

FISCAL YEARS  
**2023-27**



Gerry Frank Salem Rotary Amphitheater

*Five-Year Forecast*



# City of Salem Oregon

## Five-Year Financial Forecasts

### Fiscal Year 2023 through 2027

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

Steve Powers, City Manager

City of Salem Budget Office

January 2022



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# Five-Year Financial Forecasts, FY 2023 – FY 2027

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

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# Why We Forecast

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

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

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

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

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

# How To Use This Document

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

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

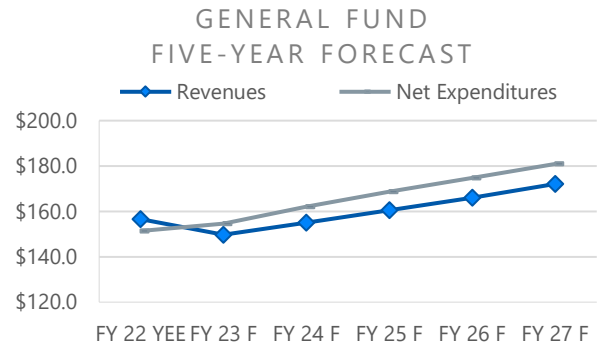
The remaining 11 fund forecasts are presented next in the document with a one-page summary for each fund. The page includes a numeric table with the five-year result, a brief narrative explanation, highlighted risk factors, and graphic displays of historical and projected revenues and expenditures.

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

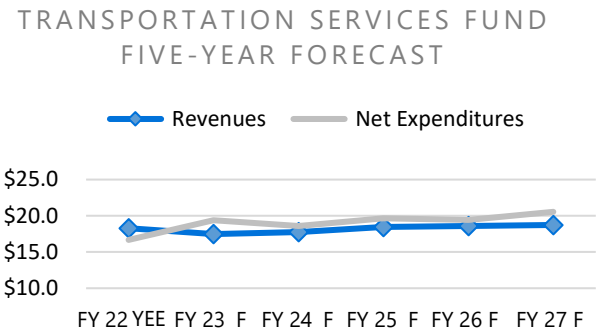
An analysis of Citywide expenditure risk factors and rankings closes the document. The appendices focus primarily on the General Fund and property tax, but also provide additional detail on assumptions employed in developing the forecasts.

# Forecast Snapshot

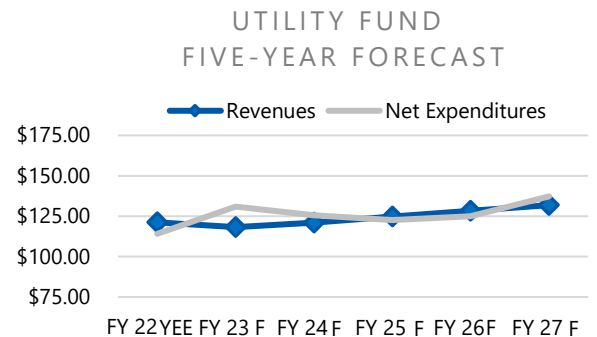
The forecast for the *General Fund* demonstrates a structural imbalance between current, available revenue and the cost of providing services. Even with the additional revenue generated by the City Operations fee and federal stimulus funds to support General Fund services, this imbalance continues throughout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



