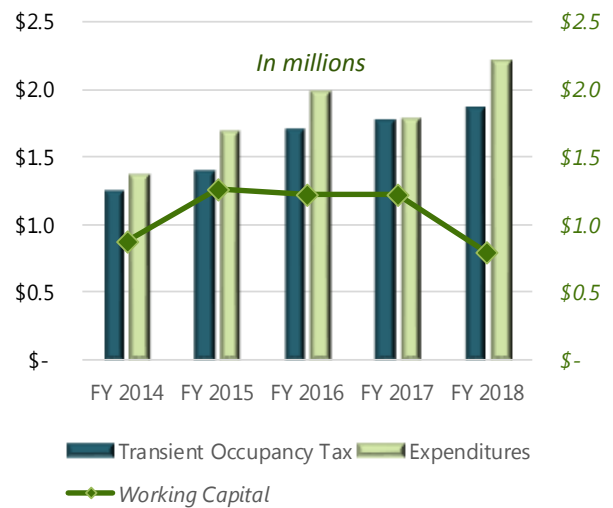


State highway revenues (gas tax and fees) represents 56.5 percent of the Transportation Services new revenues estimated for FY 2017 year end and 44.8 percent of all resources anticipated during the fiscal year, which includes working capital. It is the primary funding source for City street maintenance activities. Materials / Services expenses supporting street and sidewalk maintenance (above) include engineering, professional services, tools and equipment, vehicles and fuel, radio communication, and contracted maintenance, as well as the cost of right-of-way and street tree maintenance services from Parks Operations.

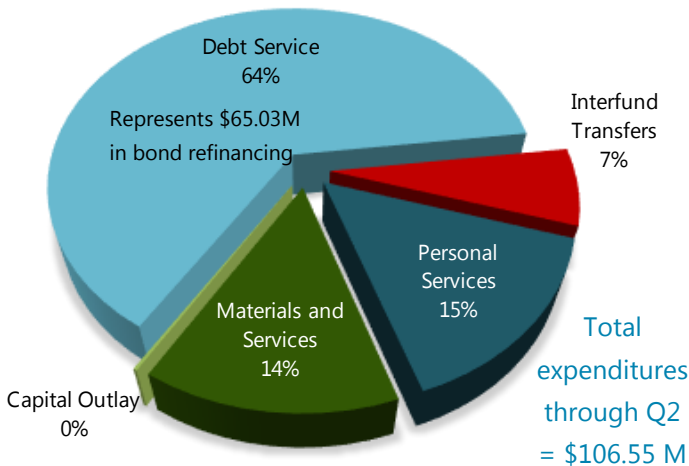
## Utility Fund Resources Through Q2 (In millions)



## Cultural and Tourism (TOT) Fund Through Q2



## Utility Fund Expenditures Through FY 2018 Q2



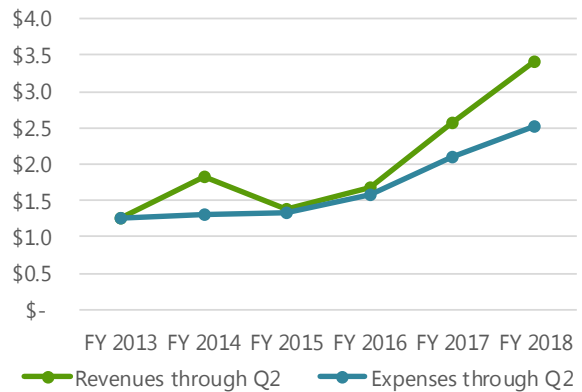
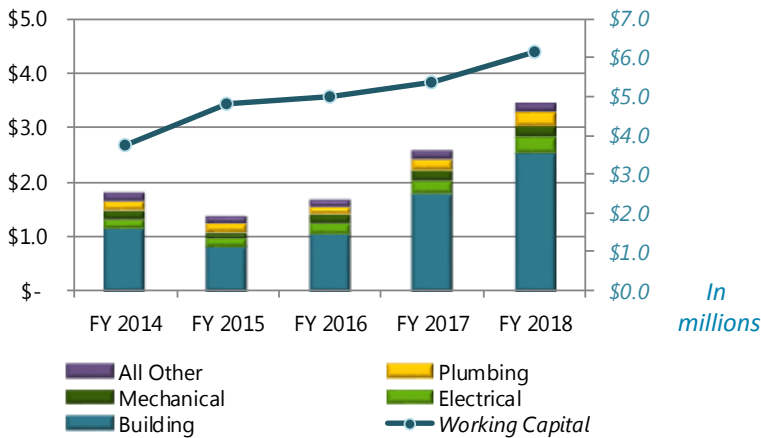
The year-over-year increase in transient occupancy tax (TOT) revenue through December 31 is approximately 5.4 percent. Receipts for August 2017 activity, which include TOT paid by lodgers visiting Salem for the solar eclipse, increased by 13.7 percent year-over-year.

Working capital to begin FY 2018 was \$428,513 less than the previous fiscal year reflecting investment in tourism-related infrastructure improvements during FY 2017.

