

# ADDITIONS A G E N D A



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

DATE: Wednesday, May 10, 2023  
TIME: 6:00 PM  
CHAIRPERSON: Virginia Stapleton

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\*\*\*ADDITIONS AGENDA\*\*\*

## 5. INFORMATION ITEMS

- c. Staff Report: Additional Responses to Committee Member Questions

The City of Salem budget information can be accessed on the internet at: [www.cityofsalem.net/departments/budget](http://www.cityofsalem.net/departments/budget)

NOTE: Disability-related accommodations, including auxiliary aids or services, in order to participate in this meeting, are available upon request. Sign language and Spanish interpretation is available at the meeting. For languages other than English are also available upon request. To request such an accommodation or interpretation, contact Kelli Blechschmidt, (503) 588-6049 or [kblechschmidt@cityofsalem.net](mailto:kblechschmidt@cityofsalem.net) at least 2 business days before this meeting. TTD/TTY telephone (503) 588-6439 is also available 24/7.

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**TO:** Budget Committee Members

**THROUGH:** Keith Stahley, City Manager

**FROM:** Josh Eggleston, Chief Financial Officer

**SUBJECT:** Additional Responses to Committee Member Questions

**SUMMARY:**

Committee members have reached out to City departments with excellent questions. In the interest of sharing information and increasing understanding, the questions and responses are compiled in this document.

**ISSUE:**

Responses to member questions through May 9, 2023.

**RECOMMENDATION:**

Information only.

**BACKGROUND:**

1. How many vacancies are there currently? Is there a policy for filling vacant positions within a time frame? What happens to the funds if a position is not filled?

The City does not have a policy for how quickly a position must be filled. When positions are vacant, departments are impacted by the lack of resources and are motivated to move forward with the recruitment request. Departments are not operationally able to keep positions open to meet budget needs and their service requirements. Challenges to filling positions include:

- Time to Recruit
  - Hiring departmental staff are challenged to find time away from their regular duties to create job announcements, determine how applications will be reviewed, determine application testing methods, review qualified applications, schedule interviews, hold interviews, make offers, and process the conditional elements of hire (depending on the position this is a multi-step process). The process to hire is extensive and includes the need to meet all regulatory requirements to ensure a fair and equitable process for all.

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- Internal Resource Constraints and Processing
  - In the last two years, the City's recruitment needs have increased dramatically with retirements, turnover, and post pandemic efforts to supply programs to the community that increase the need for seasonal, part-time, and volunteer staffing. Without the current staffing level, the Enterprise Services Department cannot meet citywide recruitment needs. The addition of a Limited Duration Talent Acquisition Specialist in the Human Resources Division in September 2022 has helped to meet the need and focus on process improvements. This position has been requested in the budget to become permanent and without it, the time to hire will increase significantly. With the current staffing level, the Talent Acquisition Team has also been able to focus on proactive recruitment methods that require time to attend events and meet with partners to identify and recruit qualified applicants, especially in difficult to fill positions such as fire fighters, police officers, and engineers. In order to further speed up the public safety recruitment process, an additional dedicated resource with a complete focus on Police and Fire recruitment is needed in the Talent Acquisition Team.
  
- Challenging Employment Market
  - All industries have experienced difficulty hiring, especially public sector. While applicant pools have improved in the last few months due to the efforts of the Talent Acquisition Team, some positions continue to experience issues with attracting qualified candidates. Our proactive recruiting methods include dedicated Talent Acquisition staff, partnerships with department recruitment teams, community career fair and event attendance, university and community college outreach, job posting sponsorships, and hands-on candidate coordination. Difficulty in hiring is often the result of one or more of the following: competition within the market, low applicant pools, insufficient qualified candidates, interview withdrawals, failed background reviews, and unaccepted offers due to competitive pay and/or benefit packages. Recruitment efforts will be impacted by reductions in benefit packages.

### *Current Vacancies*

The table below is a summary of current General Fund positions that have been vacant for over eight months. The vacancies reflect a tight labor market, particularly for police officers and part time positions.

**Current General Fund Vacancies Over Eight Months**

<b>Department</b>	<b>Positions</b>
Police	8
Fire	2
Enterprise Services	2
Community and Urban Development	2
Legal	1
<b>Total:</b>	<b>15</b>

The following table displays all current General Fund vacancies as of May 5, 2023. This data reflects the same vacancy trends as above, including additional Police and part-time positions.

**All Current General Fund Vacancies**

<b>Department</b>	<b>Positions</b>
Police	27
Fire	13
Community and Urban Development	10
Community Services	9
Enterprise Services	6
Finance & Court	4
Legal	2
City Manager's Office	1
<b>Total:</b>	<b>72</b>

*Personnel Savings Policy*

Although there is not a policy for how long it takes to fill a vacant position, it is not allowable for a Department to purposefully maintain a vacancy as a means of savings generation. However, the City does have an internal policy for department requests to use personnel savings that occur from vacant positions that do occur. The policy allows for the use of personnel savings (either generated by vacancies or other means) for the primary use of:

- Temporary overtime, seasonal, or contracted personnel expenses to maintain operations if impacted by the vacancy.
- Recruitment costs for re-filling vacant positions.
- Paying leave accrual balances for employees leaving City employment (if applicable).