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



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



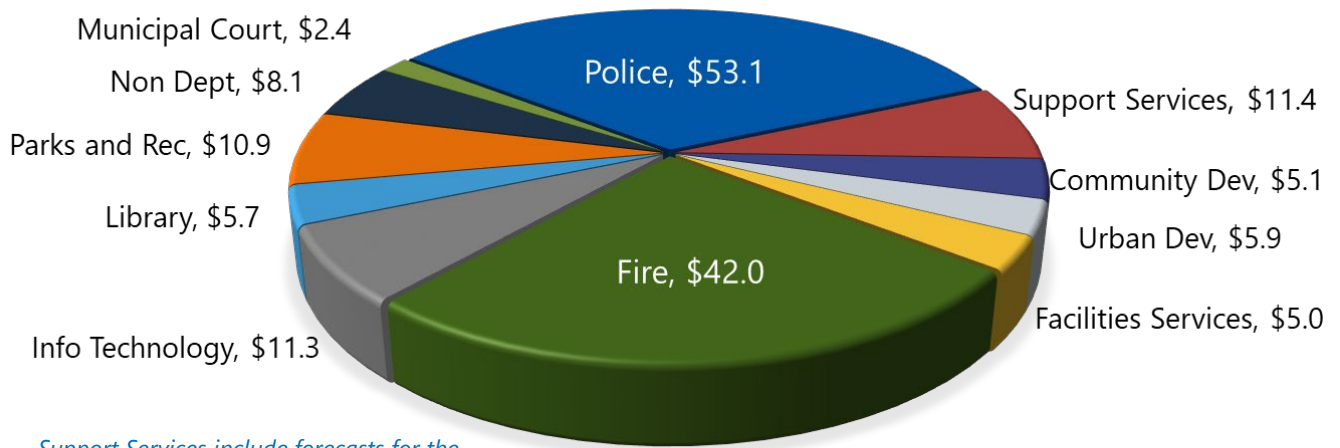


# General Fund

## Summary

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

General Fund FY 2023 Forecast  
Total Expenditures \$160.9 Million



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

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

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

## Current Status

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

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

## Future Outlook

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

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

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

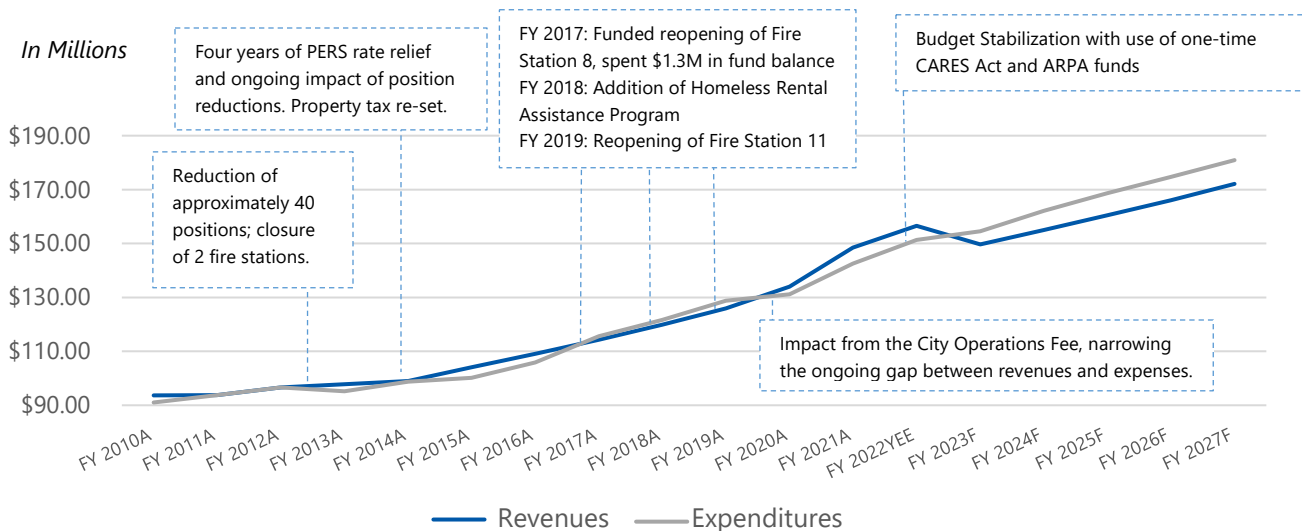
## Forecast Result

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

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

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

## General Fund Revenue and Expenditure History and Forecast



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

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

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

## Forecast Result – General Fund Current Service Level Detail

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

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

## General Fund Table 2, FY 2023 – FY 2027 Forecast

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

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

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

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

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

Table 3 adds the impact of carryover expenditures in the *FY 2022 YE Estimate* column. This demonstration reduces net expenditures by \$1.5 million and shifts additional resources to ending fund balance<sup>1</sup>. While there is an increase to fund balance for the next fiscal year, there is also the offsetting increase to total expenditures<sup>2</sup>.

(Values in Millions, YE = Year-End)

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

## Forecast Result – Revenue Detail

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

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

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

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



# Forecast Result – Expenditure Detail

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

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

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

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

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

## Forecast Variability – Fund Balance Scenarios

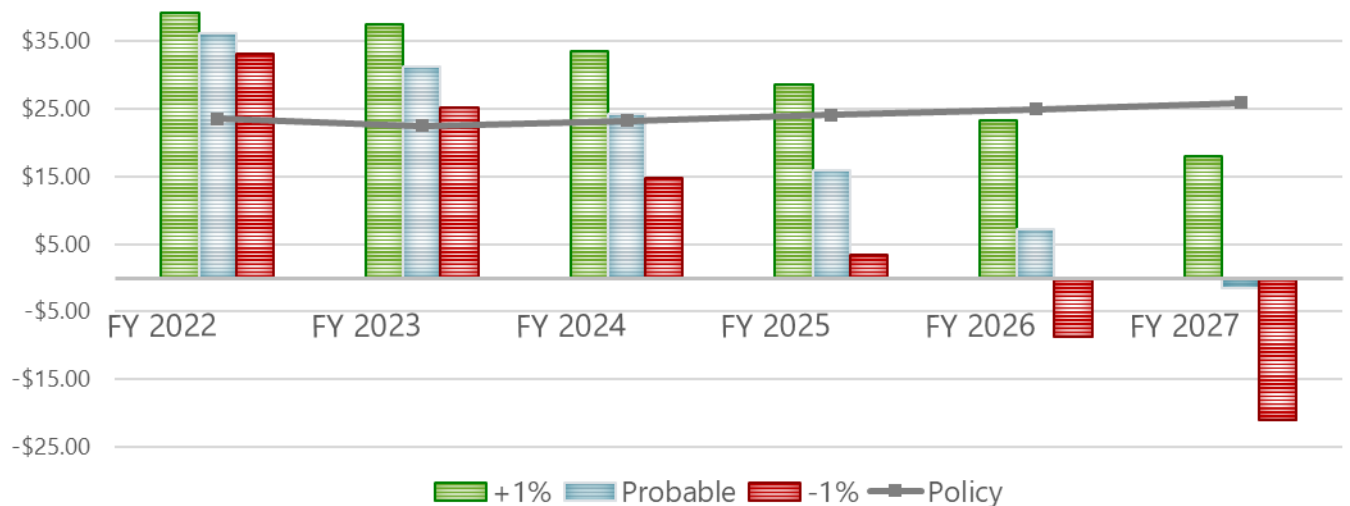
The graph below demonstrates variable results of the FY 2023 – FY 2027 forecast through the display of fund balance - the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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

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

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

### Fund balance Forecast Variability (Values in Millions)





# Transportation Services Fund Summary

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

## Current Status

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

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

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

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

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

## Future Outlook

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

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

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

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

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

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

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

# Forecast Result

## Transportation Services Fund Current Service Level Detail

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

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

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

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

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

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

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

Change to Fund Balance

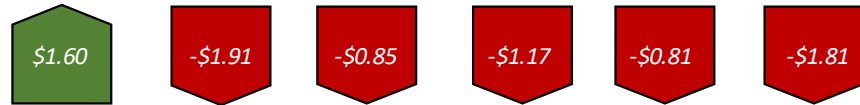


Table 2 is the full summary of the Transportation Services Fund forecast, including the components of Net Expenditures. Personal services costs in this forecast are based on current labor contracts, and in the later years of the forecast, annual adjustments to salary are 3 percent.