Fund expenditures exceed the prior year through Q2 by \$431,080 or 24 percent. Tourism promotion activities through Travel Salem and City programs, including landscape maintenance, historic facility maintenance, account for 91 percent of the increase. Payment to Travel Salem represents a 55.4 percent increase over the previous fiscal year through Q2.

# Other City Funds—Resources and Expenditures Through Q2 FY 2018

## Building and Safety Fund Resources—and—Revenue / Expenditure Comparison Through Q2

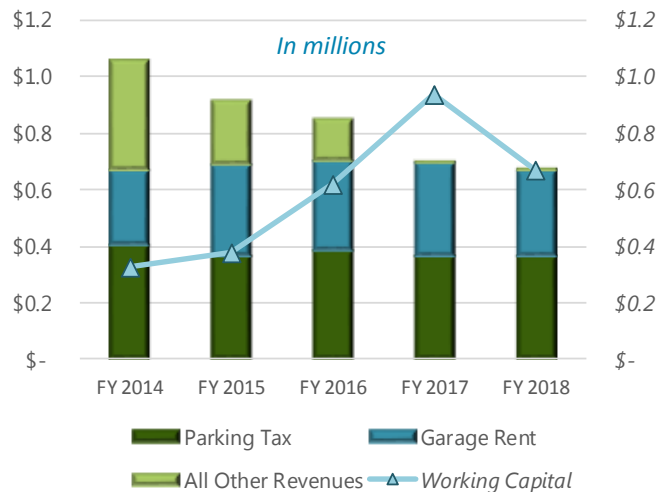


Diminished reliance on capital project funding from the Riverfront Downtown Urban Renewal Area in FY 2017 and FY 2018 is evident in the decrease to “All Other Revenues” in this five-year view of Parking Fund activity. Working capital decreased year-over-year by \$266,710 resulting from a transfer expense in FY 2017 to support a reserve fund for future capital projects in the parking garages.

In addition to capital improvements and regular maintenance to the garages, the Parking Fund provides \$310,350 to support the Downtown Bike Unit and costs for various downtown services like the Clean Team and seasonal decorations.

Expenses through Q2 are \$661,987.

## Parking Fund Resources Through Q2



## Other City Funds—Resources and Expenditures Through Q2 FY 2018

**Streetlight Fund**—Fee revenues support electricity charges and streetlight pole replacements. Resources (R): \$1,005,704 / Expenditures (E): \$662,077

**Airport Fund**—Lease revenues and expenses are being realized as anticipated. R: \$1,582,229 / E: \$452,381

**Community Renewal Fund**—Year-to-date federal reimbursement is \$406,480 less than the prior year. R: \$661,009 / E: \$553,852

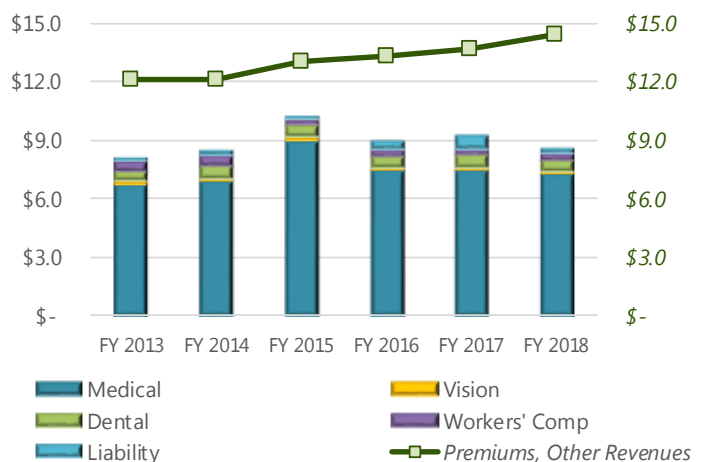
**Leasehold Fund**—Revenues being received as anticipated; 74 percent of total resources is working capital. R: \$1,011,427 / E: \$177,072

**Emergency Services Fund**—Ongoing goal of maintaining working capital as an operating reserve (to prevent service interruption). Current receipts and expenditures as anticipated in the budget. R: \$3,265,370 / E: \$284,918

**WVCC (9-1-1) Fund**—Continued fiscal health resulting from consistent rate increases. R: \$6,284,024 / E: \$5,268,602

**PRIORS Fund**—Budget includes law enforcement records system replacement purchase in FY 2018. R: \$1,669,902 / E: \$100,198

## Self Insurance Revenues and Claims Expense Through Q2 (in millions)

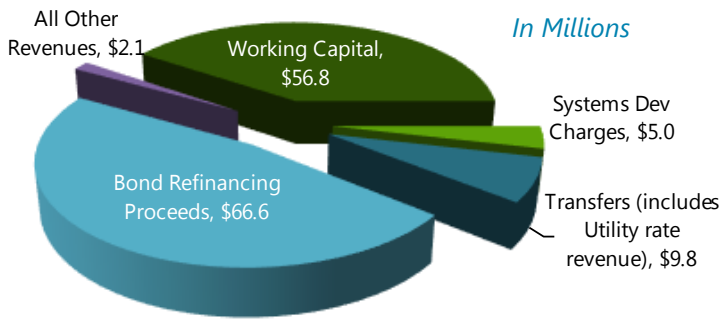


In addition to \$14.4 million in revenues, the fund has working capital of \$16.2 million in FY 2018.