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Use of savings can also be to purchase one time material expenditures. For example, there has been personnel savings experienced in the Facilities Division this fiscal year. The Facilities Division put in a request to use those funds to purchase new doors for the Salem Public Library which was approved.

Requests are first submitted to the Budget Office who reviews to make sure it fits with the above criteria, then confirms if there are enough personnel savings to pay for the request before providing a recommendation to the City Manger for consideration and approval. Proposals that are non-recurring, build capacity or create efficiencies are prioritized.

If a position is not filled and there is not a one-time project or special instance to use personnel savings within a fiscal year, then the funds authorized for the position roll into the working capital, or fund balance, of the fund at the end of the fiscal year. The City as part of its budgeting and monitoring exercises assumes organic personnel savings (vacancies, retirements, etc) to ensure accurate cash forecasting across all funds.

2. What would it take to develop an efficient way to exempt low income residents from both the operations fee increase and the payroll tax, while reaching the revenue targets assumed in the budget:

#### *City Operations Fee*

The City could add a low income discount for the City Operations Fee. The most efficient mechanism (for the City) would be to continue to have a third-party qualify applicants. A few considerations:

- The City currently has a discount for those that are senior **or** disabled, **and** low income. There are 625 accounts enrolled in the program within the City limits that don't pay the City Operations Fee.
- Implementation would need to be after the go live for the new utility billing software – spring of 2024. The current system does not have any additional capacity for another line on the bill.
- The overall rate increase would need to be more (or the payroll tax higher) to offset the revenue loss from the discount program.

#### *Employee-Paid Payroll Tax*

The City could implement the tax with a tiered structure that reduces or eliminates the rate for low income tax payers. This would increase the overall rate to maintain the same level of revenue. It would also increase the complexity of the tax to administer by the City and for employers.

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3. What would it take to have the payroll tax in place beginning July 1, 2024, an action that appears to keep the budget in the green through FY 2028?

The City Council would need adopt a payroll tax ordinance by the end of June 2023 and approve the FTE to administer the tax. This is still an aggressive timeline and there could be delays depending on recruitments, software implementation, and the administrative rulemaking process.

4. What would it take for the city to assess the revenue potential of taxing the unearned income of Salem residents and to develop a plan for levying the tax?

The data to get to that level of detail is not available, taxpayer data is confidential. The City would need to implement a tax that takes into account unearned income. This would need to be structured like an income tax with an annual tax return process for each individual who works or lives in Salem. The administration of such a tax would be much more complex and costly.

5. Would the Budget Committee's decision-making benefit from the information that will be shared with the City Council at its May 15 work session on revenue options?

Additional information is always a benefit; however, the City Council will be discussing policy issues regarding the specific structure of potential revenue options. They will also not be making any final decisions at the work session. The impact of this discussion will be greater on the future years of the budget.

6. What would it take for the city to develop a plan to use restructuring to address the part of its FTE shortfall that can't be solved with added revenue?

The additional revenue is currently proposed to cover the existing deficit and add some new services. If your intent is to address that larger deferred need (307.5 positions), restructuring (reductions) would increase that need. Past restructuring and reorganizations have contributed to the large, deferred need.

7. Is the number of FTE for each department or result area authorized as part of the Budget Committee's vote to recommend a FY 2024 budget? I know FTE is shown in each result area section, but I'm not clear if that number of FTE is authorized by a budget vote and cannot be increased by a Dept head or City Manager.

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The number of career positions is recommended by the Budget Committee and authorized by the City Council. The career position count cannot be increased by the City Manager or a Department Director, however seasonal or limited-duration positions can be if the funds are available. If there is a need for a mid-year career addition, we take a report to Council for the position authority.

8. Can you provide a breakdown of ALL projected FY24 expenses related to the airport and getting it ready for commercial air service, plus funding source.

Airport program costs can be found on page 160 of the City budget book. Here you can see the 5 new FTE that were added mid-fiscal year 2023 to support the implementation of commercial air service, but FY 2024 is the first year these positions and associated costs show up in the budget document. The cost of the positions is estimated at \$652,290. A transfer from the General Fund to the Airport Fund to pay for the actual cost of these positions is included in the FY 2024 budget.

There is \$282,150 in funding included in the construction budget for terminal building renovations (page 214) in case the project was not completed this fiscal year. After the City Manager's presentation at the Council meeting last night (May 8<sup>th</sup>), it sounds like the project will be completed so there could be excess budget authority in that cost center.

The Airport Financial Summary (pages 266-268) shows the revenue and expense costs by account for the Airport. Here you can see the overall increase in personnel costs. You can also see new fee revenues related directly to commercial air service.