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

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

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



## Forecast Result – Revenue Detail

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

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

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

### TS Fund Table 3, Revenues by Source

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

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

## Forecast Result – Expenditure Detail

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

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

### TS Fund Table 4, Expenditures by Category

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

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

## Forecast Variability – Fund Balance Scenarios (Values in Millions)

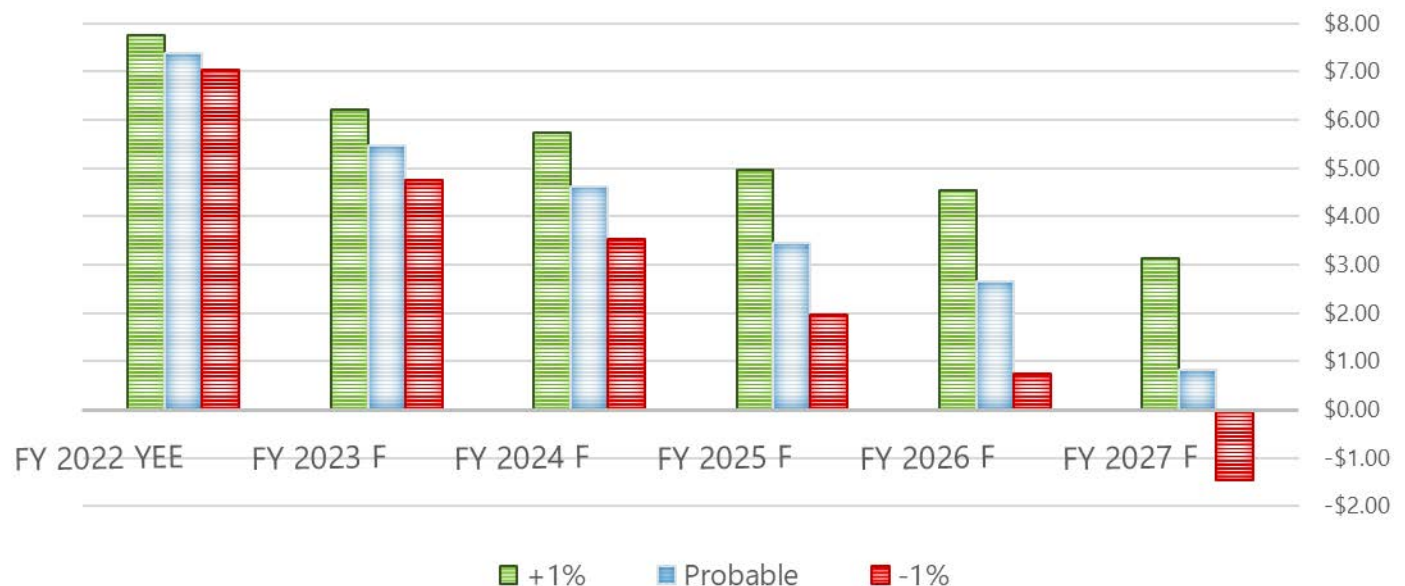
The graph below demonstrates variable results of the FY 2023 – FY 2027 forecast through the display of fund balance - the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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

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

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

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



# Transportation Services Fund Forecast Risks and Rankings

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

## Forecast Risk – Revenue

	Ranking	Percent Total Revenue
State Highway Fund Revenue	MEDIUM	78%

## State Highway Fund Revenue

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

### Risk Factor Ranking – MEDIUM

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

# Utility Fund Summary

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

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

## Current Status

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

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

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

## Future Outlook

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

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

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

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

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

# Forecast Result

## Utility Fund Current Service Level Detail

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

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

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

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

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

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



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



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

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

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

## Forecast Result – Revenue Detail

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

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

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

## Forecast Result – Expenditure Detail

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

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

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

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

## Forecast Variability – Fund Balance Scenarios (Values in Millions)

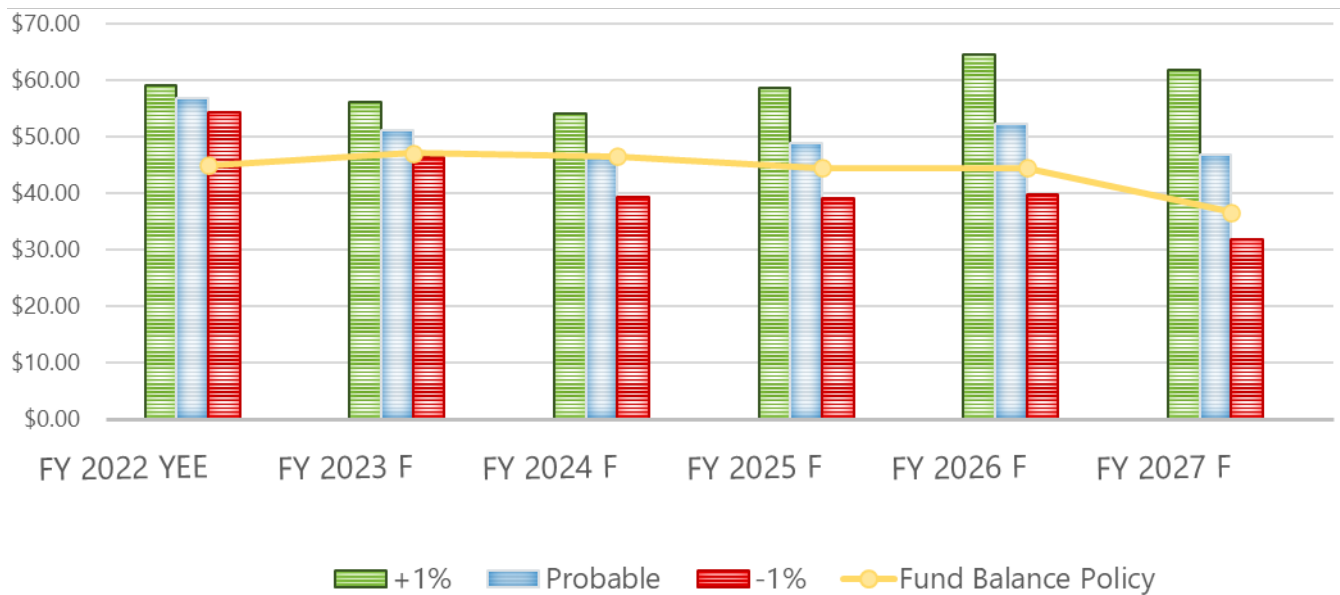
The graph below demonstrates variable results of the FY 2023 – FY 2027 forecast through the display of fund balance – the difference between resources and expenditures for each fiscal year. There are three scenarios presented.