Expenses presented here are claims only. Total expenditures paid by premiums include program administration costs—staff, excess insurance, Kaiser Permanente insurance, third party administration, and actuarial work. Total expenditures in the fund through FY 2018 Q2 equal \$14.22 million.

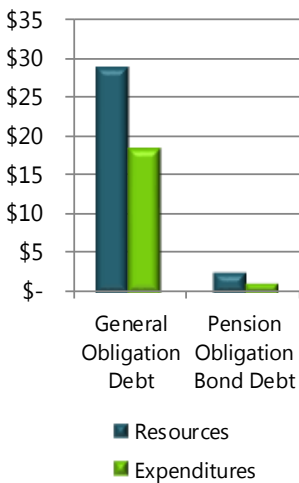
# Other City Funds—Resources and Expenditures Through Q2 FY 2018

## Capital Construction Resources Through Q2 FY 2018



Q2 Total Resources: \$141.8M    Q2 Total Expenses: \$16.4M

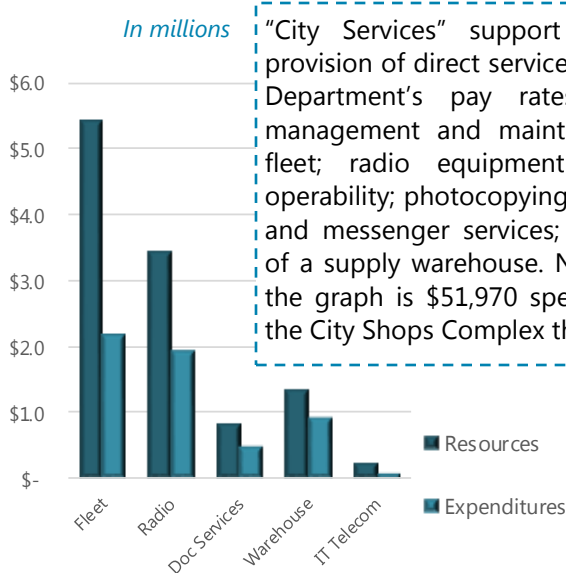
## Debt Service Fund Through Q2 FY 2018



Tax-funded debt service on voter-approved general obligation bonds (GO bonds) that support construction of new fire stations, purchase of large fire equipment, and construction of new or rehabilitation of existing streets, bridges, and sidewalks is paid from this fund. The Utility Fund (page 5) supports debt service for revenue bonds to improve the City's water, wastewater, and stormwater infrastructure. FY 2018 GO bond activity includes refinancing of the 2009 Streets and Bridges obligation.

Debt on pension obligation bonds is paid with City funds to help relieve future liability in the Oregon Public Employee Retirement System.

## City Services Fund Through Q2 FY 2018



"City Services" support the Citywide provision of direct services to the public. Department's pay rates to support management and maintenance of the fleet; radio equipment and system operability; photocopying, printing, mail, and messenger services; and operation of a supply warehouse. Not depicted in the graph is \$51,970 spent to maintain the City Shops Complex through Q2.

Note: Resources include working capital

## Construction Highlights

Construction progressed or was completed on the following projects through Q2:

Design on the *New Police Facility* began with initial activities including confirmation of all the specific spaces to be included in the new building, known as the "program" for the facility. A separate demolition plan was also developed to remove the existing buildings on the site. Demolition will begin in late February 2018.

Design was completed on the *Orchard Heights Road NW and Market Street NE Pavement Rehabilitation* projects, which will rehabilitate the existing asphalt pavement on Orchard Heights Road NW between Parkway Drive NW and Wallace Road NW; and on Market Street NE between 5<sup>th</sup> Street NE and Cottage Street NE. The project will also upgrade sidewalk ramps to be ADA compliant. Construction is expected to begin in April 2018.

Construction is progressing on the *Mill Creek Corporate Center Water Main* project that will install over 3,000 feet of water main to complete a loop at the center. The new main will provide water capacity in the area of two recent developments.

Design began on a new 20" diameter wastewater force main to increase the capacity of the *Cordon Road Pump Station*. This capacity increase will accommodate future growth in the area including development at Mill Creek Corporate Center and Salem Business Park on Gaffin Road.

Design began on the \$12 million *Willow Lake WPCF Solids Handling Project* that will result in more efficient drying and management of solids collected from the wastewater treatment process. Operational handling costs and solids transportation costs will be substantially reduced when the project is complete. The process also provides a better product for farm field applications.

Design continued on the new *Willow Lake WPCF Cogeneration Facility Upgrade*. The "cogen" facility produces electricity utilizing the methane gas from the City's wastewater treatment process. Construction of the facility is scheduled to begin in fall 2018.

The *Street Light Conversion Project*, which replaced existing high pressure sodium luminaires with new light emitting diode (LED) luminaires, has been completed. LED street lights use approximately 50 percent less energy, last four times longer, and improve reliability over the HPS fixtures that were previously in place. Over 8,000 street lights were upgraded with this project.