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

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

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

(Values in Millions)



# Utility Fund Forecast Risks and Rankings

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

## Forecast Risk – Revenue

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

## Water and Wastewater Rate Revenue

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

### Risk Factor Ranking – LOW

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

# Airport Fund FY 2023 – FY 2027 Five-Year Forecast

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

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

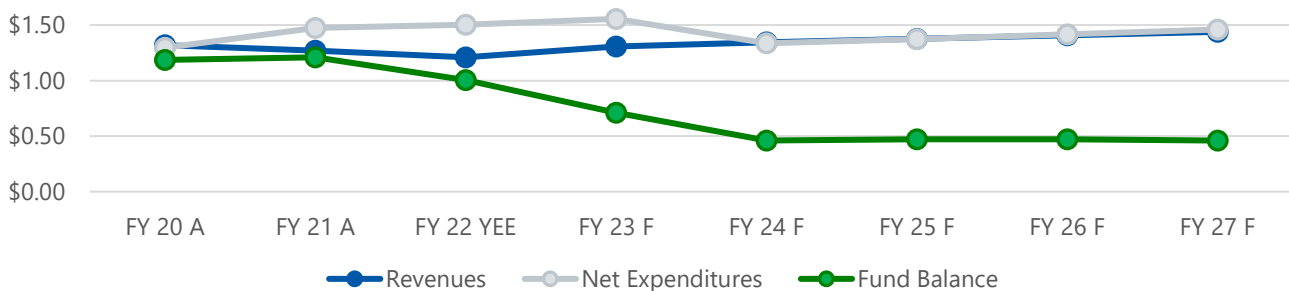
The financial forecast for the Airport Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth. Included is a level of projected increase in revenues nearly equal to the anticipated growth in expenditures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

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

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

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

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



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

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

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

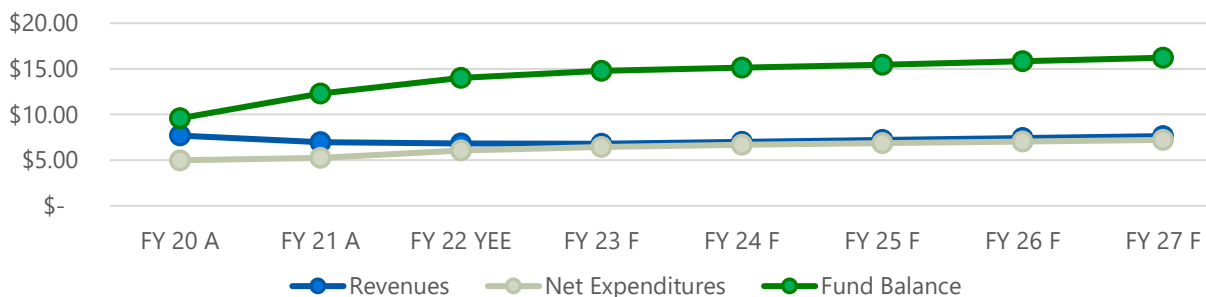
The City’s annual financial forecast for the Building and Safety Fund provides for the continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue. The forecast includes the elimination of transfer revenue from the Parking Services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

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

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

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

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



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

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

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

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

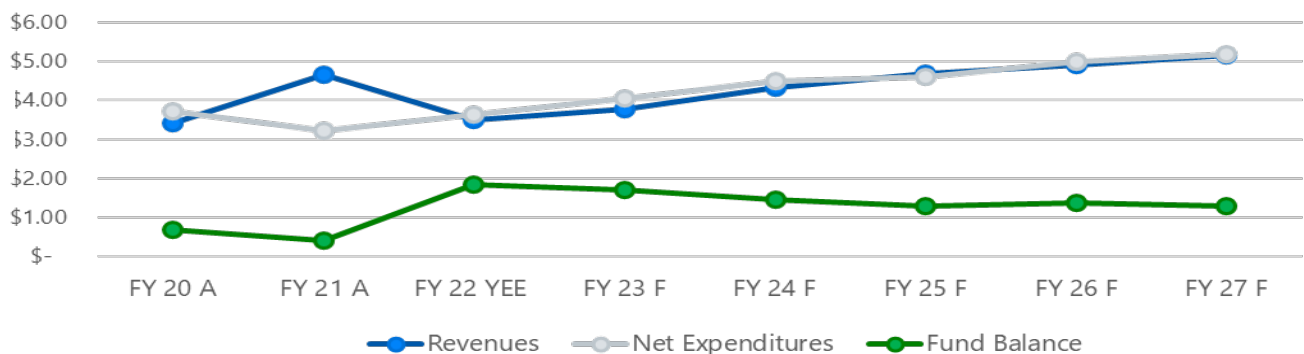
The five-year forecast projects a return to pre-pandemic level of revenues by fiscal year 2024. The introduction of the COVID-19 vaccine, changes in the tourism industry to protect travelers and the public's adjustment to living in a pandemic environment have proved promising.

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

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

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

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



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

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

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

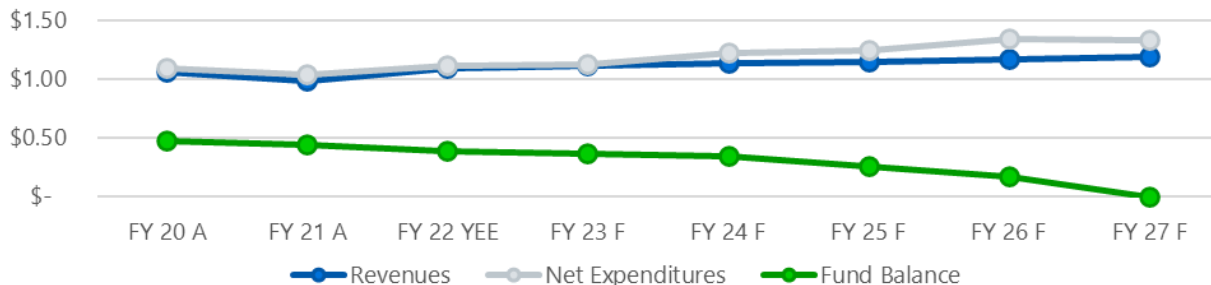
The forecast demonstrates a level of projected increase in revenues that does not keep pace with the anticipated growth in expenditures over the five-year period. It also displays a level of naturally occurring savings from unanticipated economies. This level of savings is anticipated at 2 percent for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

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

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

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

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





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

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

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

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

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

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

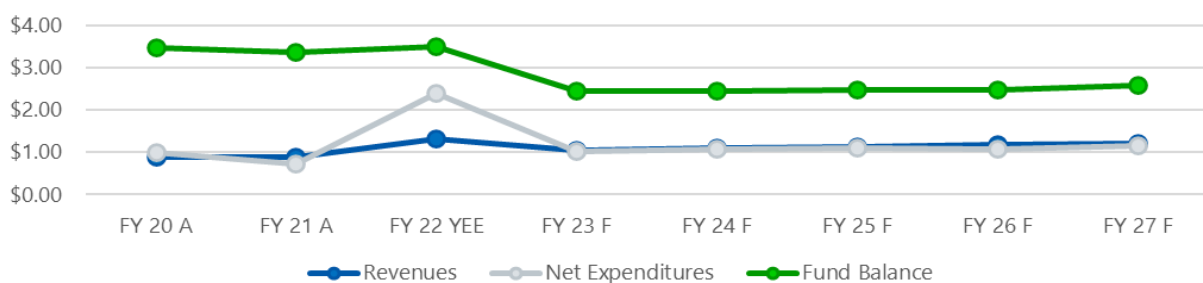
Future capital equipment needs continue to account for the highest risk factor for the health of the EMS Fund. Starting in FY 2019, expenditures included an annual transfer to the Capital Reserve Fund to provide funding for required capital equipment purchases. This annual transfer has been discontinued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

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

### Forecast Risk Ranking

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

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



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

FY 2023 - FY 2027 Summary <i>(in millions)</i>						
	FY 22 YE Est	FY 23 F	FY 24 F	FY 25 F	FY 26 F	FY 27 F
<b>Beginning Fund Balance</b>	\$ 1.75	\$ 1.78	\$ 1.58	\$ 1.38	\$ 1.18	\$ 0.98
<b>Revenues</b>	\$ 4.33	\$ 4.43	\$ 4.65	\$ 4.81	\$ 4.98	\$ 5.14
Total Expenditures	\$ 4.30	\$ 4.80	\$ 5.02	\$ 5.19	\$ 5.37	\$ 5.53
3.5% Savings		(0.17)	(0.17)	(0.18)	(0.19)	(0.19)
<b>Net Expenditures</b>	\$ 4.30	\$ 4.63	\$ 4.86	\$ 5.01	\$ 5.18	\$ 5.34
Fiscal Year Impact	\$ 0.02	\$ (0.20)	\$ (0.21)	\$ (0.20)	\$ (0.20)	\$ (0.20)
<b>Ending Fund Balance</b>	\$ 1.78	\$ 1.58	\$ 1.37	\$ 1.18	\$ 0.98	\$ 0.79

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

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

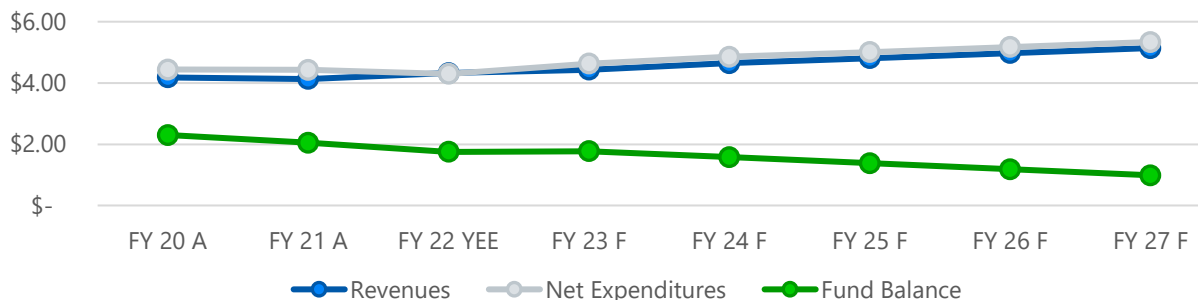
The reduction in fund balance reflects an effort to reduce the fund balance over the five-year period. The balance at the end of the forecast period is estimated at 25% of planned expenditures for Fiscal Year 2027.

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

### Forecast Risk Ranking

Fund Balance	Medium
Internal Charge Revenue	Medium
PERS Rates	High
Health Benefits	Medium
Other Labor Factors	High

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



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

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

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

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

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

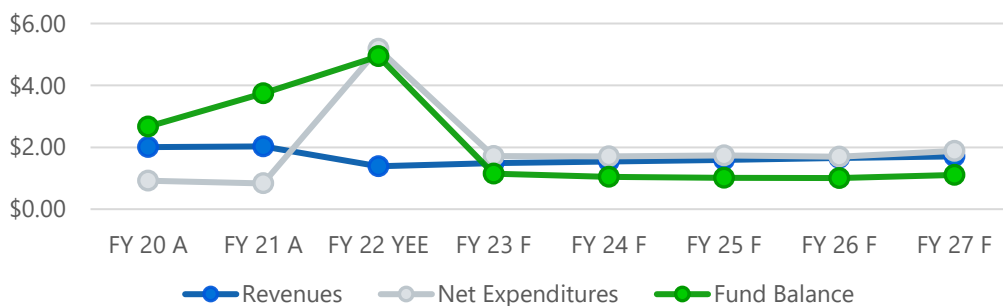
General Fund departments account for approximately 70 percent of participating agency rate revenue. With the deployment of the City’s new radio system in Fiscal Year 2021, replacement expenses are expected to be relatively low and stable for the next several years. During this time, funds will be collected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

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

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

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

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



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

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

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

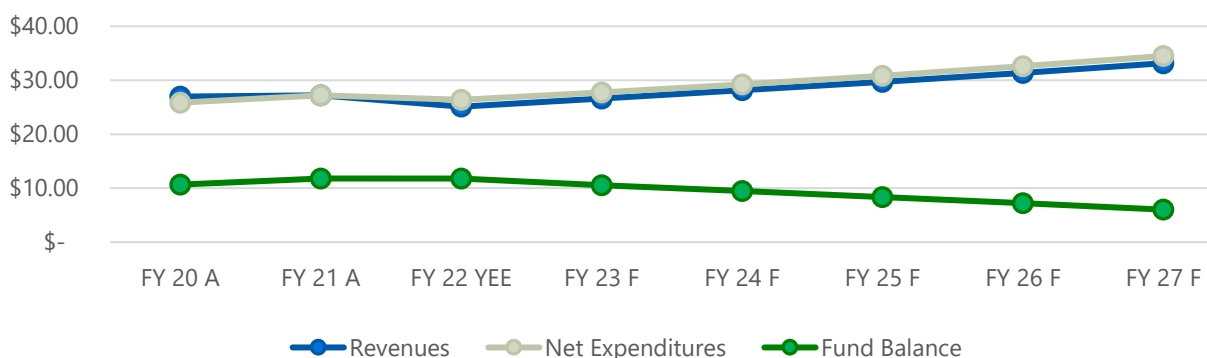
The City's annual financial forecast for the Benefits Self Insurance Fund provides continuation of current service levels with assumptions for inflationary factors to increase service costs and estimates for revenue growth. An enhancement to the forecast this year is the use of seasonal dollars for general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

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

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

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

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



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

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

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

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

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

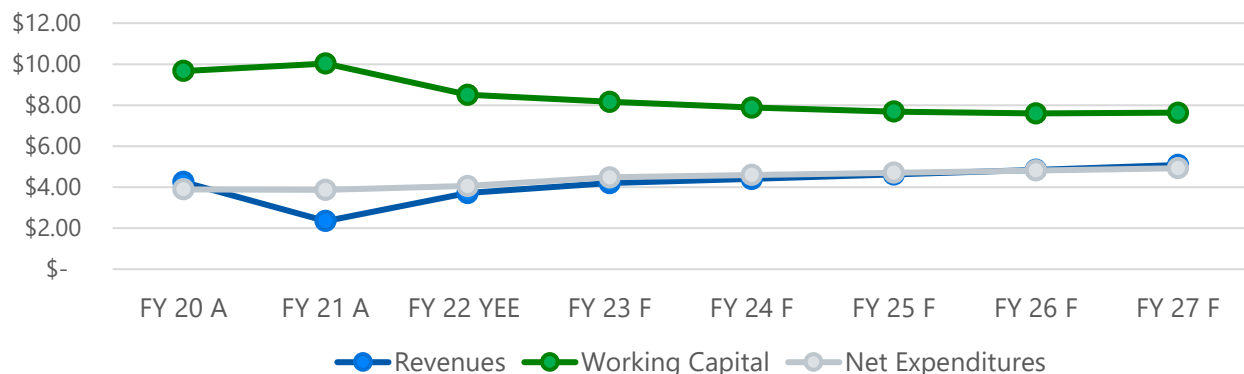
The forecast demonstrates a decrease in fund balance over the five-year period that is still within actuarial guidelines for the fund balance.

### Forecast Risk Ranking

Working Capital	Medium
Internal Revenue	Low
Liability Claims	High

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

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



# Streetlight Fund FY 2023 – FY 2027 Five-Year Forecast

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

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

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

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

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

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

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

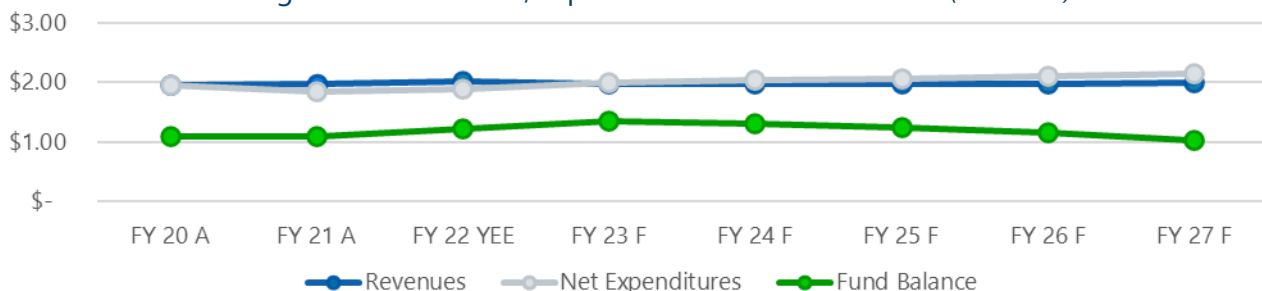
Forecast Risk	Ranking
Streetlight fee	Low
Electricity savings	Low
Capital improvement transfers	Low

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

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

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

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



# WVCC Fund FY 2023 – FY 2027 Five-Year Forecast

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

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

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

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

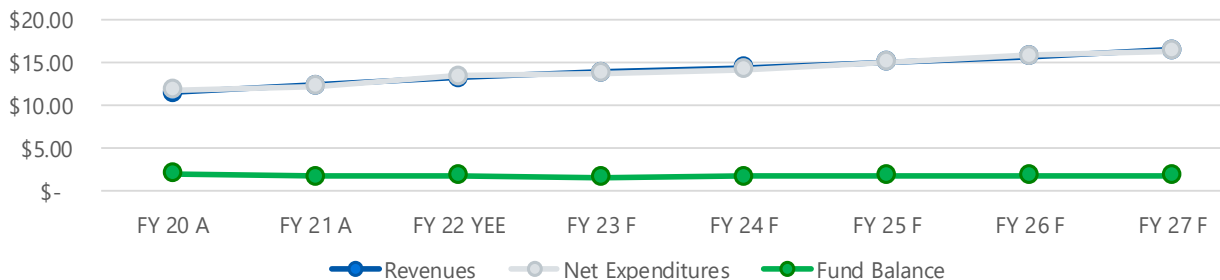
The WVCC Fund is required to maintain a fund balance that provides resources sufficient to cover three pay periods. The fund currently meets the minimum requirement and anticipates maintaining fund balance at this level through the forecast. Personal Services account for 75 percent of the budget for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

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

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

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

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



## Summary of Findings

### National Summary

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

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

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

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

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

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



## Oregon Summary

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

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

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

## Salem Summary

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

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

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

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

Forecast Summary

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

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

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

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

Uncertainty/Risks

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

Local Revenue Implications

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

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

# Citywide Financial Forecast Risks and Rankings

## Risks to Expenditure Forecast

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

### PERS Costs and Employer Rate Increases

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

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

### Expenditures Risks, Table 1 PERS Employer Contribution Rates

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

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

### Risk Factor Ranking – HIGH

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

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

## Health Care Costs

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

### Risk Factor Ranking – MEDIUM

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

## Labor Agreements

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

### Risk Factor Ranking – HIGH

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

## Inflation

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

## Risk Factor Ranking – MEDIUM

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

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

## Forecast Risk – Expenditures

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

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

## Expenditure Assumptions Table

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>Wage Projections</b>	%	%	%	%	%
	Increase	Increase	Increase	Increase	Increase
Market adjustment – AFSCME	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Attorneys (SCABU)	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Police (SPEU)	1.50% / 1.50%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Battalion Chiefs (IAFF)*	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – Fire (IAFF)*	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Market adjustment – Non-represented	3.00%	3.00%	3.00%	3.00%	3.00%
Market adjustment – PCEA (9-1-1)*	3.00%	3.00%	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>

Note: *Italicized text represents a rate outside a current labor contract.*

*\*In final year of union contract.*

<b>Other Personal Services Costs</b>	<b>Annual Percentage Change in Benefits Projections</b>				
PPO Medical (effective Dec 1, each fiscal year)	4.00%	6.00%	6.00%	6.00%	6.00%
Kaiser Medical (effective Dec 1, each fiscal year)	-2.00%	6.00%	6.00%	6.00%	6.00%
Dental (effective Dec 1, each fiscal year)	-5.00% - 0.00%	0.00% - 3.00%	0.00% - 3.00%	0.00% - 3.00%	0.00% - 3.00%
Vision (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Workers' compensation	9.56%	5.00%	5.00%	5.00%	5.00%
Life insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
Disability insurance (effective Dec 1, each fiscal year)	0.00%	0.00%	0.00%	0.00%	0.00%
	<b>PERS Rates on Eligible Earnings</b>				
Retirement-Employer – Tier 1 and 2	24.21%	27.21%	27.21%	27.71%	27.71%
Retirement-Employer – OPSRP General	17.40%	20.40%	20.40%	20.90%	20.90%
Retirement-Employer – OPSRP Police and Fire	21.76%	24.76%	24.76%	25.26%	25.26%

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

## General Fund Revenues Assumptions Table

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

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

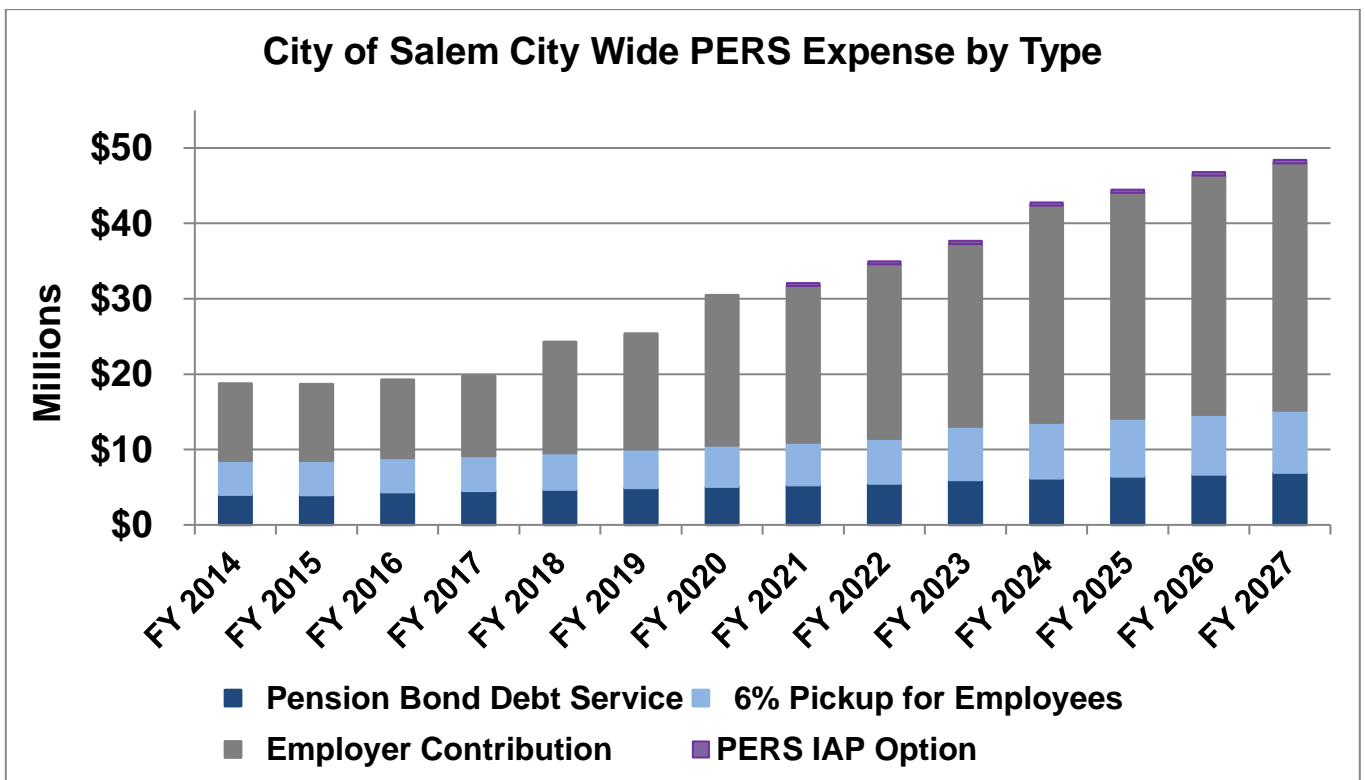
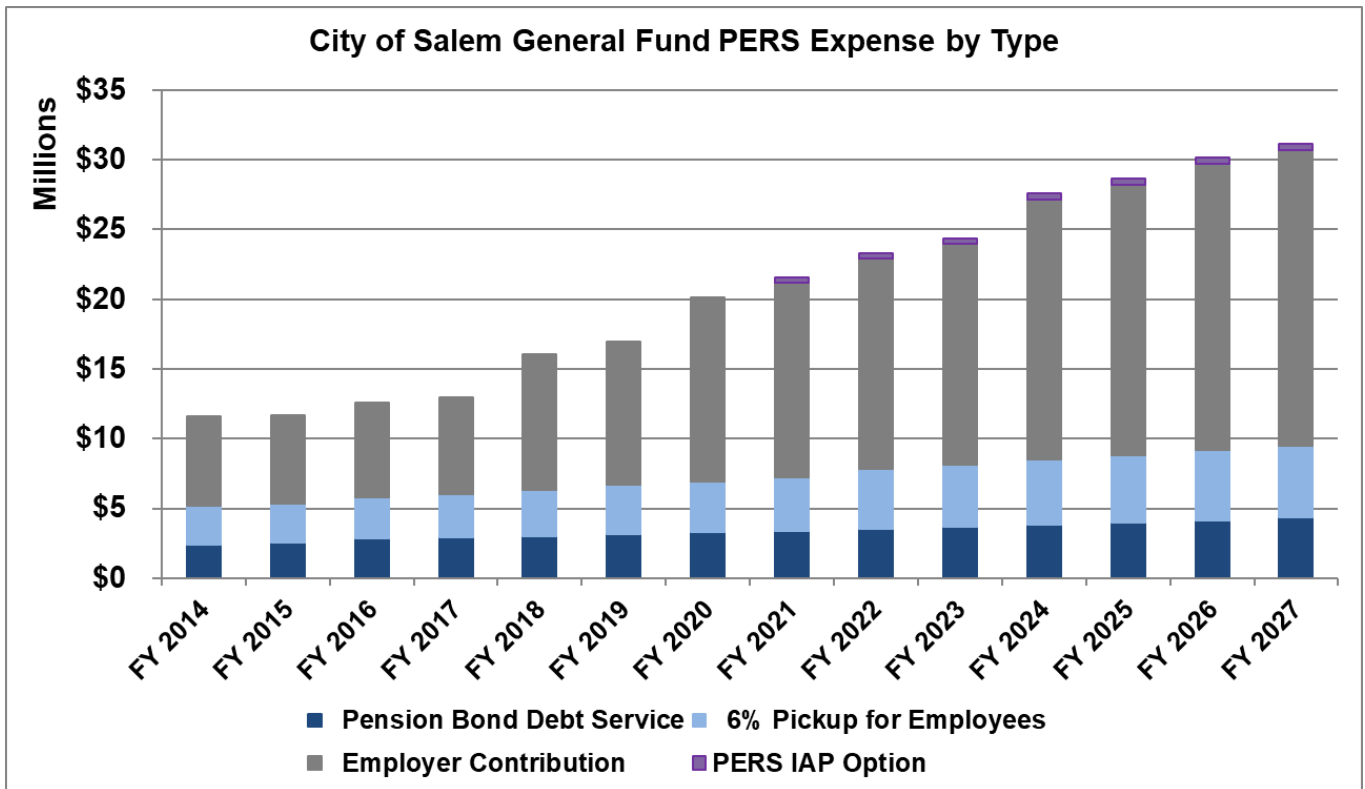
\*Decreasing, then flattening natural gas franchise revenues relate to a current request from Northwest Natural Gas to the Public Utility Commission for a lowering of rates.

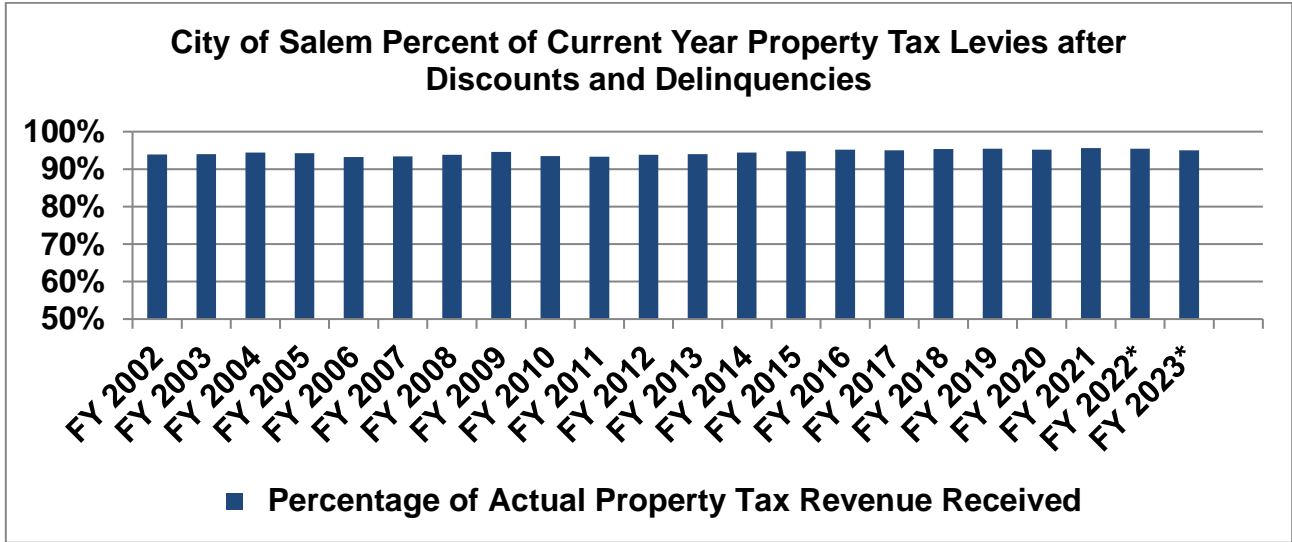
\*\*Increasing, assuming a return to normal parking practices. Then the pattern of escalation and de-escalation for rent revenues reflects the impact of biennial full legislative sessions.

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

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







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

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

\* Projected

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

